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THE RETAIL INTERNATIONALIZATION DYNAMICS IN CENTRAL AND SOUTHEASTERN EUROPE

Abstract:

One of the dominant economic trends in transition countries of Central and Southeastern Europe (SEE) is the internationalization of retailing. The countries in this region represent a receptive market for large retailers from developed countries. The aim of this paper is to fill the existing gap in the contemporary literature regarding retail internationalization in particular geographical area. Therefore, firstly

the paper explains the very concept and motives of retail internationalization. Subsequently, based on the analysis of secondary data on the world's largest retailers, it gives an insight into the current state of retail internationalization in Croatia, Bosnia and Herzegovina, Serbia and Slovenia, and discusses the dynamics of internationalization of retailing from 2004 until today. Finally, some indications of problems related to future retail development in Central and Southeastern Europe are explained.

Keywords:

retail industry, retailers, retail internationalization, Croatia, Bosnia and Herzegovina, Serbia, Slovenia, Central Europe, SEE

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Introduction

International activity has become a commonplace of retailing at the beginning of the twenty-first century [4]. Over the past few decades, opportunities for entering new markets have improved considerably, which contributed to increased investment of large retailers to foreign markets in the retail sector. Prior to the 1980s, retailing was essentially a localized, domestic industry and thus retail operations were long considered poor candidates for international expansion. However, for the past two decades, retailers in mature markets have expanded their operations into overseas markets as a means for strategic growth. Dawson [16] defined international retail operations as “operations, by a single firm or an alliance, of shops or other forms of retail distribution in more than one country”. Dawson [14] emphasize that large retailers became the key participants of international trade in the past decade. Therefore, the question of their role in world trade shaping has emerged and has to be adequately addressed by WTO, UN and other global institutions in the near future [25]. Empirical studies have listed several factors motivating retail firms to internationalize their activities, and have illustrated the complexity and the influences prevailing in the international retail decision-making process. Treadgold [39] identified various “push” and “pull” factors associated with both the macro and micro environments. Hutchinson [21] highlights the industry competition, economy, legislation, and domestic saturation as prevailing push factors, and the economic and political stability of global markets and profit opportunities in the oversea market as prevailing pull factors. The increased size of retail operations has stimulated and supported international expansion. Revenue earned within the domestic market has been invested in operations in new markets in an

attempt to sustain financial growth targets [2]. Today many retail companies earn a significant share of their revenue in international markets. For instance over 50% of the sales of the German retailer Metro and over 80% of the sales of Dutch company Ahold come from the foreign operations [20]. Retail internationalization for many retailers/participants represents an opportunity to expand their activities outside their home country, and thus expand their customer base. In recent years Europe recorded increased cross-border operations by retailers. With the appearance of fast-growing large retailers, redefining the balance of internalizing and externalizing functions and the need to respond to a more pronounced cultural diversity present in Europe, the retail sector has undergone significant structural changes [15]. Several papers have pointed out the importance of studying the consequences of retail internationalization and described the process of retail internationalization and consequential changes in the retail structure in the growing markets of Central and Southeastern Europe (see [12], [15], [29], [35] and [36]). However, these papers have not discussed the dynamics of the retail internationalization and the attractiveness of the retail market in Central and Southeastern Europe.

This paper considers the relatively new and growing interest shown by European retailers in the opportunities available within Central and Southeastern Europe (SEE). Since the transition to a market economy, SEE markets have occupied a particular place in the process of European retail internationalization. For European retailers, SEE countries offer an opportunity to develop operations in less developed markets that are geographically close to their domestic markets [36]. However, interest in SEE markets is not limited to continental European retailers. The UK retailers that have limited opportunities for growth

at home also welcome the opportunity to invest in emerging markets of SEE countries. Therefore, the objective of this study is (1) to explain what is the retail internationalization, what motivates it and how retail internationalization is measured, and (2) describe the trends and dynamics of the retail internationalization in selected countries in Central and Southeastern Europe. In order to achieve the first objective, published literature in retail internationalization will be analyzed; the second objective of paper will be realized by analyzing secondary data.

Retail internationalization and its motives - literature review

Even Kotruljevic in 15th century emphasized transnational meaning of tradesmen whose main purpose and goal is “to bring commodities from areas at which there is a plenty to areas where there is a scarcity” [27]. The literature on international retailing grew considerably after the 1980s. But, there is no clear definition of the retail internationalization in contemporary literature. In the most broaden sense, retail internationalization is the movement of retailer from the domestic to the global market [4]. According to Knežević and Szarucki [24] retail internationalization is a process that can be observed in two dimensions: (1) internationalization of retail activities such as sourcing and logistics, and (2) internationalization of retail formats or outlets in order to approach customers at non-domestic markets.

Alexander and Doherty [2] defined the internationalization of retailing as the transfer of retail management technology or the establishment of international trading relationships that bring to a retail organization a level of international integration that establishes the retailer within the international environment in such a way as to transcend regulatory,

economic, social, cultural, and retail structural boundaries. The retail internationalization process is a long, risky, complex, expensive and non-linear one. Failure rates have been high for some of Europe’s major firms [26]. In order to reduce risk, retailers will often confine their operations to a relatively limited and comparatively safe collection of markets. Empirical studies have listed several factors motivating or demotivating retail firms to internationalize their activities within retail industry. Alexander [1] and Treadgold [39] classified retail motivators to push and pull factors, while Wrigley [40] divides them into proactive and reactive motivators. Push factors such as saturation of domestic market or legal restrictions are forcing retailer to search for new markets, those factors drive retailer to act in a reactive manner. On the other hand, pull factors are stimulating retailer to take new opportunities offered by a new market i.e. to be proactive in taking new chances. Both push and pull factors can be further divided into internal and external drivers. External drivers are all factors created outside the company, while internal drivers are comprised inside the company [24].

According to McGlodrick [30] and Alexander [1] examples of external push factors are saturation, strong competition, low population growth rate, unstable political and economic structure. Examples of internal push factors are the start-up costs, logistic costs, operating costs and the lack of international experience. On the other hand, examples of external pull factors are low political and economic barriers, stable political and economic conditions, market size, high population growth and the growth of economic prosperity. Finally, examples of internal pull factors are international image and experience, innovative retail culture and enterprise culture directed towards international relations.

In order to understand the motivation of internationalization it is useful to distinguish between market seeking (MS) and efficiency seeking (ES) internationalization [32]. A company driven by market seeking internationalization enters a country in order to supply its markets, while other firms seeking efficiency operate in a country in order to minimize costs (e.g. production costs). Motivations for the former are the protectionism, and the market development strategies (like in Central and Eastern Europe). Efficiency seeking firms operate in a country because it has favorable production costs (e.g. firms investing in China) or can procure cheaper or better quality products. By the analysis of internationalization these different motivations should be carefully considered.

According to Ebeltoft Group Report [17] we have reached the point where it has become impossible to neglect the impact and importance of “international” in retailing, both in terms of expansion opportunities as well as new challenges. Technology and e-commerce development are speeding up the pace of internationalization and blurring the line between national and international, emerging markets have formidable home grown retailers and brands, but also offer tremendous opportunities with their strong, growing middle-class.

Motives for the retail internationalization are the target market size (excellent opportunity for earnings growth), the size of retailer, its comparative advantage in the international experience, the level of economic prosperity in the target markets, the uniqueness of the retail offer, the recent changes in the geopolitical redistribution and internationalization of direct competitors [3], [40]. Furthermore, several obstacles of retail internationalization would be the lack of resources, knowledge and international market linkages, the perception of risk associated

with the retail internationalization, government regulation, economic and political instability, cultural differences, exchange rate fluctuations, instability or saturation of the target market and the costs of the internationalization process [34], [21]. Dawson [14] suggests and applies two basic measures of retail internationalization level: number of countries that retailer is operating in, and ratio of non-domestic sales in total sales generated within a year. According to applied methodology for period 1999 to 2007, Dawson drew several conclusions relevant for retail internationalization: (1) the share of 100 largest companies is increasing in total sales generated by retail industry, (2) the largest companies are becoming more and more international in the geographical scope, (3) proportion of sales generated at international markets increases in given period. In spite of the enlarged international activity of retailers, their markets are still local in the nature. Therefore, retailers have to take into account local culture and local structure of consumer market.

Quinn [33] distinguishes between commercial motives of internationalization, related to profit growth and increasing profitability, and non-commercial motives, related to social, political, personal and ethical factors, or factors that cannot be controlled.

Tatoglu, Demirbag and Kaplan [36] identified the main retail internationalization factors that motivate multinational retailers to operate in Central and Eastern Europe in their research. The findings indicate that the main retail internationalization motives appear to be associated more with host country-specific attractions than home country and firm-specific factors, which provides evidence to the proactive school of thought. The study finds that the relative importance of the retail internationalization motives varies most with the retail type of

operations, and, to a moderate extent with the market entry mode. Most of the variation between retail internationalization motives and retail type of operations occurred within the category of proactive motives where multinational retailers operating in food retailing rate these motives more highly than those operating in fashion retailing.

There are implications that foreign retailers are capable to adapt to local culture, but also they are capable to change local host markets. Several studies confirmed that entry and development of international retailers affects different economic processes in the host countries [25], such as:

- they bring different items into traditional retail assortments,
- they introduce new ideas about design and styles,
- they implement new HRM practices,
- they apply different pricing policies and quality standards,
- they deal with suppliers in different manner,
- they implement sophisticated information and communication technology.

On the basis of Croatian market analysis for the period 1990-2001, Knežević [22] suggests that the entry of European chain stores enhanced competition, brought their know-how and introduced new technologies, new forms of trading (such as hypermarkets and large specialty stores), standardized business procedures which are to some extent adapted to domestic market requirements, and new specialization of work places and work processes, together with new work attitudes and habits.

Bartlett and Ghoshal [11] analyzed the behavior of retailers in international markets; according to their research there are retailers who replicate their business model in new markets without major modification developing international strategy. Examples are Aldi, Lidl and

Wal-Mart. Some of them tend to take advantage of the convergence of consumer preferences and the economy of scale and scope and start to create global strategy. However the global integration of processes and management is not achieved yet, therefore there is no real global strategy in the retail business. Other retailers adjust more to the local conditions and have multinational strategy (e.g. Carrefour). But the subsidiaries are not fully independent and there is integration in the procurement processes.

Despite the long history, it is in relatively recent times that the European retail sector has seen substantial expansion of international operations. The meaningful moves towards a common market across Europe represent a second phase, and mark a period from the early 1970s to the mid-1980s in which several retailers explored, some robustly and others more tentatively, international expansion of operations. Many of the moves by British retailers resulted in failure, for example Dixons' move to The Netherlands, Tesco's move to Ireland, and Mothercare's expansion into France and Germany [15]. A third phase of development of the European retail market, starting from the mid-1980s, is characterized by a stronger steady growth in consumer affluence but with little real growth in retail-sales volume at the European level. Over the past decade the EU experienced considerable changes in the retail industry reflected in the development of new retail formats, development of new services, increasing competition, higher efficiency, the pursuit of loyal customers, etc. [1]. The increase in international activity of European retailers and the expansion in Europe of non-European retailers is one of several structural changes that have taken place since the late 1980s. In this period the large firms have grown at a substantially faster rate than the sector as a whole. Lamely [28] stated several reasons for the wave of internationalization in Europe: limited

expansion opportunities in the home market due to perceived market 'saturation' of floor space; public policy restraints in the domestic market; an unexploited growth opportunity in the target country resulting from; under-provision of facilities; under-provision of a particular format; moves of the established customer base to the target country and barriers removal to entry into potential target markets.

Based on the analysis of the Croatian market in the period from 1990.-2001., Knežević [22] suggests that the entry of European chain stores enhanced competition in this sector, while enhanced competition caused the loss of position of the existing retailers which were forced to learn quickly how to adjust to a brand new way of market competition. The ones who were capable enough and who had a clear cut market strategy, as well as flexible management, managed to survive and to catch up with international chain stores with the quality of their products, the level of their services and with the way they conduct business processes, as well. As a consequence of the enhanced competition, customers gained wider product choice, broadened formats choice and better service. Thus, consumers' lifestyle started to change accordingly. For instance they became more demanding and more informed, and their way of choosing purchasing location shifted from small shops in the town centers to large formats (such as shopping malls, hypermarkets and large specialty stores) at suburbs [25].

Knežević, Knego and Renko [23], observed that changes in majority of EU countries are: small growth of retail importance in the structure of employees, small decrease of retail importance in GDP creation, respective increase of average size of retail companies, polarization of retail structure on micro and large companies and increase of employees' productivity. The global spread of major retail players is continuing with a focus on

growth of emerging markets, while acquisitions are changing global face of retail. The following chapters will explain the current trends and dynamics of the development process of retail internationalization on the selected markets in Central and Southeastern Europe.

Comparative analysis of retail internationalization in Croatia, Bosnia and Herzegovina, Serbia and Slovenia

In this research the secondary data from several research studies and reports on retail development will be used, and the comparative analysis of central European and SEE countries, Croatia, Bosnia and Herzegovina, Serbia and Slovenia, will be performed in order to assess the present level of retail internationalization and retail trends at given markets. In order to explain the internationalization level, the indicator of total number of large foreign retailers will be in the focus, as it is suggested as one of metrics to evaluate the level of retail internationalization at a given country. Since the beginning of nineties, with a fall of communist system, foreign retailers are considering entrance and start investing in SEE and CEE markets. In Croatia the war was taking place from 1991 till 1995 and, therefore, important foreign investments in the retail industry are starting with the delay of almost ten years [24]. The number of large foreign retailers in Croatia exceeded number 10 until 2005. The Serbian trade sector has undergone major changes at the end of the last century. However, Serbia has not yet completed the transition toward an institutional and functional market economy. Numerous changes were made towards the harmonization of Serbian trade sector with the developed economies, particularly the European Union. The implementation of the concept of modern and open market economy started in early 2000, thus creating positive preconditions for the arrival of foreign trading

companies on the Serbian market. Many of them see Serbia as an opportunity for further business expansion and market niche to generate profits [13]. The number of large foreign retailers present at given markets is continuously growing till nowadays, recording a trend of exponential growth in the observed period. At Figure 1 the total number of the largest global retailers that entered central European and SEE markets is shown. It is obvious that Croatia and Slovenia have the largest numbers of foreign retailers at each year comparing to other

countries at given period. Since 2011, there are more than 20 large global retailers in Croatia and Slovenia and that number is still increasing. The number of large retailers is increasing at all markets in the given period. The only anomaly was Bosnia and Herzegovina, where, due to overall social and political situation the number dropped from 5 to 3 large global retailers in 2009. In given period, Croatian, Serbian and Slovenian market express trend of exponential growth of number of large foreign retailers.

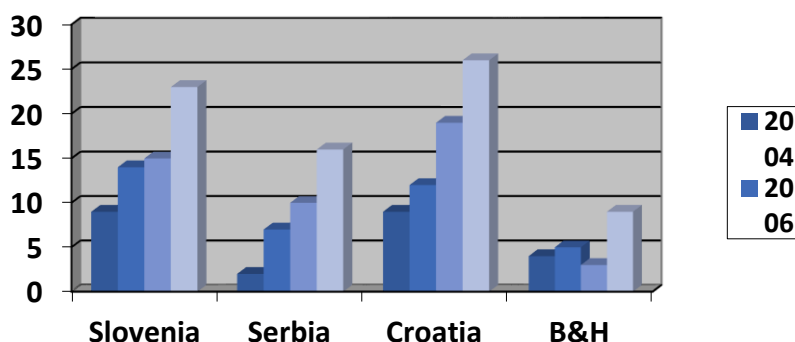


Figure 1.: Total number of Top 250 global retailers present in selected countries, source: own compilation based on data available at reports: Global Powers of Retailing (2006 and 2008), Delloite and Stores.org; Top 250 Global Retailers (2010 and 2011), Delloite and Stores.org

Even though, the trend of growth is present, the pace of the growth is not the same. At Table 1 relative changes within number of large retailers at given markets are presented. It is obvious that trend of retail internationalization, as measured with the indicator of foreign retailers present at market, is slowing down at Slovenian and Serbian market. At the same time, the change rate in Croatia is at very high level (above 30%) and it

shows that trend is increasing, while the change rate in Bosnia and Herzegovina exceeded 200%. For Croatia, we can expect some major player to enter the retail market in following years due to the fact that Croatia is the newest member state of European Union (since July 2013) and, thus, interest of some major retail players can be expected in next 5 years.

Country	% change 2004- 2006	% change 2009- 2011
SLOVENIA	55%	54%
SERBIA	250%	60%
BIH	25%	200%
CROATIA	33%	37%

Table 1.: Relative change in number of Top 250 retailers present in selected countries, source: own compilation based on data available at reports: Global Powers of Retailing (2006 and 2008), Delloite and Stores.org; Top 250 Global Retailers (2010 and 2011), Delloite and Stores.org

In the next step the longitudinal comparative analysis of originating countries for period 2004-2011 is performed; the results are summarized at Table 2. The dominant originating country from which large retailers entered given markets is Germany with very high proportion of companies, comparing to other originating countries. Other country that plays significant role in retail internationalization is France and then follows UK. The proportion of retailers originating from Germany at Croatian and Slovenian market exceeds

30% in each year. Exception is Serbia where in 2009 there were 50% of French retailers in the overall number of large retailers that are active at the market. While, regarding the importance of UK retailers within the overall number we have to point out Slovenia where they is more than 15% UK retailers in total number of large foreign retailers operating at the market. Upon given explanation we can conclude that there are two dominant originating countries of large foreign retailers present at selected markets, Germany and France.

Market	Year	Number According to the Country of Origin					TOTAL
		Germany	France	UK	USA	Other	
CROATIA	2004	5	1	2	0	1	9
	2006	4	1	2	1	4	12
	2009	9	3	1	1	5	19
	2011	9	3	2	2	10	26
SLOVENIA	2004	5	1	1	0	2	9
	2006	5	2	3	1	3	14
	2009	8	2	2	0	3	15
	2011	7	4	4	1	7	23
SERBIA	2004	1	1	0	0	0	2
	2006	3	1	1	1	1	7
	2009	2	5	1	0	2	10
	2011	3	5	1	1	6	16
BIH	2004	2	1	1	0	0	4
	2006	2	1	1	1	0	5
	2009	2	1	0	0	0	3
	2011	2	2	0	0	5	9

Table 2.: Origin of Top 250 global retailers present in selected countries, source: own compilation based on data available at reports: Global Powers of Retailing (2006 and 2008), Delloite and Stores.org; Top 250 Global Retailers (2010 and 2011), Delloite and Stores.org

At Table 3 we scrutinized large retail companies according to their presence at all given markets and we isolated those which are operating in all central European and SEE markets, but still are not present in Croatia. Finally, at last column we showed those that are operating in Croatia, but still are not present at any central European and SEE markets. The number of companies which

operate at all given markets in 2011 climbed up to 5 large retailers that are operating at given markets. Regarding Croatia, it is important to monitor strategic plans of those large retailers which are operating at all central European and SEE markets because as they broaden their international reach it is likely that in the near future they will take into account Croatia as a potential market.

Furthermore, based on data that are available regarding strategic plans of large retailers, in next 3 years we can expect further growth in number of companies operating in all central European and

SEE markets. But, in accordance to indicators of retail market attractiveness (which will be discussed in the next chapter) this trend will slow down.

Year	Variable	All SEE, Central Europe AND Croatia	All SEE and Central Europe NOT Croatia	Croatia NOT any of SEE or Central Europe countries
2011	Number of retailers	5	0	4
	Companies	Inditex, S.A., PPR S.A., DM-drogerie markt, Mercator, Esprit Holdings Limited	-	Rewe Combine, Alliance Boots GmbH, Steinhoff International Holdings Ltd., Douglas Holding

Table 3.: Top 250 global retailers and their presence at central European and SEE markets in comparison with Croatia, source: own compilation based on data available at reports: Global Powers of Retailing (2006 and 2008), Delloite and Stores.org; Top 250 Global Retailers (2010 and 2011), Delloite and Stores.org

Analysis of the attractiveness of the retail market

According to market coverage, internationalization can be realized as regionalization or globalization. There are many factors affecting the internalization of the retail trade and various criteria are taken into account when companies consider to which market they should internationalize their business activities. In this chapter, we will summarize criteria according to A.T. Kearney methodology and we will give an overview of situation regarding central European and SEE markets.

A.T. Kearney created the Global Retail Development Index (GRDI) as an indicator of attractiveness of retail market situation. The indicator is calculated annually (since 2002) and ranks the top 30 developing countries (leading countries) in terms of attractiveness for investors' market expansion in the field of retail industry.

The Index analyzes 25 macroeconomic and retail-specific variables to help retailers devise successful global strategies and to identify emerging market investment opportunities. The

GRDI is unique because it identifies today's most successful markets and those that offer the most potential for the future. It is composite index which is composed of four sets of estimated factors. These are: (a) economic and political country risk, (b) market attractiveness, (c) market saturation and (d) time pressure. Until 2008 the index is formed as a composition of estimated factors with following weights: country risk and market attractiveness 25%, market saturation 30% and time pressure 20%. Since 2009 each of the four factors participates in the structure of the GRDI by 25% [6], [10].

Table 4 presents the ranking of central European and SEE countries per GRDI values for the period from 2004 to 2011. The top ten countries (range 1-10) were the countries that are suggested as the most attractive markets, i.e. "markets on the radar screen". The other ten countries (range 11-20) were the countries that may be taken into account when making decisions about entering this market. Last ten countries (21-30) are the countries that should be avoided and it is not advised to make investment to those markets.

Central European and SEE countries	Global Retail Development Index (GRDI) (A total of 30 countries)							
	Rank by year							
	2004	2005	2006	2007	2008	2009	2010	2011
Slovenia	4	5	8	17	23	9	-	-
Serbia	-	-	-	-	-	-	-	-
BIH	-	20	25	-	-	-	29	-
Croatia	5	7	9	19	-	24	-	-

Table 4.: Central European and SEE countries and Croatia ranked according to the Global Retail Development Index, source: own compilation on data available at: AT Kearney, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011

It is evident (from the data in Table 4) that Slovenia and Croatia passed the first and second group from 2004 till 2007. Slovenia passed the first group also in 2009. Bosnia and Herzegovina was in the third group of countries only in 2005, 2006 and 2010. Serbia does not appear at the list of top 30 countries that are attractive to foreign investment in retail trade. Croatia appears for the first time in 2004 on the high fifth position of the GDRI which means that it was considered as a favorable market for retail internationalization. Yet, in 2009 Croatia was in the third group of countries which means that it should be avoided in decisions about the internationalization of business. Since 2010 both Slovenia and the Croatia do not appear at the list of top 30 countries that are attractive to foreign investment in retail trade. According to GDRI Index all selected central European and SEE retail markets are considered to be the market with low market attractiveness, high market saturation and low time pressure to enter.

The analysis of GRDI elements given at Table 5 shows that the Slovenian and Croatian retail markets were interesting for foreign investors by 2006. These markets do not appear after the 2010 in this analysis. Bosnia and Herzegovina was interesting retail market in period from 2005 to 2006, while Serbian retail market does not appear at all.

FACTOR	YEAR	Slovenia	Serbia	BIH	Croatia
COUNTRY RISK	2004	83	-	-	61
	2005	83	-	36	63
	2006	78	-	31	57
	2007	100	-	-	73
	2008	65	-	-	-
	2009	100	-	-	58
	2010	-	-	30	-
MARKET ATTRACTIVENESS	2004	60	-	-	53
	2005	52	-	18	48
	2006	52	-	18	51
	2007	33	-	-	38
	2008	28	-	-	-
	2009	64	-	-	58
	2010	-	-	27	-
MARKET SATURATION	2004	43	-	-	-
	2005	43	-	79	55
	2006	25	-	71	49
	2007	13	-	-	28
	2008	12	-	-	10
	2009	12	-	-	-
	2010	-	-	21	46
TIME PRESSURE	2004	76	-	-	93
	2005	68	-	85	88
	2006	70	-	75	91
	2007	47	-	-	70
	2008	58	-	-	-
	2009	33	-	-	46
	2010	-	-	77	-

Table 5.: Values of GDRI factors, source: same as Table 4.

*All factors are evaluated from 1-100. For *country risk* if value is lower than the risk is higher. For *market attractiveness* if value is lower than market is less attractive. For *market saturation* if value is lower than the market is more saturated. For *time pressure* if value is lower than pressure to enter market is lower, while 100 means that it is urgent to enter the market.

All four listed retail markets are, at the moment, considered as markets of low market attractiveness according to GDRI, with high market saturation and low time pressure. The process of internationalization of the retail market, in these circumstances, can be sporadic. Every foreign retailer will think twice before making a decision about entering any of the analyzed markets. It is possible that some of French retail chains will show some interest for Croatian retail market due to (1) the fact that currently dominant retail chains are those with headquarters in Germany and Austria and (2) the fact that Croatia entered EU recently.

Conclusion

Based on the analysis of the literature, we can conclude that the retail internationalization is multidimensional problem that is explored from different aspects in the past twenty years. This paper gives an overview of the important sources that define and explain the issues and indicate the motives of retail internationalization, which was the first research objective.

Comparative analysis of retail internationalization in Slovenia, Serbia, Bosnia and Herzegovina and Croatia showed that since 2004 the number of large foreign retailers is still increasing year after year despite some reports on low market attractiveness at given markets. But, the dynamic of trend is slowing down at Serbian and Slovenian market, while in Croatia and Bosnia and Herzegovina the trend of growth is still exponential with two-year

change rate higher than 30%. In number of large foreign retailers which are active at given markets, there is respectable number of retailing companies originating from Germany. Only in Serbia, in addition to German retailers, there is a significantly high proportion of French retailers. Based on the data that are available from the strategic plans of large retailers, in the next three years we can expect further growth in the number of foreign retailers on the Croatian market. Croatia is the newest EU member state and, therefore, can expect some significant EU players to enter the retail market very soon. Competitive advantage of retail companies in Bosnia and Herzegovina could be improved by their internationalization, in the way that the country ambience becomes remarkable for the competitive advantages of foreign companies which would transfer part of their businesses or develop new ones in our country. Bosnia and Herzegovina cannot provide a large market but it can be the international business area, because of its favorable position and the competitive advantages which will need to be developed. A serious Bosnia and Herzegovina retail initiation toward internationalization can be expected after Bosnia and Herzegovina entering European economic integrations. European experience has shown that a serious initiation toward internationalization within Europe was marked just after forming the free European market and the European Union.

The main limitation of this research is that it is based on an analysis of number of large foreign retailers active at given markets. In order to improve conclusions, in the future, we suggest including more data into analysis. Some indicators which can contribute to retail internationalization understanding are: proportion of revenues generated by foreign retailers, productivity levels of foreign retailers compared to domestic retailers, number of stores owned by foreign

retailers and operating sales area (in m²). So, these indicators should be included in future analysis of this topic.

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