

Dual-Internationalization Strategies of Emerging Market E-tailers

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Abstract

From an international retailing perspective, this exploratory study aims to shed the light on emerging market (EM) e-tailers' marketing strategies to implement their dual-internationalization (DI). Through a case study of the Alibaba Group, qualitative data was collected from twelve semi-structured executive interviews and internal documents. It is revealed that EM e-tailers employ strongly interrelated two kinds of strategies to accomplish their DI. In other emerging markets they are likely to adopt a standardized *Global* strategy, through which their expansion has a strong asset-exploitation orientation. Meanwhile, they tend to carry out an adapted *Multinational* strategy in developed markets, and their expansion has a strong asset-seeking orientation. It extends the literature in international retailing through examining EM e-tailers' interrelated marketing and expansion strategies during their dual internationalization in both developed and emerging markets simultaneously.

Keywords: Dual-internationalization, Emerging market multinationals (EMNCs), E-tailers

Track: International Marketing & Marketing in Emerging Countries

1. Introduction

International retailing has become an important research field since Hollander's seminal work in 1970. Besides the six-question theoretical framework of retailer internationalization (*what, who, why, where, how, and when*), recent topics have focus on more specific issues, such as parenting advantages (Bai *et al.*, 2018), internationalisation of small specialist retailers (Hutchinson and Quinn, 2011), international marketing and product strategies (Bai *et al.*, 2022), and multiple channel retailing (Yrjölä *et al.*, 2018). Nevertheless, these prior studies were developed from traditional brick-and-mortar retailers originated from developed markets (DM) rather than emerging markets (EM), especially EM e-tailers.

Emerging market multinationals (EMNCs) have recently become globally powerful players across various sectors (Bai *et al.*, 2021). Meanwhile, EMNCs emerged as a significant research field due to their aggressive and risk-taking internationalization strategies, which pose challenges to traditional international business theories that restrict their scope to firms originating in DM, such as Dunning's Eclectic Paradigm and the Uppsala model (Luo and Tung, 2018). This may explain why there is limited studies that have focused on the retailers originated from EM (Bianchi, 2009). Furthermore, dual-internationalization (DI) of EMNCs especially e-tailers remain underdeveloped, which indicates expansion and business development in both emerging and advanced markets simultaneously (Chen *et al.*, 2021). Therefore, this exploratory study aims to examine EM e-tailers' marketing strategies during their DI. In particular, the following research questions will be addressed:

RQ1: *What are the critical success factors of EM e-tailers developed in their home country?*

RQ2: *What is the appropriate marketing strategy for EM e-tailers in other EMs during their DI? and*

RQ3: *What is the appropriate marketing strategy for EM e-tailers in DMs during their DI?*

2. Literature Review

2.1 Emerging market (EM) e-tailers

As a kind of emerging market multinationals (EMNCs), EM e-tailers can be defined as “international companies that originated from emerging markets and are engaged in outward FDI, where they exercise effective control and undertake value-adding activities in one or

more countries” (Luo and Tung, 2007, p.482). A series of critical success factors of EM e-tailers can be identified. Firstly, EM e-tailers are more flexible and responsive to fast-moving markets, especially during periods of market disruptions (Zhang, 2021). Secondly, EM e-tailers usually possess higher innovation capability than their DM counterparts (Kotabe and Kothari, 2016). Thirdly, EM e-tailers typically enjoy a latecomer advantage which enables them to engage in free riding on cutting-edge technology to save on R&D costs and lead time (Wu and Deng, 2020), and to achieve effective differentiation (Shi and Au-Yeung, 2015).

2.2 Dual-internationalization (DI) of EM e-tailers

The DI is perceived as the most distinctive feature of EM e-tailers, because the primary reason for DI is that EM e-tailers face a significant dilemma in how to balance psychic distance and market attractiveness (Cuervo-Cazurra, 2012). This is different from DM retailers, who usually choose other developed countries that are both close in psychic distance and have high market attractiveness to start their internationalization (Bai *et al.*, 2018).

Table 1: The differences between EM e-tailers and DM retailers in terms of internationalization strategies and DI

	EM e-tailers	DM retailers
Motives	<ul style="list-style-type: none"> - Critical asset seeking - Strengthen performance at home 	<ul style="list-style-type: none"> - Asset exploitation - Market seeking
Foreign market selection	<ul style="list-style-type: none"> - Developed markets (seeking critical assets and market opportunity) - Emerging market and less developed market (seeking efficiency) 	<ul style="list-style-type: none"> - Developed markets (seeking market opportunity) - Emerging market and less developed market (seeking efficiency)
Expansion strategies	<ul style="list-style-type: none"> - Aggressive, risk-taking - Rapid - Overcome <i>Latecomer</i> disadvantages 	<ul style="list-style-type: none"> - Risk avoiding - Stepwise and incremental - Slow
Market entry mode	<ul style="list-style-type: none"> - Expensive and risky - Merges and acquisitions 	<ul style="list-style-type: none"> - Low cost and low risk

Adapted from: Hutchinson and Quinn (2011); Luo and Tung, (2018); Bai *et al.* (2021)

2.3 Marketing strategies of EM e-tailers

Based upon the long-debated standardisation and adaptation, Bai *et al.* (2022) classified three types of international business development and marketing strategies for DM retailers. Firstly, *International investment* occurs when internationalizing retailers partially or totally purchase other retailers in host markets with or without daily business operations. Secondly, standardized *Global* strategy helps retailers to remain their brand identity in host markets. It supports internationalizing retailers to achieve economies of scale via standardizing their business practices and centralizing decision-making. However, such inflexible strategy could deter retailers to respond fast-moving marketing conditions. Thirdly, adapted *Multinational* strategy allows retailers to identify market changes and to respond via localized marketing mix accordingly. Such responsive strategy helps retailers to overcome perceived psychic distance in host markets but meanwhile requires considerable investment in terms of finance, know-how and time.

3. Methodology

Due to the under-developed current research on the marketing strategies of EM e-tailers' DI, the authors adopted a qualitative case study methodology that helps to develop understanding of complicated and ongoing phenomena (Yin, 2018). The expert sampling approach was employed because the present research requires the input of specialists with extensive experience of EM e-tailers.

The Alibaba Group was selected as the case company for the following reasons. Firstly, as one of the most well-known EM e-tailers, it has successfully transformed into a global conglomerate from a China-based e-commerce platform in the past two decades. Secondly, it has grown into the largest e-commerce company in the world in 2021 in terms of gross merchandise volume (GMV). Thirdly, as well as its core retail and wholesale commerce operating in various marketplaces including B2B, B2C and C2C, Alibaba is developing emerging businesses including cloud computing, digital media and entertainment, and innovation initiatives.

Alibaba was accessed by the leading author's personal networks. The primary data was

collected via twelve semi-structured executive interviews from May 2020 to October 2021, at which point the researchers identified sample saturation. To ensure their sufficient strategic and operational experience, all interviewees were selected according to the following criteria: must be directors of their departments; have been employed for at least five years; and be involved in decision-making on international expansion strategies.

The primary data was analyzed by a six-step thematic analysis: familiarization with the data; the generation of initial codes; searching for, reviewing, defining and naming themes, before finally producing the report (Braun and Clarke, 2013).

4. Findings

4.1 Critical success factors developed in the home country

Alibaba built up its own performance and overtook eBay quickly via developing a series of critical success factors at the home market. The first is innovative entrepreneurship. It can be evidenced by that Alibaba introduced a new business model distinct from eBay, characterized by being completely free for sellers. The second critical success factor is the prioritization of consumer experience. Alibaba created a series of measures to improve seller and buyer satisfaction. For instance, AliWangwang, an instant messaging tool, enables simultaneous communication between buyers and sellers. It is regarded as one of the most distinct business features of Alibaba compared to eBay. The third is the creation of the online payment system, AliPay.

4.2 DI marketing strategies in Russia (EM)

It established a strong market presence in Russia by adopting a standardized *Global* strategy and replicating its Chinese business model. As a result, unlike its Western counterparts such as eBay and Amazon, and various Russian e-tailers, all of which tend to only operate in large cities such as Moscow and St. Petersburg, Alibaba has succeeded in developing a nationwide network covering most small- and medium-sized cities and even underpopulated areas since its initial entry in 2012.

To overcome the logistics challenges, Alibaba collaborated with Russian Post to improve the logistics system. The company also shared its know-how on order fulfillment with its

Russian partner. After reviewing the international logistics process in Russia, it was found that the main cause of the delivery delay of packages from China was inefficient route planning. Both the head office in China and senior management in Russia realized the necessity of real-time information sharing, and the big data technology has been actively utilized in the delivery route design. Moreover, in terms of the online payment system, a similar system to that used in China was replicated in Russia.

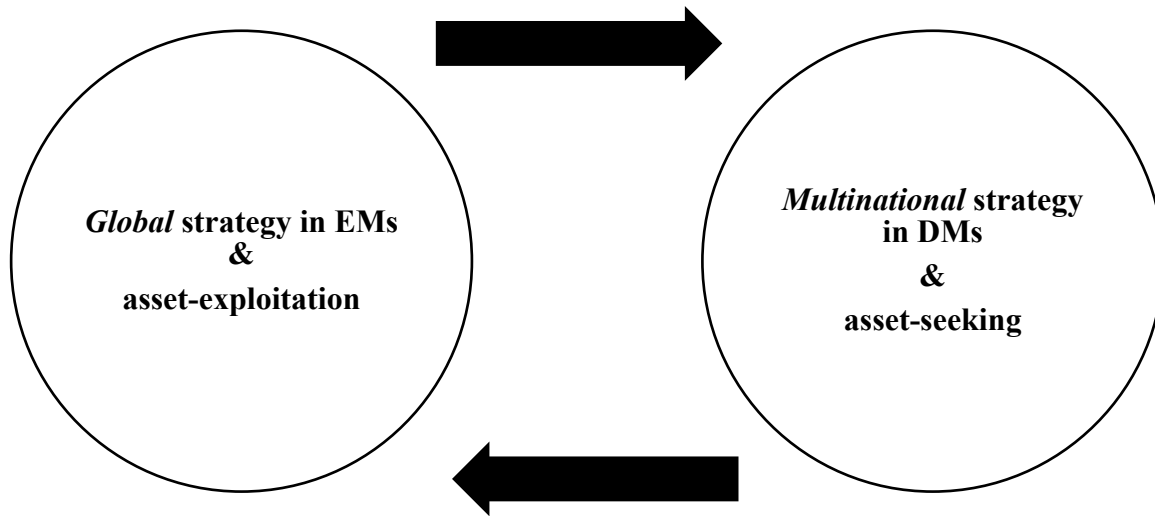
4.3 DI marketing strategies in the United States (DM)

The US remains the most important overseas market in DMs to date. Thereafter, Alibaba has raised a considerable amount of financial support from the US market to accelerate its post-entry business development there. Moreover, the expansion in the US was strongly motivated by a critical-asset seeking purpose. Therefore, the e-tailer has obtained valuable critical assets via a series of mergers and acquisitions (M&A).

It can be recognized that these M&A involved to two major types of business. The first comprises e-tailers and the other are firms providing complementary services and technologies for e-tailers. Owning both kinds of companies allow Alibaba to extend its online know-how and business scope for the current business model and strengthen its operations in other markets especially EMs. Alibaba regards the US market as a supplier of critical assets and management resources, such as funds and technologies, which it can gain and use to compensate for its competitive disadvantage, and to drive its further growth.

This adapted *Multinational* strategy has led to rapidly increased sales and market share, and repositioned Alibaba as an e-commerce platform working on behalf of foreign companies with multiple eco-systems. Therefore, it is rational to argue that EM e-tailers should adopt a standardized *Global* strategy in other EMs, and meanwhile employ an adapted *Multinational* strategy in DMs during their DI. Furthermore, DI in both EMs and DMs could be implemented concurrently or sequentially, since acquired critical-assets from DMs support EM e-tailers to refine their home-developed critical success factors and then replicate these factors in other EMs (as shown in Figure 1).

Figure 1: Interrelated marketing strategies of EM e-tailers' dual-internationalization



5. Discussion

It has been revealed that EM e-tailers should pursue different marketing strategies to serve developed and emerging markets respectively. More specifically, a standardized *Global* strategy is appropriate in the emerging and under-developed markets. The high similarity in market conditions especially infrastructure and the common problems confronted by these markets are important factors that enabled EM e-tailers to carry out the *Global* strategy. Meanwhile, an adapted *Multinational* strategy should be implemented in DMs, because they need to respond to the market conditions and modify marketing strategies properly.

During EM e-tailers' dual-internationalization, marketing strategies adopted in both DMs and EMs are strongly interrelated. On the one hand, the asset-exploitation driven *Global* strategy in EMs enable EM e-tailers to achieve economies of scale and profits. On the other hand, the profits generated from the *Global* strategy in EMs supports EM e-tailers' to employ asset-seeking oriented *Multinational* strategy and to obtain critical-assets in DMs. Thereafter, obtained critical-assets in DMs strengthen EM e-tailers critical success factors at home and following replication of refined business model in other EMs.

5.1 Theoretical and managerial implications

The theoretical contribution of the present paper can be considered into the following three aspects. Firstly, because most of prior literature in international retailing focused on developed market originated brick-and-mortar retailers, this study contributes to the current international retailing literature through offering depth understanding of EM e-tailers' internationalization strategies, especially dual-internationalization (Alexander and Doherty, 2010). Secondly, unlike the previous research on emerging market multinationals (EMNCs) that has mainly focused on their expansion into developed markets with an asset-seeking orientation, this study by examining Alibaba's expansion into Russia has revealed that EM e-tailers are adopting a different strategy, namely a standardized *Global* strategy motivated by an asset-exploitation orientation to serve the emerging markets. Thirdly, the present study has examined which strategies EM e-tailers adopt to serve different types of markets and revealed that they use a *Global* strategy for EMs and an adapted *Multinational* strategy for DMs.

The practitioners in EM e-tailing and EMNCs in other sectors are suggest paying attention on psychic distance during internationalization. The international marketing strategies need to be evaluated in the context of international expansion strategies, strategic orientation, and local conditions in target host markets. They should develop the DI model (Figure 1) and support interrelation between marketing strategies in EMs and DMs.

5.2 Research limitations and future research direction

Three limitations can be identified in the present study. Correspondingly, a few future research agendas are proposed. Firstly, due to the nature of the single case study approach, this study employed purposive sampling and a relatively small sample. Secondly, based upon the findings, future research needs to explore the possibility for EM e-tailers, multiple channel retailers, and EMNCs in other sectors to pursue an adapted *Multinational* strategy in EMs and/or a standardized *Global* strategy in DMs. Thirdly, it has been identified that DMs are regarded as a source of critical-assets and as laboratories of innovation; however, how the resources and experience acquired in DMs can be utilized in EMs remains unexplored.

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