Entry Strategies to Overseas Markets

by Large Discount Stores: Cultural Perspective

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<Abstract>

The main objective of global strategies of multinational corporations lies in a balancing act of standardization and localization. In the process of localization understanding and proactive preparing for the cultural differences is very important. Especially in the retail business localization precedes in importance ahead of globalization.

This research paper takes a case study approach in how globally known multinational discount stores such as Walmart, Carrefour, Tesco, and Costco coped

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with local culture issues as they entered foreign markets, i.e. the Korean market. The companies were analyzed in seven categories such as the entry mode, company name and executive members, characteristics of consumer behavior, issues on space layout, pricing and service culture, performance evaluation culture, standardization of state-of-the-art management system and their localization and social sentiment. The analytical results indicate that Walmart and Carrefour pulled out their businesses as they failed to resolve issues related to local cultural. On the contrary, Tesco has been successful in assimilating with local cultural and remains as a vibrant entity.

Key words: standardization, localization, cultural differences, large discount stores.

I. Introduction

Globalization is promoted by emphasizing the economies of scale, technological development, convergence of consumer demand, and lowering trade barriers, which has forced multinational corporations to strongly consider the issues in globalization in formulating business strategies when they enter overseas markets. In turn, this type of globalization has developed into a important area of international business studies. Even when large multinational companies enter overseas markets, in some markets they succeed and in others they fail, which have allowed researchers to study factors that influence the outcome of overseas market entry efforts and to formulate theories in predicting the results. Doherty (2007) and Owens and Quinn (2007) state that globalization of retail business has come to an attention of academics since the latter half of the 1990s, they expect more practical and academic research will be conducted in the future. For example, such multinational corporation as Mcdonald falls behind its local competitor, Lotteria, and Dongsuh is ahead of its multinational rival, Nestle. In the Philippines, McDonald has a hard time competing with the local food and beverage giant, Jollibee. In the manufacturing sector, in Japan Proctor and Gamble had overlooked the cultural differences and had a difficult time in increasing its market