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Summary : The paper is concerned with the development of large food retailers and specialists in Asia and some return effects for Europeans as well as for host countries. It offers an overview of retailers' investments in Asia. Retailers' investments are directed toward outlet opening and sourcing, due to the special position of this region as a world supplier for some categories of products, and as a growing market. This explains the unprecedented attractiveness of Asia in this sector and shows that some regions offering special characteristics may take greater advantages of retailer FDI due to the existence of local competencies. As exchanges develop in this region there should be in the near future greater efficiency within Asian firms competing with global players, greater Asian investments in Europe in the retailer activity; European retailers on their part, should develop new ranges of own branded products and compete increasingly with established suppliers.

European retailing multinationals: investment in Asia and return effects

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The world economy has acknowledged for several years now, the growing flow of foreign investment across the world, and especially towards Asia. China now ranks as the first host country in the world, American and Asian investors being the most important actors. European investments remain quite behind the others, except in some sectors such as the retailer sector which draws quite a few European operators in that zone. But world statistics usually focus on other types of services such as telecommunications or banking. Retailer investments are only slightly mentioned, while they attract growing attention in Asia as they develop and become more visible.

A now traditional way of differentiating investment types is to distinguish between horizontal investments, replications of domestic production units in foreign countries to get closer to local markets, and vertical investments, where the production process is separated and different parts are produced in different areas to benefit from differences in costs (Markusen 1995). Of course, real economy does not strictly fit into this dichotomy. But, if we consider this approach, retailer investments seem to be clearly horizontal: retailers duplicate their formulae in foreign countries. However, the retailing formulae must be adapted to local needs and this leads foreign investors in this sector to buy locally. Global players such as Metro or Carrefour specify that they gather 90 to 95 % of their products locally in the host country. The development of such investments then seems to have little influence on foreign trade, and on European exports or imports in particular.

There is growing concern however about the part played by global retailers in the growing of imports from Asia. Moati (2003,p.126) notes the explosion of imports from Asia in France in consumption goods, and many others underline the size of imports to the US governed by Wal-Mart, the world leader in retailing. Retailers investing abroad could therefore engage in a new model of development for retailers, where foreign investments induce growing imports from the host countries. Retailers would then take part in the worldwide division of labour by accelerating the development of production in certain countries, and the development of service activities in Europe.

In this paper, we examine the phenomenon of European investments in Asia in retailing. The purpose of this work is to go toward assessing whether or not there are links between the retailers' investments in Asia and their imports, and to get a closer look at the importance of the flux considered as "return effects".

In the first part of the paper, we find out more about the European investments in Asia : who is investing, where, how, to get a clear picture of the phenomenon. In the second part, we focus on assessing the specific features of the trade organization that is developing and on evaluating it. Finally, we will conclude.

I- Cross investments in retailing between Europe and Asia

Europeans are not the only ones to invest in Asia. One also finds intra-Asian investments, headed by big Asian retailing and production firms, investments from America (Wal-Mart), or from Australia and New Zealand. But Europe shelters some of the largest retailers in the world, such as Carrefour (2^{nd}), Metro (5^{th}), Tesco (6^{th}), for example, even though their size is far from reaching that of the world leader Wal-Mart. In that respect, it is possible to consider that Europe has acquired a specific know-how to be exported. And indeed, European retailers are leading foreign investments in Asia in that sector, in global amounts as well as by the number of outlets opened, or the number of different countries invested. John Dawson (2005) considers this wide internationalization of European retailers is specific to the European development model. It is due to the relative small size of each European market compared with the American one. European firms would have early acquired knowledge on how to export a retailing formula.

Cross investments in retailing between Europe and Asia are not balanced. The importance of European foreign investment in retailing is far greater than the Asian counter part. But some Asian investments are beginning to rise in Europe through. One example is AS Watson's buy out of Marionnaud in France, and of The Perfume Shop in Britain[1]. The Casino group in France also announced it was working with an Asian partner on a retailing concept built around Asia and providing Asiatic products, while Lianhua, Carrefour's joint venture partner in Shanghai is beginning to invest in Europe by acquiring shops. These are the signs of growing exchanges in different sectors than that which are usually referred to such as clothes and electronic appliances.

The major part of investments however is due to the European large retailers who entered the Asian territory with outlets opening as early as 1989 (Carrefour Taïwan and Makro Thaïland).

[1] 114 outlets, for 323 million euros in may 2005. Turnover of The perfume shop : 100 million euros, 18 million euros profits.

1.1. Who is investing in Asia ?

The profile of the retail firm investing heavily in Asia, through outlet opening, is rather easy to determine. The Asian investors are the largest retailers in the world: the biggest investors are Carrefour, Metro, Tesco, Delhaize le Lion (Belgium), or Casino. All these firms have in common the fact that they are all on the financial market. Are thus absent of Asia, in the sense that they have no shops there, retailer cooperatives (Rewe, Leclerc, Intermarché), or family owned firms (Lidl and Aldi for example, Auchan in France).

The capital structure of the investor firm appears to be an important feature. Indeed, the development of the Asian market coincides now with the development of east European markets. A number of firms thus seem to have made a choice for proximity rather than distant investments. Lidl, Aldi, Auchan, seem to have opted in favour of Europe. This parallel development of Europe and Asia draws the appearance of new strategies for retailers heavily implicated in foreign development. Some retailers, well known for growing only by owning their shops have evolved towards franchising wherever profitability is not considered sufficient. Carrefour, which has developed over 30 years mainly through integration exclusively, withdrew from Japan in 2005 after having invested into 7 outlets. The outlets were sold to a Japanese firm that signed a franchising contract. Carrefour has also developed several franchise contracts throughout Europe (Marinopoulos group in Greece, Hyparlo elsewhere as in Romania) developing the presence of the brand without investing heavily. Marks and Spencer is also a firm well known for owning its outlets. In Asia however, maybe related to local legislation (in India for example) but probably not only to this[2], Marks and Spencer developed quasi-exclusively through franchising: 9 shops in Hong Kong, previously British, are integrated, while all the others are managed through franchising. Foreign investment through franchising is related to another type of relation with the host country: there’s less money coming in, but there’s bound to be know-how transfer.

Investments in Asia must also be linked to the existence of local partnerships capable of helping out the foreign partner and of following the rate of investment. Having a strong local partner enables the European retailer to share the costs of investment and to develop more rapidly. There might be a first mover advantage for the retailers who entered the Asian market first and were therefore able to choose the best partners. The importance of the investment of Carrefour in Taiwan for instance is related to the partnership with UPE Corp, a

[2] Reference for example to the difficulties aknowledged by Marks and Spencers’ in recent years.

strong local group which was able to accompany the European retailer in its development (Tsuchiya Hitoshi [2003]).

Table 1 : European retailers in ASIA (2005)

Retailer	Country	Number of countries where the retailer has outlets in Asia	% of company turnover
Ahold	Netherlands	0[3]	0
Makro	Netherlands	4	9%
Carrefour	France	7	7%
Delhaize	Belgium	1	0.9%
Metro	Germany	4	2%
Tesco	United Kingdom	6	10%

In the end, the European investments in Asia are due to a relatively small number of big firms, with a particular capital structure. These investments are competing with similar investments in Eastern Europe, and this competition gives rise to new development strategies on the retailers' side such as franchising. Those investments depend on their ability to raise profit, and are dependent on the situation of the investor on the other markets. They are not stable yet if we consider the withdrawal of Ahold from Asia to face financial problems in Europe and the US, or the withdrawal of Carrefour from Japan considered as insufficiently profitable.

However opening shops is not the only means by which retailers invest in Asia.

1.2. Other types of related investments in Asia

Asia is a special territory for retailer investment for several reasons. One reason is that it is a growing market. Countries like Taiwan, Singapore, Hong Kong or Korea have a good standard of living. Other countries like China, Thailand, or Malaysia have a sufficient portion of their population reaching the same standards as Europe and offer a wide market (see Table below). Retailers have built their development on accompanying countries' development.

[3] Withdrawal after experiencing financial difficulties in the US and Europe

That’s how they grew in Europe, and that’s how they mean to grow elsewhere. However, this is not the only reason why Asia appears as an interesting territory where to invest.

Table 2 : : Economic information of some countries in Asia (year 2000) and outlets (year 2005) opened by large retailers.

Country	GNP per capita (US$)	Population (million)	Total number of stores (estimate 2005)
Japan	37,945	126.87	104 (Tesco)
Singapore	22953	4.02	Na
Taiwan	14,216	22.22	80
Korea	9,628	47.28	65
Malaysia	3,670	22.71	30
Thailand	2,160	61.81	220
China	775	1,253.6	+300
Indonesia	640	209.26	70

Whoever refers to Asia refers to a territory specialized in manufacturing a wide variety of products, such as textiles or electronic domestic appliances, toys or computers. This makes Asia a great zone for sourcing clothes, and other items. The part played by large retailers in favouring imports from Asia has been pin pointed a few times. Sourcing is indeed a crucial activity for retailers undergoing price competition. The retailer’s profit, as reminded by Richard Lehman (2004) after Tarondeau and Xardel (1985) derives from different sources:

- the normal margin a retailer benefits from when he sells at a higher price than he buys (sales price-purchase price) ;
- the liquid assets he obtains when selling several times before paying
- turnover related to the assets invested

The greater turnover a retailer can get, the greater the margin, the greater the liquid assets, the greater the return on investment. Foreign investment in Asia might bring the retailer into a virtuous circle in which he sells more and gets more turnover for one part (then more liquid assets in absolute value, and better pay back), and in which, by making good purchases, he is able to better his margin (bigger even in absolute terms when the turnover grows). Attractiveness of investment in Asia might therefore be bigger than anywhere else. The coherence of investment in Asia would then be greater than in any other location.

Countries in Asia may benefit differently from retailers' investments. Some countries may benefit from the opening of outlets. Some others, or maybe the same countries, may benefit from sourcing investments. Sourcing investments will present an amount very inferior to those concerning shop openings. However, the benefits for the host country may be greater, when the retailer buys locally, or even creates a factory.

Finally, retailers investing in Asia may induce other investments related to their activity, such as investments in logistics, or investments in the communication sector.

Assessing the importance of European investments in Asia needs to build on a clear differentiation of the different types of investments.

a) Sourcing investments

Sourcing investments are mainly due to the creation of sourcing offices in the countries where the retailer considers it is wiser to settle them. A sourcing office may employ broadly from 5 to 30 persons. Most retailers are exporting their sourcing management in Asia by developing a subcontracting activity on top of the purchasing traditional activity. Ikea creates at home, but has part of the items made in Asia through subcontracting (20% of total purchase). Part of Carrefour's clothes are designed in Europe, but made in Asia. Such investments are developing just now with the retailers trying to improve their ability to compete over price. Kingfisher's annual accounts (2204) explicitly state the will to buy directly from Asia and to elude all intermediaries, which seems, surprisingly, rather new. Metro's annual accounts also indicate that the global retailer intends to take advantage of foreign investments to benefit from better sourcing wherever it opens outlets. So, there is an idea that being in the country should improve buying conditions.

Sourcing investments are benefiting just now mainly China. All the retailers have created and are creating buying offices in China. The multiplication of such offices follows the development of China along the east coast. India also benefits from a few investments related to the textile market. Bangalore is favoured, with New Delhi coming next. Hong Kong long benefited from its position just outside China, and still harbours some offices. Finally, some apparently less attractive countries benefit from such investments: the Philippines and Indonesia.

b) production investments

A rare but nonetheless remarkable initiative is when the retailer builds factories in Asia, thus investing in production. Decathlon developed several plants throughout Asia, designed to manufacture some of the retailer’s own brands. The production is either sold locally[4] or exported to Europe, the retailer’s basis. Taiwan, Vietnam, Japan and Thailand have benefited from such investments.

c) Head offices and coordination structures

When developing in Asia, some retailers have come to creating bigger structures, sheltering a greater number of activities than just the ones related to buying locally for Europe. Tesco’s unit in Bangalore coordinates the Asian development implementing information technology in the different countries. Metro Group Buying in Hong Kong or Trading Carrefour in China are large structures embracing activities across several countries.

Head offices are a special investment in the sense that this is where the important decisions about Asian investments and sourcing may be taken.

Coordination structures encompass investments such as logistics direct investments meant to organise distribution across several countries in Asia. Distribution centres built by retailers are developing to organize physical distribution through a greater number of outlets. Tesco built a 750 000-sq.ft distribution centre in Thailand.

d) Associated investments

Associated investments related to retailers’ investments are those mentioned above. For example, the Carrefour partnership with Cetelem over banking and insurance services induced Cetelem investments in Asia. Other investors are communication and information specialists such as Publicis and Sofres. Another type of related investment appears when the retailer brings along with him a logistics supplier to build a warehouse (Carrefour with Star Logistics). Tesco brought a logistics partner along in Thailand and Korea (Retek).

[4] Until recently, due to local legislation, Decathlon only sold its own brands on the Chinese market through factory outlets, building a real brand reputation.

Table 3 : Some Sourcing and organizational investments by European firms in Asia

Country	Retailer	Location	Type of investment
China	Auchan Carrefour Conforama Kingfisher Metro Redcats (1998)	 Shanghaï Shanghaï / Shen Shanghaï Shanghaï Shanghaï	International Trading Co Trading Carrefour Purchasing office Import basis Purchasing office Purchasing office
Hong Kong	Kingfisher Metro Redcats (1998) Tesco[5]	HK HK HK HK	Purchasing office Import basis Purchasing office Import basis
Taiwan	Auchan Decathlon Kingfisher		Import basis Factory (1990) Purchasing office
S. Korea	Decathlon		Factory (1990)
Thailand	Decathlon Kingfisher Carrefour Casino Makro Tesco	 Bangkok Bangkok Bangkok	2 factories (1989) Purchasing office Import base Head office Head office Purchasing office Distribution centre
Indonesia	Kingfisher		Control off.
Philippines	Metro		Control off.
Vietnam	Decathlon		Factory
Japan	Decathlon		Factory
India	Redcats (1998) Leclerc Tesco	New Delhi Bangalore Bangalore	Purchasing office Purchasing office Coordination Structure for Asia

1.3. Where are the investments located?

Asia has not been and still is not a perfectly open market for retailers. Kalirajan (2000) finds that India, Indonesia, Korea, Malaysia, the Philippines and Thailand are countries featuring the most numerous restrictions to entry compared to European countries. Restrictions range from forbidding retailing investment (India), to reducing importing licences for foreigners (China), or imposing partnerships with local firms (Taiwan). Such restrictions make it difficult to enter for whoever is unable to find the correct partner, or wishes to import foreign products. In some countries however, thanks partly to the 1997 crisis, legislation has evolved

[5] Tesco Stores Hong Kong Limited, business : purchasing, 100% Tesco.

to make entry easier. Korea[6] and Thailand have favoured foreign investments. On the other hand, urban and competition legislation has been passed in these countries to hinder the large retailers' development and sometimes to protect local and small retailers.

The Asian market, as far as store opening is concerned, emerged for Europeans in 1989[7] with Carrefour investing in Taiwan and Makro (Dutch firm) investing in Thailand through cash & carry outlets. Development was rather slow, the second "wave" of investment starting again around 1995, 1996, building on the crisis, the third one around 2002, 2003 built on the opening of China and probably India. The first countries to have benefited from investments are Taiwan,

Thailand, Malaysia, Indonesia, the Philippines, Korea, Singapore, Hong Kong, China, more or less simultaneously. In India, development of retailers has been compound by local regulations preventing foreign investment in retailing (except for cash &carry – Metro – and Marks and Spencer – franchisee). Things however should be improving for foreign investors in the near future, due to WTO implications.

The level of global investment depends on the number of retailers entering, and by the amount of investment finally dedicated to the location by each one of them. Countries, have benefited quite early from heavy investment, partly due do the 1997 crisis which led foreign investors to help local partner firms (Carrefour in Thailand for instance), and to the disappearance of regulations on compulsory partnerships. Thailand, Korea, Taiwan, benefited from the great mass of investments during the second wave of investment; China and Japan have been more recent large benefactors. Indonesia and the Philippines seem to benefit from the Dutch historic local links, with, in particular, the Dutch firm Makro investing particularly. China, considering its size, is absorbing a great deal of investment, competing then with other Asian (and European) countries. Maintaining the level of investment sometimes requires help in the original favourite countries. In Korea for instance, the government signed (2004) an agreement with Carrefour whereby the retailer engaged in investing another 190 million euros

[6] In 1996, Korea eliminated most of the restrictions on the size and number of retail stores that a foreigner could open. Since then, there have been further liberalization steps such as abolishing remaining restrictions on retailing by foreigners in department stores and shopping centres. Meanwhile, an economic needs test applies to retail outlets for used cars and gas fuels. However, the barriers noted above, such as zoning regulations and the complicated and time-consuming application process, are probably more cumbersome to foreign investors, given their lack of knowledge concerning the local regulatory environment.[6]

[7] Some retailers however had invested before in some regions, such as Ikea in Singapore, or Marks and Spencer in Hong Kong.

in local outlets. The arrival of India on the international retailing scene may make things still more difficult.

Sourcing investments are also concentrated in China just now, but all retailers have several sourcing basis, in different Asian countries, according to what they intend to buy.

The map of investments in sourcing and in outlets set here shows that there is no direct and easy comment to make. The countries benefiting from outlet creation are not necessarily a sourcing base. On the contrary, the part played by Hong Kong in sourcing has nothing to do really with the investments involved in outlet creation. Generally however, the countries designed as sourcing bases, have outlets, even though it is not always in big numbers.

The “global retailers”’ strategy does not lead to a perfect coincidence between horizontal investments (outlets) and what we call here vertical investments (sourcing offices). However, the development of the Chinese market seems to feature a perfect coincidence between the two types of investments. Indeed, the Carrefour group for example is investing heavily in outlets while importing massively. 60% of the group’s imports[8] are said to come from China, the rest coming from Bangladesh, Thailand, and to a lesser extent, from North Africa and South America. 35 of the 70 leading world retailers are supposed to be opening outlets in China (Euromonitor). The case of China, and probably other Asian countries therefore seems to be featuring something new: greater return effects from foreign direct investment.

Those greater returns on investment than ever seen before are due to a number of factors:

- these markets open to retailing at a time when they have acquired good knowledge in the production of various types of goods, as noted before ;
- These markets open at a time when it is possible for large retailers, specialized or not, to build global sourcing systems. They have a large network of outlets across the world and they build standardized information systems going through this network. In the 2004 financial report of Carrefour it is stated that non food assortments are to be partly standardized across the world, and across store formats, leading to a worldwide supply organization which does not exist yet ;

[8] Imports are defined as products bought outside the EU.

Table 4 : Countries of outlet development by European retailers in Asia

Country	Retailer	Year[9]	Nb outlets
China	Carrefour	1995	226
	Decathlon	2003	5
	Ikea	1999	3
	Kingfisher	2003	39
	Leroy Merlin	2004	5
	Makro	1996	5
	Metro	1996	24
	Rexel (PPR)	1998	1 (catalog)
	Tesco	2004	31 (+15)
Hong Kong	Carrefour	1996	4
	Ikea		
	Marks&Spencer		9
Taïwan	Auchan	2000	8
	Carrefour	1989	34 (+5)
	Casino	1998	13
	Fnac	1999	2
	Ikea	2003	
	Kingfisher		2
	Makro		8
	Tesco	2000	6 HM
Korea	(Asda)		
	Carrefour	1996	27 HM
	Kingfisher	2005	
	Tesco	1999	38
Thaïland	Carrefour	1996	20
	Casino	1999	45
	Delhaize le Lion	1997	22
	Makro	1989	29
	Tesco	1998	107
Singapour	Carrefour	1997	2
	Ikea	1978	1
Malaysia	Carrefour	1994	9
	Ikea		
	Makro	1993	8
	Tesco	2001	6 (+5)
Indonesia	Carrefour	1999	15
	Delhaize	1997	44
	Makro	1992	15
Philippines	Makro	1996	14
Vietnam	Metro	2002	4
Japan	Ikea		
	Metro	2002	2
	Tesco	2003	104[i](+15)
India	Metro	2002	2

[9] Year of arrival of the retailer

- Retailers have also for some years now undertaken greater involvement in the production process through the development of their own labels. Own labels or private labels do not only brand food items, they are used for clothes, bazaar items, and increasingly in the high tech range of products. Sourcing in Asia has given retailers the opportunity to develop such products in a credible manner. Most retailers competing with the hard discounters are also increasingly offering large ranges of products at a low price. Finally, most European large retailers just now are trying to reduce the importance of food in their turnover: Tesco is increasingly developing hypermarkets, Aldi and Lidl display non food products more and more often and Aldi is even creating a new shopping formula dedicated to cheap non food items (2005) ;
- European retailers are particularly present in Asia compared to their American counterparts, even tough the situation may evolve considering the ability of the Americans (Wal-Mart) to leverage cash. The evidence is rather low, but such local presence may induce better buying deals by testing the products and the producers in the outlets before buying, and by upgrading the suppliers. Local continuous presence may lead local suppliers to a better understanding of European norms for products, and for logistics: timely delivery…

There seems to be a combination of factors that make Asia a place like nowhere else. Because Asia offers the products the retailers mean to standardize worldwide, at competitive prices, the Asian market features a new pattern of foreign investment for large retailers. Horizontal and vertical investments are lining up, even though not location by location, enabling Asia to make a better profit from this foreign presence than was the case in South America.

As noted previously however (p.7 **production investments**), production investments by retailers are very scarce. Retailers will therefore be operating through a range of suppliers or subcontractors rather than engaging directly in production. Nevertheless, their action gives rise to flows of imports, which retailers, not producers, govern.

The gradual opening of markets in that area, with China entering the WTO and India being about to open its market to retailers may still increase the returns of investing in that zone. The lowered barriers to entry and to the circulation of goods may enable the retailer multinationals to build still more integrated trading systems across Asia. Nevertheless, assessing the importance of the return effects of FDI in Asia for retailers needs more data to become convincing.

II- Assessing the return effect of European FDI in Asia in the retailer sector

Return effects of retailer investments in Asia may be divided in two directions. The return effects for Asian countries on one hand and the return effects for European countries and retailers on the other hand. We will begin with the European return effects.

a) Return effects in Europe

Some return effects may be analyzed on a sole quantitative basis, such as value of imports from Asia by European retailers, or variety of products imported. Other return effects may be analyzed on a qualitative basis such as the evolution of the retailers' offer.

- **some quantitative data : volume and variety (see appendix)**

Wal-Mart is said do be importing to the US a value of approximately 15 billion $ from China. How much do the European retailers import? It is a difficult figure to obtain considering the variety of countries where a large retailer can get the imports on the European territory. The data is not always up to date either, which, in the case of Asia, and China in particular, is of some importance.

However, national statistics in different countries indicate that large food retailers rank far behind clothing retailers as far as imports are concerned. In France, imports from clothing retailers, catalogue account for more than hypermarkets and supermarkets, in volumes. The variety of products imported is however greater in hypermarkets, Asda and Tesco, importing the greater variety of products in Britain. There are links between the volume and the variety imported and the store offer as well as the retailer's strategy. For example, the variety and probably the volume of imports differ radically if we compare Safeway (Morrisson) and Tesco, or IKEA and Habitat. Similarly, the variety of imports is much greater for retailers developing a hypermarket formula than for hard discounters such as Aldi or Lidl. Import statistics for France state the figure of 1.2 billion € of imports for the whole of hypermarkets and supermarkets, in the year 2003. Clothing retailers have this value multiplied by 3, and electronic distributors (such as Sony, Philips,….), to compare with industrialists marketing their products, import twice as much as hypermarkets. Such figures make it a less important phenomenon than might have been expected. Figures are probably understating the facts. Carrefour seems to be buying for 600 000 € of imports in France, while Tesco announces on its website 1 billion £ worth non-food items sourced abroad. Those two figures are close enough to comfort one another. They indicate that large retailers have still a lot to do as a matter of worldwide supplying.

- **Qualitative effects**

Another way of measuring the effects of European-Asian exchanges is to have a look at the evolution of the retailer's offer. Such evolutions are clear in the non-food sector, even though some "Asian promotions" each year on food items have certainly contributed to the promotion of Asian cooking practices. Multinational retailers do import food from Asia but there is nothing particular about this.

In the non-food sector, large retailers have created powerful brands. In the clothing sector, George, is Asda's textile brand, going international now, Florence and Fred, or Cherokee are Tesco's brands. Carrefour offers Tex for all textiles, from clothing to house equipment, across the world. Brands have also emerged in electronic appliances. Carrefour offers a range of electronic appliances under the names Firstline and Bluesky, and other brands mark bicycles, plastic boxes,….Other retailers choose to develop private labels or unlabelled products. Private labels as a whole account for a considerable part of some product sales in France now (see Box 1 above). Of course, the market share is greater on less innovative products, but it is interesting to notice that private labels are present on recent markets such as MP3, the Espresso coffee maker, or the plasma TV. This shows that retailers are able to follow the innovation path by sourcing new products and could become credible competitors on such markets.

Product category	**Market share of own brands on the French market (large retailers)**
Traditional TV LCD TV Plasma TV	23% 7% 7%
DVD reader DVD	10% 7%
MP3	2%
Espresso coffee maker Traditional coffee maker	2% 4,3%

Box 1 : Market share of retailer own brands in selected markets, France.

In the case of Carrefour, new own brands appeared after the development of the firm in Asia, and particularly in China and Korea. The brands might have appeared then, once the retailer managed to get closer to new supply sources. The box bellow gives some dates of brand creations for the Carrefour group. The development of new brands in new domains seems to have increased along with the second wave of Asian investments. Just now, Carrefour's various retail formats are crowded with hair dryers, razors, and other small appliances, all made in China, and all at low prices.

Box 1: Some brand developments maybe related to the Asian investments, Carrefour

Event	Date
Arrival in Asia ( )	1989
Arrival in China and South Korea	1995 and 1996
New brand " Tex" (clothing mainly)	1987, extended in 1999 to new categories of products
New brand "Firstline", electric appliances, extended later to computers,…	1987, extended in 1999 to new categories of products
New brand "Green cut" for lawn mowers	1999
New brand "Top Bike"	1997

If European retailers benefited from larger and better assortments, thanks to the Asian development, things do not always sound easy on the producer's side. Some producers have had to develop low priced ranges of products to compete with Asian imports. Moulinex, came out with a low range brand for a number of basic products, "Principio". Of course, if retailers are importing from Asia, this encourages European producers to follow the path because of increased competition. Principio products are designed in France by Moulinex staff, but produced in Asia. Producers in Europe must innovate even more, and be capable of reducing prices on basic products. By importing products from Asia, retailers accelerate a process of de-industrialization in Europe.

b) European retailer investments and return effects in Asia

European development in the Asian retailer sector has several consequences en the local economies that can be mentioned. European retailers have developed new retail formats in Asia, and new ways of shopping. Local consumers have benefited and are benefiting from a wider selection of goods, lower prices, and better services. European retailers have become, in some parts of Asia, very important firms. Carrefour and Tesco are the first employers in Korea while Tesco is the first employer in Thailand. The development of a well-organized retailing system increases foreign investments by consumption goods producers, which become more confident and leads to a better management of goods in the host countries. However, those developments give rise to a new range of preoccupations, similar to the western ones. Shuguang Wang (2003) reports how a Chinese retailer has had to close down due to Carrefour's low prices. Jirapar Tosonboon (2003) shows the impact of "World Class Distributors'" development on the disappearance of local department stores between the year 2000 and 2001 (50% disappeared). Tsuchiya Hitoshi (2003) gives some information about the way suppliers are contracting with Carrefour in Taiwan, and how the French retailer exported its habit of requiring from suppliers a yearly slotting allowance. Other authors are concerned about the lack of control on the location of stores. Therefore, the development of European retailers in Asia seems to bring about the same troubles as in Europe and Fair Trade Commissions have already been at work in several Asian countries (Taiwan, October 2000, Korea, August 2002).

This paper however is more concerned about the "return effects" and the role of World Class European retailers in knowledge and technology transfer, in product evolution and product selection.

- **Transfer in retailing**

Several European countries have come to develop a competitive advantage in some types of retailing format. Foreigners therefore tend to invest in Asia through such formats: cash and carry, supermarkets or hypermarkets. Retailers mainly adapt through assortment modifications. All foreign retailers say they obtain from 90 to 95% of their assortment locally. However, European retailers come with their corporate culture, their technology, their management policies, purchasing policies, quality requirements. One illustration of this is the fact that Tesco acquired in Thailand the same cashing and information system as in Britain, from the same supplier. Carrefour in 1997/1998 started imposing an electronic payment system to Taiwanese suppliers. Most European retailers in Asia have developed the same loyalty cards as in Europe, working through an electronic system. There is a will to standardise practices across the world and of benefiting from the mastering of high technology. Such a scheme goes along with transferring to different countries the knowledge to manage retailing "the European way".

Expertise: Transfer of know how in retailing itself takes place in various ways. One evident way to obtain the knowledge is to be a partner to the foreign firm. One way of benefiting from technology transfer would be to invest in another Asian country independently or not from the partnership with the European firm. The mapping of relations of European firms in the different Asian countries shows that European firms build new partnerships in each country, due partly of course, to local regulations. Each foreign firm has its own partner, and partners do not mix with other foreign retailers. Another way to gather knowledge is to be employed by the firm. European retailers have indeed invested massively in training in Asia to accompany their development. Carrefour, Tesco or Metro developed training premises in Asia. Some local staff have also been trained in Europe, either before the setting up of local programs, or for special training. A third way by which know how is transferred is by observing European retailers. Local competitors may observe the practice of foreign retailers and implement it in turn. However, as mentioned above, the high technology level of European retailers may prevent local retailers from following the same path. The lack of local regulation to prevent predation may also prevent the development of local competition. A. Yuen Shan Au-Yeung (2003) says most of Chinese retailers (and suppliers) do not have the financial resources to implement IT, and that even though they understand the pricing tactics of foreign firms, they can not always line-up. The first domestic merger and acquisition operation took place in 2001, between Hualian and Xidan to create a wider national network of shops.

Box 2 : Location of European training premises in Asia

Retailer group	Training centre in Asia
Metro	Shanghai
Tesco	Thailand
Carrefour	Taiwan, China, Indonesia

Recent changes show that knowledge transfer has taken place, probably in an incomplete: Lianhua, a leading Chinese retailer owning supermarkets is beginning to develop its own hypermarkets, probably thanks to its partnership with Carrefour in Shanghaï. Copies of IKEA are also flourishing in the north of China. The partnership system seems to have enabled Asian firms to remain present on the market. In China, the four leading retailers are Chinese, Carrefour only ranking fifth. In Korea, local competitors such as E-Mart are doing well too, sharing the market with foreigners.

Acquiring knowledge from foreigners does not sum up to imitating them. Knowledge also enables local players to find new store concepts using foreign knowledge while adapting locally. It is difficult for a global player to adapt in every country, and this creates an opportunity for locals. Korean discount stores offer cheap products, but in a more typical atmosphere than the one offered by global players. These specific formats by stressing the difference with foreign models can be adapted to other Asian countries, and thus be exported.

- **Transfer to producers**

When having the same quality requirements as in Europe, European retailers may transfer knowledge on how to export to European countries. This is possible either through the outlets' purchasing policies, or through the presence of buying offices and importing premises. European retailers are specific about on time delivery, complete delivery, quality requirements. This may help local suppliers to reach European requirements. One interesting question is whether there are economies emerging from opening outlets and buying offices in the same region. Shops could test different suppliers and upgrade them gradually to lead them to an exporting level. This requires a good coordination system within the country or on an Asian basis and requires the development of coordination structures. Such structures are not yet dedicated to such operations except maybe among specialists' retailers such as IKEA.

European retailers are willing to import products from Asia for two main reasons:

- imports from Asia enable them to increase price competitiveness in Europe ; this is true for clothing and electronic appliances, but also for food;
- Imports from Asia enable large retailers to develop their own brands in new market segments as noted above. Own labels are the best vehicle of worldwide standardization. To achieve this, they require good quality products, as close as possible to the ones developed by industry leaders, in large quantities.

Being selected locally by a large retailer may offer opportunities for suppliers to export products to Europe. OBI, a DIY retailer in Germany has passed an agreement with the Chinese producer Haier. By this agreement, the Chinese manufacturer benefits from “corners” in the European shops which give the producer a window on the European market.

European firms also engage in training local producers. The Metro Group holds conferences and trains farmers and anglers to improve their way of managing their merchandise (avoid loss) and organizing good quality deliveries in Vietnam and India. Such training should benefit to the host country by helping to promote greater security, and by lowering costs in the supply chain.

Local producers can become dependent on the large retailers. This happens regularly in Europe. Some elements are however reassuring. Producers delivering the large retailers seem to be either insufficiently big, or to have resisted quite well. European consumers have indeed adopted different Asian brands: Haier, LG are some examples. However, retailers, do not seem to come out with innovative products with their own brands. Such innovations would suggest that spillovers are over benefiting to the retailer. This indicates that Asian producers have been quite capable of protecting their knowledge, as well as other western large firms. Their knowledge develops independently from the retailer.

Conclusion

The elements drawn in this paper show a constant and growing interest of retailers for the Asian zone as much for the market opportunities it offers as for the sourcing opportunities. A combination of factors leads to an apparently virtuous circle where enhanced financial return from investments in that part of the world is to be expected. Retailer investments in Asia have different characteristics than the ones in previously invested zones such as South America but these could maybe be found in regions such as Central and Eastern Europe.

The outcome of the European effort in Asia is probably yet to come. The fact that most retailers still buy clothing 6 months to a year in advance from Asia, that market shares on own brands are still low, or that imports are still quite low, show that there is still much to wait for. The coming months will see retailer own brands in Europe becoming more competitive in the newly invested non food sector, and it is to be expected that restructuring of the industry will follow, as in the food sector, but on a more global basis as was previously the case. Investments in Asia are bound to proceed in the coming years, competition between global players increasing to gain local market share. Most retailers will probably have to make a choice of countries, especially if India indeed diminishes entry barriers. The first movers in Asia, through the knowledge and partnerships acquired as well as through the first positive financial results, may then have an advantage.

On the Asian side, local policies imposing local partnerships may enable Asian countries to acquire knowledge and to develop in strong competitors for the global players. In some countries, such as South Korea, foreigners are leaders, but there is very often a local competitor to be found. Local producers selected by global players have the opportunity of accessing directly the world market, which is quite new for suppliers. New players may then get sufficient knowledge and partnerships to enter successfully the European market.

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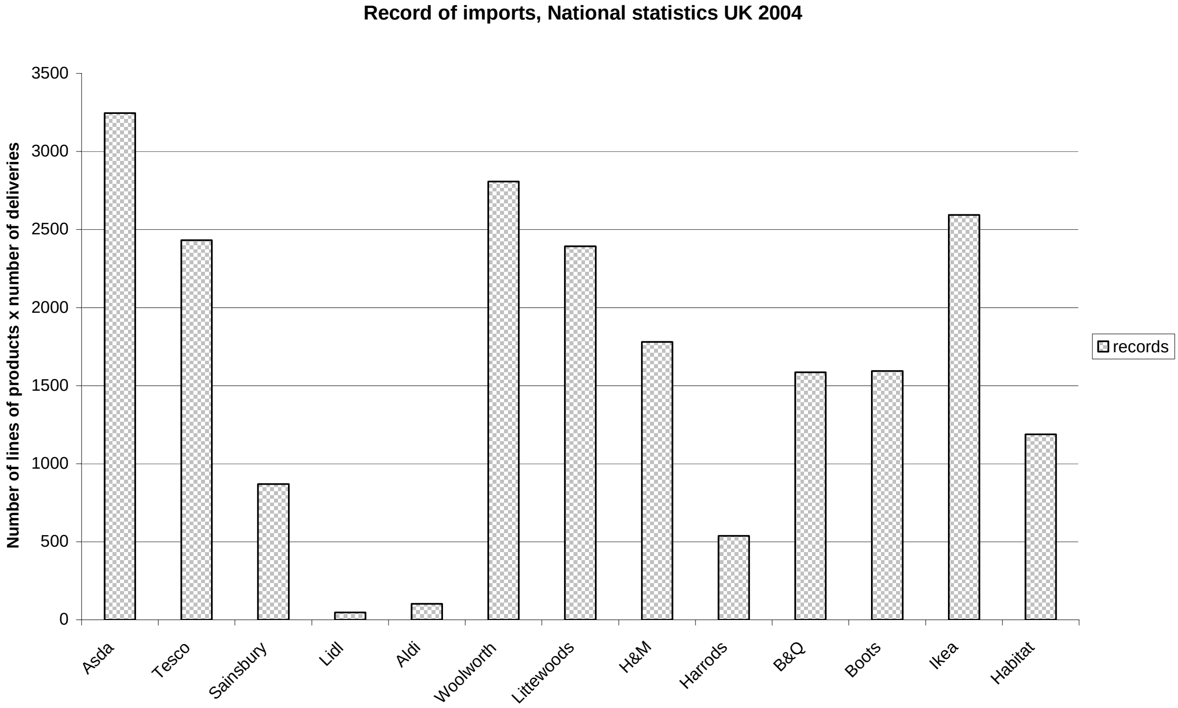
APPENDIX

Graph 1 : variety of products imported in the UK by different retailers, 2004, National statistics



Graph 2 : value of imports by category of retailers, France 2002-2003, INSEE