

Examine, in depth, the implication of globalisations on a group/context of your choice.

This assignment will examine the effects of globalisation – *also known globalization* – on the area of trade and commerce known as retail. It will explore the ways in which global networks and communication have directly impacted on the retail sector, in both positive and negative aspects. It will also consider the wider implications and what these may mean, not only now, but also for the future.

According to Farfan (2019), retail involves the sale of goods, whether it is from a shop, a catalogue, a phone or an online presence and is the final stage of the supply chain between manufacturer and consumer. Conversely, retail say the UK Government, can be defined as follows:

The retail sector includes any business or individual involved with selling products directly to consumers. Related sectors include the wholesale sector (which supplies retailers), the logistics sector (which connects wholesalers and producers with retailers), and the manufacturing sector (which produces the products sold by retailers) (Parliament UK, 2018, p. 4).

Despite a plethora of literature on globalisation, Scholte (2005) concludes that there remains a great deal of ambiguity surrounding its concept and definition. This, in no small part, has been compounded since the term transcended its status as an industry buzzword, and gradually entered the realm of academia. Al-Rodhan and Stoudmann (2006) shared this frustration. Globalisation, they suggested, comprised of a number of elements such as; economics, information, culture, colonialism and cooperation. Because certain aspects, including political ideology for instance, are so subjective, it makes finding a satisfactory definition notoriously difficult. Despite – *or perhaps because of this* – they collated and studied a number of academic definitions, before proposing a definition of their own.

Globalization is a process that encompasses the causes, course, and consequences of transnational and transcultural integration of human and non-human activities (Al-Rodhan and Stoudmann, 2006, p. 5).

Regardless of the obvious multifaceted nature of globalisation, Sengupta (2001) points to economics as the dominant factor that underpins the general consensus. Issues such as

homogenisation, hybridisation and ‘glocalisation’ mean that the very concept of globalisation is ever-changing. There is also much debate surrounding the birth of globalisation. O'Rourke and Williamson (2004) address both of these issues by acknowledging that although historians point to the significance of early expeditions, such as Columbus discovering the Americas in 1492, it was not until the early 18th century that economic trade accelerated. It is all-too-easy, they argue, to measure the rise of globalisation simply through an increase in trade, as that could merely indicate a trend in supply and demand. What was important in the early development of globalisation they suggest, is the reduction in the cost of transporting goods, the end of trading monopolies and to a degree – *at least in some regions* – the end of long-running conflicts. Rodrigue, Comtois and Slack (2017) cite the ancient Silk Road through Central Asia as one of the first, and perhaps most significant, international trade routes. It was not an evolution in the fundamental purpose of transport that was pivotal they suggest, but the speed and magnitude at which it facilitated the movement of goods. China's Grand Canal network and advances in maritime transportation further increased the capacity, allowing large volumes of goods to be transported more cost effectively. International trade on such a grand scale would lead to the formation of global economies, and the inception of commercial empires.

Although the retail phenomenon is far from new, in semi-periphery countries such as India, the retail industry should still be considered to be in its infancy (Manoj, 2015). The particular socio-economic composition of such a vast population, together with substantial growth in GDP (Gross Domestic Product), has made India an attractive prospect for FDI (Foreign Direct Investment) in recent years. Where family-run small businesses once dominated, empirical data indicates, with a few exceptions, that these are rapidly being swallowed up by multinational corporations (MNCs). Globalisation in this instance appears to benefit large corporations, but to the detriment of small businesses. Dana, Etemad and Wright (1999) suggest that this is not limited to emerging economies and is symptomatic of globalisation as a whole. They do however argue that this has led to an increase in healthy competition and a growth in innovation, to enable SMEs (small and medium-sized enterprises) to compete alongside the larger MNCs.

If technology has enhanced transportation logistics, it is probably reasonable to say it has completely transformed global communication. McLuhan (1964) predicted advances in media and electronic communication, long before the internet was widely available. Written

in part as a warning, McLuhan foresaw a level of unconscious connectedness, where carefully crafted ads would subliminally subvert our perception and the rise of automation would gradually replace the role of humans in production. If the reception was to be unconscious, Martin *et al.* (2018) argue that the intention is anything but. The most recent developments of globalisation, they suggest, have been deliberately perpetrated by MNCs and global organisations such as the IMF (International Monetary Fund) and the World Bank in pursuit of neo-liberal, free market ideology. They propose that the consequence of this accelerated globalisation has been financial de-regulation, and in many instances, the privatisation of state assets.

Although there is considerable research available on the subjects of both privatisation and globalisation, there appears to be little exploration on the relationship between the two. Debab (2011) undertook an empirical study to examine whether there is a bi-directional causality, linking interdependence between the two phenomena. Although it was unclear if the two were in fact interdependent, evidence appeared to show a parallel in the driving forces behind both. De-regulation of financial services, freedom of movement and capital have all played a significant role in each occurrence. Reid and Steele (2009) question the role of organisations such as the WTO (World Trade Organisation) in the liberalisation of trade, suggesting that there is a risk in the reduction of welfare, due to the erosion of accountability. The benefits of globalisation have, they argue, been unevenly distributed and that free trade arrangements disproportionately advantage stronger developed nations. They also put forward the argument that free trade should not be the ultimate outcome, and that consideration should be given to welfare, the environment and socio-economic impact.

The clothing retail sector is a case in point. Dabija, Postelnicu and Pop (2016) explored the challenges of globalisation and sustainability within the context of retail garment industry. What they discovered was an ever-changing market where globalisation made it easier to attract new consumers, but also made it harder to keep them. The choices available to customers they suggest, has resulted in a shift in consumer behaviour, driven by fashion trends and economics. Increased competition and consumer consciousness has made ethical and sustainable practice challenging, to say the least. Growth in international trade they argue has had a major impact on the environment, leaving vast areas of degradation that in the future may prove to be irreversible.

Reversing poverty and inequality may prove equally problematic. Barden (2007) addresses claims from exponents of globalisation that free market economic models have reduced poverty, and also critics that suggest the disparity in wealth distribution has increased. The true picture they say is far more nuanced. The staggering growth in the economy of China over the past 40 years is often cited by 'pro-globalisers' as proof that free market strategy works. Using the World Bank's crude benchmark of \$1 per capita, per day, to measure poverty line statistics, can at first glance seem impressive. From 1981 to 2004, poverty fell dramatically from 63.8% to just 9.9%. Given the vast population, this equates to hundreds of millions of citizens being lifted from poverty, statistics that are unprecedented. Dig a little deeper though, they suggest and the economic tide in China was already turning. Examining the World Bank's own data indicates that poverty had already declined significantly before foreign investment began, largely due to growth in China's agricultural industry. The reason for the impact being so substantial was the highest levels of poverty could be found in China's rural farming communities.

Reduction of poverty and growth in GDP are perhaps obvious indicators by which the benefits of globalisation can be measured, but just as the positives can be multifaceted, so too can the negatives. Prasad (2018) states it is generally accepted that unskilled workers are amongst those most adversely affected by globalisation, but for women the impact is even more disproportionate. The job opportunities that most frequently become available to women through globalisation such as export processing, also exposes them to the potential of exploitation and abuse. Kara (2011) explored the relationship between globalisation and so-called 'modern slavery'. The term 'modern-day slavery' manifests in many forms, whether that is 'forced labour', 'child labour' or 'human trafficking', but all have a recurrent theme with a dynamic of power and control, and even a sense of ownership. The use of slavery in business is not limited to one sector and is usually distinguished by three traits; acquisition, mobility and ultimately exploitation. For those engaged in human trafficking, globalisation has provided the opportunity to transport their victims across borders, with little disruption.

International human rights charity, Amnesty International (2016), have accused some of the most well-known MNCs that produce household brands, of knowingly exploiting workers for cheap labour. A senior investigator for the organisation claims to have uncovered evidence that, despite assurances to the contrary, workers in palm oil manufacturing supply chain are being exploited through poverty wages and poor working conditions. The charity was

appalled to find that the companies investigated had a combined turnover of over \$325 billion in 2015, but paid many of their frontline workers less than minimum wage. A study conducted by Egan-Wyer *et al.* (2014) indicated that consumers were beginning to vote with their feet when it came to poor ethical practice. They found that customers were increasing identifying with brands that represented their own values and ethics. Through the use of critical research, they also questioned whether ethics and capitalist consumerism could be truly compatible. Using The Body Shop as an example – *a company founded on fair trade and ethical principles* – they argued that when push came to shove, the company was sold off for a large profit to L'Oréal, an MNC with a reputation for animal testing that received the lowest possible ranking by Ethical Consumer Magazine.

The Body Shop model does at least prove that corporate reasonability is not always a barrier to retail success. If anything, it shows that if marketed well, moral standards can in fact become a commodity in their own right. According to Lavorata and Pontier (2005), the symbolism and culture of many products today are as important as the manufactured article. They do acknowledge though, that some retailers may be simply 'greenwashing' to give the impression that issues of sustainability are higher on their agenda than is actually the case. A risky strategy given that a study quoted in their research, reported that over 60% of French consumers surveyed, were prepared to avoid products from companies that failed to meet their own sustainable objectives. Just such an issue became evident in the Volkswagen (VW) emissions scandal of 2015. Jung and Sharon (2019) explored the impact surrounding the revelation that VW were knowingly fitting a device to their diesel cars to give false readings on emission tests. When tested, the cars appeared a lot more eco-friendly than they actually were. Within two weeks of the scandal breaking, share prices had fallen 40%. This issue affected vehicles globally and even though not all consumers affected were compensated, car buyers in the United States alone received around \$23 billion in settlements. Legal proceedings also resulted in a number of employees and executives being imprisoned. The majority of their customer base did not appear perturbed by the deception and retail sales eventually recovered. This may have been, at least in part, due to VW being marketed more for performance rather than low emissions. Had the level of emissions been a major selling point though, the outcome may have been very different. If VW had been a smaller, less resilient company, it may not have weathered the storm nearly as well.

In the field of global retailing, marketing campaigns can be as crucial as the product itself. Schooley and Brooks (2019), writing for the *Business News Daily*, highlighted some of the pitfalls of international marketing. All ten of the companies featured in the article – *such as BMW, Electrolux and HSBC* – were high profile, household names and yet all managed to fall foul of slogans or imagery that did not translate well internationally, either on a literal or cultural level. In the case of Ford Motors, a slogan that originally read “Every car has a high-quality body”, translated in some languages to “Every car has a high-quality corpse”. Not the image they were hoping for. For small businesses trying to compete on the global stage, this could present an even greater challenge. Harris and Rae (2009) suggest for many SMEs, this has been overcome through the development of social media. The ability to develop online communities, they argue, enables smaller business to build their brand and engage with overseas markets on more personal level than was previously possible. The use of social media to engage with potential clients is not only cost effective they suggest, but is a key factor in developing sustainable trade. Online availability has also opened up the market to products that were perhaps lesser known. Although they cite global brand Amazon as an example, the rising sales of books outside of the top 100 titles is a trend that can also benefit smaller independent retailers. According to the evidence they discovered, failing to engage in online communities can give the impression companies are unhelpful and insular, ultimately damaging their brand.

For some SMEs, the potential threats posed by globalisation can be counter-balanced, not always through direct competition, by sometimes by adaption. Andres Coca-Stefaniak, Parker and Rees (2010) suggest that phrases such as ‘localisation’ have begun appear as new marketing strategies are developed using ideas such as local interest as a unique selling point. Small businesses are becoming increasingly involved in community development to cement their place in the high street, not only as a reaction to globalism but also to attempt to buck the trend for out-of-town shopping outlets. Polsa and Fan (2011) highlight a problem in emerging economies though, using China as a case study. An inadequate welfare system there or lack of it, has they say, lead to a large number of people starting small retail businesses to overcome unemployment or aid them in retirement. Statistics they collated though, indicate that although prosperity through globalisation has improved GDP, the distribution of benefits from this have been far from equal. Large MNCs have decreased in number but have also increased in size. This has meant larger corporations have become

more powerful to the point that they are in a position to lobby government for favourable conditions.

A similar pattern appears to have emerged in the United States. Sopor (2019) writing for Bloomberg, cites online retailer Amazon as an example of how the success of powerful multinationals can jeopardise small independents. Amazon, he suggests, owes much of its achievement to many of the small retailers that helped to create a diverse and competitive marketplace. Where once a comfortable living could be made as through Amazon's online retail platform, ever-rising costs of using the service has made it increasingly difficult to compete. Independents are not the only casualties of globalization though. Nguyen (2018), a journalist for BuzzFeed News, says the wider implication of Amazon's business model is its impact on the environment. Each year the online retail 'giant' holds a Prime Day shopping event. Statistics for the 2018 event saw over 100 million goods in just 36 hours. Part of the initiative is to encourage consumers to sign up to their Prime subscription service. A key aspect of their Prime service is expedited shipping. The consequence of this is items are shipped globally using high-emission transportation, elevating contributions to congestion and carbon pollution.

Amazon is also one of a number of online retailers that have been accused of what has been described as 'overpackaging'. According to Bird (2018), consumers are ignoring environmental issues for the sake of convenience. One American company they cite, Blue Apron, deliver ready means, each of which contain two ice packs weighing six pounds each. Annually this equates to 192,000 tons of freezer pack waste. Although Consumers are becoming more conscious of the environmental impact, there is conflict between their guilty conscience and the desire to receive their goods as safely and quickly as possible. Furthermore, Monnot *et al.* (2017) suggest that the retailers themselves are also struggling to square this particular circle. They face an ethical dilemma of operating sustainable business models whilst satisfying consumer demands, but without damaging their brand. With health and well-being being affected by these practices, this is increasingly they say becoming a moral issue, rather than purely commercial interest.

The use of packaging in online retail may well be a necessary evil, but Orzan *et al.* (2018) argue that if utilised in an eco-friendly manner, it can be an asset rather than a hindrance. Packaging they argue, is not just for protecting goods in transit, but can act as marketing tool

in its own right, and an opportunity to further promote a brand. The package a consumer receives is their first impression of a product, before they even see the item they have purchased, and as with anything, first impressions matter. If manufactured in a sustainable way, using materials from renewable sources that can easily be recycled, can meet consumer's needs whilst reducing the impact on the environment. However an item is packaged though, it still has to be delivered and the issue of 'last-mile logistics' has become increasingly topical. Nazir (2019) states that 43% of UK shoppers favour companies that use sustainable delivery services. Although this less than half of those surveyed, only 20% were satisfied with current efforts of retailers. Younger consumers (18-24 year olds) appeared the most environmentally aware, with more than half planning to use online delivery services less frequently in the future.

As consumers are becoming increasingly conscious regarding the need for sustainable delivery, they are also turning their attention to issues such as corporation tax. Evertsson (2016) describes tax avoidance as a 'crime of globalisation' and suggests tax regulations have been written to benefit large corporations. According to Biswas (2002), a report published back in 1998 by the OECD (Organisation for Economic Co-operation and Development), raised concerns regarding their *Harmful Tax Competition* initiative, due to the erosion of tax revenue bases. The relaxation of international corporate tax regulations had created an environment as competitive as the market for the goods and services themselves. The presence of tax avoidance loopholes was another unwanted symptom of globalisation. An example of this was French entrepreneurs were being encouraged to sell their businesses to invest in London property markets. The knock-on effect it is suggested is a shortage in affordable housing for first-time buyers in the capital.

It would appear from the evidence that globalisation can improve economies of periphery and semi-periphery countries and promote growth in GDP. There are obstacles and challenges, such as environmental and ethical concerns but the success or failure of globalisation may not ultimately depend on these issues alone. Ghemawat and Altman (2019) cite power struggles between international trading partners, trade tariff wars and rising nationalism as contributory factors that threaten free-market stability. Where once globalisation was a threat – *at least to SMEs* – now it is the larger MNCs that profited from it that are being forced to reconsider their strategies. Haidt (2016) acknowledges that statistically, globalisation is generally economically beneficial, with a caveat that is the most developed countries that have

benefited most. The rise of nationalism, he suggests, evident in election of Donald Trump as president of the US and also in the UK's imminent departure from the European Union. Promises of tough immigration policies featured prominently in campaigns throughout these events. The uncertainty surrounding the potential future trade deals and the possibility of conditions such export tariffs and the deregulation of workers' rights and eligibility, has left many businesses feeling nervous.

Thomas-Bryant (2019) believes they may have every right to be nervous, as the future is looking increasingly uncertain. Redlines over issues such as workers' rights could prove a serious stumbling block in the Brexit negotiations, a failure to reach a compromise could jeopardise the chances of the UK leaving the EU with a trade deal. If that were to happen he proposes, there are a number of issues that could dramatically affect the retail sector, especially smaller businesses. The absence of an agreed deal could result, not only in trade tariffs, but could also affect packaging, labelling, safety standards, environmental targets and perhaps most significantly, workforce availability. Any or all of these issues could impact adversely on small business, due to the fine margins within which they operate.

The only certainty for the future of retail right now, appears to be a prolonged period of yet more uncertainty.

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