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Old Traps for New Players: Western Direct Retailing Investment in Emerging Asian Markets

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ABSTRACT: This paper is intended to provide a heads-up to transnational corporate executives who have an interest in, or responsibility for, foreign direct investment positions. Until relatively recently, many emerging markets in Asia restrict foreign participation in their retail sectors. Without sufficient pre-market entry information, Asia was identified as a particularly attractive region for western direct retail investment (WDRI). Groceries and provisions (FMCG) shoppers were served only by the traditional overseas Chinese retail trade. The western chains, principally from the United States and Europe, came to Asia in waves and unexpectedly experienced very high rates of attrition, explained in part by an indigenous account-payable-to- suppliers system referred to as *Buy 10, Sell 7, Pay 3, Profit 4* (BSPP). A specific geographical focus of this paper is Thailand where foreign retailing casualties have been bloody. The ongoing lessons for executives of WDRI in entering emerging markets are addressed, particularly in relation to hidden local accounting traps. The implications for western retail investors in India's recently-liberalized market are also discussed.

Keywords: Retailing in emerging market; traditional and modern retail trade formats; direct retailing investment and accounts payable
JEL Classifications: L81

> "…… emerging markets are radically different from the traditional industrialized capitalist society, and they require us to rethink the core assumptions of marketing." (J. Sheth 2011)

1. Introduction

This paper takes up the need for a paradigm change in direct foreign investment business models to better improve the chances of success of western marketing-oriented organizations contemplating entering emerging markets. Genesan (2012) points out some of the special issues associated with western direct retail investment (WDRI) by large globally-successful modern format chains. The author identifies an otherwise unreported obstacle to the successful transplantation of the modern retailing format to Southeast Asian markets where traditional small family stores, numbering more than a million, have overwhelmingly dominated grocery and provisions shopping for generations.

The foreign direct investment literature is replete with a discussion of the obstacles facing western companies wishing to expand their operations into emerging markets. A light review of studies published in peer-reviewed journal articles over recent months identifies several issues and obstacles related to emerging market entry. These hurdles are however the same as or fairly close to those repeatedly discussed in the FDI literature (Kotabe and Helsen, 2013; Keegan and Green, 2013). These include supply chain idiosyncrasies (Nguyen *et al*., 2013); indigenous networks and established collective interests and which cannot be penetrated (Cao and Pederzoli, 2013); resistance to new organization cultures (Amine and Ben Tanfous, 2012); the need to become part of a family conglomerate (Chinomona and Subanda, 2013); resistance to retail formats that are deemed not to be congruent with local cultural values (Diallo, 2012); and the unwillingness of store keepers and customers to defect to competitors (Dholakia *et al.,* 2013). To these should be added foreign investors' tendency to underestimate the strength of the traditional competition in a targeted emerging market. Indeed, the apparent uncompetitiveness of a targeted market could be a factor in identifying such a market as being particularly suitable for foreign entry in the first place.

2. Retailing Culture Clash

Asia's traditional groceries and provisions retail sector is characterized by small dingy shops cooled at best by a fan, with no self-service shelving and only a few major brands and product categories available which are full-priced and need to be paid for in cash. As shown in Plate 1, these premises almost always occupy one 10 x 10 shop house situated directly on the border of the pavement are not attractive, partly because they offer no self-service shelving and very little display space. The three-story shop house normally has a small stock room on the second floor and the shopkeeper and his family live and sleep on the third. A large traditional retail outlet may occupy two shop houses with the wall dividing them removed.

Plate 1: Images of the Traditional Retail Trade

The allure of buying for credit with a plastic charge card at everyday–low-prices (EDLP) would seem to be a strong advantage for the western modern format competition, a well-lit and air-conditioned shopping environment occupying at least 15,000 square meters. These stores inevitably offered attractive shelving for self-selection of a wide variety of brands and sizes within a great many product categories. Display and promotion programs benefiting consumers added to their assumed preference among shoppers over the traditional mom and pop store. Indeed, Dana (1998) noted that the traditional trade in Thailand was threatened with destruction by the western retail format and one of the best defenses for the traditional storekeepers would be to clean up their shops. To many informed observers, it seemed like a foregone outcome that grocery and provision shoppers would elect to switch their custom to the modern retail format as soon as they had the option. Few doubted that the western retail trade could put a large percentage of the small traditional shops out of business.

Many Asian governments also feared this outcome and reactivated old local business protection laws and regulations that kept foreign retail investors out of their countries. Politicians representing electoral districts that had high concentrations of mom and pop stores proposed in parliament to amend free trade treaties and to pass even more restrictive non-competitive laws to protect traditional trade livelihoods. One Thai cabinet member even suggested in a newspaper interview that with a play on words of the Chinese name for small retail stores, *show huay,* that it was much better to shop there because you always had the chance of seducing the shopkeeper's daughters, which did not apply to big impersonal Western retail format stores. In Southeast Asia, lobbying in favor of continuity of the bans on foreign retail investment was very vocal. This local pressure seemed to be carrying the day until the western chains complained strenuously to the World Bank and the United States Trade Representative about these obstacles to free trade. In the early 1990s, governments blocking foreign retail investment were forced to remove their restrictive barriers (Smith and Mandhachitara, 2000). Only India resisted western pressure to open its retail markets which it did as late as 2012 (Bose, 2013; Pesek, 2013).

The author reports that the expected mass closure of mom and pop stores did not happen as feared. The question is raised as to how the traditional retail markets survived? And note that this is not the same question as to why so many western retail chains failed? This paper argues that the survival of the traditional trade was in large part due to the resilient and entrepreneurial culture of the overseas Chinese who owned and operated this sector.

3. The Overseas Chinese

The overseas Chinese first came to Southeast Asia during the Opium Wars when the British forced the Qing emperor to lift a ban on his subjects going overseas. By 1850 several colonies and the sovereign Kingdom of Siam were attracting large numbers of Chinese contract laborers for infrastructural and other manual work. After their emancipation from indentured servitude agreements, most did not return to China and stayed working as shopkeepers, small merchants and entrepreneurs in light manufacturing, rice milling and the distributive trades, among others (Redding, 1993). Slowly the overseas Chinese began to play a very influential role in the economy's of their adopted countries. Most of the Forbes' Top 20 billionaires in Southeast Asia are third or fourth generation overseas Chinese (Forbes, 2012). Haley (1997) shows that, by 1995, there was a large disproportionate share of Southeast Asian economic activity attributable to the overseas Chinese, when compared to their total population. For instance, while 2.5 per cent of Indonesian are ethnically Chinese this group controls 45 per cent of the economy; in Malaysia the overseas Chinese represents 30 percent but 60 percent of the wealth of the country; in the Philippines 5 percent of its citizens are of overseas Chinese ancestry but are responsible for 40 percent of the economy; and in Thailand's 14 per cent of the population is overseas Chinese but owns 45 percent share of the national economy (Haley, 1997).

In Thailand in 2013 the strength of the overseas Chinese in the distributive trades is reflected by this group's ownership of 300 major wholesalers, 1,000 semi wholesaler-retailers and 300,000 traditional retail stores (Mandhachitara and Maclaren, 2013). Indeed, the author chose Thailand as the Southeast Asian country in which to analyze and report the sometimes dramatic and very expensive confrontation of the traditional trade with the modern western retail formats that arrived in much of the region at the end of last century. Thailand is quite typical of Southeast Asian countries, with the exception of Singapore, with a small-store traditional retail structure, particularly for groceries and provisions (FMCG), and its ethnically diverse population composition.

4. Research Method

In the late 1990s the author was conducting retailing research in Bangkok when she observed the potential competitive significance of the newly arriving western retail trade format (particularly hypermarkets) on mom and pop stores which dominated retailing at the time. After her fieldwork in 2000, the author continued to monitor the development of this competition in Thailand, and Southeast Asia in general, by consistently making field trips every two to three years and following the trade press and on the internet, as important secondary sources of information.

This research is based principally on a general anthropological-ethnographic approach which enabled her to immerse herself in the overseas Chinese retail culture under review. Ordinarily ethnography takes more time than other forms of research because of the requirement to live or work with the groups being studied (Geertz, 1978). More specifically this research can be best described as ethnomethodology, a term coined by Garfinkel (1967 and 1974) because *ethno* refers to a folk culture of which the researcher is not a member. The author is ethnically Thai and has no close overseas Chinese relatives.

The participant observation dimension of the ethnomethodological study included working as a sales clerk, a storeroom laborer, accountant and cashier in 10 traditional retail trade mom and pop grocery and provisions stores over a period of 24 weeks. During her fieldwork the author also conducted in-depth interviews with storekeepers and their suppliers, together with shorter interviews with the shopkeeper's family members, the shop's customers and delivery clerks. The author was also given access to the financial records of the traditional stores she was researching and these in all cases came in two forms: the true financial status of the store and a tax-minimization version to be shown to officials such as tax collectors. This second set of accounts was known as *the government's book*. The author interviewed three western executives employed by hypermarket chains in Bangkok and with executives of locally-owned supermarkets, the first of which opened as late as in 1956 (Feeney *et al.,* 1996), concerning the impact the hypermarkets were having on their businesses.

As recently as in the past 12 months, the author reviewed existing literature which is rich in discussing factors influencing the success and failure of western modern retail trades in emerging markets, but to the author's knowledge, academic journals have not yet published articles concerning a contemporaneous interactive relationship between the traditional and the western retailing formats. The author refers here, specifically, but not exclusively, to the existence and operation of a traditional overseas Chinese retail accounting method.

5. Research Findings

Retailer Source of Funds

This paper reveals a remarkable element of the traditional overseas Chinese supplier-accounts-payable accounting system known as *Buy 10, Sell 7, Pay 3, Profit 4* (BSPP). This accounting method is part of traditional small retail folk history. And while in the year 2000 it has been somewhat modified to a more sustainable form, the old BSPP scheme is a source of pride for many ethnic overseas Chinese. It has a pleasing cadence when pronounced in the Taechew dialect of Chinese often in a triumphalist tone. The term is found in the story-telling of some of the historically successful retailer frauds carried out at the expense of suppliers. Such a scheme could generate huge cash inflows and before suppliers realized how they were exposed to malfeasance with no collateral other than their own goods, which had already been sold. The retailer who operated the full BSPP scheme would close late one night and disappear leaving his accounts payable outstanding. These folkloric stories describe how using several suppliers and a large number of SKUs a storekeeper could actually generate up to a million US dollars in cash flow in a few months.

The Chinese BSPP system of accounts payable to suppliers is illustrated in Table 1 using only one product purchased by one hypothetical traditional retail store over a four-month period.

Table 1. The BSPP Cash Flow Scheme

	Month 1	Month 2	Month 3	Month 4		Month 1	Month 2	Month 3	Month 4
Creditor					**Cash Flow**				
Balance		10	10	20	Balance	-	7	4	8
Purchase	10	10	20	40	Sales	7	7	14	28
Payment	-	(10)	(10)	(20)	Payment	-	(10)	(10)	(20)
Balance	10	10	20	40	Net Cash Flow	7	4	8	16

In the example above, a store owner who in the first month buys an item on credit of $10 then immediately sells it to another retailer, or more likely a semi- or full wholesaler, for $7 for a net cash flow of $7. By the time the second month comes around he is obliged to pay for the previous month's purchase but he does not have the money. He therefore buys another unit again from the same supplier at $10 and also sells it to the trade for $7. This last sale brings his cash flow up to $14, and he is able to pay the first month's bill and still have a net cash flow of $4. By the time the third month arrives he is indebted to the supplier but cannot meet his commitment with only $4, so he buys two more units on credit ($20) and again sells immediately for $14. He then pays the suppliers $10 owing from the second month to realize a net cash flow of $8. By the fourth month he must pay the supplier $20, which he does not have, but because none of his checks has bounced during their transactional period, the supplier now lets the shopkeeper buy 4 more units on credit at a price of $40 which are immediately resold for $28 to pay the $20 owing, thus, providing a $16 net cash flow. Suppliers *officially* sell goods to small traditional retailers on credit terms of 30 days.

It is obvious that the market cannot grow fast enough to absorb all the discounted products generated by a retailer's need to remain solvent. Furthermore the supplier's accounts departments would certainly reduce credit limits to such a store in the fifth and sixth months. Still on a total store and full brand inventory bases, there are attractions to operating a form of the BSPP system for suppliers who can load the trade with their brands and thus oblige retailers to push these products to shoppers at the expense of competitors, which also increases supplier brands' share of mind.

However, the operation of the classic BSPP system was no longer sustainable in the second half of the twentieth century. It had evolved into a system, while remaining true to the *Buy 10, Sell 7, Pay 3, Profit 4* principle, that transformed the payment terms provided by suppliers from 120 days to 90 days and then 60 days. And even in exceptional cases, the 120-day credit term are made possible through post-dated checks. The *Buy 3* then became the equivalent of 90 days credit. The discounted retail price in *Sell 7* could not be maintained and had virtually disappeared when the author did her fieldwork.

In addition to extended (BSPP) supplier-payment schedules, the traditional retail grocery store regularly engaged in three other business practices to maintain their sustainability. The first incremental income stream is an automatic display allowance that is granted by the supplier concurrently with the delivery of the purchased goods in the currency of free goods, irrespective of whether displays are featured in the store, which invariably they were not. The second source of cash flow derives from a large number of traditional retailers operating as the agents of the illegal but quite reliable underground lottery or the "numbers game" as it was known in the United States. The informal lottery paid higher cash prizes than the official government draw and is based on the three last numbers of the official winning number. The third source of revenue is largely due to the role a traditional trade act as money lenders to its customers and any other members of the public living in the neighborhood. The rate of charged interest is 20 per cent per month. This lending style uses similar model as of early payday check cashing at usurious rates of interest. In Thailand borrowers use land title deeds as collateral. The personal money lending business is very profitable and makes effective use of cash surpluses generated by the BSPP system.

Protecting Margins

Prices had become stabilized among the traditional trade. Full prices of merchandise were recommended by local suppliers who as very large sole-distributors represent scores of brands under an exclusive license. These sole-distributor companies imported goods from foreign-based manufacturers, brand owners, or other local manufacturers. Some local manufacturers also span off their own sales force and distribution companies tasked with managing warehousing, selling, delivery and to carry all credit risks encountered in their dealings with the retail trade. All actors were interested in protecting their cost-of-goods margins which tend to run as high as 40 per cent for the supplier. The prices for most grocery and provisions products and brands are considerable higher than for the same products available in the western modern retail format. It was a priority of the supplier's sales force to ensure that the traditional trade maintained its everyday-high-price strategy. This high pricing strategy protected the long-established margins to support and provided continued sustainability of the BSPP system through all levels of the distribution chain. Early on, one major supplier responded to the threat of the everyday low price (EDLP) policy of the recently arrived Western hypermarket chains by refusing to list them as customers.

Supplier Source of Funds

One main factor enabling the supplier-retailer BSPP financial relationship was that Southeast Asian banks were extremely generally very relaxed about the financial health of their major customers such as grocery and provisions suppliers. In exchange for the lucrative appointment as their authorized retail and foreign exchange agents, banks were generally content to provide necessary financing on a simple unsecured overdraft basis. The banks were more interested in receiving copies of the suppliers' annual income statements with which were very strong, rather than their balance sheets which were potentially alarming. Because of their status as ordinary limited partnerships, the suppliers did not have to make their financial statements public.

Because bank officers did not make trade visits and preferred to work out of their comfortable and imposing downtown offices, the senior bank management was not aware of suppliers' insolvency and did not appreciate that their two houses may have been built on sand. Indeed, banks competed openly to win suppliers' business away from their existing banks by offering similarly unsecured loans but at lower rates of interest. Another factor permitting such financial laxity was supplier clients usually remained loyal to their banks of record with whom they had several decades of satisfactory business. This loyalty to their banks of long standing was firmly appreciated, and reduced the need for due diligence examination by the banks' audit staff. Suppliers to the traditional trade tended to have an "A" credit rating with their banks for reasons of loyalty and a perfect record of keeping their current accounts with a positive balance, no matter how small.

Arrival of Modern Western Retail Format

By the year 2000 the French hypermarket chain Casino (Big C) had arrived in Thailand and established 20 stores; the Dutch Makro opened 17 hypermarkets; the British Tesco operated 17 stores and the French Carrefour and Auchan had opened 9 and 2 hypermarkets respectively. Staffed at the management level by corporate country-of-origin nationals, the stores created a strong impression on Thai shoppers who showed considerable interest in visiting them on an experimental basis but were often intimidated by their size, modernity and the impersonality of the shopping experience (Shannon and Mandhachitara, 2008). Private label brands with their lower prices than national brands did not take off with Thai grocery and provisions shoppers which closed one of the avenues of potential success of the hypermarkets. The strategic marketing assumption that lower priced private label brands would appeal over national brands to low income patrons did not hold true in Thailand, nor indeed in many other Southeast Asian markets (Mandhachitara *et al.,* 2007).

The initial successful launch of the hypermarket format was judged as a tentative success by their European owners despite the early pullout of Walmart which had only one early experimental joint- venture store in Thailand. However, the constant threat of new and discriminatory legislation to the growth of hypermarkets in the country such as the long-lobbied-for Retailing and Wholesaling Act that was finally passed into legislation in 2006 requiring retail stores with a foot print of more than 3,000 square metres to be located 15 kilometres from the nearest urban community made western retail investors nervous. Moreover, there was strong support in the media to raise a tax against modern retailers, the proceeds of which would be paid as a subsidy to traditional stores in the same areas as compensation for lost business (Euromonitor International, 2013).

The traditional trade did not collapse, principally because of the BSPP accounts-payable-accounting system and also because suppliers negotiated quite successfully to ease somewhat the deep front line and advertised sticker prices for their main profit-contributing flagship brands. There were also other factors that contributed to the sustainability of the traditional retail trades. For example, suppliers learned to create different packaging sizes for the modern trade from traditional stores so that consumers could not so easily make a value comparison. The traditional trade was supplied with a long-standing beverage packing of 75 cl., while the modern trade was only offered sizes of 1.1 litres bottle of the same brand. This practice worked quite well. Also with the still-born status of private labels the modern trade was more reliant on suppliers for stocking major leading national brands that had a strong history of competitiveness in the local market place.

Suppliers became increasingly concerned about the dangers of their long credit terms to traditional retailers and semi-wholesalers began to eliminate some of the more extreme forms of their past negligence so as to bring the average number of days outstanding on invoices to a target limit of 90 days. This reform took time and understanding of the traditional retail trade but the excellent relationships (Gasesan *et al.,* 2009) between small shopkeepers and members of the suppliers sales force (who themselves were ethnic overseas Chinese) made this possible. Also supplier balance sheets improved in respect of accounts outstanding because the Western retail format stores paid on a strict 30-day credit basis, hence they grew to become important customers. Average Thai shoppers who regularly frequented a traditional store would continue to shop there with an occasional big shopping trip to a hypermarket, most of which were open 24 hours a day (Shannon and Mandhachitara, 2008).

Superficially the Western retail investors, who first arrived at the end of the last century, were keen to compete in the Thai market, but were also rightly anxious about the local obstacles such as the coalition of the ubiquitous traditional trade (mom and pop) stores with powerful overseas Chinese networks and its formal ethnic associations, and the hostility of suppliers.

Had western retail chains known that most of the traditional trade was technically bankrupt as measured by its inability to meet its accounts-payable commitments if called to do so and had the western modern trade investors in Thailand done the essential preliminary marketing research, they could have had much stronger market entry leverage over the traditional trade and possibly brought about the collapse of the BSPP system. However, they did not have such information! Although the structure of retail marketing in Thailand has changed considerably over the past 20-25 years and is very much less dependent on the BSPP system it still remains in place in its modified form, particularly in rural areas where the modern trade is still largely absent.

Survival Outcomes

The removal of official barriers to foreign entry almost assured sustainability for foreign retail investors. Still, the failure rate among western chains was unacceptably high for entries of large corporations into new markets. Thailand saw the withdrawal before 2000 of the smaller scale modern retailers e.g., Auchan (France), Ahold (the Netherlands) and Delhaize (Belgium). The French chain Carrefour with its 43 outlets pulled out as late as 2010. The only three survivors of the original Western retail investment expedition to Thailand in 1990s were the French Casino (Big C), the Dutch Makro and the British Tesco (Tesco Lotus). Moreover, not only did these firms survive they grew spectacularly. By 2013, Makro's 17 hypermarket outlets in 1999 grew to 61, Casino(Big C) from 20 to 113 stores and Tesco (Tesco Lotus) from 17 big stores to 146 (Nielsen, 2013). In 2011, western modern format hypermarkets were responsible for 8.5 per cent of Thailand's grocery and provision sales by value. Marketing research shows that the numbers of shoppers frequenting the traditional retail trade was still at 55 per cent in 2011 compared with 62 per cent in 2001. These figures do not represent exclusive patronage as most shoppers utilize several retail store formats (Kongarchapatara and Shannon, 2014).

The principal question then becomes why with a failure rate of more than 50 percent of corporate entrants, the remaining three did not only survive but also prospered? One reason may be that the unsuccessful companies were 100 per cent foreign owned. The one exception was Auchan which was 51 percent Thai owned and for which the absence French management experience and control may strangely be a partial explanation in its failure in itself. The victors (Casino, Makro and Tesco) all had local minority equity participation in the form of big and influential overseas Chinese minority shareholders. These shareholders could be called upon to protect their Western partners to some extent and certainly give them more confidence in the face to public criticism of their presence and growth.

There is another major factor in the strong performance of western retail investment is the introduction of western format convenience stores as franchises of the Japanese company 7-Eleven. A franchise arrangement with entrepreneurial traditional trade retailers to invest in the conversion of their stores by buying out its neighbors was an excellent way out for suppliers of the full BSPP cycle and other growth limiting factors confronting the overseas Chinese shopkeeper after the arrival of the hypermarkets. Convenience stores and mini markets are airconditioned and well lit, shelved self-service outlets that now number 7,000 stores in Thailand with 7-Eleven dominating the market. Family Mart, another Japanese convenience chain has nearly 1,000 stores and the total number of stores of this type is estimated to be 15,000 to 20,000 by 2020 (Manager Online, 2012). They operate on an everyday-high-price (EDHP) strategy which results in sticker prices similar to those offered by the traditional trade. Importantly, Casino and Tesco have all opened chains of franchised large convenience stores referred to as Big C Mini and Tesco Express which also permit the traditional retail trade owners to participate as partner and more importantly provides an opportunity to expand into the very successful convenience store-like format. While there are only several hundreds of these mini superstores at the moment, the growth of this sector is forecast to be explosive for the next five to 10 years (Euromonitor International, 2013).

Exiting the Emerging Markets

Finally, the apparent partial failure (reflected in pullouts) of the Western retail format is not peculiar to Thailand or indeed Southeast Asia. Walmart sold its 16 store chain in South Korea in 2006

(Belu and Carigan, 2008) and in 2013 it sold its share in a 20-store joint-venture in India. Carrefour sold its entire interest of 32 stores in the modern retail format in South Korea in 2006, and withdrew from Japan in 2005 after failing badly but remarkably succeeded in Taiwan (Brennan and Lundsten, 2009). Carrefour also closed 70 stores in Indonesia in 2012 and 23 stores in Malaysia in 2010, two stores in Singapore and 43 stores in 2010 in Thailand. And there are other Western-owned retail pullouts recorded in emerging markets in Asia (Ayoama, 2007). For the Western retailers restricted market access is no longer the issue. The major Western hypermarket chains have realized instead that getting into a market is no guarantee of staying in it. The attraction of the higher market growth rates in emerging countries as an answer to nearly saturated demand at home has lost a good deal of its luster.

6. Executive Implications

Problems associated with the entry of western corporations into economically strong emerging markets have attracted much discussion. An issue that deserves reiterating is that many emerging markets often seem like soft and fruitful targets for Western firms and may be seen as a source of corporate growth when mature markets are saturated. Decisions to enter emerging countries are often based on too little local competitive knowledge. The absence of such prior knowledge can and does lead to commercial failures. To minimize frequent failures, Western companies wishing to move into emerging markets must conduct investigations of the intended host country's competitive environment and practices. This should be done well before a decision to enter is made. The inconvenient truth is that emerging marketing business culture literacy involves a long learning curve which should affect the timing and scale of entry decisions (KPMG, 2012).

In this study the author addressed competitive factors associated with the high failure rate of Western direct retail investment in the emerging countries of Southeast Asia. The retail structure for groceries and provisions (FMCG) appeared from a global perspective to be inefficient and only sustainable because of government imposed restrictions on potentially very competitive foreign investment. When these barriers were removed in Southeast Asia in the early 1990s, many Western retail chains entered these markets very rapidly in strength. Their attrition rate has been more than 50 per cent. Walmart and Carrefour, the world's two largest retailers, have now completely withdrawn from Southeast Asia and most Asian markets.

We must ask *how* such a large scale failures among otherwise globally-very-successful companies happened in this emerging market region. A large part of the answer seems to be that they both suffered from hubris in how they viewed and responded to the local traditional competition with its idiosyncratic retail strategies. The example of Thailand's counterintuitive accounts-payable-to-suppliers as practiced by mom and pop grocery stores of *Buy 10, Sell 7, Pay 3, Profit 4* (BSPP) was an important element in the failure of American and European chain stores to eliminate the local competition. Had it been conducted, prior research would also have revealed a great weakness in the traditional retail trade in Thailand, which was that stores and their suppliers were technically bankrupt. This knowledge would certainly have helped foreign-direct-retail investors to design much more effective competitive strategies than just using global templates. The hubris factor manifested itself in French-Thai cultural shock was exhibited by Carrefour's habit of illegally locking in its staff overnight for stock checks, and oblige any members of the supplier trade to wait at least 45 minutes in the office lobby after an agreed appointment time. Perhaps such faux pas would not have occurred if the company had taken on a minority partner that could have provided advice on how to do business in the host country. But it did not and remained at 100 per cent French ownership and ultimately failed.

In the case of Thailand and several other Southeast Asian countries, the retailing war between the Western modern format and the traditional mom and pop stores seems to have concluded without a winner having been declared. The advent of the convenience store and the mini hypermarket permitted the partnership of the more daring elements of the traditional trade and the Western chains to participate together in new business formats. These hybrid and innovative stores, currently under 10,000 in number, are forecast to grow and contribute to 25 per cent of groceries and provisions retail sales by 2020, while the traditional trade's falling share probably levels off at 45 per cent share in the same year. This evolution of the retail trade structure will continue and probably open the way for a wide range of private label brands which have yet failed to establish themselves with Thai shoppers. The closer proximity of such points of sale as the new minimarkets, which are positioned as logical line extensions of the three surviving hypermarket chains and to minimize shoppers' travel time, may well reassure the availability of their private labels. Hypermarket growth will slow in consequence of the new zoning regulations which effectively situated new big stores well out of town. Still, this original large scale retail format is expected to achieve a 30 per cent of all Thai grocery and provisions purchases in 2020 (Kongarchapatara and Shannon, 2014).

The biggest issue facing foreign direct retail investment in emerging countries at the present time is India whose government finally ceased protecting its retail trade from overseas competition with a law passed in September 2012. With its growing economy and 1.2 billion population open to the variety of choice offered by globalization, India would superficially seem to represent the next major investment opportunity for western retail chains. However, the expensive experience of these chains in Southeast Asia over the past 15 years and the more than 10 million small traditional trade groceries and provision stores that have a less than 1 in 20 ratio relationship with their wholesalers, are likely to represent a very severe challenge to entry business planning. The sheer mass of the Indian retail trade will almost certainly not permit of an evolved format of modern retailing and the traditional trade as occurred in Thailand. The only activity by foreign retail investors in India over the past 15 months has been the withdrawal from the country by Walmart.

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