Focus

Multinational Retailing in China and India: Understanding Resistance, Risks, Rewards

MARIE-LAURE BARON, NIKHILESH DHOLAKIA, RUBY ROY DHOLAKIA AND ATISH CHATTOPADHYAY

Between unqualified success and stark failure of multinational entry into retail sectors of Asia are various forms of resistance. By examining instances of resistance to multinational retailing in Asia, we propose a preliminary framework to understand how the resistance-acceptance dynamics work, and shed light on the risks-rewards for multinational as well as domestic actors. We draw from examples worldwide but focus on selected countries in Asia: primarily India, where multinational retail entry faced resistance in the 21st century; and China, as a contrasting comparison to India. Some references are also made to Japan, where the resistance to multinational retailing goes back to mid-20th century; and South Korea, where Walmart entered but later withdrew; and to selected other countries.

Marie-Laure Baron is affiliated to Université du Havre, Le Havre, France, Nikhilesh Dholakia is affiliated to University of Rhode Island, USA, Ruby Roy Dholakia is affiliated to University of Rhode Island, USA, Atish Chattopadhyay is affiliated to S. P. Jain Institute of Management and Research, Mumbai, India.

Failures in multinational retailing have attracted journalistic and some scholarly attention. The cases of Walmart's withdrawal from South Korea and Germany, the failure of the French retailer Carrefour's hypermarket format in USA,and some retail failures in Chile have been discussed in research literature. Multinational retail successes, of course, attract considerable attention. Our focus here is on a state in-between unqualified success and stark failure. We examine instances of resistance to multinational retailing in Asia, and propose a preliminary framework to understand how the resistance-acceptance dynamics work, and to shed light on the risks-rewards for multinational as well as domestic actors. We draw from examples worldwide but focus to some extent on two major nations in Asia: India, where multinational retail entry faced resistance in the 21st century; and China, as a contrasting comparison to India. We draw also selective lessons from Japan, South Korea, Europe, and Latin America.

Impact of Resistance on Internationalization of Retailing

The academic literature gives some accounts of large retailer failures in foreign markets: withdrawal of Walmart from South Korea (Gandolfi and Strätch, 2009), retailer failures in Chile (Bianchi et al., 2006) or the failure of the hypermarket format in the US (Tordjman, 1988). According to Burt et al. (2003), divestment and failure may arise from four sources : (a) because the market does not behave as expected and sales don't meet expectations (*market failure*), (b) because the operational performance does not match that of competitors (*competitive failure*), (c) because domestic competencies do not transfer (*operational failure*), (d) because decisions related to international expansion are linked to changing domestic circumstances such as performance or stakeholder expectations (*business failure*). Except for the business failure, typically attributable to company policy, explanations to failure are formulated in terms of "failure to adapt to the local market," "bad locations," "wrong assortment," or "wrong positioning". Additional explanations may also lie in local resistance. Even when a retailer does his best to fully adapt to local practices, habits, assortments, the resistance may strong enough to deter entry or forestall market development.

Economic and political geographers have explored the concept of resistance since 1990 (Sparke, 2008). In marketing, Peñaloza and Price (1993) first explored consumer resistance and subsequently consumer resistance has been studied in terms of consumer behaviors such as boycott or de-marketing (Izberk-Bilgin, 2010). More recently, it has been applied to describe forms of resistance to foreign investment venues, particularly in the retail sector (Coe and Wrigley, 2007, Franz, 2010). In this context, resistance is not merely linked to an imperialist versus a nationalist battle. Rather, resistance occurs as a self-defense strategy and may be defined broadly as the powers at work that impede the development of a foreign retailer in a given country. It may emerge from small retailers or larger scale competitors and may or may not be backed by government policies, party politics, or other institutional factors.

We believe analyzing resistance may provide a rounded understanding of why a retailer should succeed or fail when investing abroad as well as the emergence of various marketing systems in different countries. We follow the path suggested by several academics in various fields to focus more on the host country environment (Wrigley et al., 2005, Coe and Wrigley, 2007, Huang and Sternquist, 2007) as shaping the patterns of international development. We also consider a variety of academic works in institutional economics, geographic economics, business management or business history in order to draw consistent arguments to build a framework to deal with resistance.

We draw on the examples of China and India as two similar countries that differ vastly in the ways resistance is expressed and imposes on foreign retailers or local marketing systems. We conclude with a framework meant at approaching resistance and its consequences for retail transnational corporations (TNCs).

Defining Resistance

Resistance literature originates in Marxist thinking as a way for workers to fight against their exploitation. In general, resistance is viewed as a way for consumers, people, and workers, to counter exploitation. Another view set forward by de Certeau (1984) holds that individuals are not just passive even when there may be some market dominance. People have "ways of operating" where they can use resources to resist the dominant system. In comparison with the exploitation discourse, the empowerment discourse affords people the agency to challenge and contest the dominant power (Izberk-Bilgin, 2010).

From the point of view of political geographers, resistance is linked to dispossession and the market-led globalization (Sparke, 2008, Hart 2006). Retail Transnational Corporations may be considered abroad (as well as in their home market) as the representatives of the new global capitalism that dispossesses small local operators. Even though nationalism may be present in resistance (Williams, 2007), geographers suggest that resistance should be contextualized. It needs to be articulated and interlinked with historical and geographical elements to understand how and why resistance becomes of consequence.

Far from the pure romance or tragedy of autonomous resistance, the concept is embedded in specific contexts, in various structuring circumstances, and leads to various impacts (Sparke, 2008). Thus, any autonomous form of resistance on the part of local competitors may not systematically be interpreted as a form of resistance. Resistance may rather be qualified differently depending on contexts and the way agency occurs, which enhances operational consequences of resistance. This contextualized approach improves our ability to understand how resistance varies in form and in impact, what its limits are, and how it is structured by context (Sparke, 2008). Katz (2004) contrasts three forms of resistance which overlap and remain dynamic: resilience, reworking, and resistance itself.

Making the Resistance Operational: Managerial Issues

In order to use the construct of resistance as a predictor of success for foreign retail ventures as well as of the evolution of marketing systems, the construct should be clearly outlined. Resistance could be purely oppositional, or feature more blurred characteristics such as reworking or resilience.

In "reworking," there is no questioning of the system itself but local shopkeepers or other local competitors have "ways of operating" and use the system in a way that their situation is improved. In the retail context, reworking would correspond to a situation where, facing domination by foreign retailers and their marketing model, local players rework the forms of retailing in a way that they perform better. Reworking may concern large local groups or small shopkeepers.

Instances of resilience may arise where large retailers, whether local or global, dominate the market, but shopkeepers manage to maintain their activity and their previous living conditions. The outcome is neither improved nor worsened in terms of dispossession. Resilience may also be viewed differently according to context: in most of Central and South America, small independent shopkeepers still account for 50percent or more of retail sales in spite of large retailer development. They develop their business either in locations where large retailers have not settled; and indeed, may never settle because it may not be sufficiently profitable. Resilience therefore could stem from the remaining possibility of survival because modern marketing channels cannot satisfy needs of all shoppers efficiently.

The construct of resistance provides an obverse lens on competition than the one we are used to: looking at it with the lens of the Western foreign firm. It also does not focus so much on intra-type or inter-type competition but rather on traditional and modern retailing (Dholakia, Dholakia and Chattopadhyay, 2012) or the old and new, whatever the formats.

China and India: Resistance and Retail Development

We now go into our two major cases of China and India to analyze the circumstances that foster resistance. We first recall entry conditions, then exhibit factors that explain the emergence and ways of resistance.

Entry Conditions in China and India: Local Settings

China and India account for some of the most attractive destinations for retail FDI as featured by AT Kearney (2011): India ranked 4th behind South American countries (Brazil, Uruguay, Chile) and China ranked 6th because of the concern that there might be retail overinvestment in China. Both countries feature a large territory, a population of over a billion people with growing middle classes, and vast prospects for retail investment. Entry conditions for retailers in the two countries, however, are very different.

Box 1: Rules related to the gradual opening of the Chinese market to retail FDI from 1992

Initial Retail FDI Conditions:·

- The Chinese partner must have a share of more than 51%·
- Joint venture or cooperation to enter the market·
- Impossible to operate a wholesale business·
- Proportion of imported goods not more than 30%

1992: Store opening limited to Beijing, Shanghai, Tianjin, Guanzhou, Dalian and Qingdao, plus five selected economic zones,

1996: Wholesaling allowed, foreign companies allowed to operate in provincial capital cities and selected other cities,

End of 2004: All restrictions removed whether on locations, type of activity, amount and shares structure.

China began opening to retail FDI in 1992, with FDI in that sector being restricted and joint venture made compulsory as is often the case. Progressive opening took place, up to 2004, after China entered the WTO (2001) and agreed to a full opening of the retail sector (see Box 1). Until then, retailing, in terms of selling to the final consumer, was listed among other sectors such as finance, banking and telecommunications, as requiring a joint venture.

Some foreign retailers had established before 2004. Metro (1996) developed the cash and carry format, while Carrefour (starting in 1995) developed supermarkets and hypermarkets through local partnerships. Others arrived later, such as Tesco (2004), Walmart, and the French retailer Auchan. In retrospect, China did not turn out to be as unapproachable as imagined and foreign retailers do not seem to have suffered much from local resistance even though local competition may be quite tough (see Table 1).

Table 1: China's Biggest Retail Chains

Multinational Retail Chain	Market share
Walmart (with Trust Mart)	8.0%
Sun Art (RT-Mart and Auchan)	7.8%
Vanguard	6.6%
Bailan Group (including Hualian)	6.0%
Carrefour	5.1%
Tesco	2.1%
Wu-Mart	2.1%
Zhongbai Group	1.9%

Source: Adapted from Kantar WorldPanel, 2011 to take recent takeovers into account

By contrast, investment by retail food TNCs in India started later with first investments in 2002 by the German company Metro, because of former local restriction to retail FDI (see Box 2). Large food retailers have been waiting for several years now for the market to open but local resistance had made it impossible for the government to liberalize the market until late 2012. As a consequence, foreign retailers are restricted to given activities such as wholesaling and sourcing management. The number of stores they opened remains small and is exclusively in the cash and carry business. When foreign firms have

Box 2: Rules related to the gradual opening of the Indian market to retail FDI

Initial Retail FDI Conditions:·

- 51% stake allowed for single brand retailing (Levi's, Benetton), that is products should be sold under the same brand internationally.
- Joint venture mandatory
- 100 percent FDI in cash-and-carry, or wholesale, ventures allowed

October 2012: 100 percent foreign FDI allowed in single brand retailing Retailers who own more than 51 percent will be required to source 30 percent of their goods locally from small and medium enterprises,

November 2011: Government proposes to open FDI for multi-brand retailers to hold stakes up to 51 percent in retailing activity

December 2011: Government withdraws project because of street and political resistance.

December 2012: Government allows FDI in multi-brand retail.

entered a partnership with an Indian firm in retailing activities, the foreign company's activity is limited to helping the Indian partner build a supply chain, while stores are developed under Indian brand name and ownership. Powerful resistance in India has kept foreign firms waiting and constrained, while local groups develop to the face of resistance. Globally, modern retail accounts for 15 percent of retail sales, but the figures per category show a wider spread of modern retailing in clothing (23 percent) than for the food category (1 percent)[1] in a country where food and grocery account for 60 percent of household spending. The Indian case shows how much local resistance impacts retailer development. Before we look into the impact of resistance on retailer development, it is worthwhile discussing the factors that explain such resistance.

Resistance in China and India: Some Patterns

The reason why resistance is so strong in India is generally linked to the number of shopkeepers and the importance of unorganized trade for the livelihood of the Indian people. India is said to be a service based economy where trade represents 10 percent of GDP and is the second largest source of employment after agriculture. The organized retail sector in the nation of 1.2 billion people is estimated to hit annual sales of $450 billion by 2015[2], with nearly 90 percent of the market controlled by small family-run stores. The "kirana" shops – 15 million small retailers in India – provide a living for 40 million people. At the time of first opening, China also had 12 million shopkeepers. Several differences between the two settings account for the strength of resistance in India versus China.

Importance and Evolution of Small Local Stores

While India could be qualified as a "Nation of Shopkeepers," it was not quite the case for China. China only liberalized its internal trade market in 1979 with the economic reform.

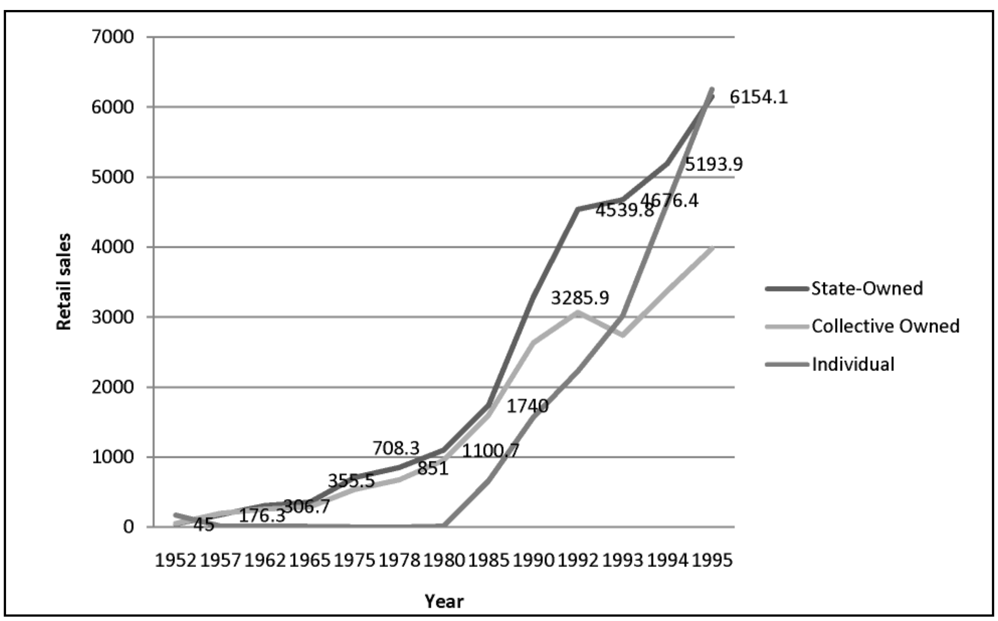

Figure 1: Retail sales by type of ownership, China 1952-1995, 100,000,000 Yuans

[1]India Retail Report, 2009.
[2]Business Monitor International, 2011.

Until then, all trade was state owned. Even in contemporary China, the seemingly independent kirana-like store in China often has a 'silent' co-owner in terms of some arm of the municipal or provincial government. The liberalization as well as economic development led to steep growth in store numbers. State owned stores were either leased or turned over to collective owned companies or to individuals. At the time of first entry of foreign retailers, however, a large part of the trade business was still state owned (see Figure 1), even though individual stores outnumbered state owned stores. If the market share of state-owned retailers dropped from 90.3 percent in 1976 to 40.5 percent in 1983, state owned businesses were still important: out of the some 30 million people working in trade (China government statistics), 27 percent worked in state owned or collective owned retail outlets and 68 percent in recently individually owned outlets (but often with a silent 'state partner'). In 1995, individually owned outlets represented nearly 87 percent of outlet numbers, with close to 13 million[3] compared to nearly 15 million as a total number of stores (Figure 2). Obviously, single individual owned outlets accounted for a very small turnover relatively to single state owned outlets.

Moreover, compared to the situation before 1979, shopkeepers and other local companies were benefitting from the opening and growth of the market, without anybody being dispossessed of previous revenue. There was therefore little ground for resistance, and figures show that local trade has not suffered from foreign direct investment (FDI). Foreign investments in the retail sector therefore did not affect either small retailers or domestic retail chains, except in some positive ways. Since 2004, the number of small outlets rose from 1.9 million to over 2.5 million in China[4]. Employment in the retail and wholesale sectors increased from 28 million to 54 million from 1992 to 2001. Low resistance in China may therefore be linked to the fast pace of growth which 'lifted all boats', to the importance of state ownership at the time of entry, and to the improvement in store assortments and pricing that was brought in by new competitors.

By contrast, in India, there is nothing like state ownership even though there is some regulation. The shop density is the highest in the world with 11 stores per 1000 people, even though high store density is an Asian characteristic (Japan, Taiwan, Hong Kong[5]). Trade is

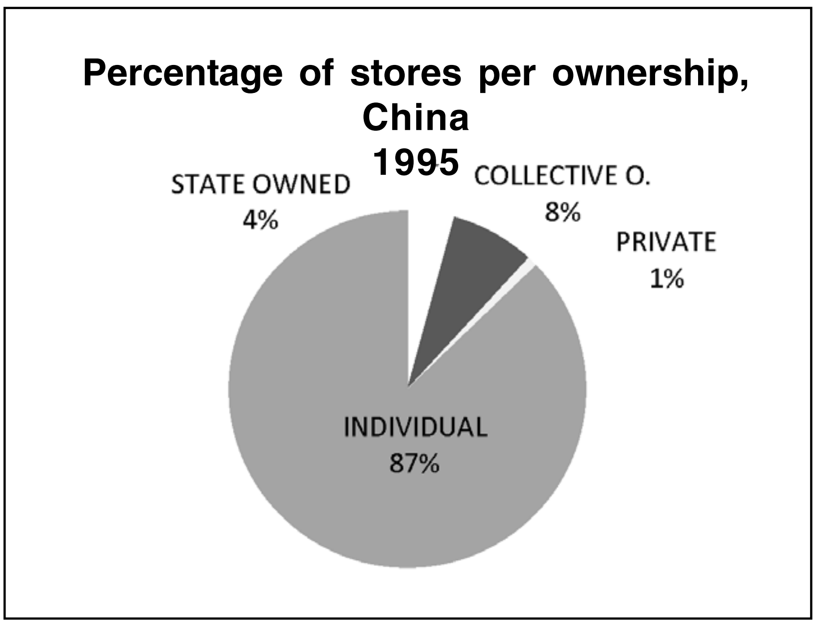

Figure 2: Share of outlets according to ownership at the time of FDI opening, China, government statistics

[3] Data here on individuals may include any type of individual sale (market, store, street vendors).

[4] "Foreign direct investment (FDI) in multi-brand retail trading," Department of Industrial Policy and Promotion Discussion Paper, Government of India (2010), in FDI in retailing and inflation: The case of India by Nandita Dasgupta, Columbia FDI Perspectives, n°52, December 2011.

[5] D. Flath (1990) reports that in 1982, there were 14,53 retail stores for10,000 people in Japan, compared with 8.29 in the US, 6.27 in the UK, 7.48 in France and 6.7 in Germany. For Hong Kong, see M. Williams (2007).

characterized by high levels of self-organization, low capital per store, and accounts for 8 percent of national employment and 4 percent of total population. The risk of being dispossessed by the development of modern distribution is therefore much higher than in China, especially as the prospects for growth are not as promising as they were in China because trade is already an important business in India. In most cases indeed, the development of modern retailing leads to a reduction in the number of stores[6]. This has been observed in South Korea (Choi S.C., 2003), Argentina (Gutman, 2002), Chile (Faigenbuam et al 2002), Mexico (Biles, 2006) or Brazil (Farina, 2002). According to a KPMG report (2010), the number of small stores in India increased only at a slow pace between 2001 and 2005 (2 percent), while organized retail was increasing by 18 percent. Even though the change might be lightly felt because of overall market growth[7], figures show the increased market share of organized retail in the market.

The "anti" retail FDI movement brings together a wide variety of profiles across India, from the farmer to the shopkeeper and the middleman. Indian farmers sell to licensed wholesale "mandi" middlemen, and these wholesale merchants have emerged as a politically powerful class of intermediaries which are directly threatened by the development of modern retailers which typically squeeze out such intermediaries. The overwhelming resistance, when one considers that new formats are concentrated in metropolitan cities and some regions (Singh and Sharma, 2011), is surprising. This is due to the fact that the competition in large cities, and anticipated as changes in metropolitan cities, may impact shopkeepers elsewhere (Dholakia et al., 2012).

These contrasting settings demonstrate that the structure and nature of commerce *before* TNC entry is of importance in evaluating potential resistance. It is not only the size and the growth of the market that make large retailers successful. It is also the fact that they encounter little resistance locally. Even though local operators may be perceived as bearing poor knowledge on quality retailing and hygiene conditions, forms of resistance may be such that the transfer of the foreign format is made very difficult even when adapting to local market conditions. High resistance is more likely to develop when the number of local shopkeepers is high as well as the threat on their revenue.

Government Agency

Government agency may make the difference from the Mexican setting where, with minimal government oversight, Walmart became an uncontested leader. The situations in China and India differ from Mexico and similar situations.

One objective for Chinese players at the time of opening may have been to acquire knowledge on retailing activities as pre-existing experience was poor on building attractive assortments, pricing policies, or managing store surfaces efficiently. Contrary to Poland or other East-European countries, the central government did not privatize retailing fully. Not only did it retain shares in given retail activity, but it also engaged in the grouping of retail activities to build large and powerful local groups. Therefore, indigenous resistance, in the form of reworking, is built-up in China. In 2003, the Shanghai Bailan Group (Lianhua stores), a state owned company, was created from the grouping of former separate state companies. It later acquired other Chinese companies such as Hualian. China Resource Enterprise (CRE), a subsidiary of China Resources Holdings, is the other state entity behind the Chinese food retailer Vanguard. These groups are however very diversified. They are horizontally as well as vertically integrated: they have department stores, manufacturing activities, and other specialty businesses (wine stores, meat distribution for CRE). China Resources Holdings also manages a variety of businesses that are of use to retailing activities, such as banking activities or real estate. Therefore, Chinese companies have all the networks they need to acquire prime locations and develop banking operations with customers or other partners. Foreign retailers cannot rely as much on local authorities (Williams, 2007, Hingley et al., 2009), and do not benefit from such reliable links and support throughout their business.

Built up resistance provides the greatest challenges for foreign firms in China. The systemic support that indigenous retailers benefit from has not prevented foreign companies from developing as yet (See market shares Table 1). Foreign firms depend a lot, however, on government policies and controls as illustrated by recent unrest relating to Carrefour and Walmart. Indeed, these two retailers have been sued for overpricing and cheating on the quality of meat. They were fined and stores were shut down for two weeks. Moreover, they were expected to be exemplary in the application of the new labor laws

[6]http://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Documents/Retailing-Asia-Pacific-200610.pdf
[7]The KPMG report 2010 shows that India was concerned with a slow down due to the worldwide crisis.

passed in 2010 especially regarding the introduction of unions in their stores. The several scandals in which foreign retailers have been involved also seem to be linked with the type of management set up by foreign retailers in China, with a lot of autonomy given at the store or regional level where corruption develops (Williams, 2007). Similar unrest took place previously in South Korea and partly led to the withdrawal of major players, Carrefour and Walmart.

Because China is large, while foreign retailers were developing on the east coast, other local competitors have been developing in the West. And each region will be providing a number of local competitors which global players will have to face.

In India, government agency provides some protection in various ways. The existence of some form of retail price maintenance is one form of protection which provides manufacturers with control over their marketing channels. Another protection is provided by preventing foreigners from buying land locally which reduces the power of foreign players to control locations. More importantly, the Indian government restricts the development of foreign formats in multi branded retailing. These restrictions may be strengthened by rules established by local Indian State governments which may restrict surfaces or store development even for Indian players.

While entry in China has been made easy, entry in India is impeded by government taking the people's anger into account. This resembles the Japanese context where the 1978 Large Scale Retail Store Act was passed to account for local shopkeeper resistance (Flath, 1990, Luhman , 1994). Takatoshi and Maruyama (1991) suggest that the legislation has protected small stores and may act as a non-tariff barrier for foreign entry. McGraw and O'Brien (1986) argue that a consequence of the 1978 Japanese law (which has been superseded since) is found in the decreasing number of applications for store openings after it was passed.

In Japan, small family run retail stores accounted for most of the retailing, often handled by elderly couples, and the Japanese government was reluctant to see these people out of work. The stores were said to provide social benefits as they enabled families and old aged people to make a living. According to a KPMG study (2006), even though their number was decreasing, independent small retailers still accounted for 63 percent of the Japanese trade business. The number of supermarkets was increasing but they only accounted for 19 percent of grocery sales and there were no nationwide supermarket chains. Even with its high income levels, Japan remains a difficult market for retail TNCs.

Local Networks

Local networks have proven to be important, particularly in Asia. We have seen how, in China, government led companies use local networks to face foreign competition, but these networks seem to be mainly government managed. Japan offers a different setting and exhibits forms of resistance due to local networks.

After the opening of the Japanese market in the 1990s, many foreign firms entered and many failed and withdrew: Carrefour (2005), Boots, Sephora, and more recently, Tesco (2011). One explanation for the failures is that the stores are strongly linked to wholesalers and producers. Takatoshi and Maruyama show (1991, p. 7) that wholesaler numbers continued to grow until 1990. The size of the wholesaling activity was rather small with an average of only 9.4 employees per establishment. This shows the density as well as the steadiness of the structure in spite of industrial development. This structure has prevented large retailers from developing direct sourcing from the producer and gaining price advantage. Takatoshi and Maruyama (1991) state that even discount stores and large supermarket chains are unable to purchase directly from manufacturers. Flath and Nariu (2008) refer to this middleman activity as the "complexity of wholesale distribution channels in Japan" and find that there are more steps in the distribution channel in Japan than in other developed countries in consumer as well as industrial goods. The number of steps is statistically linked to the number of stores. Marketing channels in Japan thus frequently include secondary and even tertiary wholesalers. Takatoshi and Maruyama (1991) find that, despite these intermediary layers, the Japanese distribution system is as efficient as any other in terms of global margins and operating costs.

Such established networks are likely to provide strong resistance facing foreign retailers because of their density as well as because of the long term contracts and the vertical agreements all over the market. Resistance stems from all groups at the same time: manufacturers who wish to control marketing channels, wholesalers, and shopkeepers. Similar structures have been pointed to in South Korea even though they were not as strong as in Japan (Kim, 2008). Thus, when Burt et al. (2003) refer to the operational failure of a foreign venture, when domestic competencies do not transfer, this may be due to local forms of resistance which make it difficult or worthless to adapt. In a sense, reworking in Japan has taken place progressively, growing out of resilience, by the low transformation of progressively closing family small stores, into convenience stores. Independently from the structure analysis, the network analysis reveals ways of resistance which did not appear in Western countries, nor apparently in Central or Southern America. High vertical integration, powerful middlemen and manufacturers, make local resistance stronger.

The case of Japan provides a window on the prospects in the Indian market where middlemen have traditionally been powerful and where caste relations are strong within retail channels because of caste relations within customers and shopkeepers as well as between shopkeepers and their wholesalers. According to Dholakia et al. (2012), in India there is 1 wholesaler for every 17 stores.

Towards a Framework for Understanding Multinational Retail Resistance

Because there is a growing and increasingly accessible knowledge of what happens when large TNC retailers enter a market, resistance is likely to develop in various parts of the world and to make entry more challenging. Bianchi et al. (2006) state the case of Chilean retailers who had been observing their competitors in fellow countries for some time previous to their entry in Chile. This goes to show that local operators are more and more aware of the patterns of retail development and global patterns of resistance may appear. As shown with the example of Japan, in some cases, traditional forms of retailing may also prove efficient in given contexts in which case they should survive eventually after resisting. The Darwinist vision of "adapt-or-die" does not apply in any case and some traditional shopkeepers, even though they may sound archaic in European or American terms, may serve a local purpose and survive, particularly if they benefit from government favorable agency.

Reworking and Resistance in China and India

The absence of resistance in China – that is, overt oppositional consciousness – does not mean, as suggested by Katz (2004), that there are no other ways of resistance. The process is dynamic and resistance may emerge from resilience or reworking. Following Coe and Wrigley (2007), resistance also refers to local and national retail chains, which suggests that we look at ongoing competition with other players.

Easy Reworking in China

It is apparent that local Chinese companies have reworked retailing considerably to face foreign competitors. The reworking process seems to have been easy which may be due to a number of reasons some of which have been mentioned such as the growth rate and the general need/want for more attractive assortments. Another reason is probably that state owned companies have prime access to locations which enables them to open the stores they need. Failure when opening will stem only from their lack of performance.

The reworking process by major local retailers (which are still state linked) also led to a number of new arrangements to resist foreign development. Local retailers needed to increase their number of stores rapidly. To do so, they used franchise agreements but also leased surfaces (space) to sets of independent local operators who could sell their products against the payment of a commission to the retailer. This latter type of management is widely used in department stores. It also provides some benefits as it enables local producers to access the market and therefore lowers resistance. These contractual arrangements do not offer the same performance as a wholly owned store. It however enables Chinese retailers to develop their network and work on building a nationwide reputation. Local players also have access to suppliers (vertical integration) and have engaged in building similar supply chains as their foreign counterparts by sourcing from the producer, contracting with producers and building logistics premises.

In the end, local players have adapted to new circumstances. They adopted the modern formats, but still run a wide range of convenience stores and department stores. Because they needed to develop their network of stores and to secure supplies, they engaged in contracting and supply chain management. Thus, they do not overtly question the system much; instead, they use the dominating rules and make them their own. The local competitors reinterpret in their own way leasing agreements, vertical integration, and the development patterns of their counterparts – creating local competitive spaces right under the noses of retail TNCs.

Prospects for India: Overlap of Resistance, Resilience, Reworking

Resistance in India as we have discussed previously is very oppositional. Meanwhile, some local operators are developing into modern retailing with or without partnerships with foreign firms and the country remains mostly closed to retail FDI. The other operators, the small traditional stores, in spite of protest, seem to have ways of resilience as it is perceived they may be efficient regarding the local market. What prospects can, then, be drawn for the retail market in India?

As mentioned previously, in some respects, the outlook of India has similarities with the Japanese or the Korean context. Indeed, government regulation provides time for local actors, large or small, to adapt to foreign entry and manufacturers are involved in retailing, to a greater degree in the case of India. Retailing groups such as Pantaloon Retail (Big Bazaar, Food Bazaar), Trent (Star Bazaar, a subsidiary of Tata Group) are also conglomerates that are horizontally and vertically integrated: they have apparel manufacturing as well as specialty stores or department stores. The Indian groups do not function like Korean Chaebols or Japanese Kereitsu but their size and the array of their activities may provide them with some competitive advantage and at least some ways of resistance: it could be in terms of pricing of particular items, accessing supplies as is the case in China, combining product lines, accessing locations, offering own brands, or even benefiting from a more favorable image by the general public. Dholakia et al. (2012) state that Indian retailers have introduced private brands in many categories and note this happens at early stage and may provide customer loyalty before foreigners are allowed to enter. The development of private brands may slow the development of foreign brands and thus contribute to weaken the links foreign retailers maintain with worldwide manufacturers. Moreover, private brands are bound to satisfy the price conscious Indian consumers.

Another Asian specificity is that local players are involved in India (as well as in all other Asian countries) in various types of formats. Inter-type competition in Europe was and still is mainly managed by different competing retailers. Because the same operators manage the various formats and are involved in manufacturing, the outcome may be a different type of competition than that observed in Europe or the US. The importance of specialty stores to promote clothing or electronics for instance could reduce the potential for hypermarket development.

More importantly, suppressing the intermediaries may prove as difficult as in Japan. Large numbers as well as caste and family relationships within retail establishments and between wholesale and retail establishments create a network of ties that affect business decisions and retail outlet selection (Dholakia et al., 2012). Resale price maintenance on branded goods may well provide margins to all channel actors and thus contribute to strengthening the vertical network from manufacturer to customer as was the case in Japan. These well-established networks could make it difficult for foreign retailers to suppress or bypass the intermediaries. Some recent events show how retailing is organizing locally to deal with the actual structure of the marketing system. In India, domestic retail chain Reliance Retail, with more than 1,300 outlets across the country, has come out with a model for survival as it plans to trade with the local Kirana shops[8]. By this business-to-business initiative, Reliance will be sourcing products and selling them to the local Kirana shops. In Kerala, Jerry Mathew owns 53percent stake in Kochi-based LanMark[9] which has grouped 160 independent stores in white goods under the same brand name in order to organize delivery and a common brand image. India also has a long standing experience of cooperative stores which could lead small stores or wholesalers to group into independent cooperatives (in France, such cooperatives have proved quite successful).

Small Indian shopkeepers are probably not as inefficient as imagined. As in other countries, they provide a number of services ranging to neighborhood servicing to credit and banking services.

Impacts of Resistance on the Evolution of the Marketing System

The marketing system will differ depending on whether there was resistance or not which in turn is to be related to local context. In the case of China or India, due to government agency, foreign retailers are not likely to attain "commanding heights," which will remain in the hands of local players.

In China, where we argue resistance was low, the outcome is a "Central America" type of retail development where modern retail has scaled up rapidly and will eventually account for most of the sales happening through chain stores of supermarkets, hypermarkets, and convenience stores. This was the case in most East European countries and in Russia. In all these countries, the government agency accounts for the existence (Russia, China) or non-existence of large local competitors (Mexico). In terms of market structure, the outcome is also a more concentrated market than in the Indian or Japanese setting.

[8] FDI In Retail: Will It Boost India's Economy Or Leave Millions Jobless?, *International Business Times*, June, 12, 2012.

[9] http://india-growth-story.blogspot.fr/2012/06/watch-out-walmart-indias-got-lanmark.html, June, 24, 2012.

In India, where resistance is strong and partly government (or political party) backed, the outcome seems to result in a slower development of modern retail, especially in the food sector. This will offer small traditional stores and local players time to adapt which should lead to a longer fragmented market. For the wholesaling segment, the paper by Aserkar[10] on the Bharti-Walmart joint venture shows that the wholesaling joint business serves the supermarkets and the kirana stores alike, just like in the Japanese organization. Because the operators are manufacturers, they will probably not want retailers to retain too much power.

The Dynamics of Resistance

Table 2 suggests some outcomes of resistance instances depending on the level at which the resistance unfolds (shopkeeper, industry) and whether it is backed or not by the government or by political forces. However, in this table which would need some testing to become more robust, we only have a snapshot of the outcome in the short term. Dynamics of resistance take into account the fact that local players may evolve from resilience to reworking or oppositional resistance depending on ongoing circumstances. Fassio and Koleva (2009) show how the market in Poland, in spite of overwhelming foreign investments at the time of opening of the market, has experienced the development of local convenience chains which have grown on their own capabilities, and may be viewed as an instance of resistance. This shows that like competition, resistance is an ongoing process.

Forecasting the dynamics of resistance requires considerably more research. It is however worthwhile

Table 2: Features of Resistance and Outcomes for Local and Foreign Players

Resistance Type	Conditions	Expressions	Countries	Outcome for local players	Outcome for foreigners
Autonomous indigenous shopkeeper resistance	High shopkeeper numbers, Market structure that favors the gathering of multiple groups (farmers, middlemen, shopkeepers) belonging to multiple political partiesThreat on revenue	Protests, demonstrations, vast social movement	India	Slower development of local large players, Reworking of shopkeepers into convenience store chains in the medium run	Partner with a local firm, be discreet, or exit.(Local name for the store, enter in wholesaling rather than retailing.
Government backed/ fostered resistance	No shopkeeper resistance	Legal instability, high level of control, suits.	China, Korea, Russia, Brazil	Reworking of local players in the same system as that imported by foreigners.Large modern retail market share, market shared between local and foreign.	Partner with a local firm, face instability, be exemplary, or discreet (Auchan China)
Industry based resistance	Networked industry,Vertical integration, solidarity	Making it impossible to build a local base, industry inertia to foreign retailer initiatives	Japan, Korea	Reworking of local players and of small stores into inter-linked convenience stores.	Partner with local player or exit
No resistance No government agency	No leading manufacturers Isolated retailers Fast modern retail development Regional local players	None except journalists and academics	Mexico	Leadership of foreign retailers	Enter and develop fast

[10]Rajiv Aserkar, "Reconfiguring distribution channels for efficient supply chains", http://preet.sesolution.com/iclt2010/Full%20Papers/Distribution,%20Transportation,%20and%20Traffic/0064-Rajiv.pdf

reminding how time is an important variable in the dynamics of entry and resistance. A substantial slice of time before opening a market, such as in India and Korea, provides local players with the means to organize and anticipate. Time also works after entry, even when foreign players achieve a substantial foothold. Many withdrawals by foreign players happen because of the corporate strategy and situation in the home market. The Carrefour withdrawals from Korea, Japan, Mexico or the Czech Republic are linked to the situation of the retailer in France and its need for cash. The characteristics of the Chinese market also show that, in spite of easy entry, local players still have a number of cards they can play that should make the market more and more competitive – and it is possible that some of the lesser-established foreign retail chains could conceivably withdraw.

References

Zula, K. J. and Chermack, T. J. (2007), "Human capital planning: A review of literature and implica-tions for human resource development," *Human Resource Development Review*, 6(3): 245–262.

Bianchi C. and Mena J. (2004), "Defending the local market: the example of Chilean retailers," *International Journal of Retail and Distribution Management*, 32: 495–504.

Bianchi C. and Ostale E. (2006), "Lessons learned from unsuccessful internationalization attempts: examples of multinational retailers in chile," *Journal of Business research*, 59: 140–147.

Biles J.J. (2006), Globalization of food retailing and the consequences of walmartization in Mexico, in S. Brunn, ed., *Wal-Mart World: The World's Biggest Corporation in the Global Economy*. New York: Routledge, pp. 347–359.

Burt S.L., Dawson J. and Spark L. (2003), "Failure in international retailing: research propositions," *International Review of Retail, Distribution and Consumer Research*, 13: 355–373.

Chariot A., Chessel M–E (2006), "L'histoire de la distribution : un chantier inachevé ," *Histoire, Economie et Société*, 25 (1): 67–82.

Coe N.M. and Lee Y–S (2006), The strategic Localization of Transnational Retailers: the case of Samsung–Tesco in South Korea," *Economic Geography*, 82 (1): 61–88.

Davies, Keri (1994), "*Foreign Investment in the Retail Sector of the People's Republic of. China*," *Journal of World Business*, 29(2), 56–69.

De Certeau M. (1984), *The Practice of Every Day Life*, Berkeley, University of California Press.

Dholakia N., Dholakia R.R., Chattopadhyay A. (2012), " India's Emerging Retail Systems: Coexistence of Tradition and Modernity" *Journal of Macromarketing*, 32.

Fache P., Waelli M., Gallouj C. (2010), "L'échoppe et la boutique contre leur mort programmée, le sursaut poujadiste," E. Thil conference.

Faiguenbaum S. Berdegue J. A., Reardon, T. (2002). "The Rapid Rise of Supermarkets in Chile: Effects on Dairy, Vegetable and Beef Chains," *Development Policy Review*, 20 (4).

Farina E. (2002). "Consolidation, Multinationalization and Competition in Brazil: Impacts on Horticulture and Dairy Products Systems," *Development Policy Review*, 20 (4): 441–457.

Fassio G. and Koleva P. (2009), "Enjeux de l'évolution récente des formats alimentaires en Europe de l'EST," *Décisions Marketing*, April, 19–28.

Flath D. (1990) "Why are there so many retail stores in Japan?," *Japan and the World Economy*, 2 (4): 365–386.

Flath D. and Nariu T. (2008),"The Complexity of Wholesale Distribution Channels in Japan," *The Japanese Economy*, 35 (2): 68–86.

Gandolfi F. and Strätch P. (2009), "Retail Internationalization: gaining insight from Wal–Mart experience in South Korea," *Review of International Comparative Management*, 10 (1): 187–199.

Garcia Ruiz J. L. (2007), "Cultural resistance and the gradual emergence of modern marketing and retailing practices in Spain, 1950–1975," *Business History*, 49 (3): 367–384.

Gielens K., Dekimpe M.G. (2007), The Entry Strategy of Retail Firms into Transition Economies, *Journal of Marketing,* 71, 196–212.

Hart G. (2006), "Denaturalizing dispossession: critical ethnography in the age of resurgent imperialism," *Antipode*, 38: 975–1001.

Hingley M., Lindgreen A., Chen L. (2009), "Development of the Grocery Retail Market in China ," *British Food Journal*, 111, (1): 44–55.

Izberk–Bilgin E. (2010), "An Interdisciplinary Review of Resistance to Consumption, some Marketing Interpretations, and Future Research," *Consumption Markets & Culture*, 13 (3), pp.299–323.

Kim J. H. (2008), "Walmart and Carrefour's retail internationalization failure in South Korea: application of institutional theory," edissertation for the Msc., Nottingham University, available at http://edissertations.nottingham.ac.uk/1891/1/08MSClixjk5.pdf.

Martin F. (2010), "The role of resistance in a retail production network: protests against supermarkets in India"; *Singapore Journal of Tropical Geography*, 31, pages 317–329.

Mc Graw T.K. and O'Brien P.A. (1986) "Production and distribution" in *America versus Japan*, T.K. Mc Graw eds, Harvard Business School Press.

Michalak W.Z. (2001), "Retail in Poland: an Assessment of Changing Market and Foreign Investment Conditions," *Canadian Journal of Regional Science*, 2001 (3): 485–504.

Miller, D. (2008), "cc," Available at: http://goo.gl/OJL8g, Accessed on: July 30, 2012.

Peñaloza L. and Price L. (1993), "Consumer Resistance: a Conceptual Overview," in *Advances in Consumer Research*, ed.L Mc Alister and ML Rothschild, Association for Consumer Research.

Reardon T., Berdegué J. and Timmer C. (2005), "The Supermarketization of "Emerging markets" of the Pacific Rim: Development and Trade implications," http://ageconsearch.umn.edu/bitstream/26754/1/36010003.pdf

Schragger R. (2005), "The Anti–Chain Store Movement, Localist Ideology, and the Remnants of the Progressive Constitution, 1920–1940," *Iowa Law Review*, 90: 1011.

Sparke M. (2008) "The Political Geographies of Globalization: resistance," *Progress in Human Geography*, 32 (1): 1–18.

Tacconelli W. and Wrigley N. (2009), "Organizational Challenges and Strategic Responses of Retail TNCs in Post–WTO–Entry China," *Economic Geography*, Volume 85, Issue 1, pages 49–73, January 2009.

Takatoshi I. and Maruyama M. (1991), "Is the Japanese distribution system really inefficient?," in *Trade with Japan*, Paul Krugman Eds, University of Chicago Press.

Tang Y.E. and LeeP–Y. R. (1998), "China Retailing in Transition – A Dynamic and Evolutionary Perspective," *PanPacific Management Review*, 2, 1–18.

Williams Mark (2007), "The Supermarket Sector in China and Hong Kong: a Tale of Two Systems," *The Competition Law Review*, 3 (2), 251–268.

Wrigley N., Coe N.M. and Currah Andrew (2005), "Globalizing retail: conceptualizing the distribution based transnational corporation," *Progress in Human Geography*, 29,4 (2005), 437–457.

He who is not courageous enough to take risks will accomplish nothing in life

- Muhammad Ali