



Navigating a Successful Retail Expansion

With a strong growth trajectory predicted for Asia, retailers may look to expand into the region – a successful expansion requires a robust strategy with careful considerations around structural and cultural implications. – By Daniel Upward and Melody Yau

After two years of decline, Hong Kong's retail sector finally began to show signs of rebounding and displayed a strong growth in the first half of 2018 – according to latest government figures, shoppers spent HK\$248 billion between January and June, equivalent to a 13.4% growth compared with the same period last year.

Similarly, other countries in Asia have also recorded strong growth in their retail sectors. In Korea, retail giants saw the number of people who visited rise, and their malls' sales spiked 10-14% compared with the same period last year. In Vietnam, according to the General Statistics Office (GSO), retail sales and services increased by 11.1% in the first seven months of 2018. According to global research organisation IGD, Asia's large format retailers are set to grow 3.3%

a year to 2022, with Vietnam, India, and Philippines forecast to see double-digit growth from large format players.

With these promising figures, retailers may be prompted to consider, or are already developing, plans to expand into Asia.

While retailers are taking into consideration the new market's conditions, local nuances, and profit potential, it's reasonable that they underestimate the impact that internal structures and culture can have on a successful expansion. But it is the adaptability, flexibility and scalability of these elements that ultimately determine a retailer's ability to achieve its strategic aims.

Top retailers understand that successful expansion requires a clear and well executed growth strategy. Achieving successful deployment is not without its challenges and businesses need to be fully aware of the range of issues that are likely to be faced.

In this article we will explore some of the key structural and cultural issues that retailers face when looking to expand and how best to tackle them. There is no miracle solution that applies to all businesses, but by following certain steps, companies will be well placed to find the answer that works best for them and their strategy.

With a seemingly endless list of possible challenges, focusing on these crucial areas will help retailers prepare for successful market expansion:

1. Implement the most suitable structure for achieving your objectives

Enabling functions need to adapt with the rest of the business when expanding. While there is no one ultimate structure, it is important to consider what structure is best suited for your situation and the way you want to grow.

The changes may simply be growing these functions for greater capacity, but new systems and structures may also have to be considered. Options include a heavily centralised head office with small satellite “hub” teams, a fully regional model with multiple “head offices”, and a franchise model.

Another aspect to consider is a two-stage approach where a virtually independent company is created that can adapt to the needs of the new market before reintegrating back into the wider business after a successful set up.

2. Operate through a robust, dynamic and agile logistics infrastructure

Expanding companies need to scrutinise their logistics to make sure they remain suitable.

New markets may be closer to where your products are made. In this case changing the supply chain to go through this new market first could be more effective financially and strategically.

Similarly, distribution models need to be adapted for local circumstances. Guaranteeing next day delivery to all addresses in large markets requires a large distribution network with multiple warehouses and significant investment up front.

This is closely linked to brand identity. If a retailer has a name for speedy, efficient delivery but enters a new market with greater logistical barriers, not being able to deliver this service will mean a different brand identity in that market.

3. Nurture a cohesive and adaptive culture that accompanies your strategy

An area often overlooked when considering structures and resources is the culture of the business.

At the heart of maintaining your culture is accurately identifying what it is that makes your company unique and what would be at risk by expanding.

When this has been achieved the challenge switches to embedding the new culture in new teams as well as reinforcing it with existing teams. Here, a clear set of organisational values and behaviours is essential – they are simpler to communicate and to use for recruiting and training the right people to work in the new teams. 



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