

# The Role of Retail Strategy in the Development and Efficiency of Business on the Global Electronic Market

**Jelena Končar**

University of Novi Sad, Faculty of Economics in Subotica, Subotica, Serbia

**Sonja Leković**

University of Novi Sad, Faculty of Economics in Subotica, Subotica, Serbia

## Abstract

Global market expansion and steady growth of international trade have led to fiercer competition, and all with the aim to maintain its position on the market. Internationalization of business is becoming a new development strategy for large retail companies. Intense technological progress and transfer of technology contribute to the development of the global electronic market. The structure of the market and trade in global marketing channels is changing completely under the influence of the internationalization of retailing. Global retail sales have created a new culture and new needs in consumption. Marketing model of relationships with customers is of crucial importance and has impact on establishing long-term relationships between members of the marketing channel. The interactive nature of Web develops relationships with customers, with the aim of improving personalized service according to the requirements of each individual. Implementation of multichannel retail strategy to the global market is conditioned by new technological developments. With the development of optimal multichannel marketing mix strategies retailers tend to achieve interrelationship satisfaction with target market. Good multichannel strategy is becoming a primary means of achieving sustainable competitive advantage on the global electronic market.

## Keywords

Globalization, elektronic market, retailing, multichannel strategies.

## Introduction

Technological innovations are changing retail functions in marketing channels. Market globalization and transnational integration contribute to the internationalization of retail trade, which is developing new multi-channel strategies in the global electronic market. Competition in terms of global electronic markets creates new retail strategies tailored to strategic values of marketing consumer relationship model. All of this raises many questions regarding retail strategies in function of development and business efficiency of global electronic market:

- How does development of a global electronic market affect the internationalization of retailers?

- What are the strategic values of marketing consumer relationship model?
- How to evaluate and identify consumer characteristics and needs affecting the development and efficiency of the global electronic market?
- What are the new multichannel retail strategies to enter the global marketplace?

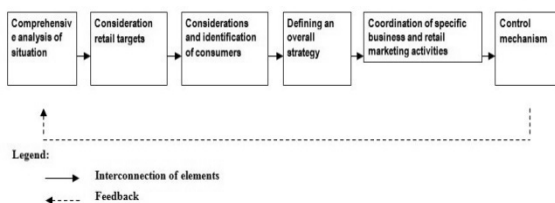
Answers to the questions of development and efficiency in global electronic market will depend, to a large extent, on the acceptability of new multichannel retail strategy.

## 1. Elements and characteristic features of retail strategy

Retail strategy defines a global plan of action that leads retailers. Retail business activities are directed through retail strategy. Retail strategy requires monitoring and assessment of the institutional market and economic conditions, with the aim of better coordination of retail activities. Strategic planning at certain levels (strategic, functional and operational level) precisely defines the retail business philosophy, main functions, the market elements, general and specific retail activities, as well as a control mechanism for certain defined planning period. Comprehensive integrated retail strategy can be seen through a number of elements and characteristic features. This primarily relates to (Končar, 2015, p. 11):

- ability to complete the analysis of the situation,
- precise understanding of business objectives retail,
- analysis and identification of the consumer,
- defining overall strategy, through controlled (internal) and uncontrolled (external) variables,
- maximum coordination of specific business and marketing activities in retail and
- control mechanism through the evaluation and adjustment (in order to avoid any adverse trends in the market).

Among the above elements and characteristic features of the retail strategy there are interconnectivity and feedback. Certain elements of the distinctive features of the retail strategy can be seen in Figure 1.



**Figure 1** Elements of the characteristic features of retail strategy

Source: Revised according to Končar, 2015, p. 12

A comprehensive analysis of elements and characteristic features of retail strategy includes the evaluation or assessment of the objectives, opportunities and potential problems facing retailers in the global market.

## 2. The role of global electronic market in the internationalization of retailers

Globalization, which in a sense can be understood as an economy without borders, allows the realization of direct benefit (Grubor, 2008, p. 16). The global electronic market has characteristics of free market and free trade (Končar, 2008, p. 183). The global electronic market is a complex process of strategic decision making in accordance with global dimension of electronic commerce. Business decisions of retailers related to global electronic activities represent strategic issues of internationalization. Highly noticeable processes of retail market concentration have marked the end of the last and the beginning of this century (Lovreta et al., 2015, p. 213). Strategies for global business are made for reactive or even proactive reasons. The global electronic market requires realization of strategic goals of retailing with rational decision-planning decisions, as well as quick response to a set of options. In such circumstances, reactive reasons of global business are related to competitors who perform internationally with respect to all cultural differences and trade barriers. Proactive reasons for the implementation of new international markets include emerging economies (e.g. new resources, cost savings, encouragement of local authorities, etc.).

Applying new technologies based on Internet and the Web, electronic retailing performs business transactions in electronic marketing channels. The unique dimensions of technology in electronic retailing open up new possibilities for marketing and sales in the global electronic market. These unique characteristics of technology in electronic retailing are:

- omnipresence (Internet / Web technology is available at any location),
- global reach (technology across national borders worldwide),
- universal standard (Internet standards, as well as a collection of new technological standards),
- social technology (technology content and social network users),
- personalization and customization (this technology allows the transfer of personalized messages, both for individuals and groups),
- density of information (information technology reduces costs and raises their quality),

- interactivity (technology that works through the interaction with the user) and
- resources (technology allows different types of messages, such as video, audio and text messages).

Development of top ten internationalized retailers in the global electronic market are shown in Table 1, presented with revenue growth of electronic retailing 2011-2014 of the world's largest retailers:

**Table 1** The internationalization of retailers in the global electronic marketplace

e-50 sales rank 2014	Top 250 retail revenue rank 2014	Name of company	Country of origin	2014 e-commerce retail sales (US\$M)	2014 e-commerce retail sales % of total retail revenue	2014 e-commerce growth rate	2011-2014 e-commerce	Countries of operation 2014
1	12	Amazon.com	US	70,080	100.00%	15.10%	18.50%	14
2	48	Apple	US	20,600	49.00%	12.60%	29.90%	16
3	58	JD.com	China	17,672	100.00%	62.00%	73.20%	78
4	1	Wal-Mart	US	12,200	2.50%	22.00%	24.00%	28
5	76	Otto	Germany	8,397	65.40%	5.60%	6.70%	54
6	5	Tesco	UK	6,504	6.50%	20.00%	14.60%	13
7	35	Macy's	US	5,400	19.20%	30.10%	34.90%	3
8	97	Liberty Interactive Corporation	US	5,198	49.50%	6.40%	9.90%	9
9	15	Casino Guichard Pernachon	France	4,606	7.10%	20.10%	15.80%	29
10	57	Suning Commerce	China	4,199	23.70%	17.80%	63.50%	3

Source: Deloitte, 2016, p. 11-13, 36

Globalization provides companies with the opportunity to treat the world, including their own domestic markets, as one market (Cateora, 1990, p. 20). Basic benefits and advantages of globalization of electronic retailing are related to business opportunities at any time, from any place, at rational costs. Despite these benefits of globalization, there are also barriers that are related to investment and the international impact of electronic retailing. The barriers are primarily related to authentication of buyers and sellers, fulfillment of order, security, and domain names. Many issues raised in the solution of global electronic market require the adoption of appropriate legislation, to ensure the development of global electronic retailing.

### 3. Globalisation of retail market using global international standards GS1

Global GS1 international standards make clear identification of all businesses in the global market with the ability to identify the products and services in the retail sector. The organization GS1 globally aims to ensure that all actors along the supply chain keep pace with current changes (GS1, 2016).

Global electronic market requires complete and accurate information about the products.

Thanks to the automatic identification, GS1 standards provide quality and accurate data on manufacturers and their products. There are seven GS1 Identification Keys: GTINGlobal Trade Item Number, GLNGlobal Location Number, SSCSerial Shipping Container Code, GRAIGlobal Returnable Asset Identifier, GIAIGlobal Individual Asset Identifier, GSRNGlobal Service Relation Number and GDTIGlobal Document Type Identifier (Končar, 2008, p. 94).

Technological innovation, combined with the global international standards, leads to further growth of electronic retailing, which is one of the most profitable electronic marketing channels. Among the most important solutions that the GS1 organization has developed, are (GS1yu, 2016):

- GS1 DataBar "reduced" the next generation of GS1 bar code. It is smaller than the original bar code, or may contain more information. According to the GS1 survey, using GS1 DataBar, an average retail chain of 100 outlets annually generates operational savings of more than \$ 2.32 million in sales of meat.
- EPC Thew Electronic Product Code uses tags with radio frequency identification (RFID tags), enabling visibility and efficiency throughout the supply chain and higher quality information flow between companies and their major trading partners.
- GS1 eCom standards provide clear guidelines for creating electronic versions of all types of business documents so that business partners can easily and freely exchange information electronically, regardless of the language employees speak, or what their internal hardware/software system is.
- GS1 GDSN (Global Data Synchronisation Network), provides a powerful environment for secure and continuous synchronization of accurate master data on products and companies.

GS1GDSN (Global Data Synchronization Network) is a global standard for synchronizing master data that unifies and creates a network of electronic catalogs. As a global standard, EPC Global Inc. performs automatic identification of information in the supply chain of any company, anywhere in the world (GS1yu, 2016) in real time. GS1GDSN standards are the foundation of development in all business models of electronic

retail (B2C) through which they provide timely information that is essential for modern retail, which is becoming a reliable source of information for consumers.

**4. Global web sites of retailers**

Thanks to multi-channel sales, retail provides consumers with numerous possibilities of product presentation. Multi-channel sale is becoming more complex, and retailers are using a variety of tools in order to raise awareness of the purchase on each target segment. Each target segment requires creation of customized solutions rather than universal access, which was achieved by a strong communication with consumers.

The analysis should include all the cultural, administrative, geographic and economic framework of global electronic multichannel retailing. Solutions relating to cultural barriers include awareness of cultural identity and different target markets. Language translation is one of the most important aspects of globalization of Web sites. Meeting this goal, many retailers use the management system of globalization, all with the aim of reducing costs and maintaining global websites. The first global Web site with the latest innovations related to multilingual terminals, as well as the basics of globalization and multilingualism profile, was Facebook, in 2011. The following table 2 indicates top ten global Web sites in 2015.

**Table 2** Top ten global Web sites in 2015

Rank	Company name	Industrial sector	Website address
1	Google	Web services	Google.com
2	Facebook	Web services	Facebook.com
3	Booking.com	Providers of tourist services	Booking.com
4	Hostels.com	Providers of tourist services	Hostels.com
5	NIVEA	Consumers goods	Nivea.com//gateway/
6	Wikipedia	Providers of informations and content	Wikipedia.org
7	Microsoft	Diversified bussines activities	Microsoft.com
8	Philips	Diversified bussines activities	Philips.com/global/index.page
9	Adobe	Computer support programs	Adobe.com
10	Cisco	Business technology	Cisco.com

Source: Globalbydesign, 2016

The field of global electronic retailing requires solving international legal issues in order to

eliminate barriers to tariffs, rates, tax issues and specifications. Key financial barriers to global e-retailing are related to electronic payment systems, which should be flexible and aligned with different groups of customers in on-line shopping.

**5. Perspectives and identification of consumers characteristics and needs**

A very important element of the retail strategy is to identify the characteristics and needs of its customers. The retail system tends to cater to a particular group of consumers that constitute the target market. Selecting a target market can be defined in the following forms: selling products and services to a wide range of consumers (mass market); selling products to an individual specific market segment directed to two or more specific groups of consumers, or more market segments. However, in doing so, it is important to define different retail strategies and approaches for each customer group individually.

Selection and choice of target market is defined as the direction of the retail system. This is achieved through the strategic implications related to retail location, mix of products and services, promotional activities, pricing orientation, and some accented defined strategy (table 3). This system allows the retailer to highlight its comparative advantages and allocate financial resources.

**Table 3** Target marketing techniques and their strategic implications

Strategic implications	Target Market Techniques		
	Mass marketing	Concentrated marketing	Differentiated marketing
Retailer's location	Near a large population base	Near a small or medium population base	Near a large population base
Goods and service mix	Wide selection of medium-quality items	Selection geared to market segment-high- or low-quality items	Distinct goods/services aimed at each market segment
Promotion efforts	Mass advertising subscription	Direct mail, E-mail, media and messages	Diferent for each segment
Price orientation	Popular prices	High or low	High, medium and low – depending on market segment
Strategy	One general strategy for a large homogeneous (similar) group of consumers	One specific strategy directed at a specific, limited group of customers	Multiple specific strategies, each directed at different (heterogeneous) groups of customers

Source: Evans & Berman, 2013, p. 97

The selection of target markets and defining unique retail offer makes it a necessary component of achieving the objectives of retail business. Retailers have better and wider selection of target market and satisfy the customers' needs if there is a good understanding of consumer behavior. Today, customers are looking for added value, such as exclusivity, innovation, content, even so, a certain level of supporting services (Sanghavi, 1/1990, p. 20).

## 6. Strategic marketing value model for relationships with consumers

The basic prerequisite for the implementation of planning and implementation of electronic retailing is access through the use of general methodology of strategic marketing value model for connections with consumers. The general methodology may be composed of the following main stages:

- Analysis of the sector and retail competition;
- Retail strategy formulation;
- Application (implementation) of retail strategy;
- Assessment of realization of retail strategy.

Trade is a highly competitive economic sector characterized by very fast and strong changes (Končar et al., 2011, p. 797). Research is carried out together with the analysis of sector and competition, as well as evaluation and selection of information from external and internal environment of retail. The main objective of this analysis is to identify all the key factors necessary for the success of electronic retailing. Out of many approaches to strategy formulation, the one an enterprise adopts depends on the environment of strengths, weaknesses, opportunities and threats (SWOT) within which it operates (Bandyopadhyay, 2002, p. 218) retailer.

Next step is retail strategy formulation, which proposes different steps (Jelassi & Enders, 2005, p. 184.) based on the results of carried out analysis and the activities of the competition. Formulating strategy defines the long-term development and strategic plans, in order to achieve effective management of electronic retailing. The results of CSF (critical success factors) analysis can be used to develop plans for the implementation of (Bandyopadhyay, 2002, p. 220) electronic retailing. Critical success factors are related to business, technology and human

factors which, to a large extent, contribute to achieving the objectives of electronic retailing.

Strategy of assessment of electronic retailing tasks can be done through formal analysis of value chain, which includes a series of activities by which the retail organization achieves the goals of business. Thanks to this analysis, a retail organization contributes to improving their competitive position in the market. In addition, competitive position on the market for sale through electronic retailing can be accomplished with their own differentiation providing services at every point of contact with customers (the marketing model of integration with the customer in the figure 2).

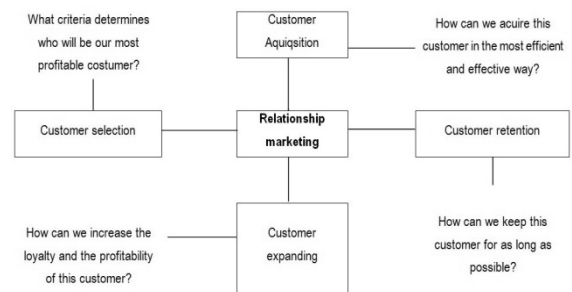


Figure 2 Relationship marketing model

Source: Turban, et al., 2000, p. 312.

Initiatives related to electronic retailers are often a generator of income, but do not create new markets, and, in turn, influence the emergence of new markets, or do not contribute to the realization of increased profits. For that purpose it is essential to research return on investment (ROI) for the purpose of electronic (Bandyopadhyay, 2002, p. 221.) retailing. This research is necessary in order to establish the relationship between costs and revenues on the basis of the project of electronic retailing. Resource costs (such as hardware, writing software, labor, training) necessary for electronic retailing, are very difficult to quantify and even harder to allocate (Bayles, 2001, p. 84). Those are intangible costs of electronic retailing related to effective marketing channel, increase in sales volumes, additional customer service and the like.

The strategic values of electronic retail are related to competitive advantage in the market and the benefits that can be achieved on the basis of new business procedures. Online organizational strategic risks are uncertain internal factor that is opposed to external competitive risks of uncertainties and application. The risks are supposed to be examined and looked into in order

to define the strategy of electronic (Turban, et al. 2000, p. 320) retailing.

### 7. Implementation of multichannel retail strategy to the global electronic market

Creating competitive advantage in the field of application of new technologies and global international standards require defining a strategy of electronic marketing channels. The next Figure 3 represents the entrance strategy in the global market.

	New business	Present business
"clicks" Pure players	First mover 1 Amazon.com	Fast follower 3 Alibaba.com
	Alliance 2 Booking.com/ hoteli	Additional brand 4 Tesco
„brick and mortar“ Mixed game		

Figure 3 Strategies of entry to the global market

New and traditional companies are entering the market of e-retailing faced with a basic choice "clicks" or "bricks and clicks". After selecting a strategy to enter the market, the next task of the company in the electronic marketing channel is to establish interrelationships with customers. Web site is an essential tool and leading initiative to establish interrelationships with customers. Website performs the functions of the commercial information of customers about products and services, which is an important factor for on-line customer experience. Customer experience refers to the totality of experiences that a customer has with a firm, including the search, informing, purchase, consumption, and after-sales support for the product (Laudon & Traver, 2015, p. 406.).

An appropriate strategy for electronic marketing channel leads to the elimination of distance, time homogenization and insignificant location, which gives managers the ability to concentrate on new technology with the aim of increasing the efficiency of marketing channels. Traditional marketing channels that include the movement of goods and services, thanks to technological advances and global international standards, shift the distribution marketing channel to interactive communication medium. The power of interactivity leads to better and more efficient differentiation of products and services through an accelerated flow of information, which allows

Internet network for all participants in marketing channels (from producers to consumers) on the virtual market. The potential of on-line retailing is enormous: in 2015 there were 314 million Web users in North America, 604 million in Europe, one billion 622 million in Asia, 27 million in Oceania and Australia, 345 million in Latin America, 123 million in the Middle East (InternetWorldStat, 2016).

Competition in the global electronic market is done without intermediaries. Through a strategy of classifying, sorting, routinization and research, electronic marketing channel is becoming more efficient as compared to traditional marketing channels (Lovreta et al., 2013, p. 142-146.). Basically, it is about new forms of motivating consumers to interactively explore, thanks to new technologies of marketing communications. "One on One" marketing is the ultimate form of marketing segmentation, targeting and positioning, where the individual are segments. Web-based techniques use more individual knowledge and personalization compared to traditional mass media. Thanks to the adjustment, the Web environment allows the customer to interactively create product. Websites, especially portal sites such as Yahoo, MSN and AOL, allow consumers to create their own customized versions of the Web Site.

### Conclusion

Retail strategy in global electronic marketplace contributes to the development of internationalization of retailers. Business decisions of retailers related to the global electronic activities represent strategic issues on which retailer approaches to internationalization. The global electronic market requires the realization of strategic goals of retailing with rational decision-planning, as well as quick response to set options in a changing environment. Electronic activities of retailers in global markets require global implementation of international standards GS1, and maintaining global websites. Consideration and identification of consumers' characteristics and needs makes it an essential and critical element of retail strategy. Based on the characteristics and needs of consumers, each identified target segment requires the creation of customized solutions, but not universal access, which is achieved through communication with consumers. Strong interactivity with customers leads to better and more efficient differentiation of products and

services through an accelerated flow of information. Retailers employ "one to one" marketing as the ultimate form of marketing segmentation, targeting and positioning, where the individuals are segments of the global electronic market. The implementation of the multichannel retail strategy for entering the global market, the strategy of electronic marketing channels is defined representing a new driving force of development. **SM**

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## ✉ Correspondence

**Jelena Končar**

Faculty of Economics in Subotica  
 Segedinski put 9-11, 24000, Subotica, Serbia  
 E-mail: koncarj@ef.uns.ac.rs