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Longevity of Multinational Retail Enterprises in Foreign Markets: An Empirical Examination

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LONGEVITY OF MULTINATIONAL RETAIL ENTERPRISES IN FOREIGN MARKETS: AN EMPIRICAL EXAMINATION

by

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ACCEPTANCE

This dissertation was prepared under the direction of the **OZLEM TUBA KOC**'s Dissertation Committee. It has been approved and accepted by all members of that committee, and it has been accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy in Business Administration in the J. Mack Robinson College of Business of Georgia State University.

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ABSTRACT

LONGEVITY OF MULTINATIONAL RETAIL ENTERPRISES IN FOREIGN MARKETS: AN EMPIRICAL EXAMINATION

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Committee Chair: *Dr. S. Tamer Cavusgil*

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Although the market exit is a frequent aspect of international expansion, it has remained underexplored in the international marketing literature. In this study, we seek to understand why many multinational retail enterprises (MREs), with capabilities beyond their ordinary counterparts, miscalculate their survival prospects in some of their host countries despite stellar successes elsewhere. Our study addresses the question of what ensures MRE longevity in foreign markets. In accordance with organizational ecology theory, we develop hypotheses that predict the external and internal drivers of MRE longevity. Toward this end, we compiled 224 exit and stay cases on a global scale and employed the Cox Proportional Hazards model for the analysis. Our study demonstrates the significance of international presence, internationalization tenure, internationalization scope, market share growth at home, and market share growth in the host country, network of stores in the host country, and retailer type in explaining the MRE longevity phenomenon. The results of the study have rich implications for advancing theoretical and managerial knowledge in international marketing and retailing.

Keywords: Longevity, Market Exit, International Retailing, Survival Analysis

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CHAPTER 1: INTRODUCTION

"Models of internationalization focusing on growth patterns and development alone are inadequate. At the moment, retail internationalization theory would seem to be covering only one part of the internationalization story."

(Burt et al. 2002, p. 214)

In contrast to manufacturing companies that have conquered overseas markets with a rapid expansion, multinational retail enterprises (MREs) have had difficulty in expanding their global footprint. Even the largest multinational retail enterprises with substantial international sales often miscalculate their survival prospects in foreign markets. It is crucial to have a deep understanding of the reasons behind the slower pace of internationalization in retailing and guide the MREs to benefit from the opportunities of timely globalization.

We claim that retail internationalization is still in its early stages. Rugman and Girod (2003) examined 49 retailers on the Fortune 500 List concluding that only one is truly global whereas 18 of them are purely domestic. They concluded that the focus of even the largest retailers is either local or, at best, regional. Similarly, The Templeton Global Performance Index[1] by Gestrin (2000) ranked retailing near the bottom in terms of the share of foreign assets in total assets with 26 percent. Thus, the main source of revenue

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[1] The Templeton Global Performance Index ranks the world's largest multinationals by the profitability of their foreign operations. Retailing ranked 21st among 27 industries as of 2000. Tobacco (78 percent), soaps (56 percent), and chemicals (50 percent) ranked at the top of the index.

for many MREs still continues to be their home turf.

As of 2015, none of the multinational retail enterprises (MREs) achieved to be present in all five of the world's largest markets (Corstjens and Lal, 2012). Deloitte (2014) reported that 63.2 percent of top 250 retailers operate in foreign markets as of 2013. The average number of foreign countries those retailers operate is restricted to ten with on average 24.3 percent sales revenue generated. A closer look at the top 20 retailers confirms the importance of the home market. As seen in Table 1, seven out of the top 20 retailers operate in less than five countries. Only half of the retailers on the list generate more than 30 percent international sales.

(INSERT TABLE 1 HERE)

The retail internationalization literature contains various terms to refer to multinational retail enterprises including global retailers, retail MNEs, and international retail firms. Since MNE is mostly used in reference to the manufacturing industry, we choose to use multinational retail enterprises (MREs) as a designation that is unique to the retailing industry. Since the international expansion of even the top retailers is relatively limited, we prefer the term "multinational retail enterprise" (MRE) over "global retailer" in the present study. We classify a retailer as a MRE if it has operations in one or more foreign countries.

Despite the acceleration of internationalization in the last two decades, retailing has been largely dominated by potent local players with formidable advantages. Even though multinational retailers are strong players in their home countries, they have had significant challenges in the transfer of their managerial and operational skills to the host markets (Bianchi and Arnold 2004). Therefore, it is quite difficult for a foreign entrant to penetrate into a new market characterized by fierce competition. Having strong local and/or foreign competitors at the time of market entry increases the risk of market exit for the new foreign entrant to a great extent. Yet, there is no consensus on the definition of market exit in retail internationalization literature. Authors have used terms such as divestment, failure, and market abandonment. In this study, we define market exit as the total withdrawal of a multinational retail enterprise from its operational presence in a host market, a definition which aligns with that of Burt et al. (2003).

In contrast to manufacturing firms, many multinational retail enterprises (MREs) exit their host markets surprisingly early despite their resources that would allow them to assess potential problems in their operating environments. Examples of exit are numerous: The giant French retailer Carrefour left Russia within four months in 2009[2]: Wal-Mart quit Germany and South Korea in 2006; Tesco recently had to pull out of US, Japan, and Taiwan while Best Buy withdrew from seven markets in the last five years. One of the most recent market exit in retailing is experienced by Target. After two years of operations, Target wrote off about $5.4 billion dollars to discontinue its Canadian venture[3]. The company left the market by terminating all of its 133 stores and firing 17,600 workers.

[2] French Retailer to Close Its Russia Stores
http://www.nytimes.com/2009/10/17/business/global/17carrefour.html?_r=0

[3] Target to pull out of Canada, close all 133 stores
http://www.icsc.org/sct/newswire/target-to-pull-out-of-canada-close-all-133-stores

Although market exit phenomenon is real, and its characteristics and consequences are substantial enough to merit both conceptual and empirical attention, scant work has been conducted in the extant literature. A simple search of the ABI database reveals only 14 references[4] that relate MRE's market exit, and even those are only indirectly related to the phenomenon. Covering over 200 articles between 1990-2008, one meta-study is indicative of how little attention is paid to market exit (Swoboda, Zentes, and Elsner 2009; Coe and Wrigley 2007).

This is surprising considering the frequency of market exit incidents in international retailing that often result in high sunk costs, reputation loss, and departure of top management teams (Burt, Jackson, Mellahi, and Sparks 2002; Wrigley and Currah 2003; Burt, Dawson, and Sparks 2004). Alexander, Quinn, and Cairns (2005) found that more than 100 retailers left their host country over the last 25 years (1987-2003) after staying in the host market only an average of 4-6 years. Market exits by MREs in the last decade support the trend that this study has identified.

The frequent and costly market exits of multinational retailers led us to ask a very fundamental research question. What enhances MRE longevity in foreign markets? The present study takes the challenge of addressing this research question and contributes to retail internationalization literature by: (i) proposing a comprehensive conceptual framework in accordance with organizational ecology theory to examine both external (host-country related factors) and internal (retailer-related factors) drivers of MRE

[4] This search was conducted with the query defined as "performance" and "multinational retailer" and "failure" as of June 25, 2015 covering the studies published since 1980.

longevity, (ii) providing an empirical analysis of MRE longevity on a global scale by employing the Cox Proportional Hazards model which examines both event (exit or stay) and duration (longevity) simultaneously, and (iii) introducing several new explanatory variables that have not been previously considered in the literature.

In order to provide an empirical evidence on MRE longevity, we compiled a comprehensive dataset of 224 exit and stay cases by 33 MREs on a global scale (68 foreign market ventures). In the present study, we focus on the brick-and-mortars for two reasons: (i) international expansion requires traditional MREs to have a physical presence in the host country and (ii) brick-and-mortar stores are still the main source of revenue in many retail markets.[5] Our analysis of both grocery and non-grocery retailers presents many interesting findings with rich implications that advance theoretical and managerial knowledge in international marketing and retailing.

The remainder of the study is organized as follows. Chapter 2 presents a critical review of retail internationalization literature. Chapter 3 proposes a comprehensive conceptual framework rooted in organizational ecology theory. Chapter 4 explains our research design, data collection, operationalization of the constructs, and the choice of the Cox Proportional Hazards Model. Chapter 5 presents analysis results and Chapter 6 provides a comprehensive discussion on the findings and limitations of the study with directions for future research.

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[5] According to A.T.Kearney (2014), 95 percent of all retail sales in U.S. come from traditional stores as of 2013.

CHAPTER 2: LITERATURE REVIEW

In this chapter, we present a critical review of retail internationalization literature. We identify both conceptual and empirical gaps present in the extant literature and discuss how our study contributes to the body of knowledge in this area.

2. 1 Conceptual Gaps in the Retail Internationalization Literature

The major gap in retail internationalization literature is the lack of comprehensive conceptual frameworks (Salmon and Tordjman 1989; Dawson 1994, 2007; Sternquist 1997; Vida and Fairhurst 1998; Alexander and Myers 2000; Coe and Wrigley 2007). The conceptual frameworks proposed by retail internationalization researchers in the last two decades do not have convergence on any theory (Swoboda, Zentes, and Elsner 2009). For instance, studies on market selection use a variety of theories such as the institutional theory, internationalization process theory, resource based view, and the eclectic paradigm (e.g., Salmon and Tordjman 1989; Sternquist 1997; Vida et al. 2000; Gripsrud and Benito 2005; Bianchi and Ostale 2006; Swoboda et al. 2007). Some studies use the conceptual frameworks proposed in the extant literature (e.g,. Porter 1985; Treadgold 1988, 1990; Bartlett and Ghoshal 1989) without any reference to an overarching theory.

A great majority of studies on retail internationalization performance is not dominated by any theory likewise. Learning theory, resource based view, internationalization process theory, industrial organization and organizational studies perspectives have been used as the theoretical background (e.g., Mellahi, Jackson, and

Sparks 2002; Burt et al. 2002, 2003; Jackson et al. 2005; Jonsson and Elg 2006; Bianchi 2006; Palmer and Quinn 2007; Etgar and Rachman-Moore 2007). Since few studies explored "which MRE went where" on a global scale, internationalization patterns and performance outcomes remained unclear. We need more studies addressing this question to be able to propose comprehensive conceptual models on internationalization performance in retail context.

Studies of retail internationalization generally focus on the front end of the phenomenon, namely, the problem of market entry and operations, rather than market exit. They typically analyze (i) motives of internationalization, (ii) market selection, (iii) modes of entry, (iv) market operations, and (v) internationalization performance (Swoboda et al. 2009; Alexander and Doherty 2010). The selected studies for each research stream can be seen in Table 2.

(INSERT TABLE 2 HERE)

Motives of internationalization was the main focus of the researchers in the mid 1990s. Scholars have extensively discussed the push and pull factors of internationalization (Alexander 1990, 1995; Williams 1992). Differences in the internationalization process of grocery retailers and non-grocery retailers have also been examined (e.g., Tatoglu, Demirbag, and Kaplan 2003; Wigley, Moore, and Birthwistle 2005; Hutchinson, Alexander, Quinn, and Doherty 2007). In early 2000s, studies on market selection garnered considerable attention. Some scholars created market attractiveness indexes considering several factors such as political stability, degree of competition, entry and exit barriers, and market potential (e.g., Burt 1993; Gable, Topol, Mathis, and Fisher 1995; Gripsrud and Benito 2005; Maharajh and Heitmeyer 2005). Market selection was considered a function of geographical proximity and cultural similarity in the majority of the studies (Myers and Alexander 1996; Vida 2000; Sakarya, Eckman, and Hyllegard 2007). Despite the extensive work in the area of market selection, the market/customer segmentation within a host country has remained underexplored (Swoboda et al. 2009).

Much of the literature on entry mode focuses on the manufacturing industry (Zhao, Luo, and Shu 2004; Roh, Cho, Moon, and Lee 2013). Studies on market entry in retailing primarily aim to determine the most prevalent mode of entry with respect to retailer type (e.g., Vida 2000; Gielens and Dekimpe 2001; Swoboda, Jager, and Schwarz 2007). For instance, Lessassy and Jolibert (2002) provided evidence for the use of different entry strategies by grocery retailers with respect to geographical and cultural distance of their host country. Unlike manufacturing firms, service companies, such as retailers, prefer joint ventures to wholly-owned subsidiaries when the home-host country cultural distance is high (Agarwal and Ramaswami 1992; Brouthers and Brouthers 2000, 2003; Zhao et al. 2004; Roh et al. 2013; Czinkota, Marinova, Samli, and Jiang 2014). Need for local adaptation at the time of market entry has been emphasized in several studies as a key success factor in the soft services sector (e.g. Ekeledo and Sivakumar 1998; Kogut and Singh 1988; Erramilli and Rao 1990). In addition to market entry, the impact of entry speed and size on firm performance has also been explored (e.g., Gielens and Dekimpe 2007; Johnson and Tellis 2008).

Market operations is a relatively underexplored research stream of retail internationalization. It has been mainly characterized by descriptive studies on knowledge transfer, organizational learning, market orientation, and standardization/adaptation decisions (e.g., Kacker 1988; Goldman 2001; Gielens and Dekimpe 2001; Bianchi and Ostale 2006). In conjunction with market operations, scholars turned their attention to internationalization performance as retail globalization gained momentum. A great majority of work on internationalization performance focuses on the success and failure factors (e.g., Evans and Mavondo 2002; Goldman 2000; Gielens and Dekimpe 2001; Ghauri, and George 2005; Bianchi 2009). Yet, most of these studies do not examine internal (retailer-related) and external (host country-related) drivers of performance simultaneously (Leelapanyalert and Ghauri 2007).

In this study, we address some of the aforementioned gaps in the retail internationalization literature by: (i) proposing a comprehensive conceptual framework in accordance with organization ecology to examine the role of legitimation and competition mechanisms on MRE longevity and (ii) analyzing internal and external drivers of MRE longevity simultaneously with a focus on both grocery and non-grocery retailers. Since exits from a particular industry are the bases of many studies in the organizational ecology literature, we find this theory particularly relevant to use in the context of international market exits. Next, we discuss the empirical gaps in retail internationalization literature.

2. 2 Empirical Gaps in the Retail Internationalization Literature

From a methodology perspective, we observe that retail internationalization research is largely qualitative in nature. The literature relies primarily on case studies to investigate international market performance. Some of these studies examine a single retailer while others investigate multiple retailers. Examples of the former include da Rocha and Dib (2002), Hernandez (2003), Moore et al. (2004), Rogers, Ghauri, and George (2005), Moon (2005), Jonsson and Elg (2006), Christopherson (2007), Palmer and Quinn (2007), Cairns et al. (2008), Bianchi (2009), Gandolfi and Strach (2009), and Wigley and Chiang (2009). The latter group includes the studies by Amold (2002), Car (2004), Wigley, Moore, and Birtwistle (2005), Bianchi and Ostale (2006), Doherty (2009), Burt et al. (2002), Ryu, and Simpson (2011), and Aoyama (2007).

Retail internationalization literature lacks of comprehensive empirical analysis. There are very few large-scale empirical studies on a global scale examining the internationalization performance of multiple MREs (e.g., Evans and Mavendo 2002; Alexander et al. 2005; Evans et al. 2008b). A great majority of the empirical studies is based on primary or secondary data, focus on a few markets/regions (e.g. Etgar and Rachman-Moore 2007; Burt et al. 2004; Assaf et al. 2012) and analyze either grocery or non-grocery retailers singularly.

Table 3 presents the major empirical studies in the area and draws comparisons with the present study along certain characteristics. It is clear from the table that even the large-scale empirical studies in this area are highly descriptive in nature. To our knowledge, Alexander et al. (2005) is one of the few empirical studies which examines internationalization performance of both grocery and non-grocery retailers on a global scale. The authors use explanatory variables such as market presence duration, divested chain size, and operational format to profile the nature of market exits by international retailers. Evans and Mavendo (2002) and Evans et al. (2008b) are also large-scale empirical studies but they focus solely on the cultural determinants of performance.

Some scholars argue that studies on internationalization and performance relationship have inconsistent findings due to lack of attention to moderators (e.g., Hsu and Pereira 2008; Assaf, Josiassen, Ratchford, and Barros 2012, Bausch and Krist 2007:Kotabe, Srinivasan, and Aulakh 2002). In contrast, Assaf et al. (2012) examined the role of moderators such as mergers/acquisitions, economic congruence between home and host country, firm's age at first international entry, and country of origin on internationalization and performance relationship.

(INSERT TABLE 3 HERE)

In this study, the performance outcome of internationalization is longevity. Unlike the studies on firm survival that predominantly focus on the event (exit or stay), our study examines both event (exit or stay) and duration (longevity). Since measures of MRE longevity are not quite established in the retail internationalization literature, we felt the necessity to examine all available cases to infer what is really conceptually relevant in the retailing context. It is interesting to note that even the key performance outcomes such as market share growth in the host country have not been empirically tested extensively in retail internationalization literature.

Compiling a fairly representative dataset of market exit and stay cases from several sources is quite challenging due to the shortage of data. MREs tend to refrain from making market exit data publicly available for a variety of reasons (Benito 1997; Godley and Fletcher 2001). These include concerns over reputation and confidentiality of experiences as well as competitive reasons. We surmise that even within the firm, the transfer of knowledge gained from the negative experiences is limited. Sometimes, departure of top management teams soon after a market exit incident makes it difficult to evaluate what went wrong in retrospect (Burt et al. 2002). For these and other reasons, the MRE market exit continues to remain as an underexplored phenomenon despite being a frequently encountered aspect of international expansion (Godley and Fletcher 2001; Burt, Dawson, and Sparks 2003; Bianchi and Arnold 2004; Bianchi 2006).

Our work is one the few comprehensive empirical studies in retail internationalization with an analysis of 224 exit and stay cases on a global scale. We argue that it is particularly important to examine both exit and stay cases to have a complete understanding of the dynamics behind MRE longevity in foreign markets. We test our conceptual model of MRE longevity by the Cox Proportional Hazards Model that has been employed extensively in studies on firm survival (e.g., Mitchell, Shaver, and Yeung 1994; Li 1995; Pan and Chi 1999; Mata and Portugal 2000; Song 2014). We defined market exit as the hazard of the survival function in our empirical model. Our study fills the gaps discussed above by: (i) providing a comprehensive empirical analysis of MRE longevity, (ii) examining both exit and stay cases on a global scale, and (iii) introducing several explanatory variables that have not been previously considered in the literature.

A great majority of studies on firm survival focuses on manufacturers rather than retailers (e.g., Agarwal and Audretsch 2001; Disney, Haskel, and Heden 2003; Cefis and Marsili 2005; Berry 2010). Even though some studies propose retail-specific typologies on firm survival (e.g., Mitchell, Shaver, and Yeung 1994; Li 1995; Pan and Chi 1999; Mata and Portugal 2000; Leknes and Carr 2004; Song 2014), most research treats retailing as if it operates under the manufacturing umbrella. This raises a validity question regarding the suitability of transferring the manufacturing models into the retail context due to the fundamental differences between these industries (Helfferich, Hinfelaar, and Kasper 1997; McGoldrick 2002; Dawson 2000; Elg 2003; Ekeledo and Sivakumar 2004; Dawson 2007). In the next chapter, we discuss our retail-specific conceptual framework of MRE longevity rooted in the organizational ecology theory in detail.

CHAPTER 3: CONCEPTUAL FRAMEWORK FOR MRE LONGEVITY

3.1 Overview of Organizational Ecology Theory

Our proposed conceptual framework of MRE longevity is in accordance with the organizational ecology theory. Hannan and Freeman (1977) introduced organizational ecology theory almost simultaneously with three other influential perspectives on organizational behavior: transaction cost analysis, institutional theory, and resource dependence theory.

Organizational ecology theory distinguished itself from the rest by focusing on a neglected area, namely, founding and mortality of the organizations (Carroll 1988). In the present study, we first outline the theoretical and methodological development of organizational ecology by referring to Amburgey and Rao 's (1996) review of three special collections: ecological models of organizations (Caroll 1988), organizational evolution: new directions (Sing 1990), and evolutionary dynamics of organizations (Baum and Sing 1994). Then, we discuss how the organizational ecology theory applies to our study.

Amburgey and Rao (1996) contend that organizational ecology literature put considerable emphasis on organizational demographics and entry/exit rates in the early years. Researcher then turned their attention to the question of how social environment affects organizational founding and mortality rates (Sing 1990). Later on, the field witnessed a shift from a purely ecological perspective to an evolutionary one (Amburgey and Rao 1996). This change led to an increase in the number of studies that integrates processes at different units of analysis such as organizational, intraorganizational, population, and community (Amburgey and Rao 1996). From a methodology perspective, a great majority of the studies utilized hazard function or rate models. Recently, simulation techniques and time series models have also been employed. Systematic replications in different populations and use of various competition models also enriched our understanding on birth and death of the organizations (Amburgey and Rao 1996). Organizational ecology research has achieved a distinctive position both methodologically and substantively over time. The quote below supports this argument regarding the state of organizational ecology studies at the time.

" … it is my impression that population ecology is characterized by much more consensus either than the field as a whole or than most other topic domains within it. There is enormous consistency in terms of the methods used, the dependent variables studied, the literature that is cited, and most important, on what are judged to be the next important problems to work on (e.g. Carroll 1988).

(Pfeffer 1993, p. 613)

In their seminal paper, Hannan and Freeman (1977) introduce two central mechanisms that explain firm mortality: legitimation and competition. They posit that legitimation decreases mortality rates while competition has the opposite effect. Authors also claim that there is a U- shaped relationship between population density and firm mortality, which combines the legitimation and competition effects. They argue that mortality rates first decrease as legitimation increases, then rise as competition kicks in. In the present study, we explore MRE mortality in the form of market exit. We posit that legitimation and competition are the key mechanism of MRE longevity. Like many studies employing organizational ecology as the theoretical background, our study analyzes the competitive evaluation of an industry, in this case, retailing. However, our examination is not limited to a particular country but rather of many different foreign markets. To our knowledge, this study is one of the few that use organizational ecology theory within the international marketing context.

3.2 Conceptual Framework of MRE Longevity

MRE longevity is the focal variable of interest in the present study. It represents the firm's performance outcome in the host country. We define longevity as the duration of the MRE's stay in the host market measured in months. Again in tandem with organization ecology, we posit that MRE longevity is contingent upon a set of external (host-country related pressures) and internal (retailer-related) drivers. Underlying framework is graphically illustrated in Figure 1.

(INSERT FIGURE 1 HERE)

The first key mechanism of organizational ecology theory is legitimation. Hannan and Freeman (1977) defined legitimacy as an asset. We decompose legitimation into firm and country level constructs. A distinction seldom made in the studies on firm survival/mortality. In our conceptual model, environmental pressures is conceived as the county- level reflection of the legitimation mechanism proposed by the organizational ecology theory. We created a composite measure of the construct of environmental pressures by examining the following World Governance Indicators: voice and accountability, political stability, government effectiveness, rule of law, regulatory quality, and control of corruption.[6] As Amburgey and Rao (1996) suggested, we treat firm-level legitimation as an organization-specific endowment in the form of experience and reputation. Thus, we propose several variables that are indicative of MRE's internationalization expertise and resourcefulness such as international presence, internationalization tenure, internationalization scope, and market share growth at home.

We argue that being a legitimate player at the international level is crucial to achieve success particularly in retailing due to the nature of the industry. Retailing has two distinctive characteristics: (i) dominance of potent local players that are embedded in the host market with major advantages and (ii) relatively limited motivation for international expansion. Under these conditions, it might be quite challenging for a foreign entrant to penetrate into a new foreign market. Thus, we claim that resourceful and experienced MREs might stay longer in their host markets in comparison to novice foreign entrants.

The second key mechanisms of the organizational ecology theory is competition. It has been analyzed as an internal driver of MRE, a factor that we believe is instrumental in affecting MRE longevity in the host market. We examine this relationship with three variables: MRE's market share growth in the host country, its network of stores in the host country, and competitive density in the host country. Lastly, we employed mode of entry

[6] Definition of each governance indicator has been provided by Kaufmann, Kraay, and Mastruzzi (2009).

and retailer type as the control variables of the study. In the following sections, we discuss the external (country-level legitimation/ environmental pressures) and internal drivers (firm-level legitimation and competition) of MRE longevity and present our hypotheses.

3. 2. 1 External Drivers of MRE Longevity: Environmental Pressures

Studies on market failure acknowledge the role of external environment (Burt et al., 2002; Lippman and Rumlet 1982; Jovanovic and Lach 1989). Stinchcombe and March (1965) posit that new players of a population suffer from the liability of newness due to low levels of legitimacy and high dependency on the cooperation of strangers (Freeman, Carroll, and Hannan 1983; Sing and Lumsden 1990).

As we discussed earlier, environmental pressures is a composite measure of World Governance Indicators. These indicators reflect the political, regulatory, and economic landscape in the host country. We argue that MRE longevity decreases as environmental pressures in the foreign market increases. In other words, radical differences in the regulatory and political environment between the home and host country of the MRE can increase the risk of market exit. For instance, Louis Vuitton abandoned Argentina in 2012 due to tight government restrictions. [7] Similarly, Auchan and Carrefour exited India because of government's unfavorable FDI policy.

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[7] Luxury brands are fleeing Argentina
http://www.businessinsider.com/luxury-brands-are-fleeing-argentina-2012-10

MREs can achieve legitimation in a host market through processes such as organizational learning, local adaptation, network building, and supply chain development. Prior literature has shown how the MREs struggle to create working relationships with key local partners and establish their own identity in their host markets. Venturing into an operationally and/or institutionally different market forces the MRE to create a territorial embeddedness [8] (Wrigley, Coe and Currah 2005; Coe, Dicken, and Hess 2008) through legitimation (Bianchi and Arnold 2004; Dowling and Pfeffer 1975; Meyer and Rowan 1977).

Overcoming the liability of newness and achieving organizational legitimacy is a challenge since it requires an idiosyncratic catalyst, time, and significant investment (Brouthers Brouthers, and Werner 2008). Since the local adaptation process is socially complex and ambiguous, MREs might not achieve the required transformation in product/service offering and sensitivity to local preferences in the short run. Although MREs need time to create their legitimacy in the host market and internalize the experiences gained through their legitimization efforts, pressure from top management and stakeholders sometimes force them to make a stay-or-exit decision in a relatively short time. As environmental pressures increase in the host country, the tolerance of stakeholders decreases. Thus, we argue that MRE longevity decreases with the intensity of environmental pressures.

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[8] Wrigley et al. (2005) defined territorial embeddedness as the relationships between multinational retail enterprise and local retailers, consumers, and regulators. It reflects the ability of MRE to adapt to the institutional and cultural environment in the host country.

H1: *Greater the environmental pressures in the host country, shorter the MRE longevity.*

3. 2. 2 Internal Drivers of MRE Longevity: Legitimation

International presence. We define international presence as the total number of countries in which the MRE operates. We argue that the MREs with a larger global footprint enjoy several advantages. First, the MREs become more competent over time with the confidence of overcoming several challenges in various markets (Erramilli 1991; Gielens and Dekimpe 2007; Luo and Peng 1999; Li 1995; Mitchell et al. 1994; Mudambi and Zahra 2007). Second, establishing their legacy as an international player helps them create a global portfolio of firm-specific assets such as capital, talent, and local partners. Effective use of global assets created over time might enable the MRE to respond the immediate needs emerge in the host markets. Third, increasing global presence might mitigate the losses in case of a failure since being depent on a few markets is risky. Lastly, if the MRE is successful in other markets, the ability to tap opportunities in a new market is likely to be higher due to its resourcefulness (Mudambi and Zahra 2007; Zahra and George 2002). Thus, we propose:

H2: *Greater the MRE's international presence, greater the longevity.*

Internationalization tenure. Internationalization tenure refers to the number of years after the MRE's first internationalization. Learning how to cope with the challenges of internationalization early on is an invaluable asset (Mitchell 1994; Li 1995; Mudambi and Zahra 2007). Tenured MREs identify their strengths and weakness in foreign markets early and develop their organizational capabilities accordingly to tap the opportunities present in the foreign markets. Moreover, they can have time to digest their internationalization experiences to guide their future ventures.

Entering into a foreign market without any substantial exposure to internationalization might hamper MRE longevity in a new host country in the presence of potent local and foreign competitors (Gaba, Pan, and Ungson 2002; Chan, Finnegan, and Stenquist 2011). Supporting this argument, Best Buy and Dixons experienced frequent market exits since they began their internationalization relatively late in comparison to their competitors. Being present in a foreign market when it is not densely populated provides many advantages with respect to legitimation and competition. We argue that MREs with longer tenure might conquer their host markets earlier than their competitors and enhance their legitimation by cultivating relationships with key players over time. Thus, we propose:

H3: *Greater the MRE's internationalization tenure, greater the longevity.*

Internationalization scope. We introduce the internationalization scope as a measure of the recency and frequency of MRE market entries. It is crucial to determine to what extent the MRE is active in its international expansion. Considering that even one of the most globally experienced grocery retailers, Carrefour, has exited 19 markets in the last 20 years, we surmise that international presence and internationalization tenure are not entirely sufficient to reveal the complex nature of international experience gained from retail internationalization process.

The studies on multiple market entries (Srinivasan 1991; Jayachandran, Gimeno, and Varadarajan 1999; Haveman and Nonnemaker 2000) suggest that it is important to determine the type of countries the MRE has entered and in what order. If these markets are sharply different than each other, the risk of market exit increases. Taking the entry hurdle in every host market into account, efficient allocation of resources and transfer of managerial and operational skills become a challenge as MRE expands quickly. Such a fast-paced growth in the risky context of unfamiliar markets requires support in the form of facilitating factors such as strong ties with suppliers in that similarity across markets and partnerships with trustworthy and capable collaborators help to avoid some of the potential conditions which might set up early market exits. Thus, we claim that aggressive international expansion of MREs is more likely to result in market exit.

H4: *Greater the MRE's internationalization scope, shorter the longevity.*

Market share growth at home. We argue that international expansion is a plausible choice only for those MREs that have remained strong players in their home countries over time. When the MRE's growth prospects are promising in its home country, they become better equipped to provide the financial and other resources that are necessary for their overseas expansion. The MREs with high market share growth at their home might achieve higher legitimation for their international expansion due to their resourcefulness. In the other words, market share growth at home sets the scene for MREs' international expansion.

Market share growth at home is particularly important in retailing for two main reasons (Evans et al. 2008a; Palmer 2004; Corstjens and Lal 2012). First, the competition is fierce due to potent local players and early foreign entrants in the MREs' host markets. It takes time for the foreign entrant to achieve a respectable market share growth in the host country. Second, retailing requires high level of investment especially in the early years of market entry until the MRE penetrates into the market and overcome the entry hurdles.

If MRE's market share decreases at home, this can lead to market exit decisions (Dawson 2007). For instance, Marks and Spencer divestment decisions in late 1990s are explained by the decline of sales at home (Burt et al. 2002; Alexander and Quinn 2002). Tesco has decelerated its international expansion after exiting Japan (2012) and U.S.A (2013). The MRE decided to address the challenges at home (U.K.) that still accounts for the 70 percent of the total sales as of 2015. Therefore, we expect the MREs to stay longer in other host markets as long as their market share growth at home is promising.

H5: *Greater the MRE's market share growth at home, greater the longevity.*

3. 2. 3 Internal Drivers of MRE Longevity: Competition

Market share growth in the host country. Although the growth ambition is a key driver of MRE's international expansion, few studies to date has examined the relationship between market share growth and longevity. To the best of our knowledge, this research is the first to examine market share growth at home and market share growth in the host country as influencers of MRE longevity. We posit that greater market share growth in the host country leads to greater longevity.

Our observations indicate that MREs are more likely to exit their host markets if they are unable to gain substantial market share within the first few years of their entry. Being a significant lever in the competition, market share growth in the host country creates organizational slack for tackling the financial and operational challenges especially in the early years of entry. For example, Argos pulled out of India after two years due to unmet performance expectations. Similarly Home Depot exited China after ten years mainly because its performance was not up to the expected mark.

As a positive signal to shareholders, MRE's market share growth in the host country reinforces the level of investments. It boosts the confidence and motivation of the MRE. Market share growth in the host country enables MRE to focus on developing strong relationships with local constituents and formulating solutions to local challenges in supply linkages. Thus we propose:

H6: *Greater the MRE's market share growth in the host country, greater the longevity.*

Network of stores in the host country. Network of stores refers to the total number of stores the MRE has in the host market. We claim that there is a positive relationship between network of stores in the host country and MRE longevity. Operating a large network of stores enables MREs to get the benefit of economies of scale. Providing evidence for the proposed relationship, many MREs exited their host countries due to liability of smallness (Geroski 1995; Sutton 1997; Caves 1998; Aldrich and Auster 1986, Agarwal and Audretsch 2001). Especially in grocery retailing, reaching a critical mass is crucial due to its high-fixed-cost and low-margin business (Alexander et al. 2005; Cliquet 1998; Wood 2002; Streed and Cliquet 2013). For instance, Tesco left Taiwan after five years of operations by terminating all of its six stores. Similarly, Wal-Mart and Carrefour pulled out of South Korea mainly because of the lack of scale as the quote below summarizes.[9]

> "Wal-Mart and Carrefour were not aggressive enough in expanding their networks in South Korea. Once they lost the race, they could never catch up."
>
> Koo Chang Gun, Korea Investment and Securities

Some MREs prefer to enter into a market with a small scale and expand only if they became successful due to the uncertainties and/or budget constraints (Cabral 1995; Mata and Portugal 2004). Such MREs do not open enough number of stores to strive for a high market share with an intention of following "wait and see" (Pelligrini, 1994) or "trial and error" (Palmer and Quinn 2005; Nadolska and Barkema 2007) strategies. The reason behind these strategies is the fear of over-investment and high sunk costs in case of business failure. Their doubts regarding the high degree of host market commitment prevent them from having a strong physical presence from day one. Given the fact that retail internationalization requires high degree of commitment, we argue that MREs should have at least a critical mass of stores in order to generate market share growth to sustain

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[9] Wal-Mart Selling Stores and Leaving South Korea
http://www.nytimes.com/2006/05/23/business/worldbusiness/23shop.html?_r=0

their investments in the host country in the long run (Caves 1998; Sharma and Kesner 1996). Thus, we propose:

H7: *Greater the network of stores in the host country, greater the longevity.*

Competitive density in the host country. If the host market has high competitive density, it means that strong and established players are present in the market. Since retail industry provides several advantages to the potent domestic players and early foreign entrants (Wrigley et al. 2005; Bianchi and Arnold 2004), it is particularly important to understand the nature of competition in a given market. We argue that MRE longevity would be shorter in the markets with high competitive density due to low level of legitimation and high level of competition in contrast to the markets with low competitive density where no single retailer dominates the market with a strong value proposition.

For example, one of the best performers of retail internationalization, Lidl, exited Norway after four years of operation (2004-2008) partly due to the high power of local grocery chains command over the suppliers in the country .[10] In 2006, the Norwegain Competition Authority forced all the grocery retailers to reveal their agreements with their wholesalers in order to limit the adverse effects of market concentration in the industry (Amdam, Engeseth, and Gabrielsen 2009). The quote below presents how dominant players can shape the competitive environment in the market.

Why did Lidl fail in Norway?
http://brage.bibsys.no/xmlui/bitstream/handle/11250/135578/Haakon%20Winger%20Eide.pdf?sequence=1

"… the German hard discounter Lidl is planning to establish stores in Norway. During the negotiations they ask if there is collaboration between Gillette and Lidl in other countries. You are not planning to sell your products to Lidl in Norway, are you? The questions have a hidden, but clear message. …we, the suppliers got threatening questions about Lidl, and our plans to sell to them."
(Bogen 2008, pp. 81, 169)

Based on the above rationale, we propose that:

H8: *Greater the competitive density in the host market, shorter the MRE longevity.*

3. 2. 4 Control Variables of The Study

We examine two control variables in the present study: mode of entry and retailer type. Entry mode choice reflects the degree of commitment and control that an MRE has in the host country. In this research we examine three modes of entry, namely, greenfield investment, joint venture, and acquisition. In addition, we examine retailer type as a potential influencer of longevity. This factor can affect the extent of MRE's dependence on the local supply chain and regulations in the host country as well as the ease of market entry and exit (Swoboda, Elsner, and Morschett 2014). In this study, we focus on both grocery and non-grocery retailers as the selected retail type.

CHAPTER 4: METHODOLOGY

4. 1 Compiling Background Data on Each Exit/Stay Case

In order to address the void in the retail internationalization literature for a comprehensive empirical analysis of MRE longevity, we compiled data from multiple sources. We examine both market exit and stay phenomena in the present study to acquire a complete understanding of the drivers of MRE longevity. Conducting research on market exit, in particular, requires a high level of perseverance due to the shortage of publicly available data. As one can imagine, MREs have a tendency to discard the records of market exit experiences due to their concerns over reputation.

In this study, we first determined which MREs on The Global 250 Retailer List have any market exit experience. Since no list of market exits is readily available, our primary task was to make a detailed search on Google and Google Scholar with the company name and all the key words associated with market exit (such as exit, withdrawal, divestment, abandonment, pull out, etc.). Once we determined that an MRE has at least one market exit, we extended the search for the all the other market exit experiences that it might have. For recent cases, it is easier to find the market exit news on the business press. However, we had difficulty in obtaining information for the dated ones.

Since our research design examines both exit and stay cases, we also identified all the stay cases of the MREs. It is interesting to note that very few MREs have a full list of the countries they currently operate in on their websites. Thus, we need to validate all available exit and stay cases from multiple sources including business press, company websites, case studies, scholarly journals, and market research companies consulting those MREs. After validating all the cases, the next step was to obtain data for 11 variables that we examine in the present study. The entire search procedure is summarized in Figure 2.

(INSERT FIGURE 2 HERE)

We examined company websites, case studies, and business press to identify the longevity for each case. In order to determine the longevity of the MRE in a particular market, we needed to find the year of market entry and exit (if occurred). We were able to get the year of market exit from business press mostly, however, business news on market exits often do not cover all the crucial information such as the year of market entry. Some MREs have a comprehensive corporate history on their websites listing all the market entries but they do not include the market entry year for the markets that they have abandoned.

We found internationalization tenure data for all MREs from their corporate websites or case studies with an investigative approach. Retailer type and international presence data are gathered from The Global 250 Retailer List (Deloitte 2014). We obtained data from Euromonitor International for the following variables: network of stores in the host county, market share growth at home, market share growth in the host county, and competitive density in the host country. At that point, we faced a major challenge regarding market share growth in the host country data. Many MREs publish their market share data focusing on continents rather than individual markets in their annual reports. The country-level data we obtained are limited with the markets that the Euromonitor International currently operates in (over 80 countries).[11]

Despite the important role of entry mode in market exit decisions, it is difficult to determine the entry mode of MREs due to the lack of publicly available data. Based on business press and case studies, we have tried to accurately identify the actual mode of entry for all cases. Based on the degree of MRE commitment, we have determined three categories of entry mode in this study: greenfield investment, joint venture, and acquisition. Concurrent with the extant literature, we posit that degree of commitment is highest for greenfield investment while it is relatively lower for the latter. We use the number of stores in the host country as a proxy of degree of commitment. If that number increases at a slower pace, we concluded that mode of entry is either a greenfield investment or joint venture. If the number of stores in the host country increases rapidly in a short time, we concluded that the MRE most probably made an acquisition.

We proposed the composite measure of environmental pressures based on the *World Governance Indicators (WGI)* as the external driver of MRE longevity. World Governance Indicators data is widely used in the literature because of its holistic and comprehensive coverage. Due to the data availability issues, we had to focus on stay and exit cases within a specific time interval. The range of the World Governance Indicators data is from 1996 to 2013. Similarly, market share growth at home, market share growth in the host country, competitive density in the host country, and network stores in the host

[11] We had to discard Darty, Intermache, and Spar from the analysis due to lack of market share data at country level. In addition, we could not include the exit and stay cases of ITM, Alliance Boots, Centres Distributors, and Marks and Spencer since they are not covered by Euromonitor International dataset.

country data are available for 2004-2014 time period. Thus, we included the market entries within 1996-2013 and exit cases within 2004-2014 in our analysis[12]. Table 4 lists the data source of each variable.

(INSERT TABLE 4 HERE)

Since we did not know which cases are within the specified time range from the beginning, we identified all available exit and stay cases of the 52 MREs with market exit experience. Our larger dataset includes 1,047 cases, 262 of them being market exit for the 1976-2015 time period. The total of 785 stay cases are between 1900 and 2014. Based on our larger dataset, we were able to make inferences on the internationalization activity of the 33 MREs we focus on. As we argued earlier, it is important to see to what extent the MRE is active in internationalization. We aimed to see how frequently and recently MREs has entered into the foreign markets. Toward this end, we obtained internationalization scope data from our large dataset is based on the total number of markets the MRE has entered into within the last 15 years. Figure 3 demonstrates the differences between international presence, internationalization tenure, and internationalization scope variables.

(INSERT FIGURE 3 HERE)

Focusing on the cases within the specified time interval due to data coverage (as explained above), we ended up with 531 cases by 33 MREs with 133 of them being market exits. We then had to eliminate the 307 cases lacking market share growth in the host

[12] We discard 19 exit and stay cases from the analysis since they occurred after 2014.

country and/or network of stores in the host country data because our research design requires us to include only the complete cases in the analysis. At the end, we analyzed 224 cases sourced from 33 MREs with 48 of them being market exits. We examined 68 foreign ventures both from developed and developing countries. The identification of the cases used in the analysis is described in detail in the next section. Figure 4 presents the data composition of the study.

(INSERT FIGURE 4 HERE)

4. 2 Identification of the Population of Exit/Stay Cases of MREs

The Top Global 250 Retailer List that is provided by Deloitte (2014) constitutes the base of our search for market exits by MREs[13]. Below is the procedure we followed to compile our database:

i. We eliminated the retailers with no international operations. This resulted in 158 retailers on The Global 250 Retailer List (Deloitte, 2014) that operate in foreign markets as of 2013. Note that almost 40 percent of the biggest retailers are not involved in international expansion despite being listed in "The Global 250 Retailer List." Once again, we see that there is a lot to discover on the reasons why even the largest retailers refrain from going overseas.

ii. We then removed the four online retailers from the search list since our focus is

[13] The Global 250 Retailer List is prepared by an extensive research on annual reports, SEC filings, company press releases, industry reports and Planet Retail database. As long as the retail activity is large enough to be placed on the list, the company does not need to derive the majority of its revenue from retailing.

solely on the MREs with physical presence in foreign markets.

iii. From the remaining 154 MREs, we then selected those that experienced any market exit over the last 25 years. Based on the literature, company websites, and annual reports, we identified 262 exit cases experienced by 52 retailers.

iv. We collected data for those markets in which the MREs with market exit experience are still present. Our database includes 785 cases where the 52 MREs still operate. We refer to these as "stay" cases. All this process resulted in a total of 1,047 observations. The process has been summarized in Figure 5a.

(INSERT FIGURE 5a HERE)

We then identified the exit and stay cases to be used for the Cox Proportional Hazards Model Estimation.

i. Due to the time horizon of our market share growth data, we only considered the market exits between 2004 and 2013. Our study is the most recent empirical study that examines the phenomenon of MRE longevity with its focus on market exits that have occurred in the last decade.

ii. We determined 1996 as the earliest market entry year in the dataset due to the range of the Word Governance indicators data (1996-2013). Since the global retail internationalization process has accelerated by the mid of 1990s, the selected time horizon of the study is appropriate. We identified 531 cases, 133 of them being market exit by 33 MREs.

iii. Our analysis requires us to use only complete exit and stay cases. Thus, we removed

307 observations due to missing values (market share growth in the host country, and/or network of stores in the host country) which resulted in 224 cases, 48 of them being market exits committed by 33 retailers as can be seen in Figure 5b.

(INSERT FIGURE 5b HERE)

4. 3 Operationalization of the Constructs

We employ a research design that treats every market exit/stay as an observation in our cross-sectional dataset. Since we examine both exit and stay cases of MREs, the operationalization differs accordingly. Table 5 presents the definition and operationalization of each of the constructs.

(INSERT TABLE 5 HERE)

Longevity is the performance outcome of the present study. For the exit cases, longevity refers to the difference between the exit year and the entry year, measured in months. For the stay cases, longevity refers to the MREs' duration of stay in the host country since year of entry.

By calculating the factor scores, we created the environmental pressures variable as a composite measure of all the dimensions of the World Governance indicators (WGI).). These indicators correspond to the political, economic, and regulatory factors that we ought to examine as inhibitors or facilitators of the MRE longevity in the host country.

International presence refers to total number of countries MRE has operations as of 2013 while internationalization tenure refers to years after first internationalization. Our study introduces the internationalization scope in order to determine the aggressiveness of the MRE's international expansion. Internationalization scope has been operationalized as the total number of countries MRE has entered in the last 15 years (2000-2014).

For the exit cases, market share growth at home reflects the growth (%) in market share at home country from 2004 to exit year. For the stay cases, market share growth at home has been calculated from 2004 to 2014. Similarly, the market share growth in the host country refers to the growth (%) in market share in the host country from 2004 to exit year for exit cases. For the stay cases, it refers to market share growth in the host country from 2004 to 2014. For each MRE, we calculated the market share growth at home and market share growth in the host country as shown below.

> Market share growth (%) = [(The most recent market share/The earliest market share) * (1/Total number of years-1)] * 100

The network of stores in the host country indicates the total number of stores the MRE terminated at the time of market exit. For those markets in which the MRE currently operates, we use the total number of stores it has as of 2014. Another measure we have introduced as an internal driver of MRE longevity is competitive density in the host country. It refers to the average market share of top five retailers in the host country (2004-2014). It reflects the degree of competition and market fragmentation/concentration in the host market.

The present study has two control variables: retailer type and mode of entry. For the former, we examine both grocery and non-grocery retailers. Fashion, home improvement, and electronics retailers are categorized under non-grocery retailers. With respect to entry mode, we focus on three in this study: greenfield investment, joint venture, and acquisition.

4. 4 Model Specification

For the empirical analysis, we employ the Cox Proportional Hazards Model (Cox 1972; Cox 1984) to estimate the MRE longevity. Studies performing regression analysis utilizing right-censored survival data have employed Cox Proportional Hazards Model (Bradburn et al. 2003; Kleinbaum and Klein 2005) which has found wide acceptance in marketing ever since its introduction (e.g., Levin et al. 1987; Sinha and Chandrashekaran 1992; Roberts and Dowling 2002; Seetharaman and Chintagunta 2003). The studies on firm survival also use the Cox Proportional Hazards Model as a robust technique (e.g. Mata and Portugal 1994, Audretsch and Mahmood 1995; Fotopoulos and Louri 2000; Agarwal and Gort 2002; Segarra and Callejon 2002; Disney et al. 2003; Song 2014).

Survival data have two distinct characteristics, namely, censoring and non-normality. Censored survival data cannot be analyzed by employing linear regression or logistic regression (Kleinbaum 1998). In the presence of censoring, variables cannot be treated as if they are continuous. Application of logistic regression to survival data fails because the differences in the timing of the event occurrence are ignored. The Cox Proportional Hazard Model handles censoring of survival times by using partial likelihood function. As a semi-parametric method, it does not require us to know the underlying distribution of the survival function for estimation.

Cox Proportional Hazard Model is a variant of multiple linear regression of logarithm of the hazard on the explanatory variables, $\mathbf{x_i}$**,** with the baseline hazard being an intercept term that varies with time (Wilson 2010). The covariates then act multiplicatively on the hazard at any point in time. The hazard of the event in any group is a constant multiple of the hazard in any other that means the hazards for groups remain constant over time (Kumar and Klefsjö 1994; Kleinbaum 1998). This is the key assumption of the Cox Proportional Hazard Model. The model specification is presented below.

$$\mathbf{h_i(t)= h_0(t)\ exp\ (\beta_1 x_{i1} + \beta_2 x_{i2} + ... \beta_k x_{ik})}$$

As specified above, $\mathbf{h_i(t)}$ refers to the hazard rate. It is the dependent variable that controls both the occurrence and timing of the event. $\mathbf{h_0(t)}$ refers to baseline hazard function. It describes the risk of an outcome in an interval after time t, conditional on the subject having survived to time t (Kleinbaum 1998). In our study the hazard is market exit. Thus, $\mathbf{h_i(t)}$ refers to hazard rate for the MRE, i to market exit at the time t. We have employed Cox Proportional Hazard Model in the present study because it has the ability of examining both the event (exit or stay) and duration (longevity) simultaneously.

The predictors of MRE longevity include: environmental pressures, international presence, internationalization tenure, internationalization scope, market share growth at home, market share growth in the host country, network of stores in the host country, and competitive density in the host country, which denote **xi1** to **xik**. The entry mode and retailer type are the control variables of the study. We used the PHREG procedure in SAS for model estimation. It performs regression analysis of survival data based on the Cox

Proportional Hazards model. The global test on SAS verifies that the assumption of proportional hazards holds for our study.

We interpret the output of the Cox Proportional Hazard Model estimation as follows. If the hazard ratio of an independent variable is close to one, then that variable does not affect MRE longevity. If the hazard ratio is less than one, then the variable increases MRE longevity. Lastly, if the hazard ratio is greater than one, then the variable decreases MRE longevity. Following chapters discuss the findings of model estimation in detail.

CHAPTER 5: DATA ANALYSIS AND RESULTS

5. 1 Profile of the MREs Analyzed

Our analysis of the 224 exit and stay cases shows that majority of the MREs is experienced in internationalization with 67.2 percent of them having started their internationalization at least 25 years ago. The average number of foreign countries these firms operate in is 24. Correlation matrix and descriptive statistics of the variables are presented in Tables 6 and 7, respectively.

(INSERT TABLE 6 HERE)

(INSERT TABLE 7 HERE)

The analysis shows that 58 percent of the 224 retailers are grocery firms (Figure 6). Greenfield investment is the most preferred mode of entry (46 percent) followed by joint venture (33 percent), and acquisition (21 percent). The home countries of the MREs in the dataset are France, Belgium, United Kingdom, Germany, United States of America, and Netherlands (Figure 7). The longevity of the MREs changes from one to 19 years. We examine the longevity of the MREs with respect to status (exit or stay) in Figure 8.

(INSERT FIGURE 6 HERE)

(INSERT FIGURE 7 HERE)

(INSERT FIGURE 8 HERE)

Only 11.6 percent of the MREs entered into less than five foreign markets over the last 15 years. Average number of total markets entered in the last 15 years is 12.72. Apparently, most of the MREs are aggressive in their international expansion. This confirms the acceleration of retail internationalization by late 1990s (Hanf and Pall 2009; Zentes, Morschett, and Schramm-Klein 2007). Gap, Carrefour and Wal-Mart, respectively, occupy the top ranks with respect to the internationalization scope. Table 8 shows that Lidl, Auchan, Ikea, Aldi, Tesco and Rewe are the best performers based on the ratio of total number of market exits to all entries while Carrefour, Best Buy, Casino, and Dixons have the worst performance in this regard.

(INSERT TABLE 8 HERE)

In the analysis of a total of 68 host countries from all over the world, Finland, Slovenia, and Norway emerge as the host countries with the highest competitive density (2004-2014). The average market share accounted by the top five retailers (2004-2014) in the 16 host countries is below 10 percent, this being indicative of relatively fragmented markets. Based on total number of entries, Poland, Hungary, Bulgaria, Czech Republic and Romania are the most popular destinations, and, interestingly, many of them are transition economies. Based on the total number of exits, Norway, Taiwan, Latvia, and Greece emerge as the challenging markets. Table 9 presents the list of host countries along with the total number of exit and stay cases experienced by the MREs.

(INSERT TABLE 9 HERE)

5. 2 Underlying Dynamics of MRE Market Exits

Our analysis examines 48 market exit cases with the objective of gaining insights into MRE longevity. As indicated in Figure 9, the majority of the MREs (73 percent) that experienced market exit are grocery retailers with greenfield investment being the most preferred mode of entry (44 percent). Half of the exit cases experienced by the MREs that have presence in less than 15 countries (Figure 10).

(INSERT FIGURE 9 HERE)

(INSERT FIGURE 10 HERE)

Surprisingly, we found that half of the market exits are from the host countries where the average market share accounted by the top five retailers is less than 25 percent. This shows that both fragmented and concentrated markets are challenging for MREs. As shown in Figure 11, about 36.7 percent of the MREs have terminated more than 50 stores at the time of exit. This is quite substantial and will be discussed below. In about half of the exit cases, the MREs have less than 25 stores in the host country.

(INSERT FIGURE 11 HERE)

A close examination of the exit cases shows the existence of a U- shape distribution. Interestingly, 37.5 percent of the exit cases occurred within the first five years of the MREs entry into the host market. As Figure 12 demonstrates, 35.42 percent of the exit cases are realized after 10 years. It seems that if the MRE does not see value in coping with the entry hurdles, it leaves the market early in order to terminate further suffering and to reduce the high opportunity costs of staying in a host country where its operations are not quite promising.

(INSERT FIGURE 12 HERE)

Sometimes the MREs exit a host country in response to the changes in the long-term strategic agenda (Alexander and Quinn, 2002). For example, they might want to free-up resources for better opportunities in other markets (Lord, Moran, Parker, and Sparks 1998; Dawson 2001). Thus, MREs either recognize the problems in their operating environments quickly and decide to exit early, or prefer to wait out longer with the hope of improving performance and leave only when the situation becomes intolerable. For example, Wal-Mart continued on its German operations for almost a decade before terminating all of its 85 stores in 2006. The MREs that pursue this strategy of delaying the exit are generally well-endowed. These firms might refrain from an early exit for a number of reasons. For example, they might view the particular host country as a strategically significant market or alternatively, they might continue to stay in order to avoid a possible reputation loss (Burt et al. 2002). The reasons behind this U- shape relationship clearly merit scholarly attention.

5. 3 Empirical Testing of Hypotheses Using Cox Proportional Hazard Model

The Cox Proportional Hazard Model indicated a good overall fit with a high explanatory power. The analysis showed that 78. 57 percent of the total observations are right-censored. Table 10 shows the results of the estimation.

(INSERT TABLE 10 HERE)

Table 11 presents a summary of our findings. Regarding H1, findings do not provide support for the proposed negative association between environmental pressures and MRE longevity. Thus, H1 is not confirmed. H2, however, is supported indicating that greater the international presence, greater is its longevity. In this case, every additional country the MRE operates in increases its longevity by 9.2 percent ($p < .001$, hazard ratio; 0.908).

(INSERT TABLE 11 HERE)

Surprisingly, we find a negative association between internationalization tenure and longevity. As stated in H3, we proposed that greater internationalization tenure would result in greater longevity. However, the data demonstrated that each one-year increase in the MRE's internationalization tenure actually leads to 1.8 percent decrease in its longevity ($p < .05$, hazard ratio: 1.018). H4 proposed that greater the MRE's internationalization scope, shorter the longevity. In line with our expectations, we find that every additional country entered in the last 15 years decreases MRE longevity by 9.5 percent ($p < .01$, hazard ratio: 1.095). Thus, H4 is supported.

We also confirmed that market share growth at home has a statistically significant effect on MRE longevity (H5). For every one percent increase in market share growth at home, the MRE longevity increases by 4.8 percent ($p < .01$, hazard ratio: 0.952). Market share growth in the host country has a positive and highly significant effect on MRE longevity as proposed in H6 ($p < .001$, hazard ratio: 0.965) and confirmed by the data. For every one percent increase in market share growth in the host country, the MRE longevity increases by 3.5 percent. In H7 we proposed that greater the network of stores in the host country, greater the longevity. In line with our expectations, we find that network of stores in the host country and MRE longevity are positively associated ($p< .10$, hazard ratio: 0.998). Every additional store in the host country increases MRE longevity by 0.2 percent.

However, the proposed negative impact of the competitive density in the host country on MRE longevity did not emerge as a statistically significant one; thus, H8 does not find any confirmation. Of the two control variables used, we found the retailer type to be statistically significant ($p< .05$, hazard ratio: 2.047) whereas mode of entry is not.

In conclusion, we found that international presence, internationalization tenure, internationalization scope, market share growth at home, and market share growth in the host country, network of stores in the host country and retailer type contribute to MRE longevity significantly. Environmental pressures, competitive density in the host country, and mode of entry variables are not statistically significant. In the next chapter, we discuss the findings of the study in greater detail.

CHAPTER 6: DISCUSSION

Our study contributes to retail internationalization literature by providing a conceptual and empirical analysis of internal and external drivers of MRE longevity on a global scale. We use the organizational ecology theory as the conceptual framework to examine how organizational characteristics and environmental conditions affect the MREs performance in their international expansion. In accordance with this theory, our conceptualization focuses on two key mechanisms: legitimation and competition.

Our analyses show that each of the proposed internal drivers (i.e. legitimation and competition) proposed to explain MRE longevity is shown to be significant with at least two variable lending support to the overall conceptual framework. The findings of the study demonstrated that being a legitimate international player is a critical factor for MRE longevity. Although the environmental pressures variable is not statistically significant as the country-level legitimation construct, all the variables under the firm- level legitimation construct (i.e. international presence, internationalization tenure, internationalization scope, and market share growth at home) emerged as statistically significant.

In order to examine the competitive landscape of the host market, we analyzed market share growth, network of stores, and competitive density in the host country. We confirmed the statistical significance of market share growth and network of stores in the host country. Our study contributes to the literature in this area by pioneering the quantification of the significant effect of market share growth in the host country on MRE longevity. The results of the present study lead us to reconsider the operationalization of the network of stores and competitive density in the host country variables

Our study extends the organizational ecology theory by: (i) providing measures and empirical validation for the role of legitimation and competition mechanisms on MRE longevity, (ii) examining firm mortality in the form of market exits in the retail industry, and (iii) analyzing exit and stay cases in the context of foreign markets rather than focusing solely on a particular market.

Organizational ecology theory assumes that all organizations have an equal impact in the environment. In the present study, we demonstrated a case in which local players are more powerful by nature, especially in grocery retailing. Thus, the findings of the study might enhance our understanding regarding the situations in which risk of market exit is relatively higher. Below, we discuss the findings of the study for each variable in detail.

6.1 Discussion of The Results

6. 1. 1 External Drivers of MRE Longevity: Environmental Pressures

In this study, we created a composite measure of the environmental pressures construct. In contrast to our expectations (H1) and prior literature, we did not confirm the proposed negative association between environmental pressures and MRE longevity in the present study. Extant literature suggests that operating in an institutionally similar environment facilitates the firm adaptation and increases the chance of survival in the host country. Despite not being extensively tested, some studies argue that market exit might become inevitable due to the political and/or regulatory challenges that exist/emerge in the host country. For instance, C&A Europe exited Argentina due to economic crisis and Russia's X5 Retail Group sold off its business in Ukraine because of political unrest. Similarly, Carrefour left Russia only after four months despite a strong growth potential there partially due to heavy government bureaucracy and corruption[14].

We claim that focusing solely on the host country might have concealed the effect of environmental pressures on MRE longevity. Thus, future studies should examine the differences in the environmental conditions of both the home country and host country in order to enhance our understanding of MRE longevity. Moreover, we argue that environmental pressures do not always inhibit the performance of the MRE in a foreign country immediately. For example, the MRE might resist yielding to environmental pressures a good while before reaching an exit decision. Thus, it is crucial to analyze the time spent in the host country carefully. Since the time span focused on (1996-2013) in calculating the composite measure of environmental pressures is reasonably lengthy period, it is possible that we might not have been able to fully capture what the MRE had experienced during its time of stay. Shorter time spans should be examined by future researchers to capture the relevant time period coinciding with the firm's market entry and exit more precisely.

[14] Carrefour Abandons Russian Food Retail Market, http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Carrefoure%20Abandons%20Russian%20Food%20Retail%20Market_Moscow%20ATO_Russian%20Federation_02.11.2009.pdf

6. 1. 2 Internal Drivers of MRE Longevity: Legitimation

International presence. As stated in H2, we proposed a positive association between international presence and longevity. In line with our expectations, we find that the longevity of a MRE is enhanced by the total number of countries in which it operates. In other words, the greater the total number of countries in which the MRE is active, greater will be its longevity. Indeed, we find that every additional country that a MRE operates in increases its longevity by 9.2 percent. Being exposed to several foreign markets, the MRE stretches out its organizational capabilities. In particular, accumulating experience in remarkably different host countries strengthens the MRE for potential entry hurdles and increases its legitimation in internationalization. Over time, the MRE creates a global network that facilitates its overseas operations. For example, it might have the opportunity of shifting the best talent across the countries based on immediate needs. A successful international expansion executive can be transferred to a new country with similar market characteristics. Hence the effective use of financial and managerial resources across countries, mitigated risks, and accumulation of the international experience gained from all the markets increases the legitimation of the MRE eventually.

Internationalization tenure. As a component of firm-level legitimation construct, the internationalization tenure variable indicates how early the MRE has started its internationalization. In contrast to our expectations (H3), we find that greater MRE tenure results in shorter longevity. Each year of increase in MRE's internationalization tenure leads to a 1.8 percent decrease in its longevity.

There are several plausible explanations for this surprising finding. First, it is possible that the MREs with greater tenure are better positioned to realistically reassess the future of a particular venture. Shorter longevity of the tenured MREs might be associated with the desire of preventing further losses in the host country where the future of the operations seems bleak. Such MREs might be better equipped to make swift decisions about their continued presence in a particular market. As is generally accepted, managers suffer from the escalation of the commitment phenomenon. It is possible that MREs with greater tenure are better positioned to avoid such escalation of commitment when it comes to discontinuing their investment in a bleak situation.

Second, the MREs with greater internationalization tenure are better able to compare and contrast their success prospects in alternative country markets. They might pull out of a market in order to focus on a better opportunity elsewhere. Third, tenured MREs might have a greater ability to disconnect themselves from a host market. Their tendency to favor wholly-owned investment may make market exit less painful in comparison to MREs with joint ventures.

Perhaps, more important than tenure is the timing of entry in explaining MRE longevity. As suggested by ATKearney[15], entering a market at an ideal/optimal time (that is rapid market growth with relatively low competition) is crucial for success. Our data also indicates that some MREs exit their host markets with even when they command a

[15] The Global Retail Development Index by ATKearney
https://www.atkearney.com/consumer-products-retail/global-retail-development-index/2015

high market share indicating a case of high market saturation. For instance, Ahold exited Sweden with 18.8 percent market share after twelve years of operation.

Internationalization scope. As one of the components of firm-level legitimation construct, internationalization scope is a measure of the recency and frequency of MREs' market entries. In line with our expectations (H4), we find a negative association between the internationalization scope and longevity. We demonstrate that every additional country entered in the last 15 years decreases the MRE longevity by 9.5 percent.

The lesson here is that it might be worthwhile not to expand aggressively without getting promising performance outcomes from the existing markets. In each and every host market, there are several significant challenges in the transfer of managerial and operational skills in which the MRE excels at home (Burt and Carralero-Encinas 2000; Burt 2010; Palmer 2005a; Hurt and Hurt 2005, Chan et al. 2011). In the presence of these challenges, along with strong local and foreign competitors, the MREs should use their resources wisely or else risk their survival in the new markets. Metro's departure from Vietnam is a good example of focusing on strategic markets to improve its balance sheet[16].

International expansion is a process that needs care and attention. Multiple and haphazard market entries within a short time frame can adversely impact the MRE longevity in its host county. For instance, Wal-Mart entered South Korea and Germany almost simultaneously. This was an ambitious move considering its entry to China just a few years ago. Since Germany and South Korea are remarkably different markets with

[16] Metro confirms Vietnam exit
http://retailanalysis.igd.com/Hub.aspx?id=23&tid=3&nid=12861

unique challenges, Wal-Mart struggled for years there despite being a highly resourceful retailer. In 2006, it exited both of these markets with huge losses. Leading MREs such as Carrefour, Ahold, Kingfisher, and Casino suffered from similar fates many times as did Best Buy. The latter entered Belgium, Spain, U.K., and Ireland almost in the same year and left all these markets after spending less than four years in each. Meanwhile, it entered Turkey and China with similar result of early exit. It is possible that the slower pace of international expansion might be one of the key success drivers for Ikea, Tesco, and Rewe who have managed to escape the failures experienced by the former group of retailers.

On the other hand, the MREs that do not expand aggressively also should be very careful. Despite going abroad earlier than their competitors, the MREs that follow a conservative international expansion strategy might not fully benefit from their international experience due to the long gaps in their internationalization. Their international experience may become obsolete because of the rapid changes in the markets. This argument is consistent with Rogers et al. (2005) who point out that long gaps in internationalization should be taken into account as a factor in international performance. If the MRE does not dedicate sufficient time to overcome its weaknesses in internationalization or make appropriate preparations for new forays meanwhile, it may lose its competitiveness.

Market share growth at home. As the last component of firm-level legitimation construct, we examined market share growth at home. We proposed that greater the MRE's market share growth at home, greater its longevity (H5). We find confirmation for the highly significant impact of the MRE's market share growth at home on longevity. Indeed, for every one percent increase in market share growth at home, the MRE longevity increases by 4.8 percent. Doing well at home makes the MRE resourceful and confident in its international forays and increases its legitimation. High level of endurance is crucial for an MRE to deal with the challenges in the early years of its foreign market entry. For example, a worsening performance at home has deteriorated the internationalization of many MREs such as Marks and Spencer and Carrefour in the past. Given the fact that the home turf is still the key market in retailing (Contractor, Kundu, and Hsu 2003; Dawson 2007; Corstjens and Lal 2012), we suggest that the MREs not be overly distracted with the challenges of internationalization and always keep a strong focus on their core.

6. 1. 3 Internal Drivers of MRE Longevity: Competition

Market share growth in the host country. In line with our expectations (H6), we demonstrated that market share growth in the host country also has a positive and highly significant effect on MRE longevity. For every one percent increase in market share growth in the host country, the MRE longevity increases by 3.5 percent. To our knowledge, this study is the first to quantify this effect in the retail internationalization literature. Achieving a substantial market share growth in the host country can contribute to the MRE's competitiveness and increase its chance of survival. Most of the publicly owned MREs with unpromising market shares are under the pressure of shareholders for immediate improvement. Even the most resourceful MREs can not afford losing the support of their shareholders. For instance, Wal-Mart's significant losses in Germany greatly discouraged investors resulting in its eventual market exit from that country (Palmer 2005b; Greimel, 2001). Market share growth in the host country reinforces the soundness of the investment in the eyes of shareholders and triggers higher levels investment eventually.

Network of stores in the host country. As stated in H7, we proposed that the network of stores in the host country is positively associated with the MRE longevity. We find that the effect is statistically significant ($p < .10$). Every additional store in the host country increases the MRE longevity by 0.2 percent.

The liability of smallness is a topic that has garnered strong research attention in the organizational ecology theory (Freeman et al. 1983; Bruderl and Schussler 1990; Aldrich and Auster 1986). The perils of not reaching a critical mass in the host country has been documented extensively in retail internationalization literature and business press (Tatoglu et al. 2003; Sternquist 1997; Goldman 2001). For instance, recently Metro has exited Denmark by terminating all of its five stores in the country.[17] Just like Media Markt that could not reach a critical mass of stores in China. We also find that in about half of the exit cases, the MREs have less than 25 stores in the host country.

While we find support for our hypothesis (H7) that posits that greater number of stores in the host country will lead to greater longevity, this effect is relatively weak. One plausible explanation for this is the confounding role of internationalization through

[17] Metro Cash and Carry considers to exit Danish market http://www.metrogroup.de/en/media/press-releases/2014/09/18/metro-cash-and-carry-considers-to-exit-danish-market

acquisitions. Although scaling up is desirable for many reasons, we have encountered some acquisition cases that ended up with market exits due to rapid expansion. We observe that some MREs choose to expand abroad quickly by acquiring some existing network of stores in the local market. However, for a number of reasons, these acquisitions may turn out to be very difficult to manage.

To give some examples, Target acquired a discount chain, Zellers, when it entered in Canada[18] and terminated the contracts of many of its workforce, including the ones with long tenures with the company. Such integration problems coupled with market positioning hurdles led Target to leave Canada after only two years and termination of a large number (133) of stores. It is not unusual for MREs to abandon their host markets wholesale when encountered such difficulties. Similarly, one of the key reasons behind the abrupt departure of Starbucks from Australia was expanding too quickly in a highly competitive market (Patterson, Scott, and Uncles 2010). Future research should examine the consequences of a rapid increase in the number of stores in the host country more closely.

Another reason for the relatively weak effect obtained in this study could be the operationalization of the network of stores in the host country variable. In this research, we used the absolute value of number of total stores that the MRE has in the host country as of 2014 or at the time of exit. Perhaps this limitation might have hindered us from capturing the effect fully. Instead, we suggest future researchers to employ a relative

[18] Target Canada Co.
https://en.wikipedia.org/wiki/Target_Canada

measure that takes into consideration the size or market potential of the host country. In addition, we recommend future research to examine the impact of store profitability on MRE longevity as suggested in the quote below.

> "Most retailers don't enter a country all at once; they enter one city, then another, then a region, and so on. The process of building a network of stores to a profitable scale takes a long time and entails large investments that may not pay off for decades. Wal-Mart broke even in China in 2010, after 15 long years of investment."
>
> (Corstjens and Lal 2012, p.8)

Competitive density in the host country. We proposed a negative association between competitive density in the host country and MRE longevity (H8). This was due to the expectation that there might be less room for new players in the highly concentrated markets due to potent competition. This relationship, however, did not emerge as a statistically significant one.

We operationalized the variable by taking the average market share accounted by the top five retailers in the host county over the last decade. In retrospect, we understand that it might have been more comprehensive to examine the composition of the biggest five players in a given host country for each case. The proportion of the domestic/foreign firms in the country and the number of foreign MRE entry over the last decade as well as their extent of entrenchment in that country should also be analyzed. Furthermore, it might be worthwhile to reconsider the proposed negative relationship between competitive density in the host country and MRE longevity because of the highly encountered exit cases occurred in fragmented markets such as India, Algeria, and Turkey.

6. 1. 4 Control Variables of The Study

Two variables (mode of entry and retailer type) served as the control factors in the study. While the statistical significance of the latter was confirmed, the former variable did not emerge as significant.

Mode of entry. We examined three modes of entry in the present study: greenfield investment, joint venture, and acquisitions. The significance of the entry mode as a control variable is not confirmed. One possible reason behind this finding could be our use of network of stores in the host country data as a proxy due to shortage of publicly available mode of entry data. We believe that a more reliable and representative variable should be employed in order to better understand the link between mode of entry and MRE longevity.

We argue that our use of entry mode as a control variable in the present study is appropriate because our conceptualization focuses on the process from market entry to market exit. It is interesting to note that the MREs sometimes do not even have a chance to choose their mode of entry because joint venture is enforced by the host country regulations. In the case of joint venture, the availability of good partners becomes a critical issue. For instance, Carrefour suffered from being a late entrant to Mexico since Wal-Mart had already secured the best local retailer as its partner (Kumar, 1997).

Retailer type. We examine both grocery and non-grocery retailers in the present study. Our study demonstrates that retailer type is a statistically significant control variable ($p < .05$). We also find that market exits are more frequently encountered in grocery retailing than non-grocery retailing (Figure 10). Apparently, it is more challenging to penetrate into the host market for a grocery retailer due to the higher need for localization, lower margins, large volume of products with complex logistic requirements, potent local competitors, and high real estate costs (Leknes and Carr 2004; Corstjens and Lal 2012).

In comparison to grocery retailers, non-grocery retailers are more universal and less dependent on local supply chains (Swoboda et al. 2014). Non-grocery retailers typically can use the advantage of brand recognition in the overseas markets more than grocery retailers do. We also noticed that hard discounters might have a higher chance of survival in the host markets that they have entered early because of their price-conscious value proposition is always on demand by a sizeable number of customers. Late market entry of a hard discounter might be dangerous as we see in the example of Wal-Mart's entry to Germany in the presence of strong local discounters like Lidl and Aldi.

6. 2 Limitations and Future Research

We suggest the future researchers to address the question of "Which MRE went where?" in order to explore the pace and pattern of retail internationalization. It is important to understand the dynamics behind the internationalization strategies of the MREs. For instance, Carrefour's exit from several markets has triggered us to question whether market exit is a failure or an opportunistic behavior for some MREs. Data collection from the primary sources might be more effective to identify which markets are pivotal for each and every MRE and why they exit some of their host countries soon after the entry. The reasoning behind the multiple and haphazard entries of MREs is far from being clear yet.

The retail internationalization literature suggests that the MREs tend to target geographically close countries primarily in the early phases of their international expansion (Myers and Alexander 1996, 2007; Vida 2000; Burt et al. 2008). As they gain experience, these firms then venture into more geographically distant yet, culturally similar, markets (Burt 1993; Evans et al. 2000; McGoldrick 1995; Etgar and Rachman-Moore 2010). However, our data shows that the MREs experience market exits even in the culturally similar and geographically close host countries. This controversial pattern definitely merits more scholarly attention.

Future research should carefully investigate and account for the radical differences in the retail landscapes of emerging and advanced markets due to their direct and indirect effects on the MRE longevity and market exit activity. Moreover, research attention should focus on the role of entry timing plays on MRE longevity since entering into a foreign market when it is at the window of opportunity might increase the chance of survival. Although the market-specific challenges that MREs face in their host countries have been examined in some of the published case studies, there is no single study that systematically explains why certain markets are harder nuts to crack than others. Scholars in the area can contribute to the literature by analyzing hazards by specific host counties in order to address this question.

Early studies in retail internationalization literature primarily focus on large format grocery retailers. Recently, fashion retailers and niche retailers have begun to garner research attention as their global prominence has increased (Hutchinson et al. 2007; Picoy-Coupey, 2006; Alexander and Doherty 2010). In many case studies, the lack of retail format adaptation to the host market has been stated as a reason for market exit. For instance, Ryu and Simpson (2011) analyzed Carrefour's exit from Japan where the retailer focused on maximizing shelf space instead of catering to the desire of Japanese customers for a sophisticated store atmosphere. However, retail internationalization literature still remains scant to address the question of how and why MRE longevity changes with the retailer type.

In the present study, we found that retailer type has a highly significant effect on MRE longevity. We also demonstrated that market exits are more frequently encountered in grocery retailing. As discussed earlier, the reasons of higher proclivity of market exits in grocery retailing might be higher need for localization, lower margins, higher dependency on local supply chains, and intense competition. We suggest future researchers to further explore our arguments and findings. Another important question that future researchers should address is whether market exit proclivity changes with globalization especially in non-grocery retailing. For instance, one may speculate that increasing recognition and receptivity of global brands decrease the risk of market exit for non-grocery retailers.

Despite the shortage of publicly available data, it is also crucial to empirically test the financial outcomes of market exits by MREs. For instance, there is no study in the literature that explores the firms' stock price changes after its market exit in the retail industry. Similarly, the role of market research on internationalization performance has not been tested extensively in the literature. For example, only 14 months after entering the market, Best Buy exited Turkey. While in the market entry announcement, the Chief Information Officer of the firm, Robert A. Willet, had noted the massive amount of market research they conducted prior to entry for two years. Similarly, Carrefour conducts on the average four years of market research before making its entry into any host market. We believe that the quality and quantity of market research prior to any MRE entry is a critical issue considering the costly consequences of market exit that might ensue from lack of sufficient and accurate data.

Internationalization performance tightly depends on the capabilities of decision makers in the host country. However, we do not have a sufficient understanding of the characteristics of the executives in these countries. Are they locals or expats? What is their level of experience and engagement in the host country? Future research should analyze the role and characteristics of these decision makers. The departure of top management teams right after market exit experience is another managerial issue that needs more elaboration. We are aware that further exploration of these areas is possible only if MREs can discuss their market exit experiences openly. It is very crucial for the MREs in order to formulate better strategies in the future.

Much like other studies in the literature, our research provides a static view of the MRE market exit phenomenon as a major limitation (Verdier, Prange, Atamer, and Monin

2010). Thus, we propose that one primary avenue for future research is to model MRE longevity in the host countries by adding time-varying covariates. This will serve to relax the proportional hazards model assumption. In the present study, we identified 531 exit and stay cases within the specified time period. However, we could not use 307 cases due to lack of market share growth and/or network of stores in the host country data. We suggest future researchers to test our conceptual model with a larger dataset by overcoming that limitation.

Lastly, we contend that market exit is a process rather than an incident/episode and should be analyzed as such. Thus, it is also equally important to understand how MREs can minimize their losses, both tangible and intangible, as they exit their host countries. In this study, our focus has been exclusively on the drivers of full market exit as a starting point. Partial market exits and re-entry decisions are still underexplored areas. Future researchers should address which MREs are more likely to re-enter: the MREs that left the country within the first five years or the ones that stayed over ten years. The answer of this question is far from being clear-cut.

6. 3 Concluding Remarks

Concurrent with the extant literature, our analysis indicates that the market expansion of the MREs is quite complicated (Burt, Davies, McAuley, and Sparks 2005). We do know that retail internationalization requires a long-term commitment. Establishing a strong presence in the long run may not be the best choice for all MREs. The ones that have serious concerns about the high opportunity cost of investment and the risky hurdles they have to cope with in the host country should evaluate their international expansion plans carefully (Lord et al., 1988; Dawson, 2001; Evans and Mavondo 2002; Rugman and Girod 2003). We found that competitive MREs with high level of legitimation in internationalization are more likely to stay longer in their host markets due to the nature of the retailing business.

We conclude that internationalization is even more challenging in the retail context given the vast home-host country differences in institutional and operational environments, potent local and foreign competitors, challenges regarding retail-specific knowledge transfer, and the high costs of developing a local supply chain. The MREs that venture into host countries without a recognition of and readiness for the risks that await them set themselves up for failure and eventual divestment. The MREs' disappointment in a host country, coupled with shareholder expectations makes market exit an unpleasant, but a safer, option to halt the high tangible costs. However, intangible costs of a market exit can be even more devastating. Failing to properly gauge the risks of international expansion may jeopardize the reputation of the MRE. In this scenario, previous market exit experiences may force the MRE to be more risk aversive in its future international expansion plans and result in the loss of promising opportunities with the fear of failure.

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TABLES AND FIGURES

Table 1: Profile of the top 20 retailers

Retail revenue rank (FY2014)	Name of company	Country of origin	Retail revenue (US$M) (FY2014)	Number of countries operated (2014)	Percentage of international sales (%) (2014-2015)
1	Wal-Mart Stores Inc.	US	485,651	28	32.4
2	Costco Wholesale Corporation	US	112,640	10	28.5
3	The Kroger Co.	US	108,465	1	-
4	Schwarz Unternehmenstreuhand KG	Germany	102,694	26	59.2
5	Tesco PLC	UK	99,713	13	30
6	Carrefour S.A.	France	98,497	34	52.95
7	Aldi Einkauf GmbH & Co. oHG	Germany	86,470	17	61.6
8	Metro Ag	Germany	85,570	32	37.97
9	The Home Depot Inc.	US	83,176	4	10.2
10	Walgreen Co.	US	76,392	2	3.2
11	Target Corporation	US	72,618	1	2.6
12	Amazon.com Inc.	US	70,080	14	40.8
13	Groupe Auchan SA	France	69,622	13	65.8
14	CVS Health Corporation	US	67,798	3	1.7
15	Casino Guichard-Perrachon S.A.	France	64,492	29	58
16	Aeon Co. Ltd.	Japan	61,436	11	5.8
17	Edeka Group	Germany	60,960	1	N/A
18	Lowe’s Companies	US	56,223	4	2.5
19	Seven & I Holdings. Co. Ltd.	Japan	53,839	18	34.62
20	Rewe Combine	Germany	51,168	11	29.65

Source: Deloitte, National Retail Federation, Planet Retail, and company websites.

Table 2: Selected studies on retail internationalization by main research streams

Motives of internationalization	Market selection	Modes of entry	Market operations	Internationalization performance
e.g., Wrigley 1989; Alexander 1990; Williams 1992; Robinson and Clarke-Hill 1990; Sternquist 1997; Quinn 1999; Vida et al. 2000; Tatoglu et al. 2003; Evans et al. 2008a	e.g., Li and Guisinger 1992; Burt 1995; Gable et al. 1995; Myers and Alexander 1997; Gripsrud and Benito 2005; Maharajh and Heitmeyer 2005; Alexander et al. 2007; Doherty 2009; Etgar and Rachman-Moore 2010	e.g., Mascarenhas 1992; Benito 1997; Chang and Singh 1999; Quinn and Doherty 2000; Godley and Fletcher 2000; Hart and Doherty 2000; Agarwal and Audretsch 2001; Burt et al. 2002; Palmer 2004; Picot-Coupey 2006; Gielens and Dekimpe 2001, 2007; Swoboda et al. 2007; Johnson and Tellis 2008	e.g., Kacker 1988; Gielens and Dekimpe 2001; Goldman 2000; Gielens and Dekimpe 2001; Evans and Bridson 2005; Bianchi and Arnold 2004; Curray and Wrigley 2004; Picot-Coupey (2006)	e.g., Goldman, 2000; da Rocha and Dib 2002; Evans and Mavendo 2002; Alexander and Quinn 2002; Burt et al. 2004; Palmer 2004; Alexander et al. 2005; Jackson et al. 2005; Etgar-Rachman-Moore 2007; Evans et al. 2008b; Assaf et al. 2012

Table 3: Selected empirical studies on retail internationalization performance

Study	Theory	Data/Method	Scope	Focus
Burt, Dawson, and Sparks (2004)	Conceptual Framework proposed by Burt et al. (2003)	Secondary data (n=271) Frequency analysis	European grocery retailers (1970-2003)	Retail divestment activity
Alexander, Quirns, and Cairns (2005)	IO and IS perspectives	Secondary data (n=153) Frequency analysis	Global Grocery and non-grocery retailers (1987-2003)	Retail divestment activity
Etgar and Rachman-Moore (2007)	Resource Based View	Primary data (n=140) Mean comparisons	One country (Israel)	Role of decision making on market exits
Evans, Mavondo, and Bridson (2008b)	Conceptual Framework proposed by Evans et al. (2000)	Primary data (n=102) Regression analysis	Global Non-grocery retailers	Role of psychic distance on firm performance
Assaf, Josiassen, Ratchford, and Barros (2012)	Organizational Learning Theory	Secondary data (n=43) Bayesian modeling	Europe and US Large supermarkets	Role of internationalization on firm performance
The present study	Organizational Ecology Theory	Secondary data (n=224) Cox proportional hazard model	Global Grocery and non-grocery retailers	Internal and external drivers of MRE longevity

Figure 1: Conceptualization of MRE longevity

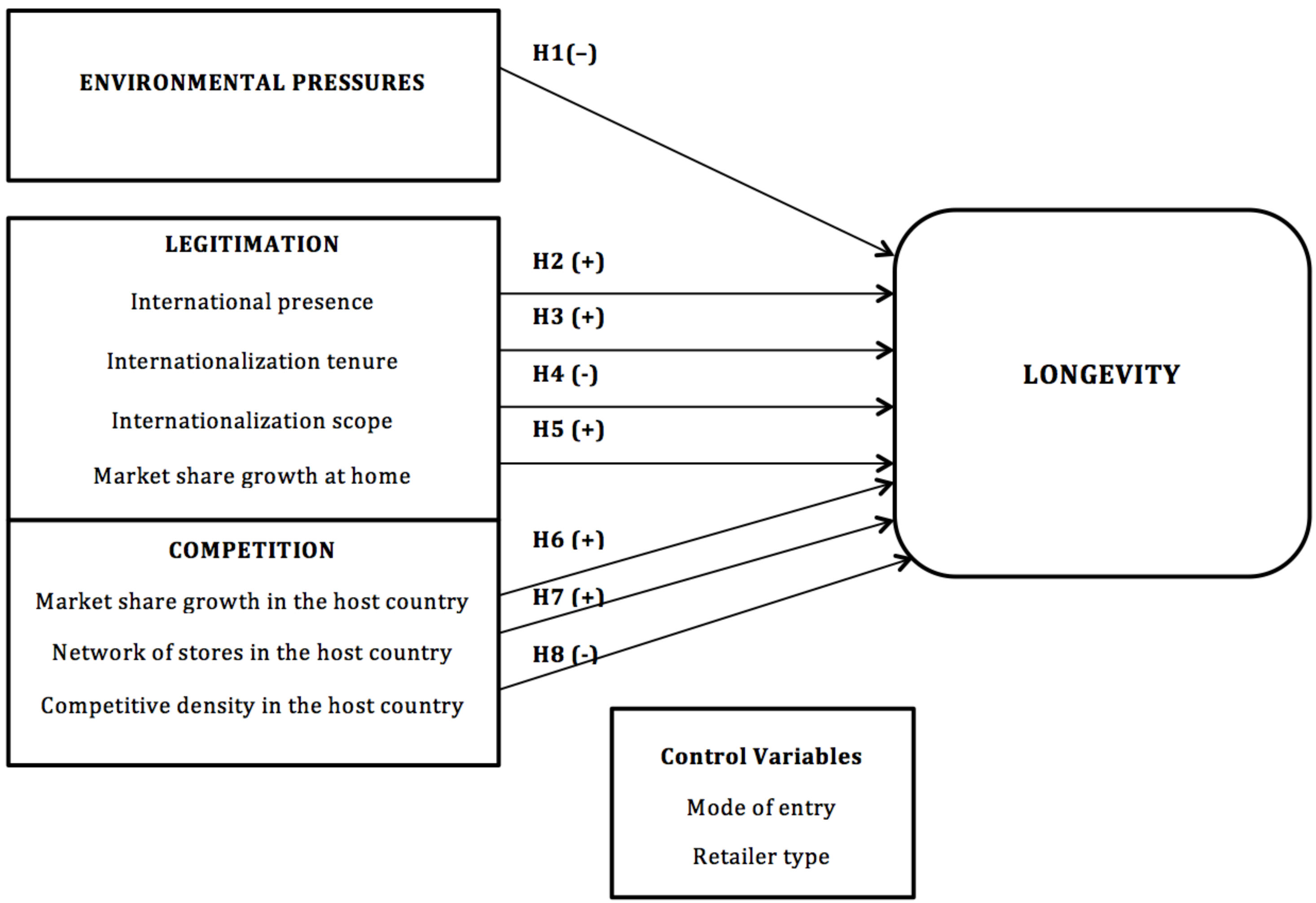


Figure 2: Identification of the MREs with market exit experience

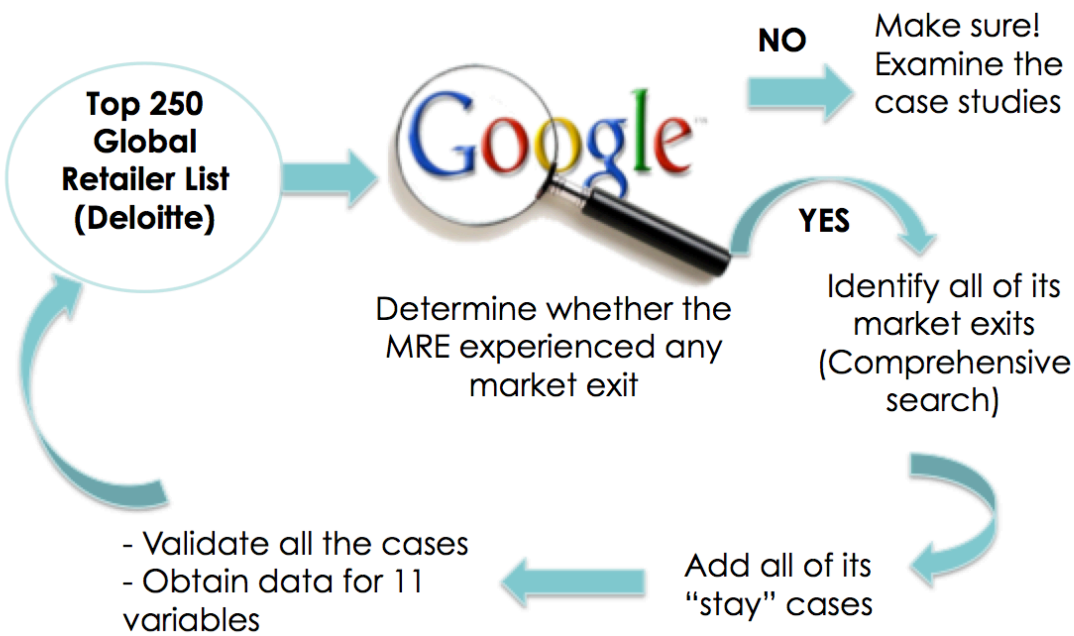


Table 4: Variables examined in each exit/stay case

Variable	Data Source	Time Horizon
Longevity (Duration of stay in the host market measured in months)	Company websites, case studies, business press	Exit year (2004-2013) Entry year (1996-2013)
Environmental pressures	World Governance Indicators	1996-2013
International presence (Total number of host countries in which MRE has operations)	Deloitte (2014)	2013
Internationalization tenure (Years after first internationalization)	Company websites, case studies, business press	
Internationalization scope (Total number of markets the MRE has entered within the last 15 years)	Based on our dataset	2000-2014
Market share growth at home	Euromonitor International	2004-2014
Market share growth in the host country	Euromonitor International	2004-2014
Network of stores in the host country	Euromonitor International	2004-2014
Competitive density in the host country (Market share accounted by the top five retailers)	Euromonitor International	2004-2014
Retailer type	Deloitte (2014)	2013
Mode of entry	Company websites, case studies, business press	

Figure 3: Visual demonstration of the difference between international presence, internationalization tenure, and internationalization variables

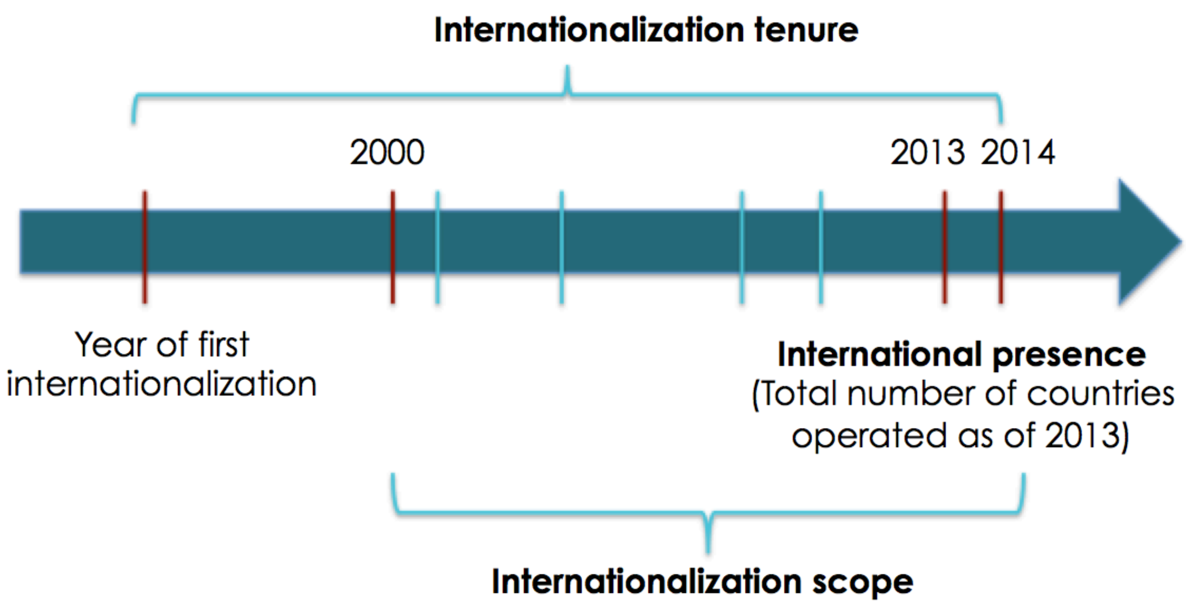


Figure 4: Data composition of the study

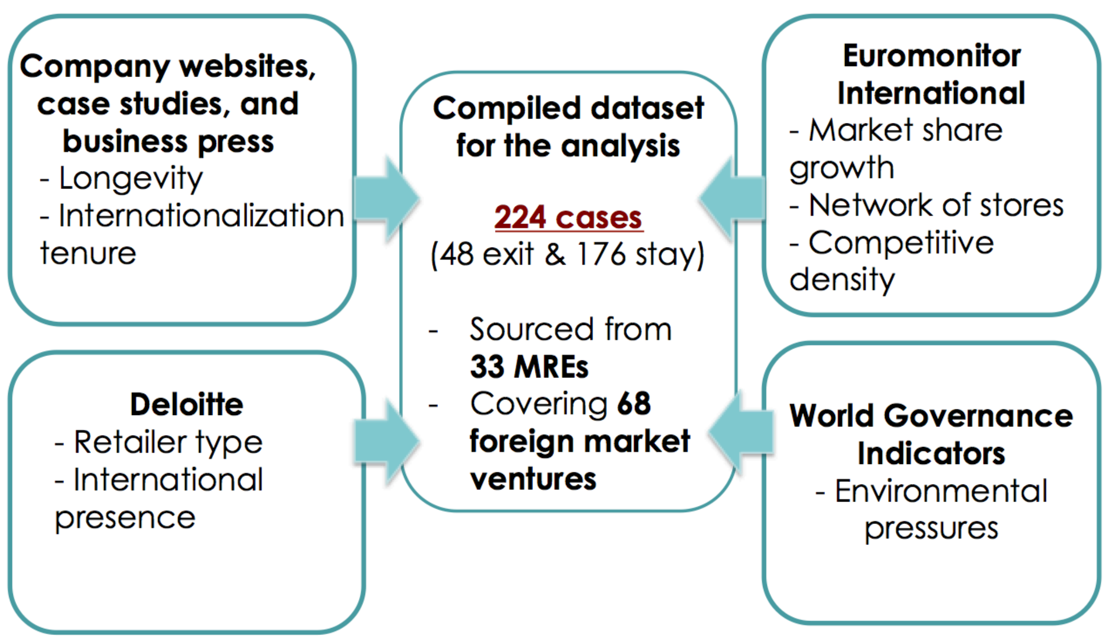


Figure 5a: Identification of all available full market exits by the MREs

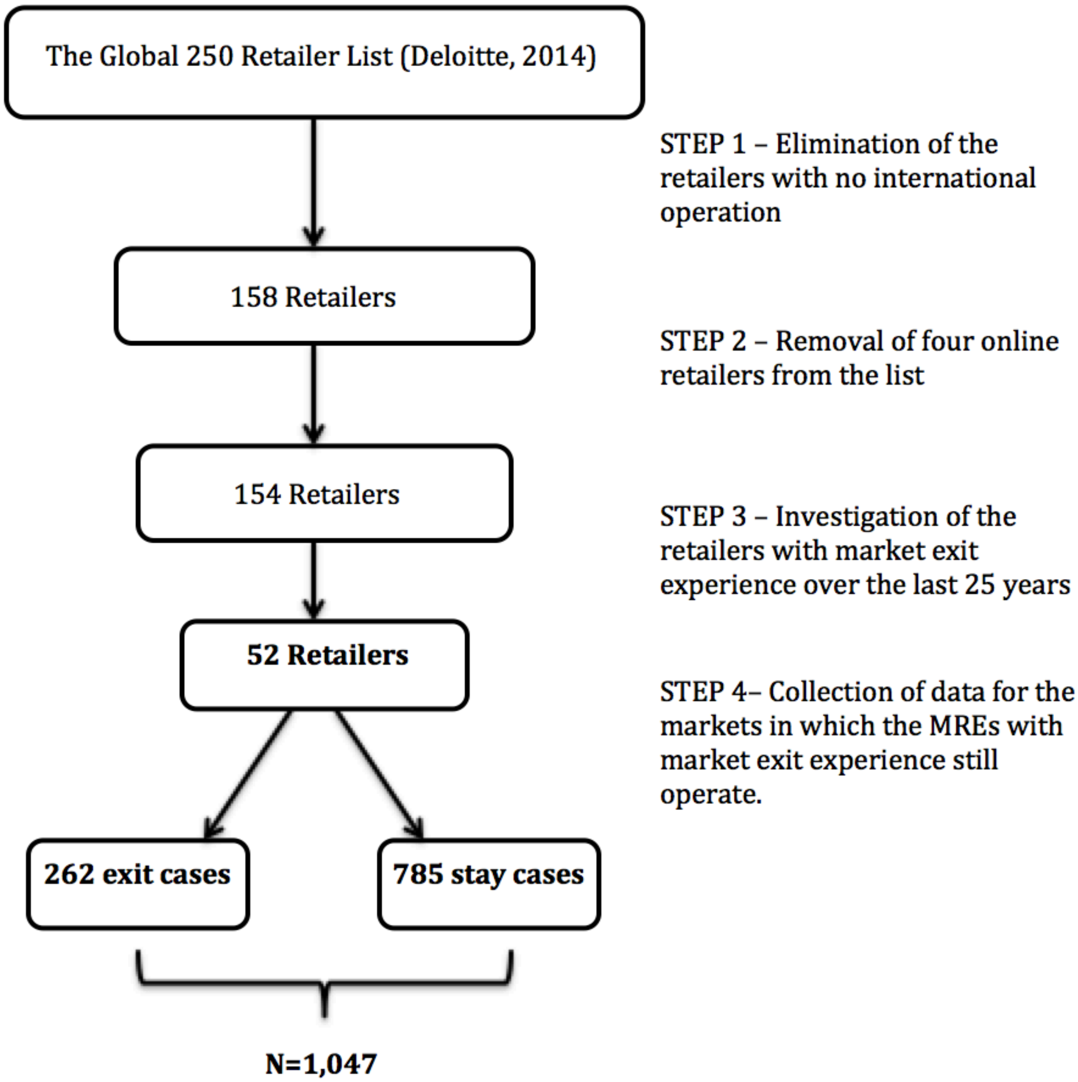


Figure 5b: Selection of exit and stay cases to be used for the Cox Proportional Hazards Model estimation

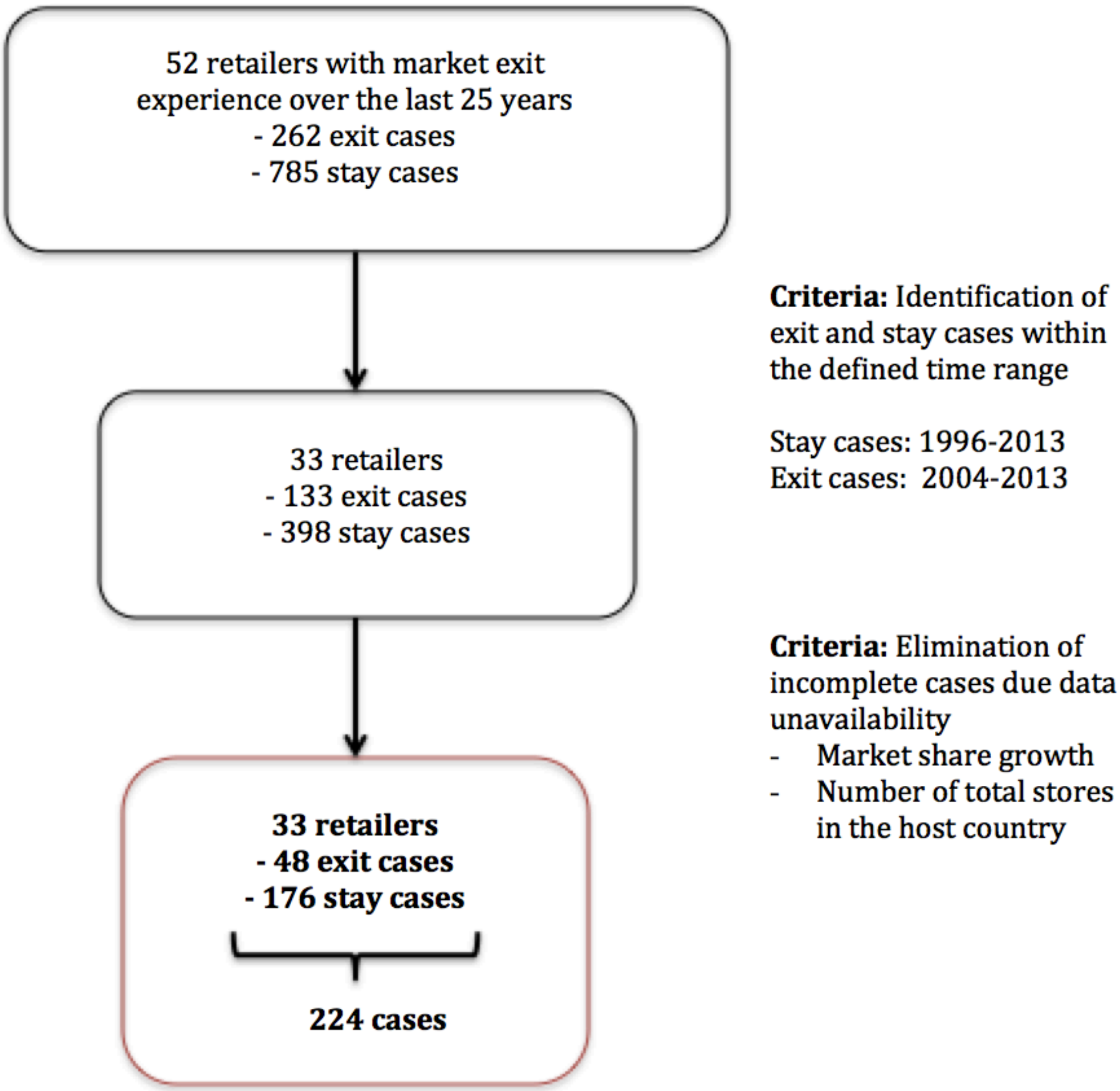


Table 5: Operationalization of the variables

Variable	Measure	Hypothesized Directional Impact
Status	Exit (1), Stay (0)	
Home country	County of origin of the MRE	
Host country	Foreign market in which the MRE operates	
Longevity	Duration of stay in the host market measured in months For exit cases: (Exit year – Entry Year) For stay cases: (2014 – Entry Year)	
Mode of entry	Mode of entry to host country - Greenfield investment - Joint venture - Acquisition	
Retailer type	Type of the retailer - Grocery - Non-grocery	
Environmental pressures	Environmental pressures is a composite measure of six dimensions. - Voice and Accountability (VA) - Regulatory Quality (RQ) - Political Stability (PS) - Rule of Law (RL) - Government Effectiveness (GE) - Control of Corruption (CC)	(−)

International presence	Total number of host countries in which MRE has operations as of 2013	(+)
Internationalization tenure	Years after first internationalization	(+)
Internationalization scope	Total number of countries MRE has entered in the last 15 years (2000-2014)	(–)
Market share growth at home	For exit cases: Growth (%) in market share at home country from 2004 to exit year For stay cases: Growth (%) in market share at home country from 2004 to 2014	(+)
Market share growth in the host country	For exit cases: Growth (%) in market share in the host country from 2004 to exit year For stay cases: Growth (%) in market share in the host country from 2004 to 2014	(+)
Network of stores in the host country	For exit cases: Total number of stores MRE terminated in the host county at the time of exit For stay cases: Total number of stores MRE has in the host country as of 2014	(+)
Competitive density in the host country	Average market share of top five retailers in the host country (2004-2014)	(-)

Table 6: Correlation Matrix

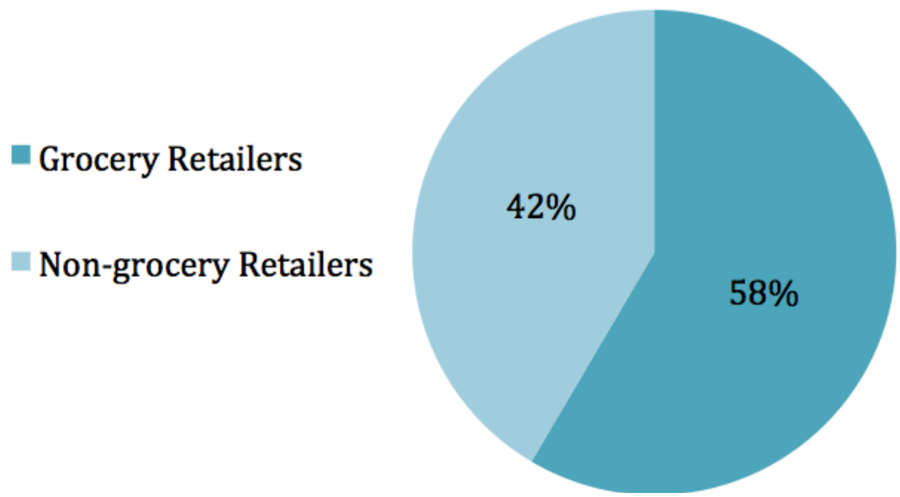
Variable	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
1. Mode of entry	1										
2. Grocery retailers	.336*	1									
3. Non-grocery retailers	-.345*	-.990*	1								
4. International presence	-.298*	-.167**	.154***	1							
5. Internationalization tenure	-.258*	-184**	.178**	.559*	1						
6. Internationalization scope	-.229*	.000	-.0144	.556*	-.000	1					
7. Market share growth at home	-.158**	-.000	-.002	.12****	.153***	.003	1				
8. Market share growth in the host country	-.12****	.074	-.068	.114****	.095****	.002	.10****	1			
9. Network of stores in the host country	.412*	.104****	-.108****	-.138***	-.066	-.12****	-.044	-.017	1		
10. Competitive density in the host country	.055	-.027	.016	-.203**	-.040***	-.182**	-.028	-.059	-.279	1	
11. Environmental pressures	.184**	-.13***	.112****	-.12****	-.09****	-.09****	-.01****	-.010	.074	.315*	1

N= 224; **** p <0.10; *** p<0.05; ** p< 0.01; * p<0.001.

Table 7: Descriptive Statistics (n=224)

Variables	Mean	Std. Dev.	Min.	Max.
LONGEVITY	126.65	57.87	12	228
(Duration of stay in the host market measured in months)				
External Drivers				
Environmental pressures (1996-2013)	0.004	0.99	-2.49	1.44
Internal Drivers - Legitimation				
International presence	23.75	15.81	1	76
(Total number of host countries in which MRE has operations as of 2013)				
Internationalization tenure	39.16	26.49	9	129
(Years after first internationalization)				
Internationalization scope	12.72	7.50	0	36
(Total number of countries MRE has entered over 2000-2014)				
Market share growth at home (2004-2014)	0.59	8.38	-53.3	99.24
Internal Drivers - Competition				
Market share growth in the host country (2004-2014)	6.72	25.85	-96.25	200
Network of stores in the host county	194.17	5091	1	6013
(2004-2014)				
Competitive density in the host county	22.70	12.13	0.49	52.92
(2004-2014)				

Figure 6: Distribution of all cases with respect to type of retailer and mode of entry (n=224)



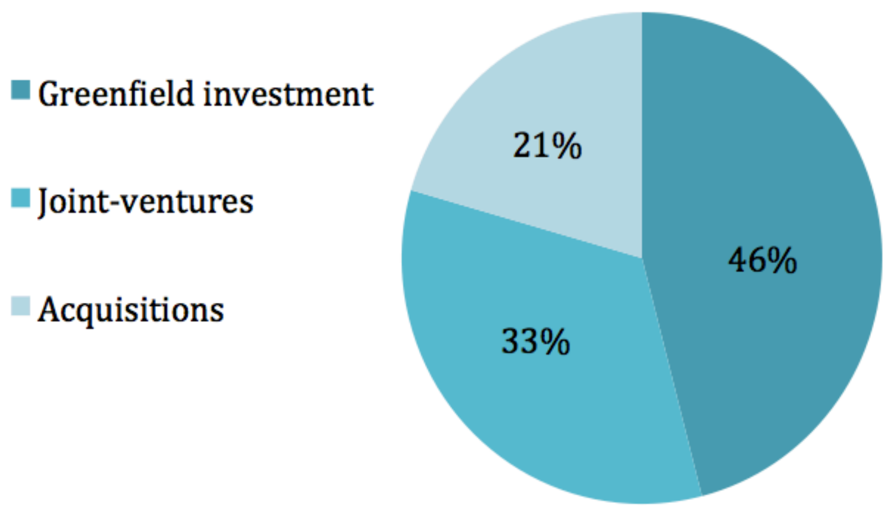


Figure 7: Home countries of the MREs analyzed in the present study

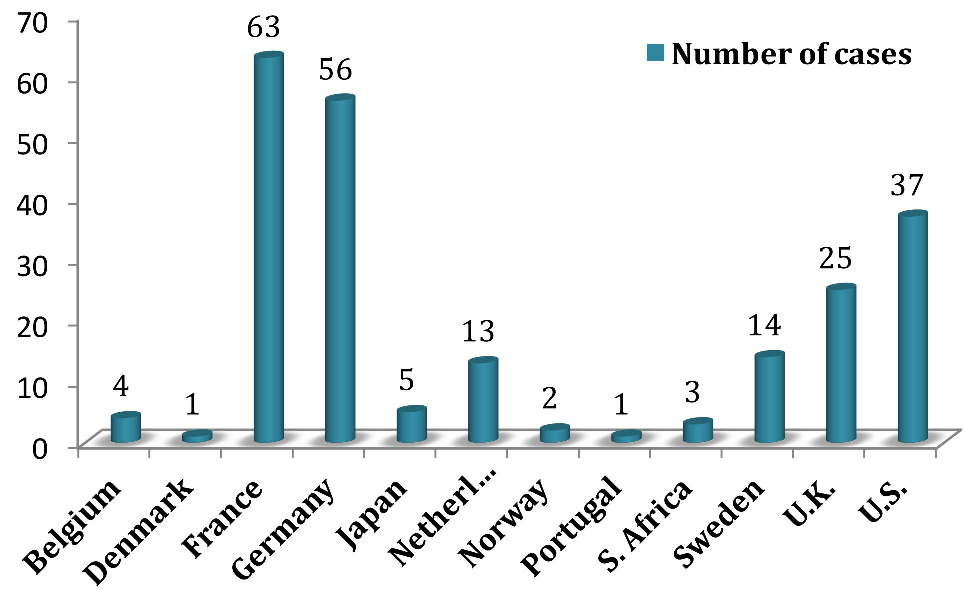
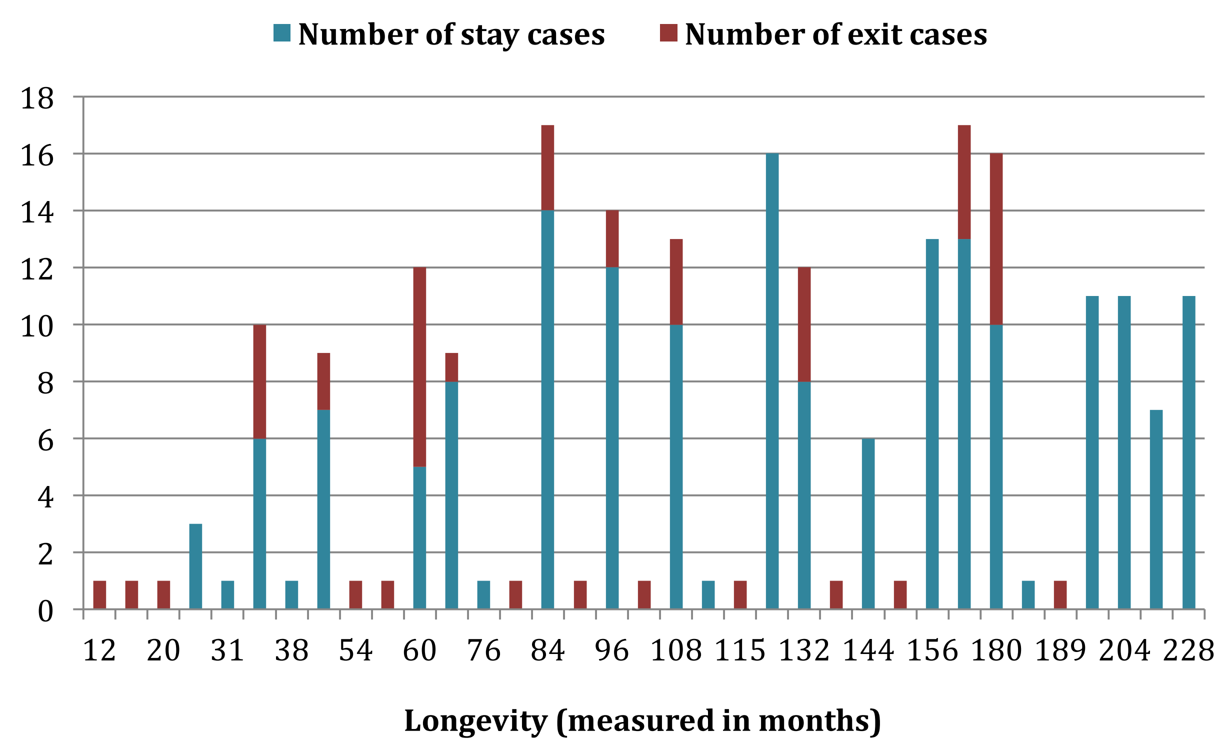


Figure 8: Analysis of longevity with respect to total number of stay and exit cases (n=224)



Longevity (months)	Number of stay cases	Number of exit cases	Total number of cases
12	-	1	1
14	-	1	1
20	-	1	1
24	3	-	3
31	1	-	1
36	6	4	10
38	1	-	1
48	7	2	9
54	-	1	1
57	-	1	1
60 (5 years)	5	7	12
72	8	1	9
76	1	-	1
82	-	1	1
84	14	3	17
89	-	1	1
96	12	2	14
105	-	1	1
108	10	3	13
111	1	-	1
115	-	1	1
120 (10 years)	16	-	16
132	8	4	12
135	-	1	1
144	6	-	6
145	-	1	1
156	13	-	13
168	13	4	17
180	10	6	16
181	1	-	1
189	-	1	1
192	11	-	11
204	11	-	11
216	7	-	7
228	11	-	11
	176	**48**	**224**

Note: We included the market entries within 1996-2013 and exit cases within 2004-2014 in our analysis.

Table 8: Internationalization performance of the MREs based on the total number of exit and stay cases

Name of the MRE	Number of stay cases	Number of exit cases	Total number of cases	Percentage of exit cases*
Aldi	8	1	9	11.11
Best Buy	3	4	7	57.14
C&A Europe	6	1	7	14.29
Carrefour	12	11	23	47.83
Casino	8	8	16	50
Dansk	1	-	1	N/A
Delhaize Group	3	1	4	25
Dixons	4	3	7	42.86
Douglas Holding	3	-	3	N/A
Edeka	-	1	1	100
Fast Retailing	4	-	4	N/A
GameStop	9	-	9	N/A
Auchan	9	1	10	10
J. C. Penney	-	1	1	100
Jerónimo Martins	1	-	1	N/A
Kingfisher	6	2	8	25
Koninklijke Ahold	1	5	6	83.33
Louis Vuitton	9	-	9	N/A
Metro	6	-	6	N/A
Office Depot	4	-	4	N/A
Oxylane Group	5	-	5	N/A
Pick n Pay Stores	-	1	1	100
Reitan Group	2	-	2	N/A
Rewe	9	1	10	10
Lidl	16	1	17	5.88
Seven & I	1	-	1	N/A
Shoprite	1	-	1	N/A
Tengelmann	7	3	10	30
Tesco	9	1	10	10
Gap	5	-	5	N/A
Home Depot	1	-	1	N/A
Ikea	14	-	14	N/A
Wal-Mart	8	2	10	20
Woolworths	1	-	1	N/A

* Percentage of exit cases: (Number of exit cases/Total number of cases)*100
N/A: not applicable

Table 9: List of host countries included in the analysis

Host Country	Number of stay cases	Number of exit cases	Total number of cases	Percentage of exit cases*
Algeria	-	1	1	100
Argentina	1	1	2	50
Australia	3	1	4	25
Austria	2	-	2	N/A
Azerbaijan	1	-	1	N/A
Belgium	1	1	2	50
Brazil	1	1	2	50
Bulgaria	6	3	9	33.33
Canada	2	-	2	N/A
Chile	1	-	1	N/A
China	4	-	4	N/A
Colombia	2	1	3	33.33
Costa Rica	2	-	2	N/A
Croatia	4	-	4	N/A
Czech Republic	7	1	8	12.50
Denmark	2	-	2	N/A
Dominican Republic	1	-	1	N/A
Egypt	1	-	1	N/A
Estonia	1	1	2	50
Finland	3	-	3	N/A
France	1	-	1	N/A
Georgia	2	-	2	N/A
Germany	-	1	1	100
Greece	3	2	5	40
Guatemala	2	-	2	N/A
Hong Kong	2	1	2	50
Hungary	8	1	9	11.11
Indonesia	1	1	2	50
Iran	1	-	1	N/A
Ireland	7	1	8	12.50
Israel	3	-	3	N/A
Italy	3	-	3	N/A
Japan	1	-	1	N/A

Latvia	1	2	3	66.67
Lithuania	2	2	4	50
Macedonia	1	-	1	N/A
Malaysia	4	-	4	N/A
Mexico	2	-	2	N/A
Morocco	2	-	2	N/A
Netherlands	1	1	2	50
New Zealand	1	-	1	N/A
Nigeria	2	-	2	N/A
Norway	2	3	5	60
Pakistan	1	-	1	N/A
Poland	10	2	12	16.67
Portugal	4	1	5	20
Romania	9	-	9	N/A
Russia	6	1	7	14.29
Saudi Arabia	1	1	2	50
Serbia	1	-	1	N/A
Singapore	3	1	4	25
Slovakia	6	1	7	14.29
Slovenia	4	-	4	N/A
South Africa	1	-	1	N/A
South Korea	2	2	4	50
Spain	3	2	5	40
Sweden	6	1	7	14.29
Switzerland	2	2	4	50
Taiwan	2	3	5	60
Thailand	4	1	5	20
Tunisia	2	-	2	N/A
Turkey	3	1	4	25
UAE	3	1	4	25
Ukraine	2	-	2	N/A
United Kingdom	1	1	2	50
Uruguay	2	-	2	N/A
Venezuela	-	1	1	100
Vietnam	1	-	1	N/A

Figure 9: Market exit accounted by type of retailer and mode of entry (n=48 cases)

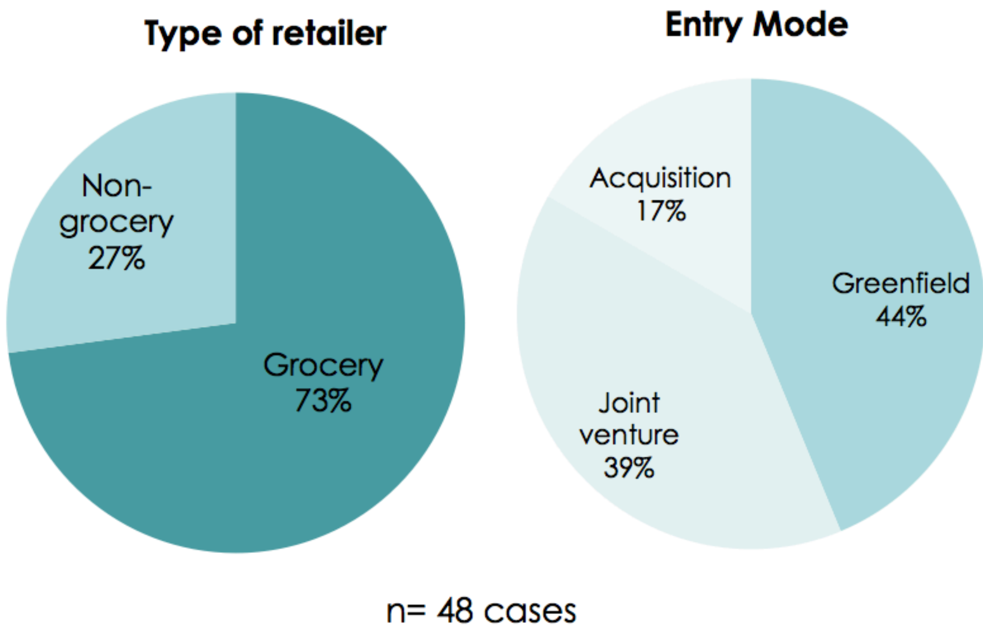


Figure 10: Distribution of market exits by the total number of host countries operated in (n=48)

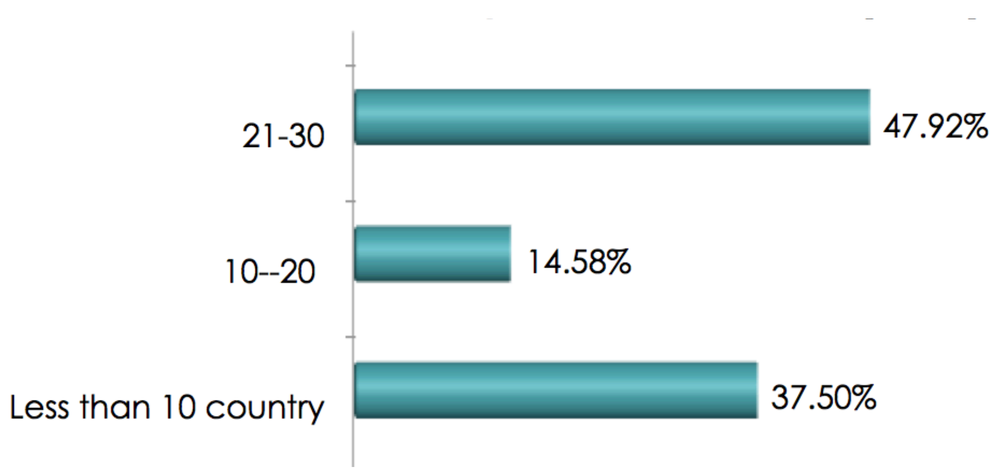


Figure 11: Total number of stores terminated in the host country at the time of exit (n=48)

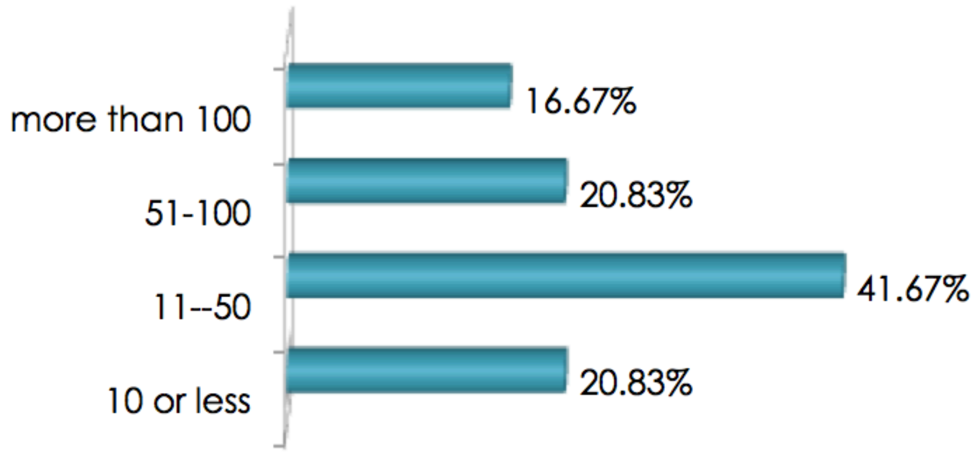


Figure 12: Distribution of exit cases by longevity (n=48)

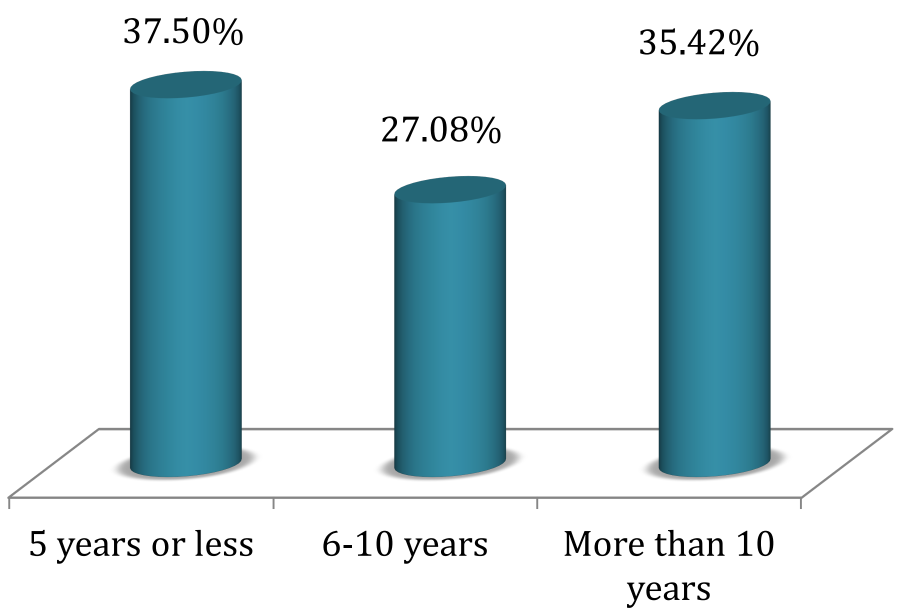


Table 10: Cox Proportional Hazards Model Estimation

Model Fit Statistics		
Criterion	**Without Covariates**	**With Covariates**
-2 LOG L	468.986	397.287
AIC	468.986	415.287
SBC	468.986	432.128

Test	**Chi-Square**	**DF**	**Pr > ChiSq**
Likelihood Ratio	71.698	9	<.0001
Score	55.946	9	<.0001
Wald	68.326	9	<.0001

Analysis of Maximum Likelihood Estimates

Parameter	**Parameter Estimate**	**P value**	**Hazard Ratio**
Environmental pressures	0.095	n.s.	1.100
International presence (Total number of host countries in which MRE has operations as of 2013)	-0. 096	0.001	0.908
Internationalization tenure (Years after first internationalization)	0.018	0.039	1.018
Internationalization scope (Total number of countries MRE has entered in the last 15 years)	0.091	0.007	1.095
Market share growth at home	-0.049	0.005	0.952
Market share growth in the host country	-0.035	0.001	0.965
Network of stores in the host country	-0.001	0.090	0.998
Competitive density in the host country	0.003	n.s.	1.003
Retailer type (Grocery/Non-grocery)	0.716	0.055	2.047

Table 11: Summary of research findings

Hypothesis	Description	Confirmed/ Disconfirmed	Interpretation of hazard ratio	Statistical significance
H1	Greater the environmental pressures in the host country, shorter the MRE longevity.	**N/A**	n.s	n.s
H2	Greater the MRE's international presence, greater the longevity.	✓	↑ 9.2%	$p<.001$
H3	Greater the MRE's internationalization tenure, greater the longevity.	**Not confirmed**	↓ 1.8%	$p<.05$
H4	Greater the MRE's internationalization scope, shorter the longevity.	✓	↓ 9.5%	$p<.01$
H5	Greater the MRE's market share growth at home, greater the longevity.	✓	↑ 4.8%	$p<.01$
H6	Greater the MRE's market share growth in the host country, greater the longevity.	✓	↑ 3.5 %	$p<.001$
H7	Greater the network of stores in the host country, greater the longevity.	✓	↑ 0.2 %	$p<.10$
H8	Greater the competitive density in the host country, shorter the MRE longevity.	**N/A**	n.s	n.s

✓; confirmed hypothesis

↑ ; increase in the MRE longevity, ↓: decrease in the MRE longevity

n.s.; statistically not significant