Asia Pacific Business Review

ISSN: 1360-2381 (Print) 1743-792X (Online) Journal homepage: http://www.tandfonline.com/loi/fapb20

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Asia Pacific Business Review
Vol. 15, No. 1, January 2009, 29–40

Restructuring retailing in Korea: the case of Samsung-Tesco

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(*Received 20 September 2007; final version received 10 August 2008*)

This study deals with the restructuring of retailing in Korea during the last decade. The retail sector was a closed market, lagging the advances in the manufacturing sector, until the later 1990s. The retail market in Korea has become rapidly internationalized particularly due to the entry of European multinational retailers. More specifically, we investigate the market entry and growth strategies of Tesco. International firms have differed in their approaches and the joint-venture strategy of Tesco and especially its explicit attention to organizational culture is examined. While other international firms have now quit the country, the joint-venture firm has become the second biggest in a rapidly growing sector. Retail firms developing in the future in Korea or elsewhere in the region may need to consider similar strategies.

Keywords: culture; joint-venture; Korea; retail; Samsung; Tesco

Introduction

Korea's case is a good example of the rapidity of recent developments in retail internationalization in East Asia. The Korean retail sector had been a closed market, lagging much behind the impressive advances made in the country's manufacturing industry (Sternquist 2007). Progress was very slow until the mid-1990s, after which time the retail industry began to take impressive strides towards advancement and liberalization. The Korean retail market after the mid-1990s, to a great extent, has been influenced by two main drivers: the Korean government's agreement to full-scale liberalization with the implementation of the GATS (General Agreement on Trade in Services) and the economic crisis of 1997 which induced extensive economic reforms. As foreign retailers began to enter the domestic market from the early 1990s, retail formats increasingly diversified and competition between similar and dissimilar retail formats has considerably intensified.

There has been a surge of international activity in retailing since the late 1980s as West European and American discount stores including hypermarkets and category killers have pushed internationalization as the basis of their growth strategies (Dawson 1994, 2001, Evans and Mavondo 2002, Severin *et al.* 2001). East Asia has become one of the major destinations of internationalization for such firms especially since the mid-1990s (Mulhern 1997, Davies 2000, Schmekel and Larke 2002, Shiu and Dawson 2002). Rapid growth of middle-income consumers, under-development of efficient retail formats and, in particular, deregulated market environments caused by the 1990s Asian economic crisis seem to constitute pulling factors for the entry of Western retail firms into Asian markets

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ISSN 1360-2381 print/ISSN 1743-792X online

DOI: 10.1080/13602380802399312
http://www.informaworld.com

(Davies 2000, Dawson 2000). For the last two decades, retail internationalization has gathered pace as companies have sought growth opportunities outside their home market.

This study aims to investigate the market entry strategy of Tesco (from the UK) in the Korean market, with some comparisons with the company's competitors of Wal-Mart from the US, and Carrefour from France. We begin with a brief theoretical background on retail internationalization, and then examine the case. We end with some conclusions about the implications of the relative success of the different companies.

Literature review: internationalization of retailing

For the last two decades, retail internationalization has gathered pace as companies have sought growth opportunities outside their home market. Commensurate with this rise in retail activity has been the proliferation of literature concerned with retail internationalization (Alexander 1997, Sternquist 2007). The main issues in the extant works can be categorized into three: direction of international activity; the motivations behind internationalization; and the entry strategy and degree of customization in targeted markets. In each category, relevant issues are raised which help in understanding the rapid development of retailing in South Korea.

The first issue concerns the directions of international activity. A large number of works have focused upon investment flows of specific retailers as they internationalize their operations (Petersen and Welch 2000, Gielens and Dekimpe 2001). The case study approach is strongly evident in the literature and tends to be associated with unique trading formats (Davies and Yahagi 2000). These retail formats include hypermarkets (such as those of Carrefour of France), factory outlets, warehouse clubs (for example, Costco of the United States and Makro of Netherlands) and category specialists (IKEA from Sweden and C&A from the Netherlands). There are a limited number of studies that take a holistic approach to measuring the international activity of a wider range of companies in retailing (Dawson 2000). A number of studies suggest that companies prefer low risk entry strategies and favour markets that are geographically and culturally proximate to their home market (see Anderson and Gatignon 1986, Kogut and Singh 1988, Welch and Welch 1996, Barkema and Vermeulen 1998). However, a study by Howard (2000) focusing on European retailers approach to Asian markets emphasizes the attractions of entering markets, such as South Korea, which are seeing more rapid economic growth than those in Europe, despite the cultural and geographical distance from home markets.

A second stream of work concerns motivations behind retail internationalization (Doherty 1999). A variety of case studies have elaborated upon the management decisions involved in 'going international'. The so called push and pull factors are regularly cited as reasons for internationalization, that is limited opportunities in domestic markets due to regulatory constraints, saturations, and unlimited opportunity in foreign markets amenable to the retail offer, respectively. Alexander (1997) and Sternquist (2007) have been critical of the simplicity of the push/pull categorization. These authors have undertaken empirical research on the motives for internationalization and concur that the retail investment decision is complicated and companies approach internationalization reactively or proactively. A majority of department stores are classified as reactive. On the other hand, category specialists and European hypermarkets, in particular, can be seen as proactive retailers. Wrigley (2000) has re-framed the discussion in terms of the development of dominant firms in European countries able to use their domestic scale to secure free cash flow for expansion in new markets. Even though retail business is very much local in nature, proactive retailers tend to develop strong ambitions toward globalization

(Dawson 1994, Petersen and Welch 2000). Recent entries of European retailers in East Asian countries may be seen as examples of these ambitions. Furthermore, the availability of capital during the Asian financial crisis of the late 1990s may be seen as crucially important in explaining the rapid restructuring of the Korean retail industry.

Thirdly, entry strategies and customization in target markets have drawn attention. The motives for internationalization are strongly linked to the target markets chosen and the method of market entry (Anderson and Gatignon 1986, Kogut and Singh 1988). The category specialists such as IKEA of Sweden and Toys'R'Us of the United States have tended to opt for organic growth (greenfield investment) so that they can replicate their successful formats in new markets. Therefore, it may be that there is a link between entry strategy and standardization of retail offer. The replication of retail concept may be seen as confirming Levitt's original idea of the globalization of the market (Levitt 1983). However, retail and manufacturing internationalization are different, retail markets are local markets and all retail must be localized to some extent (Dawson 2007). The question is more about the kind and degree of localization than whether it happens. In East Asia, retailers need to tackle a diverse range of regulatory environments, consumer factors and cultural issues (Lamey 1997, Luo 1998). However, more and more people travel abroad in the region and foreign brands have become highly sought after (Severin *et al.* 2001). Leknes and Carr (2004) have pointed out that a simple distinction between global or adaptive retail strategies is inadequate, and that there are more subtle distinctions in terms of geographic and sector scope, entry mode, international integration, and standardization of offer and activity. Their work assessed the relationship of such differences with financial return; relatively few studies so far have continued in this vein, but a number have begun to appear which study internationalization as a process, rather than an event. In particular there have been studies of failures and withdrawals from new markets (Palmer and Quinn 2007).

In the light of these studies, the current research contributes to the deepening of our understanding of what a policy of adaptation or localization may mean in practice, with a specific look at Tesco-Samsung in Korea. It is based on industry data, company material and interviews with senior managers in the company in Korea during 2006 and 2007. The question which drives our investigation is how a successful new business has been built in Korea, through a joint-venture between a domestic and an international operator.

Korean retail market

Throughout its history, the Korean retail sector has been characterized mainly by family-operated 'mom-and-pop stores'. This type of store has an average space of $10\,m^2$ and employs fewer than two people. Since these stores constitute a very large proportion of total retail employment and major retail shares, they have pushed down productivity, a persistent problem in the industry.

The Korean retail market after the mid-1990s, to a great extent, has been influenced by two main drivers: the Korean government's agreement to full-scale liberalization with the implementation of the GATS (General Agreement on Trade in Services), and the economic crisis of 1997 which induced extensive economic reforms. The Korean government began a series of three-year plans in 1988 designed to improve the efficiency and productivity of the retail and distribution industry. One of the major objectives of these plans was to open up the domestic market. The first stage of this process occurred in 1989 when regulations on the establishment of foreign companies' subsidiaries and the inflow of foreign direct investment (FDI) were eased. From 1991, foreign retailers were permitted to establish stores at a maximum size of $1{,}000\,m^2$ as prescribed by the second stage of the open-up policy. Despite these efforts aimed at opening up the market, the number of newly arriving stores amounted to merely 10 during this stage (Suh 1999). The regulations on the number and size of retail outlets of foreign companies were further relaxed in the third stage of the programme beginning in 1993, when foreign companies were allowed to open up to 20 stores with each store not exceeding 3,000 m^2. It was not until 1996 that foreign direct investment (FDI) into the Korean retail and wholesale market was completely liberalized. Korea's path toward full internationalization has been relatively slow compared with other countries in the region. Among Asian developing economies, Hong Kong and Singapore can be categorized as fully open markets in the retail industry. Taiwan's distribution sector was fully liberalized in 1986, ten years earlier than Korea.

Korean retail trade remained almost exclusively a domestically owned and operated industry until the early 1990s. In this situation, competition between retailers was severely lacking. However, as foreign retailers began to enter the domestic market from the early 1990s, retail formats have increasingly diversified and competition between similar and dissimilar retail formats has considerably intensified. Through its market opening, Korea's retail sector has witnessed the emergence of various modern retail formats which better meet the diversified needs of consumers. Most affected by the change is the middle income group, whose purchasing power was enhanced significantly from the late 1980s when the economy took off. Increased disposable income also reflects changes within the demographic composition of the country. New formats are now steadily replacing conventional markets, mom-and-pop stores, and old-fashioned department stores. Table 1 shows the rapid growth of the new formats.

The department store sector, forming the only competitive modern retail format in Korea until the early 1990s, has enjoyed more than 20% annual sales growth over recent decades. However, reflecting the intense competition after full-scale market opening in 1996, more than 20 individual department stores have gone bankrupt, including 'New Core', the biggest department store chain, and 'Midopa', one of the oldest department stores in Korea. In addition, department stores outside Seoul have lost their competitiveness and are expected to face great difficulties in the coming years. The present competitive situation implies that only department stores owned by the large business groups (such as Lotte and Hyundai) are likely to survive in the future, owing to their financial stability and the economies of scale. Instead, the Korean retail market is now being led by the so-called 'discount stores' such as hypermarkets, supercentres, Membership Wholesaling Club (MWCs) and category killers (large-scale discount speciality stores) that have been springing up over the past 10 years. These retail formats have enjoyed rapid growth despite the economic recession and intense corporate restructuring, as Table 2 shows.

Table 1. Change in market structure.

	Sales by channel (billion won)	
	1996	2006
Discount stores	2.50	23.5
Department stores	12.4	17.1
Online shopping	0.03	7.90
Supermarkets	5.50	7.30
TV homeshopping	0.58	4.98
Convenience stores	0.90	4.40

Source: Woori Investment & Securities Co.

Table 2. Growth of discount store sector.

	Number of stores	Sales (billions won)
2000	163	10.5
2001	198	13.8
2002	232	17.4
2003	250	19.5
2004	276	21.5
2005	307	23.5
2006	342	25.4

Source: Korea Federation of Small and Medium Business 2006.

In response to the influx of foreign retailers and the emerging competitive atmosphere within the retail industry, Korean retail companies in every region began renewing their businesses. The arrival of foreign retailers and the introduction of new retail formats in Korea intensified competition between new and existing retail formats. In the ongoing competition, discount stores have taken up a sizeable market share from department stores and conventional outdoor markets.

This market opening may be expected to have improved Korean retailers' management practices through knowledge transfers and by exposure to the world's best practices. For example, Shinsegae, partly through co-operation with Costco from the US, has developed new style outlets. Costco was the first major foreign entrant, establishing a joint-venture with Shinsegae Department Store to create Korea's first major discount store in Seoul: Price Club Korea. Until the Asian financial crisis three years later, the two partners learned from each other. Shinsegae became familiar with the warehouse format of super stores and Costco learned about Korean retailing. The two companies then split apart with Costco buying out most of Shinsegae's interests in the three existing stores for $94 million.

While Costco failed to meet its plan to expand to a total of 10 stores, its Seoul store became its most profitable single store worldwide, specializing in the retail of imported goods at low prices. Shinsegae, Korea's oldest department store, launched E-Mart, a hybrid of Costco operation and what might work best in Korea – listening to Korean consumers who liked the cheap prices but felt uncomfortable with bulk purchases. E-Mart offered discounted pricing in smaller quantities and in a familiar shopping environment similar to conventional department stores rather than warehouses. Furthermore, E-Mart, like other Korean discounters, offered more fresh food and featured special instore events. Korean discounters also tend to provide additional retail experiences such as fast food outlets, food stalls and full restaurants. This approach appears to have helped the domestic

Table 3. Top four discount store brands.

			Sales 2006	Sales per store
Store Brand	Company Owner	Number of stores	(Million won)	
E-Mart	Shinsegae Dept Stores	110	8100	73.6
Lotte Mart	Lotte Shopping	52	3300	63.5
Homeplus	Samsung-Tesco	51	4600	90.2
Homever	Eland Corporation	32	1700	53.1

Source: Korea Federation of Small and Medium Business 2006.

operator to resist the competition of the international retail firms and become number one in the sector, and the second largest retail group overall, after Lotte, in the country. Two of the international challengers in the sector, Carrefour and Walmart, have now withdrawn from Korea. The third, Samsung-Tesco however, as we shall see, by taking a strongly adaptive approach, has developed to become the third largest retail firm in the country.

Carrefour opened its first Korean store in 1996. Their strategy was a hardline global strategy with a strong emphasis on rolling out its standard hypermarket format, considerable headquarters control and a core French staff (Choi 2003). It eventually had 32 hypermarkets and 24 malls attached to the hypermarkets but in April 2006 it sold its insufficiently profitable chain to E-Land, the fifth largest local retailer. Wal-Mart also sold its Korean stores in 2006, eight years after entering the country, to Shinsegae. Cultural incongruities (Shalfi 2006) were responsible; it had developed only 16 outlets in the country and had apparently failed to meet local consumer expectations. Table 3 shows the situation by 2006.

Samsung Tesco

Background

Tesco's approach has been different, based on a joint-venture. After reaching a position of great strength in the distribution sector in the UK, and taking steps into central Europe, Tesco planned to enter the East and Southeast Asian markets. It first entered Thailand via an investment of $350 million and it then needed a platform for regional expansion and entry to the Chinese market and that platform was Korea. In 1998, the market price of companies in Asia had dropped rapidly due to the financial crisis: North American and European companies began to hunt for Asian companies. British companies were among the most aggressive purchasers.

In March 1994, after separating out from Samsung Group (chaebol), Samsung Corporation had entered into the retail business. There was little doubt that Samsung Corporation could be very competitive because of its well-recognized management skills and capital. However, just at the time it opened its first stores (Homeplus Taegu, Samsung Plaza Bundang, Samsung Plaza Seoul) in 1997, the financial crisis broke out. Plummeting consumer confidence and the viciously high cost of financing placed Samsung Corporation a step away from bankruptcy: accumulated loss during 1998 was KRW249 billion (approximately US$200 million). To overcome this unprecedented difficulty, Samsung Corporation began to restructure its business and downsized the organization while searching for a breakthrough strategy. Recognizing that the retail business was too attractive to give up, Samsung Corporation decided to seek foreign investment.

Tesco was looking for a company that was worth taking over in Korea and Homeplus of Samsung Corporation was looking for a foreign partner for raising foreign capital. The search for Samsung was geared by the recognition that it could not survive the competition with multinational distribution companies already in place in Korea, without new investment. At the same time, after successfully establishing its business in Thailand, Tesco PLC was also looking for a partner that could provide strong local background in a new country as well as the capacity of creating synergy in order to develop a regional network beyond Thailand.

Formation of a joint-venture

Samsung Group began to identify foreign partners to provide capital and tried to contact large-sized distribution companies worldwide. According to our interviews, they found that many multinational distribution companies were suspicious of the economic and retail situation in Korea. Furthermore, like Carrefour and Wal-Mart, they wanted to develop their own ventures and replicate their formats. They were not seeking a full Korean partner. On the other hand, Tesco was interested in entering the Korean market and was very open about its approach to the local partner. This open stance of Tesco enabled the formation of a joint-venture. The companies agreed to divide administrative power equally between the two of them.

Tesco and Homeplus of Samsung Corporation entered into negotiations from August 1998. According to our interviews, the negotiations were smooth since both companies had collected a large amount of data concerning each other. By the beginning of 1999, discussions focused on the details of the joint-venture and a negotiation team from Tesco visited Korea. Central aspects of negotiation included whether or not to include the department store division (Samsung Plaza) of Samsung Corporation in the joint-venture. Tesco was more interested in the discount or value store chains than the department store division. Mr Hyeon, vice president of Samsung Corporation, and Mr Reid, chairman of Tesco concluded a contract in Seoul to hand over 51% of its share in the distribution division of Samsung Corporation to Tesco. Samsung Tesco Corporation was registered and officially launched in May 1999. Samsung at that stage had 49% and Tesco 51% share in the joint-venture. Samsung received $250 million for the shares from Tesco. Samsung-Tesco was able to clear out all debts and rehire all of 1,137 workers who were laid off during 1998.

It was also agreed that when additional capital was needed for business expansion, Samsung Corporation would sell an additional 30% of its holding. In the joint-venture, both companies agreed to maintain the current executives, notably the CEO Seung-Han Lee and the current directors. Tesco took over an additional 30% of Samsung Corporation's share in July 1999 and bought another 8% in 2002. Therefore, Tesco now holds the majority of the shares. In the joint-venture, Samsung is accountable for finance and marketing while Tesco is mainly in charge of operations. It is very striking, however, that the stores operate under the Homeplus fascia and have not been re-branded Tesco. Nor indeed do the stores resemble the superstore or grocery focused stores which were its core developments in the UK. In addition, there has been careful work to develop an organizational culture which aims to avoid difficulties in operating the joint-venture. It might be argued that 'the way we do things', otherwise known as the company culture (Schein 2004), is what has enabled Tesco's success elsewhere; yet the need to 'do things differently' is a necessity in developing a joint-venture and where the retail offer must be localized. The joint-venture company has taken a quite different approach from that of their international rivals.

The Strategy and Planning Division of Samsung-Tesco evaluates the merger a success for two reasons. Both sides emphasize partnership: Samsung has a business philosophy of co-existence along with a high regard of trust for employees and suppliers. Tesco also has a corporate culture that highlights partnership. In their partnership, the first advantage was financial. The merger not only saved Homeplus from bankruptcy but also guaranteed Samsung-Tesco a subsequent investment of US$170 million (KRW200 billion) to dominate the market. The second advantage was access to the advanced management skills and IT technology to compete with other world-class rivals such as Wal-Mart, Carrefour and Costco who had also entered the market. Samsung-Tesco Homeplus began with just two stores when it first inaugurated its business in 1999. At the time of writing it has become the market challenger, in second position in the sector next to E-Mart. By 2007 it was operating over 90 outlets (50 large stores, plus a series of smaller stores developed very recently) and 2006 sales were over KRW4.1 billion (US$4.3 million).

Adaptive growth strategies of Samsung-Tesco

Several aspects of the competitive strategy of Samsung-Tesco are identified internally: most important of all is the value store at its core, followed by localization that covers a new organizational structure and culture.

At the core of the strategy lies a concept called Value Retail Store. There exist various formats for retail distribution businesses according to the ideology of the company, philosophy of management, company policy, strategy and so on. Samsung-Tesco Homeplus is a new concept discount store, developed specifically for the Korean market. It is not a format imported from elsewhere by Tesco. It is differentiated from the remaining Korean discount stores, GMS, department store, and category killers in that it sells products with lower prices but, in addition, it pays attention to environment, ambience and service which most discount stores are indifferent to. Thus much effort is given to enabling customers to shop in an atmosphere similar to department stores, but at discount prices. As one senior manager put it:

> We are providing the product that customer most put in their cart 3–5% lower than the competitors … we are maintaining quality by selecting only the products that have passed the qualification test from the quality science research center, [which is an] affiliated research institute approved by Korea Food and Drug Administration.

Despite the pricing, Homeplus is described as a value store, not a discount store, providing a ‘one stop living’ service to its customers. The concept is that the store should not be just a space for shopping but it should be a space where customers can resolve many matters concerning every day living. The store is filled with convenience facilities from a city government office and civil affairs office to a culture centre, bank, cafe, food court, medical centre, pharmacy, dry cleaner’s, travel agency, eyeglasses shop, hair salon, flower shop, repair shop and children’s playground. There are wide and open parking lots. Tesco also runs a series of ‘edutainment’ programmes including for instance cookery, ballet and IT classes and entertainment events. Two hundred courses were offered over one winter in the Yeongdeungpo store in Seoul, for example.

> When competitors were indifferent to convenience facilities, only considering the effectiveness of store, Samsung TESCO considered security of customer’s loyalty as top priority for long-term business (interview, senior manager).

Contrasts with, say, Wal-Mart stores were emphasized in our interviews. Wal-Mart deals more with manufactured goods rather than daily necessities and it provides wide and open aisles so that customers can enjoy comfortable shopping in the American way. However, Koreans like to shop at crowded places and the main items they shop for are necessities.

A second reason given by our interviewees for the rapid growth of Samsung-Tesco is their attempt to develop a ‘glocal’ (global and local) administration, arguably the first in the distribution sector. CEO Lee advocates combining localized marketing and globalized systems and operation. Homeplus has imported Tesco’s business model, its balanced scorecard approach to performance management, its innovation programme and its operating systems, but also consciously tried to develop a hybrid organizational culture.

In managing the development of the joint-venture and a successful organization, managers have emphasized similarities between the UK and Korea. These similarities may be more symbolic than real, but symbols are of course key attributes of organizational cultures, and the attention paid to developing a hybrid culture, dominated neither by Samsung nor by Tesco (despite the dominance of Tesco ownership) is interesting. It is said internally in Homeplus that American systems are hard to apply to Korea due to the different scale of the American economy. On the other hand, the UK is about the same size as Korea thus it has suitable distribution systems for Korean conditions. In comparison with the short history of United States of just 200 years, the United Kingdom has a longer history than Korea. The United Kingdom is divided into the four countries of England, Scotland, Wales and Northern Ireland. Korea was once divided into three independent areas of Silla, Baekjae and Goguryeo. It is now divided between North and South Korea. Both countries are surrounded by the sea. Although Britain is an island and Korea a peninsula, both countries are a similar shape. The area of the UK is about 2.5 times that of South Korea but when that of North Korea is added, both countries are about the same size. As the shape and the land area are similar, so are the distribution systems.

Further symbolic value is gained from another acknowledgement of the British connection:

> When you go to Homeplus store, you can see the exterior of the store is in the shape of a clock tower and this is constructed after the Big Ben at the English Parliament. Where as [this] is political parliament, it contains the meaning that Homeplus store is the parliament of customer in which customers make their own decision (interview, senior manager).

Behind this description we can discern the introduction of the strong Tesco practice of a customer-focused operation.

Homeplus claims a unique organizational culture called ‘Shinbaration’. It explicitly recognises that the two sides of the venture come from different cultures: the recognition is itself important and helpful. Celebrating what is common (for instance the geographical matters above), managers and especially the CEO have attempted to promulgate an explicit set of values which are described as the best of each national culture and combined into a new organizational culture. Company documents, internal posters and training activities recognize the Shinbaram culture of the east and the Rational culture of the west, and the combination is labeled, ‘Shinbaration’. Shinbaram implies a strong sense of community in the workplace, a cheerful environment, enthusiasm for work, a self-sacrificing spirit for individuals, team orientation and a flexible approach. The Rational culture is described as emphasizing professionalism, an industry orientation, reason and rules (we do not claim here to describe Korea or any other culture in depth, but rather report the way that culture is described in the company). Many development activities internally focus on the Shinbaration concept.

Some specific activities attributed to the influence of the two different cultures are as follows. Acknowledging the Shinbaram culture are the development of social clubs; fostering community spirit with a soccer league and a singing contest; granting mileage allowances for staff travel; giving incentives for long-term service; and developing a personal praise system. The Rational culture is seen in: the introduction of a five working day and family vacation system, a first for the industry; changes in the reporting and meeting culture; the advanced working system or store operational system; an organized system of delegation of authority and acceptance of responsibility at various levels.

Implications

The primary implication of our findings is that a joint-venture approach has enabled more rapid and successful development than a direct market entry and organic development strategy, in this particular context. This is despite the greater experience of the direct entrants in developing and running hypermarkets and large format discount stores. Domestic retailers in the region were at a competitive disadvantage to international retailers, once the economy was opened to foreign investment. Yet, Korea is not now dominated by foreign firms. Tesco and Samsung's joint-venture strategy has succeeded where other approaches have not. The most obvious explanation of the value of the local partner to the international operator is that the domestic retailer has the relationship capital which the foreign firm lacks. That capital takes the form of tacit knowledge and established relationships. Despite the apparent dominance of Tesco's finance and systems in the joint-venture, there is a Korean chief executive and only two members of the Board are expatriates. Most decisions are made locally. The understanding of local consumers is one obvious area where this is important. Crucially, Tesco has been able to access this asset, not simply by forming the joint-venture, but because of the way the venture has been managed. We suggest that the attention to internal organizational culture has enabled the Tesco-Samsung venture to succeed, whereas most merger and acquisition activity fails to deliver the expected benefits (Hubbard 2000, Woolvern and Whitehead 2000).

Most of the retail literature on adaptive strategies focuses on consumer culture and adaptation of product to the market. Our findings lead us to the proposition that adaptation of the organization, which enables the merger of two sets of retail knowledge and the creation of a competitive format for the market, may be just as significant. There is further work necessary to explore the relationships. It may be that the important relationship is between process and outcome: the process of discussing culture, which implies a considerable commitment to employees, tending to create a committed and responsible workforce, which in turn may relate to superior performance, especially in Korea (Lee and Miller 2001). On the other hand, the culture itself, the fusion of east and west, may be the success factor in establishing a global retailing business in rapidly developing Asian economies.

Conclusion

It may well be that there are more aspects of the growth and development strategy of the company contributing to its success which could be contrasted with the approach of the international competitors who have now withdrawn from the market. For example, relationships with manufacturers and suppliers are key in developing an efficient supply chain which can deliver reliability and above all low prices. Difficulties here have been attributed to Wal-Mart and Carrefour (Suh 2004). Samsung is of course embedded in the Korean economy and can bring its relationship capital to the joint-venture. Site selection and store development are crucial: Homeplus has been successful here. A full comparative, quantitative study of strategies would be a worthwhile direction for retail research in the region. This short case study has suggested a proposition that may be worth examining and offers some food for thought for those interested in developing retail businesses in the region.

Note

Since the time of writing, Tesco-Samsung Homeplus has grown further to become the largest retailer in its sector in South Korea.

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