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Foreign Retail Entry Strategy: Empirical Support for the Use of the Independent Entry Strategy in an Uncertain Developing Market Environment

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Abstract: **Developing markets have been shown to have institutional frameworks that differ from that in developed economies and greatly affects the transaction costs in the market which favours the use of the collaborative mode of entry. This study argues conditions exist in unstable developing markets that support the use of the wholly owned subsidiary. It discusses these conditions from empirical analysis of the conditions in the Nigerian market and introduces the need for research to focus on a wider perspective on entry mode research suggesting a look at not just cost minimization measures, but also value creation and the notion of strategic flexibility under uncertainty as advocated by the real options theory.**

Key words: Entry strategies, internationalisation, value creation, emerging market, Nigeria

Introduction

The continued growth and survival of most firms have been hinged on their successful foreign operations. Experts [1], [2], agree that the decision and subsequent entry strategy used by a firm in entering a host foreign market determines its success and eventual profitability. The chosen mode determines the extent to which the firm gets involved in developing and implementing marketing programs in the foreign market, the amount of control the firm enjoys over its marketing activities, and the degree to which it succeeds in foreign markets [3], [4], [5]. Entry mode decision choices are therefore regarded as crucial strategic decisions to be considered by the firms looking to operate in foreign markets [2].

Most existing literature on retail internationalisation has tried to ascertain what determines foreign retail market entry strategies. Some of these studies have focused on firm characteristics and capabilities and the need to reduce transaction costs [3], [6], [7], [8]; others have looked at the characteristics of the particular context in which the firms operate [9], [10], [11] emphasising that institutions in the host market significantly shape firm strategies such as foreign market entry [12].

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Interestingly, traditional transaction cost research has highlighted the effect of such factors as: opportunism and bounded rationality as well as asset specificity and uncertainty on entry mode choices [13], [14], [15]. Recent studies however look beyond these micro-level effects to consider the effect of macro-level institutions such as: country legal, regulatory, political and economic frameworks. The latest arguments are that the level of institutional development or underdevelopment affects entry strategies especially in developing markets as a result of instability in its formal and informal institutional variables [16].

This study makes two important contributions. First, it expands on the existing literature on retail internationalisation into emerging markets by providing some added insights to contradict the general notion that the unstable nature of developing markets call for the use of the independent entry strategy and not an entry strategy like the wholly owned subsidiary. Secondly, this study highlights the need for an expanded view of entry mode strategy besides focus on mainly cost minimisation by calling for a consideration of value in looking at the opportunity costs associated with timing of entry, which acknowledges the potential for growth generated by making investments when uncertainty is high and the notion of strategic flexibility as suggested by [17] under the real options theory.

Very many factors have been suggested as influencing the choice of entry mode used by foreign retail firms in operating outside the home market. These range from individual company characteristics- size and resources, international experience, image and reputation, as well as product adaptability [18]. Others include factors in the external environment in the host market such as – cost of entry and research, infrastructural inadequacy, low domestic capacity, unstable political climate, policy inconsistencies etc [12]. Strong indications, however, exist to bring to question the choice of entry mode used by international retail firms in entering the Nigerian

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market particularly in the light of the existing institutional frameworks in the market.

Institutions and Retail entry strategies

[18], [8] have conceptualised the external uncertainty associated with foreign entries and have described this as the 'governance infrastructure' of the host countries since it covers all "public institutions and policies created by governments as a framework for economic, legal, and social relations" [18: 20]. It represents all those "attributes of legislation, regulations, and legal systems that condition freedom of transacting, security of property rights, and transparency of government and legal processes" [18: 19], and includes (1) the process by which governments are selected, monitored, and replaced, (2) governments' capacity to effectively formulate and implement solid policies, and (3) the extent to which citizens and governments respect the institutions that govern economic and social interactions [19]. The lower the quality of this governance infrastructure, the higher the external uncertainty associated with a WOS.

The emphasis now is that institutions directly determine what arrows a firm has in its quiver as it struggles to formulate and implement strategy and to create competitive advantage [20]. Nowhere is this point more clearly borne out than in emerging economies where institutional frameworks differ greatly from that in developed economies [21].

International firms have been known to decide between using either the independent mode of entry or the collaborative modes (Franchising, joint ventures, etc.). Each of these modes has different risks, control, ownership structures, and satisfies different objectives [22]. Institutions have an essential role in a market economy to support the effective functioning of the market mechanism, such that firms and individuals can engage in market transactions without incurring undue costs or risks [23], [16]. Institutional arrangements are considered to be 'strong' if they support the voluntary exchange underpinning an effective market mechanism. Conversely, the institutions are 'weak' if they fail to ensure effective markets or even undermine markets (as in the case of corrupt business practices) [2]. Where institutions are strong in developed economies, their role, though critical, may be almost invisible. In contrast, when markets malfunction, as in some emerging economies, the absence of market-supporting institutions is 'conspicuous' [24].

Institutional differences are particularly significant for firms operating in multiple institutional contexts [25], [26]. Formal rules establish the permissible range of entry choices (e.g., with respect to equity ownership) but informal rules may also affect entry decisions. Thus, legal restrictions may limit the equity stake that foreign investors are allowed to hold [27] and informal norms, such as norms concerning whether bribery is acceptable, may favour locally owned firms over the foreign enterprises [28]. In other words, because the transactions costs of engaging in these markets are relatively higher, international firms have to devise strategies to overcome these constraints [16].

Institutions also provide information about business partners and their likely behaviour, which reduces information asymmetries—a core source of market failure [29]. In many emerging economies, weak institutional arrangements may magnify information asymmetries so firms face higher partner-related risks [30] and need to spend more resources searching for information [31]. The strengthening of the institutional framework thus lowers costs of doing business [32], [33], [34] and influences foreign entrants' mode decisions by moderating the costs of alternative organizational forms [14]. In consequence, the relative costs associated with different entry modes are affected by the institutional framework [35], [30]. In particular, a collaborative mode like joint ventures (JVs) provides a means to access resources held by local firms, including resources such as networks that may help to counteract idiosyncrasies of a weak institutional context [27]. However, the need for a partner may decline with the strengthening of the institutional framework [30], [28], [36].

An independent entry mode is an entry mode that is particularly sensitive to the efficiency of markets, especially financial markets and the market for corporate control [37], [16]. Many of the resources and organizational structures of local firms are built around nonmarket forms of transactions, and are therefore harder for potential acquirers to evaluate [31]. This raises the complexity and transaction costs of undertaking the due diligence and contract negotiations necessary for the use of a mode like acquisitions and post-acquisition restructuring [38]. Thus, costs and risks increase when institutional frameworks are weaker. Combining these arguments, the conclusion can be drawn that foreign entrants may need access to local resources in emerging economies to overcome inefficiencies caused by weak institutions. Yet, at the same time, weak institutional frameworks make it more difficult to access these resources via market transactions (which inhibit independent entry) and raise the costs of acquiring local firms (which make acquisitions challenging). In contrast, collaborative modes like joint ventures (JVs) provide a means to access local resources where arm's length market transactions are difficult.

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Resources and Retail entry strategies

As noted by [5], [39], [2], entry mode strategies of firms have been analysed based on the characteristics of the entering firm, in particular its resources and capabilities as well as its need to minimize transaction costs. In a bid to ascertain the effect of these dimensions of the firm characteristics, the decision makers interviewed for the retail firms were probed with over nine questions on: the effect of company characteristics – (size of organisation, effect of competition, unique retail concept, nature and relatedness of products, specialised technology/processes, brand strength/image, unique retail formula, customer service, etc.). Other areas include: International experience of the company, as well as the effect of company reputation just to be able to get their assessment of their firms along these lines.

This study aimed at ascertaining the effect of both tangible and intangible assets on the entry strategies of the retail firms. In developing markets, investing firms usually require context-specific resources to achieve competitive advantages [40]. The likelihood of facing malfunctioning markets varies with the characteristics of the resources sought. A key distinction in the literature is between tangible assets (such as real estate) and intangible assets (such as brands) [2]. Entry strategies have often been analysed based on the knowledge-based assets to be transferred to the subsidiary [41]. A contract would be preferred if the resource contributions of a partner can be sold in a reasonably efficient market [42]. The following section explains the conditions where certain types of resources are less suitable to market exchange.

Firstly, where information asymmetries exist between the firms then there is the need for the internationalisation of transactions within firms [29]. The other aspect is asset specificity. The argument is that the more business partners invest in resources specific to a transaction, the more they create interdependencies that expose them to potential opportunistic behaviour [43]. This threat encourages firms to internalize operations. The last dimension is tacitness of knowledge which inhibits the transfer of resources unless instructor and receiver interact directly in a form of learning by doing; but this can make the transfer of knowledge very costly [44]. Such learning by interpersonal interaction is difficult to organise via markets, and may be encouraged more effectively within organisations [45]. In consequence, interactions that involve the exchange of tacit knowledge may be internalised, again favouring the use of an entry strategy like the wholly owned strategy [2].

Contextual Background

This study examines the entry strategy used by two of the biggest foreign retail firms in Nigeria. The market in Nigeria is chosen because despite being the second largest market in Africa [46], it is one of the foremost to attract retail foreign direct investment but presently has the least number of such firms in operation. According to [47], the development of modern retailing in the south, especially Lagos, dates from 1852 following on the bombardment of the town by the British which brought about the effective end to slave trading in this part of West Africa…which attracted European merchants.

However, since about the last decade the Nigerian market has witnessed some liberalisation and shows substantial variations in formal and informal institutions. The retail sector in Nigeria thrived until the 70s when the government promulgated the indigenisation decree of 1972 and 1977 giving ownership of firms to locals; this led to the divestment of all the foreign retail firms in the market and with the fall in oil prices in the 80s, Nigeria's oil boom collapsed [48]. Export earnings halved between 1981 and 1983, and the crisis subsequently deepened. Foreign exchange was increasingly insufficient for the imported inputs which local industries need to continue production. Factories closed temporarily or permanently and staff redundancies in private companies were soon followed by wage cuts and retrenchment in the public sector. This inevitably affected the health of the retail sector. [49].

With the return of the country to democratic governance in 1999 all attempts have been to attract foreign direct investment (FDI) for which the government is improving infrastructures and providing incentives. There have been some noticeable benefits in the efforts of the government because there has been significant inflow of FDI into the country and quite a number of foreign firms (retail firms inclusive) have come to invest in the Nigerian market. The efforts of the government are still ongoing especially in key areas of the economy that significantly affect FDI such as: tackling the high rate of inflation, political instability, high inflation rate, improvement of the legal system, formulation of favourable economic policies, etc all of these have been used to judge the Nigerian market as being unstable [50].

This study investigates the entry strategy of the two biggest foreign retail firms in the market that have used the wholly owned entry strategy despite the unstable nature of the market.

Case study methodology

This study utilises the exploratory case study approach. As noted by [51] case studies are appropriate for use where there is limited academic research and theory development as is the case on

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retail internationalization in Nigeria which is the basis for this present study. Case study methodology also allows for studying a retail organisation in its host environment in a natural setting, which provides the benefit of obtaining rich insights into these complex processes which are usually difficult to assess by quantitative techniques. This methodology was chosen also based on the views expressed by [51] that a case study strategy can be a very worthwhile way of exploring existing theory. A well structured case study strategy can enable the researcher to challenge an existing theory and also provide a source of new research questions. The use of the qualitative method for this study is as a result of the views of experts [52], [53], [54], [51] that qualitative methods offer a unique advantage when the researcher is trying to observe, describe, and explain dynamic processes such as international negotiations, or decision making by top management teams, which are best captured in close proximity to the phenomenon.

As noted by Alexander [55] where recent insights into why and how retailers choose entry modes are available in the literature, such insights have been developed through the use of in-depth qualitative research rather than the quantitative research that characterises early work such as [56]. This present study therefore, follows the call by [57] that if research on international retailing is to address new issues and begin exploring old accepted frameworks such as those on entry mode strategy then one key way to address this is through qualitative research which will be able to access and interpret the complexities and interrelationships of factors that impact on the decision-making and implementation process. In their view, quantitative approaches on retail entry modes have been able to help establish and provide understanding and identify major research questions in this area of retail internationalisation and entry strategies therefore, qualitative methods are needed to answer these questions, address new issues, and explore the old accepted frameworks.

Case description and Sampling procedure

This study is based on two foreign retail firms (A and B) that have entered into the Nigerian market using the wholly owned subsidiary strategy; for reasons of confidentiality none of these firms will be identified by name during the course of this paper. Firm A founded in 1990 is a large discount retailer of general merchandise; a managed portfolio of nine wholesale and retail chains, each focused on high volume, low margin, and low cost distribution of mainly branded consumer goods. This group operates in 14 other countries in Sub-Saharan Africa through four divisions comprising 290 stores. The group is the third largest distributor of consumer goods in Africa.

Firm B was founded in 1979 is a major food retailer; according to Deloitte report (2010), the firm was listed as the 130th biggest retailer globally. It trades with 1303 corporate and 427 franchise outlets in 17 countries across Africa and the Indian Ocean Islands. The firm started operations in the Nigerian market in 2005.

This present research used the non-probability purposive sampling (purposeful sampling) as well as the theoretical sampling techniques which allows for choosing cases in terms of the theory on which the research is based, choosing 'deviant' or 'extreme' cases, and changing sample size during research [58]. The Purposive sampling techniques involve selecting certain units or cases ''based on a specific purpose rather than randomly'' [51]. Sampling special or unique cases—employed when the individual case itself, or a specific group of cases, is a major focus of the investigation (rather than an issue). The aim here is not to select a mere representative sample but a sample that possesses certain characteristics [59].

Theoretical sampling on the other hand, is the process of data collection directed by evolving theory rather than by predetermined population dimensions [60]. It is stressed here that theoretical sampling "involves . . . much calculation and imagination on the part of the analysts . . ." [60]. As theoretical constructs evolve, precise information is sought to refine emerging ideas. When doing theoretical sampling, researchers must determine what data sources (e.g., groups of people, documents, bodies of literature) could yield the richest and most relevant data, and what cases (e.g., individuals, particular settings, specific documents) drawn from these sources are most likely to provide empirical indicators needed for category development [61]. This procedure was used for this present study.

The cases selected for this study needed to meet some earlier set criteria which were important for the research. They first must be foreign firms – 'foreign' meant the firms are corporations owned and incorporated outside Nigeria but authorized to do business in the country. Secondly, the firms must be retail firms falling under either the food/grocery or non grocery categories. Thirdly, the firms must have operations in Nigeria or be contemplating starting off operations in the country (like the case of Wal-Mart – a good example of the extreme or 'deviant' case). Lastly, the firms must use or be planning to use the independent entry mode or any of the collaborative modes of entry; this is important because since retailing involves some level of contact with the customers this therefore will exclude the firms that are mainly into export of their products into Nigeria.

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Analysis method

Following the recommendations of [62], [63], [60], evidence for this investigation was collected from a variety of data sources, including secondary sources such as company documents and press articles, participant observation on retail practices, and interviews with experts. Qualitative research is always known to have a very huge size of generated data sets that may overwhelm the researcher if not properly organised and managed.

Throughout the course of this study, three concurrent flows of activity as suggested by experts [64], [65] were embarked upon: data reduction, data display, and conclusion drawing/verification. [66] referred to this as segmenting the data into parts and reassembling the parts again into a coherent whole. The data generated were analyzed with the Nvivo software. As suggested by [61], [66] this present study started with open coding – leading to the creation of a list of codes, then moved into axial coding – setting up a list of categories, before finally using the selective coding – that led to the development of the framework for analysis.

Results

The findings from this study reveal many factors that have influenced the use of the independent entry strategy of wholly owned subsidiaries (WOS) by these retail firms in Nigeria. These factors are outlined and supported with small vignettes from the interviewees in the following section.

Organisational factors

Evidence gathered from this empirical study show the important influence of such characteristics as: Retail concept, brand concept especially introduction of private brands, product/company image & reputation, firm size & market resource commitment, and international experience as the main organisational factors. This study revealed that the advanced technologies, innovations and methods (in the area of assortment, services, and pricing) used by these retail firms were appropriate in the Nigerian market and did not serve as inhibiting factors which encouraged their use by the firms.

Also, these firms mentioned they have built a very strong image for their organisations over the years which has helped them to withstand competition and their introduction of private labels for some of their products was favourably embraced by the consumers; they needed therefore to protect these products and the overall company reputation from abuse hence the use of the wholly owned subsidiary.

The huge size of these organisations in measures of employee numbers and experience (very knowledgeable experts), sales, ownership of capital equipment, and financial capability also influenced their use of the wholly owned entry strategy. The firms wanted to enjoy proprietary advantages which their large size provides them and are prepared to commit huge funds into the Nigerian market as a result of the large size of the market and its growth potential. The cheap cost of acquiring retail floor spaces especially with the development of mega shopping malls like The Palms Shopping mall in Lagos, TINAPA project in Calabar, Polo Park in Enugu, Ceddi Plaza in Abuja, and others in Port Harcourt, Kano, and other parts of the country also influenced the use of the wholly owned subsidiaries by these retail firms.

External environmental factors

The evidence from this study show support for the following factors as the basis for the use of the wholly owned entry strategy in the Nigerian market by these retail firms investigated: Market population/wealth, close cultural & retail market distance, urbanisation/market development stage, stability in legal, political and economic system, cost of establishing and monitoring operations, as well as quality and number of available networks in the Nigerian market.

An executive of firm A mentioned that "the population of a market is important in determining its attractiveness. A large market with high levels of economic activities and disposable income will be attractive to us". Importantly, the study revealed that another influence is the re-emergence of the middle class in Nigeria characterised by young professionals who have a high disposable income, and have adopted western lifestyles, including leisure shopping. Taking advantage of this situation therefore favoured the use of the wholly owned method of entry.

Interestingly also, it is revealed that the experience of the firms especially in other markets in Africa reduced the cultural and retail market distances for the firms and the host Nigerian market. The retail sub-sector of the market does not have many restrictions apart from the import prohibition of certain items. An executive from firm B mentioned that "apart from the unregulated nature of the Nigerian market and limited foreign competition, all other features of the market are similar to the situation in our home country".

Other factors highlighted as influencing the use of the wholly owned subsidiary strategy by these firms include: the high level of urbanisation of the market, favourable external relations of the country with the International community of states, encouraging Government approach to fundamental economic issues and regulation of commercial and financial activity, as well as strengthening the legal system to protect property rights, including patents and copyrights. The study revealed a lot of work is

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still needed in the area of the rule of law in Nigeria especially the effectiveness of the court system in the country. The absence of any restrictions on ownership and the repatriation of profits, liberalisation of exchange control regulations and abolition of all restrictions on the importation of foreign capital, as well as complete exemption from all taxes for companies licensed to operate in the free trade zones, are all reasons given for the use of this wholly owned entry strategy by these firms investigated.

Lastly, with the stability in the political system in the country, the study equally revealed that the absence of established firms to partner with also influenced the use of the wholly owned entry strategy. The GM of firm A mentioned that:

> "where we can find a local partner who understands the market and shares our business philosophy, we do not hesitate in going into some joint business relationships, we couldn't find any partner of our size to work and developing a local relationship we felt would be too expensive and costly because it would mean transferring our assets and technologies to the local partner we know only so little about. This situation would need us to incur some additional cost just to be sure the local partner operates within our overall company policies and directions".

Discussion and managerial implications of findings

[67] noted that the resources held by local firms in the host market e.g. assets – technology, market power/barriers to entry, resources held by the investor e.g. transferable knowledge, managerial services, financial capital, as well as the resources available on the market like: real estate, labour skills, and access to utilities all affect the final mode of entry. The finding from this study that these firms try to protect their tacit assets by using the wholly owned entry strategy is supported by very many experts. [68], [69] for example, noted that firms codify their operational know-how and host country market information into routines, decision support systems, and other processes to create a firm level knowledge base. This helps to protect the retailers' internalization advantages, which vary in accordance with the characteristics of the ownership assets. Here, it is important to consider the nature of retail ownership assets in light of perceived dependability (defensibility) and transferability [70].

Scholars investigating the influence of internalization advantages (contractual risks) have found that when firms perceived low advantages from internalizing foreign operations, they tended to use non-equity modes of entry [17]. In a similar vein, [71] study provided empirical evidence that firms perceiving higher internalization advantages tended to favour equity modes of entry as used by these firms under investigation. The findings from this study are also in line with the views of [72], [73] that the firm's ability to innovate products and processes is a significant predictor of equity mode of entry, especially with firms that evidenced high technological advancement, differentiated products and efficient organisational and administrative processes. Experts believe that where a significant level of product adaptation is needed, international retail firms see this as a measure of risk as such, they would want to use some form of non-equity investment [74], [72], [75], [76]. No such situation exists for these firms in the Nigerian market.

[3], [70] have shown the wholly owned entry mode allows for greater involvement/control and returns than does franchise; it is also mentioned that despite requiring significant resource commitments of capital, informational, and managerial resources, firms having such resources available will use the wholly-owned entry mode. Firms lacking these resources tend to rely on franchising systems. Resources, especially informational and managerial, would not only be very costly to acquire within a firm but also vary from country to country and/or culture to culture [77]. Worthy of note also are the views that higher control modes are more efficient where the potential for 'free-riding' is higher [78], [79], [80]. [81] equally agree that experience is a prime source of learning in organizations; as firms gain experience in assessing prevailing business practices and consumer preferences in various host markets, the perceived risk of further international expansion is reduced which allows the use of the independent entry strategy.

On the other hand, in as much as there is sense in the views of expert like [30], and [82] that in a developing economy, institutions are volatile and immature, exerting a large environmental uncertainty on foreign investment, particularly when considering the institutional environments; suggesting a low-control entry mode for foreign firms operating in such uncertain institutional environment. The findings from this study on key environmental factors like: close cultural & retail market distance, urbanisation/market development stage, stability in legal, political and economic system, cost of establishing and monitoring operations, as well as quality and number of available networks in the Nigerian market show the need for caution in drawing conclusions on these environmental variables.

This study for example, revealed the influence of close cultural and retail market distance on the entry strategy of the firms. International joint ventures have been explained to involve equity partners from dissimilar cultures. These partners typically have different

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organisational and administrative practices [6], have dissimilar leadership, communication, and management styles [83], [84], and have workforces with different preferences and expectations [85]. These inter-partner differences promote misunderstandings and managerial conflicts between the JV partners [69] resulting in internal uncertainty. The larger the cultural distance, the more likely that such misunderstanding and conflicts will occur, and the higher the internal uncertainty will be. Although culture-related misunderstanding and conflicts are typically unintentional, they severely hinder cooperation between the partners, for instance with respect to the transfer of management practices and technologies [86], resulting in poor JV performance. While WOSs may also be subject to internal misunderstanding and conflicts caused by cultural differences, such misunderstandings and conflicts are less likely to be a source of internal uncertainty than those associated with JVs [87]. Such misunderstandings and conflicts are much easier to resolve in WOSs than in JVs. [8]. In his study, [88] writes that it is assumed that the propensity for choosing an equity-entry mode arises out of a low-distance perception in terms of culture and business practices between the home and host-countries.

Experts have also acknowledged the need for business relatedness in seeking foreign market entry for the firms using the collaborative modes. The foreign exploitation of corporate resources is facilitated if business units are related to some degree; business relatedness has accordingly become a central manifestation of international strategy [89]. that this study revealed the absence of established firms that these foreign firms could partner with in the Nigerian market.

Again, market potential size and growth has been found to be an important determinant of overseas investment [17]. In high market potential countries, investment modes are expected to provide greater long term profitability to a firm, compared to non-investment modes through the opportunity to achieve economies of scale and consequently lower cost of operation, [90]. [91] report that Nigeria has about 44% of its population as at 2007 under 15 years of age with only 10% over 60years. This has important implications for retailers; a market with proportionately small population under 15 years might suggest limited demand for products by and for the younger population. The findings from this study is in line with the view expressed by [92] that one of the key drivers of growth in markets such as India is the increased westernisation of culture via modern media. In Nigeria, the major growth of modern retailing occurring in the major cities and towns helps shape daily life and offers a glimpse into modern retail enticements.

Lastly, the findings from this present study calls for an in-depth understanding of the effect of such environmental factors like the governance structure of the market, strength of the rule of law and the court system, level of political and economic stability, etc. in relation with the advantages derivable by the firms operating in such markets taking other factors into consideration. In as much as the legal system for example in Nigeria can be described as not being stable, this has not influenced these retail firms to adopt the collaborative method of entry as suggested by experts [93]. This study importantly highlights the effect of the timing of entry on the entry strategy especially when the market-seeking foreign entrant is trying to utilise pioneering advantages.

Conclusions and Limitations

The main conclusion drawn from this present study is that despite the general view that developing or emerging markets often have weak institutional framework which increases the cost of operating in such markets and therefore calls for the use of the collaborative entry strategy [24], [16], this may not be true for all markets as revealed by this study of the Nigerian market. The characteristics of the particular environmental context to a large extent determine the influence of these factors on the entry strategy of the firms operating in such markets.

One major limitation from this study is that with the emerging nature of the Nigerian market, there are a relatively small number of foreign retail firms in the market. It is not clear if these conditions will hold as the market expands and becomes better regulated. With such expansion, additional research considering a wider number of international retail firms in Nigeria would be particularly helpful in enhancing the conceptualisation and understanding of the main factors influencing the entry mode decision choices of these foreign retail firms in the country.

Again, the focus of this study on the overall effect of cost minimization in the determination of the market entry strategy used by the retail firms seem to be defeated by the suggestion by Brouthers *et al.* (2008) for the introduction of the real options theory when considering such strategic decisions as entry mode strategies. The argument is that despite producing encouraging results, the focus on cost minimization instead of value creation is problematic in that it does not consider opportunity costs associated with timing of entry, and it fails to acknowledge the potential for growth generated by making investments when uncertainty is high ignoring the notion of strategic flexibility [17]. It will be interesting to see if this expanded view will provide any level of theoretical and empirical support for a

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better predictive and normative model especially in trying to explain firm strategy based on the value of potential future actions and a consideration of the impact of past investment decisions.

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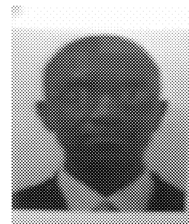

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