TRANSNATIONAL RETAIL IN SOUTHEAST ASIA: TRANSFORMATION AND REGULATION IN THE NATIONAL RETAIL MARKETS OF MALAYSIA AND THAILAND

A thesis submitted to the University of Manchester for the degree of Doctor of Philosophy in the Faculty of Humanities

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SCHOOL OF ENVIRONMENT, EDUCATION AND DEVELOPMENT
CONTENTS

LIST OF TABLES 5
LIST OF FIGURES 7
LIST OF ABBREVIATIONS 8
ABSTRACT 11
DECLARATION 12
COPYRIGHT STATEMENT 13
DEDICATION 14
ACKNOWLEDGEMENTS 15

CHAPTER ONE INTRODUCTION: TRANSNATIONAL RETAIL IN SOUTHEAST ASIA 16
1.1 The rise of retail globalisation in Southeast Asia 16
1.2 The evolution of national retail markets 20
1.3 Thesis outline 24

CHAPTER TWO: VARIEGATED NATIONAL ECONOMIC SYSTEMS 29
2.1 Introduction 29
2.2 Conceptualising institutions, economic actors, markets and regulation 30
  2.2.1 Institutions, actors and institutional change 31
  2.2.2 Conceptualising markets 35
  2.2.3 Formal regulation in markets 38
2.3 National varieties of capitalisms 41
2.4 East and Southeast Asian varieties of capitalisms 50
2.5 Variegated Capitalisms 60
2.6 Summary 67

CHAPTER THREE: RETAIL GLOBALISATION AND THE TRANSFORMATION OF NATIONAL RETAIL MARKETS 69
3.1 Introduction 69
3.2 The globalisation of retailing 70
3.3 The retail transnational corporation in context 75
3.4 The host economy impacts of transnational retailers 85
3.5 Conceptualising the regulation of national retail markets 93
3.6 Synthesis: conceptualising the transformation of national retail markets 97
CHAPTER FOUR: UNDERTAKING COMPARATIVE CASE STUDY RESEARCH TO INVESTIGATE NATIONAL RETAIL MARKETS IN SOUTHEAST ASIA

4.1 Introduction
4.2 Research philosophy in economic geography
4.3 Research design: an explanatory, cross-national comparative case study
4.4 Undertaking multi-method research
4.5 Considering analysis, data verification and coding interview data
4.6 Interviewing elites, the role of researcher positionality and ethical practice
4.7 Summary

CHAPTER FIVE: MALAYSIA AND THAILAND’S NATIONAL RETAIL MARKETS PRIOR TO RETAIL TNC INVESTMENT

5.1 Introduction
5.2 Institutional and political-economic conditions in Malaysia and Thailand
  5.2.1 Malaysia’s institutional and political-economic landscape
  5.2.2 Thailand’s institutional and political-economic landscape
5.3 The evolution of Malaysia and Thailand’s national retail markets prior to 2000
  5.3.1 The rise of domestic modern retailing in Malaysia and Thailand
  5.3.2 State involvement in Malaysia and Thailand’s national retail markets
5.4 Summary

CHAPTER SIX: MALAYSIA’S NATIONAL RETAIL MARKET: COMPETITION AND STATE SUPPORTED TRANSFORMATION

6.1 Introduction
6.2 Transnational retail in Malaysia
6.3 The response to market change: regulating the national retail market
6.4 Market outcomes of regulation and inter-firm competition
6.5 Regulatory negotiation over hypermarket expansion
6.6 ‘Building a more dynamic market’: government led transformation
6.7 Summary

CHAPTER SEVEN: THAILAND’S NATIONAL RETAIL MARKET: DIVERSITY DRIVEN COMPETITION

7.1 Introduction
7.2 The modernisation of Thailand’s national retail market
7.3 Fair competition and regulatory compromise

7.3.1 Market disjuncture and the political and bureaucratic mediation of market change

7.3.2 Regulations applied to Thailand’s national retail market

7.4 Market outcomes of regulation and inter-firm competition

7.5 Negotiating market regulation at a provincial scale

7.6 Market progression through private enterprise post 2010

7.7 Summary

CHAPTER EIGHT CONCLUSION: TRANSFORMATION AND REGULATION IN MALAYSIA AND THAILAND’S NATIONAL RETAIL MARKETS

8.1 Introduction

8.2 Contrasting national retail market transformation

8.3 Conceptualising national retail market transformation

8.4 Methodological implications and recommendations for future research

8.5 Conclusion

REFERENCES

APPENDIX 1: LIST OF INTERVIEWEES

WORD COUNT: 82,797
LIST OF TABLES

1.1 Leading Southeast Asian national retail markets, 2015, ranked by market size 17

2.1 Analytical frameworks of East and Southeast Asian varieties of capitalisms 52

2.2 Asian varieties of capitalism and national modes of economic governance 53

2.3 Political, economic, and institutional features of Southeast Asian nation states 59

2.4 Frameworks analysing national and variegated forms of capitalism 62

3.1 Leading transnational retailers by international sales in 2002 72

3.2 Phases of expansion in retail internationalisation 1960 to mid-2010s 74

3.3 The composition and structure of firm networks 76

3.4 Areas of embeddedness in retail transnational corporations 78

3.5 Regulatory measures designed to constrain transnational retail induced concentration in national retail markets 95

3.6 Inter-firm and extra-firm network actors present in national retail markets 102

4.1 The firms, institutions and organisations represented by research participants 120

5.1 Distribution of retail TNC investment into Southeast Asia from 1980 to 2005 136

5.2 Features of Malaysia and Thailand’s national economic systems 139

5.3 Key developments in Malaysia and Thailand’s national retail markets between 1960 and 2000 153

6.1 Food and general merchandise retail TNC entries into Malaysia since 1980 168

6.2 Regulatory measures implemented to constrain retail FDI and enhance domestic industry growth in Malaysia’s national retail market 178

6.3 Distribution of grocery retail formats by ownership in Malaysia in 2015 182
6.4 Market share growth and ranking for leading grocery retailers in Malaysia 183
6.5 In-store environment, services, and product innovations initiated by domestic and transnational retailers since 2002 186
6.6 MDTCC initiatives designed to promote domestic products and suppliers 196
6.7 The thirteen entry point projects under the wholesale and retail NKEA 198
7.1 Food and general merchandise retail TNC entries into Thailand since 1980 209
7.2 Regulatory measures implemented to constrain retail FDI and create fair competition in Thailand’s national retail market 224
7.3 Legislative progression of the Retail or Wholesale Business Operations Act 225
7.4 Distribution of grocery retail formats by ownership in Thailand in 2015 231
7.5 Market share growth and ranking for leading grocery retailers in Thailand 232
8.1 The impacts of transnational retail investment in Malaysia and Thailand 252
8.2 Features of Malaysia and Thailand’s national retail markets after regulatory intervention during the early 2000s 257
8.3 Strategies employed by retail TNCs to resolve regulatory challenges 260
8.4 Institutional and political-economic features of Malaysia and Thailand’s national retail markets 266
## LIST OF FIGURES

1.1 Traditional and modern retail in Thailand  
3.1 Dimensions of transnational retail firm territorial embeddedness  
3.2 Host economy impacts of transnational retail corporations  
3.3 The transformation of host economy national retail markets following investment by large-format transnational retailers  
4.1 Coding structure for the comparative analysis of interview data  
6.1 Phases of transformation in Malaysia’s national retail market following investment by large-format transnational retailers  
6.2 National retail market value in Malaysia from 2001 to 2015  
6.3 Market share of modern to traditional grocery store-based retail in Malaysia between 2000 and 2014  
7.1 Phases of transformation in Thailand’s national retail market following investment by large-format transnational retailers  
7.2 National retail market value in Thailand between 2001 and 2015  
7.3 Market share of modern to traditional grocery store-based retail in Thailand between 2000 and 2014  
8.1 The transformation of host economy national retail markets following investment by large-format transnational retailers  

16  
81  
89  
99  
126  
165  
171  
173  
206  
208  
212  
251
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFC</td>
<td>Asian Financial Crisis</td>
</tr>
<tr>
<td>AEC</td>
<td>ASEAN Economic Community</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
<tr>
<td>Bhd.</td>
<td>Berhad (public company)</td>
</tr>
<tr>
<td>BN</td>
<td>Barisan Nasional</td>
</tr>
<tr>
<td>BOI</td>
<td>Board Of Investment</td>
</tr>
<tr>
<td>BPA</td>
<td>Bumiputera Participation Unit</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CME</td>
<td>Coordinated Market Economy</td>
</tr>
<tr>
<td>COO</td>
<td>Chief Operational Officer</td>
</tr>
<tr>
<td>CRDC</td>
<td>Co-operative Regional Distribution Centre</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>DC</td>
<td>Distribution Centre</td>
</tr>
<tr>
<td>DFI</td>
<td>Dairy Farm International</td>
</tr>
<tr>
<td>DITP</td>
<td>Department of Internal Trade Promotion</td>
</tr>
<tr>
<td>DTC</td>
<td>Distributive Trade Committee</td>
</tr>
<tr>
<td>DTCRA</td>
<td>Development of Thai Capital Retailers Association</td>
</tr>
<tr>
<td>EPP</td>
<td>Entry Point Project</td>
</tr>
<tr>
<td>ETP</td>
<td>Economic Transformation Programme</td>
</tr>
<tr>
<td>FBA</td>
<td>Foreign Business Act</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FFV</td>
<td>Fresh Fruit and Vegetable</td>
</tr>
<tr>
<td>FSCE</td>
<td>Formally State-Controlled Economy</td>
</tr>
<tr>
<td>GAP</td>
<td>Good Agricultural Practice</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GNI</td>
<td>Gross National Income</td>
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<tr>
<td>GPN</td>
<td>Global Production Network</td>
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<tr>
<td>GLC</td>
<td>Government Linked Company</td>
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<tr>
<td>HKTDC</td>
<td>Hong Kong Trade Development Council</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<td>-----------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>HoReCa</td>
<td>Hotel, Restaurant and Catering</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IMO</td>
<td>Interior Ministry Ordinances</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>JPPCC</td>
<td>Joint Public-Private Consultative Committee</td>
</tr>
<tr>
<td>KL</td>
<td>Kuala Lumpur</td>
</tr>
<tr>
<td>KLCC</td>
<td>Kuala Lumpur City Centre</td>
</tr>
<tr>
<td>KLIA</td>
<td>Kuala Lumpur International Airport</td>
</tr>
<tr>
<td>KOJARIS</td>
<td>Koperasi Jaringan Sepadu Malaysia Berhad (Co-operative Integrated Network Malaysia)</td>
</tr>
<tr>
<td>LME</td>
<td>Liberal Market Economy</td>
</tr>
<tr>
<td>MCA</td>
<td>Malaysian Chinese Association</td>
</tr>
<tr>
<td>MCSC</td>
<td>Malaysia Co-operative Societies Commission</td>
</tr>
<tr>
<td>MDTCA</td>
<td>Ministry of Domestic Trade and Consumer Affairs</td>
</tr>
<tr>
<td>MDTCC</td>
<td>Ministry of Domestic Trade Co-operatives and Consumerism</td>
</tr>
<tr>
<td>MIC</td>
<td>Malaysian Indian Congress</td>
</tr>
<tr>
<td>MOC</td>
<td>Ministry Of Commerce</td>
</tr>
<tr>
<td>MOAC</td>
<td>Ministry Of Agriculture And Co-operatives</td>
</tr>
<tr>
<td>MOU</td>
<td>Memorandum Of Understanding</td>
</tr>
<tr>
<td>MRA</td>
<td>Malaysian Retailers Association</td>
</tr>
<tr>
<td>MRCA</td>
<td>Malaysian Retail Chains Association</td>
</tr>
<tr>
<td>MYR</td>
<td>Malaysian Ringgit</td>
</tr>
<tr>
<td>NBS</td>
<td>National Business System</td>
</tr>
<tr>
<td>NCP</td>
<td>National Co-operatives Policy</td>
</tr>
<tr>
<td>NDP</td>
<td>National Development Policy</td>
</tr>
<tr>
<td>NEM</td>
<td>New Economic Model</td>
</tr>
<tr>
<td>NEP</td>
<td>New Economic Policy</td>
</tr>
<tr>
<td>NESDB</td>
<td>National Economic and Social Development Board</td>
</tr>
<tr>
<td>NESDP</td>
<td>National Economic and Social Development Plan</td>
</tr>
<tr>
<td>NKEA</td>
<td>New Key Economic Area</td>
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<tr>
<td>NLA</td>
<td>Net Lettable Area</td>
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<tr>
<td>Abbreviation</td>
<td>Description</td>
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<tr>
<td>NVP</td>
<td>National Vision Policy</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PKK</td>
<td>Persatuan Pengurusan Kompleks (Malaysian Association for Shopping and High-rise Management)</td>
</tr>
<tr>
<td>PKNS</td>
<td>Perbadanan Kemajuan Negeri Selangor (Selangor State Development Corporation)</td>
</tr>
<tr>
<td>PMKK</td>
<td>Produk Malaysia Keutamaan Kami (Malaysia Products Our Preference)</td>
</tr>
<tr>
<td>POS</td>
<td>Point Of Sale</td>
</tr>
<tr>
<td>PWN</td>
<td>Public Works Notice</td>
</tr>
<tr>
<td>QA</td>
<td>Quality Assessment</td>
</tr>
<tr>
<td>REIT</td>
<td>Real Estate Investment Trust</td>
</tr>
<tr>
<td>RSP</td>
<td>Retail Selling Price</td>
</tr>
<tr>
<td>Sdn. Bhd.</td>
<td>Sendirian Berhad (private limited company)</td>
</tr>
<tr>
<td>SKU</td>
<td>Stock Keeping Unit</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
</tr>
<tr>
<td>SOE</td>
<td>State Owned Enterprise</td>
</tr>
<tr>
<td>TBH</td>
<td>Thai Baht</td>
</tr>
<tr>
<td>TCC</td>
<td>Thai Chamber of Commerce</td>
</tr>
<tr>
<td>TNC</td>
<td>Transnational Corporation</td>
</tr>
<tr>
<td>TOM</td>
<td>Taste Of Malaysia</td>
</tr>
<tr>
<td>TRA</td>
<td>Thai Retailers Association</td>
</tr>
<tr>
<td>TRT</td>
<td>Thai Rak Thai</td>
</tr>
<tr>
<td>TRWA</td>
<td>Thai Retail and Wholesale Association</td>
</tr>
<tr>
<td>TSSC</td>
<td>Thai Salvation Solidarity Club</td>
</tr>
<tr>
<td>TUKAR</td>
<td>Transformasi Kedai Runcit (Small Retail Transformation Programme)</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>UMNO</td>
<td>United Malay National Organisation</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>VC</td>
<td>Variegated Capitalism</td>
</tr>
<tr>
<td>VoC</td>
<td>Varieties of Capitalism</td>
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</table>
ABSTRACT

This thesis examines the transformation of two Southeast Asian national retail markets altered by the entry of globalising food and general merchandise transnational retail firms. The study examines the dynamic and often contested evolution of Malaysia and Thailand’s retail systems from the 1990s to the mid-2010s and considers how domestic actors and transnational retail firms have shaped the nature and direction of market transformations. Central to this study is the examination of sector-specific regulatory frameworks devised in the early 2000s by Malaysia and Thailand’s national governments to resolve market actor disagreements arising from increased competition and supply system changes initiated by transnational retailers. The research examines the role of state institutions in mediating and guiding the course of development in Malaysia and Thailand’s respective national retail markets.

This cross-national comparative study makes an original contribution to the growing economic-geographical literature on the globalisation of retailing by conceptualising national retail markets as dynamic, path-dependent and contested multi-actor sectoral systems that are continually shaped by the institutional and political landscape in which they are embedded. Key to this conceptualisation is the integration of theories explaining processes of globalisation and frameworks that identify patterns of national distinctiveness. Comparative capitalism research is integrated with relational economic geography perspectives in order to conceptualise the complex institutional settings in which national retail markets evolve and are embedded. In particular, the study mobilises the Variegated Capitalism approach to deepen understanding of the diverse causal processes driving national retail market transformation. Making use of qualitative research methods, representatives from both case country retail markets have been interviewed and various sources of documentation have been analysed in order to gain in-depth understanding of the contrasting trajectories of Malaysia and Thailand’s national retail markets.

Several key insights emerge from this thesis. Firstly, by addressing the current lacuna within the retail globalisation literature surrounding the long-term effects of transnational retail firm entry into national retail markets, it unveils the strategies of resistance and competition by domestic market actors and the mediation of change by national governments through the application of sectoral regulation. Secondly, it highlights the intense negotiations that occur between market actors over the rules that guide economic action in sectoral systems. By examining the formation and implementation of formal regulation this thesis uncovers how different economic actors actively produce and reproduce national retail markets. Furthermore, through the analysis of regulation a wide variety of retail system transitions are revealed. Thirdly, it introduces a heuristic and conceptual framework through which the multidimensional nature of retail system change can be examined and linked to the diverse cross-connective globalising processes that contribute to creating distinct national economies. In so doing, this thesis adds to the knowledge about sources of spatial variegation in contemporary capitalism.
DECLARATION

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DEDICATION

For my mother Ros, who showed me how to love.

For my beautiful son George Dales.
Though we could not keep you, we are always with you.
ACKNOWLEDGEMENTS

There are many reasons to begin a PhD and even more to finish one. For me, I wanted to undertake a doctorate because I had to find out what I was capable of. I wanted to push myself intellectually and enjoy all that economic geography has to offer. As I progressed through the doctorate those reasons remained, but others took over. I lost my mother and my son, George, in the time I have done this work and amidst the enormity of sadness I felt, it became crucial that I finished for both of them and for myself. Finishing this thesis offers a sense of achievement and peace for which I am grateful.

There are many people I want to thank and I intend to say a personal thank you to all those who have helped me on the long journey that has been this PhD. First of all I want to sincerely thank Professor Neil Coe and Dr. Martin Hess for their excellent supervision. Thank you for your attentive evaluation and scrupulous editing of each chapter I have submitted to you. Also, thank you equally for your enthusiasm, patience and unstinting support.

I would like to extend my deep gratitude to all the interesting professional people that I have met and interviewed who work in, or are involved with, the Malaysian and Thai retail markets. You have made this research possible. Particular thanks must be given to the senior staff at Planet Retail in the UK and Germany who have given me their time and supplied me with much needed up-to-date data. A special thank you to Tony Stockil, CEO of the Javelin Group, who made it possible for me to attend the remarkable World Retail Congress not once, but twice. Thank you also to Lisa Peacock-Edwards who provided the springboard for many successful interviews in Malaysia and Thailand.

No PhD student completes a thesis alone and I am fortunate enough to have had many supporters. Thank you Dad for giving me an example to follow in your own research, and to Liz and Kim for your positive encouragement. Thank you so much Jo for walking beside me in the toughest of times. Thank you Jane and Keith for your determination on my behalf, and for looking after Peter so well, whilst I jumped the final hurdle. And finally, thank you to my husband, best friend, and soul mate Alex. Thank you for keeping everything in perspective with your sense of humour. I couldn’t have done it without you.
CHAPTER ONE INTRODUCTION

Transnational retail in Southeast Asia

1.1. The rise of retail globalisation in Southeast Asia

Figure 1.1 Traditional and modern retail in Thailand

Source: Author, Tesco PLC (2013).

If you were to spend a day in Bangkok you would most likely come across the multiple colours, sights and smells of an open-air fresh market. Across the road from the tarpaulin and hawker stalls you might see a 24-hour 7-Eleven convenience shop. Travel a little further and you could find yourself in the cool, ordered environment of a 14,000 sq.m. hypermarket with multiple rows of gleaming packaged goods. Since the early 1990s retail systems have evolved dramatically in Southeast Asia. The widespread development of modern retailing across this highly dynamic, rapidly developing, and varied region of 618 million people has seen a significant growth in, and diversification of, store-based retailing (Coe and Bok 2014; World Bank, 2016). The scope of modern retail provision in Southeast Asia is broad, ranging from convenience outlets, supermarkets, and large-scale hypermarkets to home improvement stores, international franchise, and luxury retail brands in some of the world’s leading shopping malls.

In terms of market-based growth, Asia Pacific’s store-based retail trade increased by 136.7% between 2001 and 2015 (Euromonitor International Database, 2016).
National retail markets in Southeast Asia’s rapidly industrialising economies (Malaysia, Indonesia, the Philippines, Singapore, Thailand and Vietnam) averaged an impressive 7.9% annual growth (Euromonitor International Database, 2016). This by far outstrips growth in more established markets. Table 1.1 provides a sense of the scale of retail transformation and growth in Southeast Asia’s leading national retail markets between 2001 and 2015.

### Table 1.1 Leading Southeast Asian national retail markets, 2015, ranked by market size

<table>
<thead>
<tr>
<th>Country</th>
<th>Population (million)</th>
<th>GDP per capita (USD$)</th>
<th>Retail market size (USD$ billion)</th>
<th>Average annual growth rate (%)</th>
<th>Retail market period growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>254.2</td>
<td>1853.8</td>
<td>44.0</td>
<td>8.9</td>
<td>231.8</td>
</tr>
<tr>
<td>Thailand</td>
<td>67.7</td>
<td>3768.8</td>
<td>29.4</td>
<td>8.5</td>
<td>215.0</td>
</tr>
<tr>
<td>Vietnam</td>
<td>90.7</td>
<td>1077.9</td>
<td>17.9</td>
<td>12.1</td>
<td>397.3</td>
</tr>
<tr>
<td>Philippines</td>
<td>99.1</td>
<td>1662.1</td>
<td>3.05</td>
<td>6.5</td>
<td>140.5</td>
</tr>
<tr>
<td>Malaysia</td>
<td>29.9</td>
<td>7365.2</td>
<td>24.5</td>
<td>5.2</td>
<td>103.6</td>
</tr>
<tr>
<td>Singapore</td>
<td>5.4</td>
<td>38087.8</td>
<td>9.9</td>
<td>6.5</td>
<td>140.0</td>
</tr>
</tbody>
</table>


Table 1.1 illustrates that Southeast Asia’s retail markets vary considerably in size, from the USD$154.8 billion market in Indonesia to the USD$23.8 billion market of Singapore. These variations are shaped not only by population size, but also the relative wealth of that population. However, consistent across Southeast Asia’s leading retail markets has been their significant and rapid growth over a relatively short period of time.

The origins of the rapid growth and transformation of Southeast Asia’s leading national retail markets, illustrated by Table 1.1, can be traced to a period of intense retail globalisation undertaken by European and North America food and general merchandise retail transnational corporations (TNCs) during the 1990s and early 2000s. Southeast Asian countries were among a group of rapidly growing economies across the Asia Pacific, Eastern Europe, South America and South Africa that attracted substantial investment from rapidly expanding retail TNCs. Since that time Southeast Asian economies have emerged as “increasingly dynamic and lucrative destinations for retail foreign direct investment (FDI)” (Coe and Bok, 2014: 479-480).

Described by some as ‘proto global’ (Currah and Wrigley, 2004), transnational retailers quickly extended the geographical scope of their sourcing and store
network operations and used economies of scale to take advantage of the rising incomes and changing consumption patterns across East and Southeast Asia’s emerging economies (Coe and Bok, 2014). To date, retail TNCs continue to dominate the worldwide retail trade. In 2014, the top ten global retailers – emanating from Germany, France the UK and the USA – held 29.9% of the total revenue earned by the world’s leading 250 retail firms (Deloitte, 2016). However, despite their prominence and the presence of numerous other Western retailers in the region, only 10.7% of retail revenue in the Asia Pacific was derived from foreign operations in 2014 (Deloitte, 2016).

Retail TNCs often accelerated the transformation of domestic retail markets by disrupting established retail structures that were often highly fragmented and comprised of traditional distributive systems that reflected historical patterns of disparate, and independently organised and owned, wholesale and retail operations (Reardon et al., 2003, 2007, 2009; Humphrey, 2007). By utilising lower capital costs and advanced distribution and logistics systems, transnational retailers were able to generate rapid growth and high returns from these markets (Wrigley, 2000a). Through this process retail TNCs have introduced new practices and organisational innovations to emerging economy retail systems including new store formats, procurement systems, customer service practices and product quality assurance standards (Wrigley et al., 2005). However, the impact of transnational retail investment has varied significantly in type and intensity across Southeast Asia’s diverse nation states (Coe and Wrigley, 2007, 2009). As retail globalisation continued into the 2000s, it become apparent that domestic retail actors significantly mediated the impacts of transnational retail firms and in many cases were able to develop prominent positions within their home markets.

Throughout the host economies that attracted foreign retail capital, transnational retailers have faced intense resistance from domestic market actors in both the traditional and modern retail trades due to the impacts of their store-based and sourcing operations. In the early 2000s governments in Southeast Asia began to introduce sector-specific regulations in order to limit the competitive impacts of
transnational retail investment on under-developed domestic markets (Mutebi, 2007). This shift in public policy was described as a move “from liberalisation of market access to re-regulation” (Wrigley and Lowe, 2010: 24) and attributed to “intense debate within the host economy/society over the desirability of multinational driven retail change, large-format retail development, and/or market dominance by retail TNCs” (Coe and Wrigley, 2007: 362). Transnational retailers were considered particularly exposed to localised regulatory challenges due to the visibility of their store networks and large-scale market investment.

Negotiations over the introduction of sector-specific regulations revealed the strategic interests of the different economic agents involved in emerging economy retail systems. Sectoral rules were simultaneously mediated by market actors, and by representatives within regulatory institutions – such as political leaders, civil servants and elected officials – seeking to resolve points of disagreement in the market. The composition, implementation and outcomes of regulations devised by governments in response to the influx of foreign retail capital have varied considerably between markets in Southeast Asia. Regulatory intervention often prioritised the protection of domestic trade and included limits on the opening hours of stores, land-use zoning designed to control the location of large-format stores operated by TNCs, and building and outlet size codes which could determine the type of market activity retail TNCs could engage in (Mutebi, 2007). Thus, the introduction of sectoral regulations was a key part of the process of market adjustment and transformation following the arrival of transnational retail firms into host economy national retail markets.

This research aims to uncover the extent to which globalising transnational retail firms have altered two Southeast Asian national retail markets. It explores the impact of retail TNCs on Malaysia and Thailand’s domestic retail trades, and the role of the state, and the institutional and political-economic conditions within each country, in mediating the nature and direction of market transformations. It contrasts the dynamic, and often contested, evolution of Malaysia and Thailand’s national retail markets since the 1990s and seeks to reveal the diverse causal
processes driving retail system growth and modernisation. Central to this study is the analysis of large-format food and general merchandise transnational retailers and the market-based regulations intended to manage the impact of these firms on domestic retail structures. Examining the formation and implementation of formal sectoral regulation provides the analytical lens through which the transformation of each national retail market is investigated. The following section outlines the intellectual and theoretical foundations of the research.

1.2 The evolution of national retail markets

Past and ongoing research into the globalisation of retailing demonstrates the importance of the institutional and political-economic settings in which national retail markets evolve and transform. The theoretical framework for this study mobilises perspectives from economic geography and work in cognate social sciences examining the globalisation of retailing. It draws on theories developed within the multidisciplinary comparative capitalism literature, which focus on the organisation and trajectories of distinct national economic systems. Common to both fields is the “commitment to theoretically informed concrete research on distinctive ‘local’ forms of contemporary capitalism and economic restructuring” (Peck and Theodore, 2007: 732). The literatures also share a concern with the institutional and socio-cultural dimensions of economic processes and the conceptualisation of embedded action by economic agents. Hence, in this study, which investigates the long-term effects of transnational retail firms on emerging economy national retail markets, the “institutional context is not a mere backdrop to globalisation processes, but rather a profound shaper of ongoing dynamics” (Coe and Lee, 2013: 329; Wrigley, 1992).

The internationalisation of retailing has taken place throughout the latter half of the 20th century. It was not until the 1990s, however, that an “embryonic group of retail transnational corporations [...] rapidly expanded the scope and scale of their store networks” (Coe and Wrigley, 2007: 341) and attracted the attention of researchers from across the social sciences including economic geography, development studies, agricultural economics, as well as economics, sociology, cultural studies and policy
studies (Tacconelli and Wrigley, 2009). An early seminal work by economic geographer Neil Wrigley (2000a) highlighted both this new phase of retail globalisation, involving emerging markets in Latin America, Central and Eastern Europe and East and Southeast Asia, and the “curious reluctance on the part of the wider globalisation literature to take retailing seriously” (Coe and Lee, 2013: 329). His research moved away from the firm-centric analyses of business/management studies prevalent until then and introduced research with a “strong institutional dimension [...] that rigorously conceptualise[d] retailer-regulatory state relations” (Coe and Lee, 2013: 329; Wrigley, 1992, 1997a, 1997b, 2000a, 2000b; Wrigley et al., 2005). He brought attention to the regulatory practices, corporate strategies and political economies of retail globalisation. Wrigley’s pioneering work and the subsequent work of his colleague Neil Coe (2004; Coe and Hess, 2005; Coe and Lee, 2006, 2013; Coe and Wrigley, 2007, 2009; Coe and Bok, 2014), opened up the field of study and highlighted the need for researchers to pay closer attention to processes of retail globalisation.

A substantial body of work has arisen in response to the changes that food and general merchandise transnational retailers instigated in the highly diverse national retail markets of Southeast Asia and elsewhere in the world. It is now a “rich and vibrant multi-disciplinary endeavor” (Coe and Wrigley, 2009: 1) that continues to grow. This study contributes to that body of work from the intellectual and disciplinary perspective of economic geography. Research into the processes and impacts of retail globalisation have evolved conceptually over the past decade and a half. After an initial mapping of the research agenda for retail globalisation (Coe, 2004) and conceptualisation of the retail TNC (Wrigley et al., 2005) research moved to a deeper investigation of the dynamic and often contested outcomes of retail TNC involvement in emerging and rapidly industrialising economies.

The in-country market penetration of retail TNCs was initially described in terms of waves of diffusion that led to the progressive spread of modern, westernised supermarkets across developing economies (Reardon et al., 2003, 2007, 2009). Subsequent research quickly challenged the notion of unchecked supermarket
expansion in host markets and the uniform modernisation of traditional systems (Humphrey, 2007). Further studies revealed the reciprocal impacts between retail TNCs and host markets including supply-network processes, changes to global and regional sourcing systems, competitive impacts on domestic and traditional retailers, socio-cultural impacts on consumption, and impacts on regulatory frameworks (Coe and Wrigley, 2007). Thus, the processes shaping national retail markets and retail globalisation were shown to be not only diverse and differentially impacted by retail TNCs and the institutional arrangements of distinct nation states, but also intensely contested and continually evolving.

At the end of the 2010s Coe and Wrigley (2009) profiled the multi-disciplinary literature on the globalisation of retailing and proposed an updated agenda for future enquiry. Future research would ideally address substantive gaps in the literature (most notably, strategies of resistance and regulatory responses in host markets as well as labour market changes, socio-cultural impacts and regional sourcing strategies), but also include comparative studies (such as firm to firm, and between countries and regions or retail subsectors), longitudinal analysis (to discern patterns of systematic change over the medium term), and the study of normative dimensions (practical critiques and policy based research). Since that time research into the field has begun to answer these concerns (Coe and Bok, 2014). This thesis contributes to this growing field of research.

At present there exists very little comparative empirical investigation into the longer-term effects of retail TNC entry into national retail markets, the strategies of resistance by domestic market actors or the mediation of those changes by national governments through the application of sectoral regulation. Beyond Mutebi’s (2007; Wrigley and Lowe, 2010) informative classification of regulatory constraints applied in Indonesia, Malaysia and Thailand, research into the regulatory responses of national governments tends to be subsumed within broader assessments of national retail markets affected by transnational retail (Feeny et al., 1996; Fels, 2010; Coe and Bok, 2014; Shannon, 2009, 2014; Endo, 2013). This thesis addresses this empirical and analytical gap by bringing the regulatory dimension to the fore. The study holds
the view that changes to the regulatory frameworks of host economies as a result of transnational retail expansion represent the culmination of processes of market contestation and disjuncture between economic agents. Assessing and contrasting the regulatory realignment of national retail markets creates a conduit through which many other areas of national retail market transformation can be identified and interpreted. Consequently, examining the causes for, formulation and subsequent implementation of formal sectoral regulation forms the principal analytical lens through which the transformation of national retail markets is conceptualised and investigated in this thesis.

This research contributes to scholarly work investigating the reciprocal relationships between domestic market actors, state structures, retail TNCs, and the institutional and political-economic landscapes in which are embedded. Cross-national comparison also helps to reveal why national retail markets are so diverse. By integrating theories from comparative capitalism research with perspectives from relational economic geography, national retail markets and the national level and globalised processes that shape them are investigated in a comprehensive and rigorous way. The following four research questions draw together the analytical and empirical intentions of this research and the themes they address are returned to throughout the thesis and in Chapter Eight’s concluding discussion.

1. How have the activities of transnational retail firms transformed Malaysia and Thailand’s national retail markets?

2. To what extent have domestic market actors shaped the transformation of Malaysia and Thailand’s national retail markets?

3. How have sectoral regulations, implemented in response to the competitive impacts of transnational retail investment, altered Malaysia and Thailand’s national retail markets?

4. To what extent have the institutional and political-economic conditions within Malaysia and Thailand mediated and shaped the evolution and transformation of each country’s national retail market?
The following section outlines the structure of the thesis and indicates how the different fields of knowledge and theoretical approaches introduced here are used in the study.

1.3 Thesis outline

Analysis and investigation into the transformation and evolution of national retail markets requires understanding of the national economic systems in which sectoral systems are embedded. Chapter Two develops a theorised understanding of the national institutional, socio-cultural and political-economic conditions that can influence the transformation of national retail markets affected by processes of globalisation. The chapter initially discusses five core themes: the role of institutions, actors and institutional change in economic processes, theories that explain markets, and the conceptualisation of formal market regulation. Discussion of these concepts facilitates later analysis of the processes leading to national retail market transformation. The focus of the chapter then shifts to theorisation of national economic systems and the reasons behind distinct forms of contemporary capitalism. Two firm-centric perspectives are evaluated, the Varieties of Capitalism perspective (Hall and Soskice, 2001a) and National Business System approach (Whitley, 1999, 2007). Perspectives designed to explain the distinctiveness of East and Southeast Asian economies (Walter and Zhang, 2012a; Zhang and Whitley, 2013; Witt and Redding, 2014b) are then examined to expand understanding of Southeast Asian economies and the processes that shape them. To this end, the Variegated Capitalism approach (Peck and Theodore, 2007) and Global Production Network framework (Henderson et al., 2002; Coe and Yeung, 2015) are mobilised to develop a more inclusive, multiscalar and differentiated conceptualisation of the economic processes that traverse and shape national economies and sectoral economic systems.

Chapter Three focuses on the process of retail globalisation and the intensification of retail TNC expansion during the 1990s. It examines how transnational retail corporations have been conceptualised within relational economic geography and assesses the diverse host economy impacts of these firms on emerging economy
national retail markets. Particular attention is paid to theoretical frameworks devised to explain the different sectoral regulations implemented by national governments in response to the competitive impacts of retail TNC investment. The theories dealt with in Chapter Two are returned to once more at the end of Chapter Three as they form part of this thesis’ conceptual framework devised to assess the transformation of Malaysia and Thailand’s retail systems. In this study, distinct stages of market transformation (e.g. the arrival of retail TNCs, periods of disagreement and disjuncture between market actors, and the implementation of regulations to manage economic activity) are linked to underlying causal processes. Three causal dimensions are devised to conceptualise the different processes driving market transformation and modernisation. In particular, dimension one refers to phases of accelerated market transformation linked to the activities of retail TNCs and the implementation of sectoral regulations. Dimension two denotes phases in which market actors assert their strategic interests to contest and/or adapt to changing market conditions, and dimension three signifies phases of government regulation and institutional, political-economic mediation of national retail market.

Chapter Four provides an account of the methodological strategy applied in this research. The chapter reflects on the philosophical perspective underpinning the research and its influence on the methodological choices made. It then outlines the thesis’ comparative methodological strategy, and justification is provided for each element of the research design. Primary and secondary data collection methods, including the qualitative interview are outlined. Data analysis and the process through which participant interviews were coded and verified are then explained and the chapter ends with a discussion of researcher positionality and research ethics. The empirical findings of this research are presented in Chapters Five, Six and Seven.

Chapter Five introduces the institutional and political-economic landscapes of Malaysia and Thailand. The chapter reflects on the different national capitalisms attributed to each nation state and considers what these classifications reveal about their national economic systems. Six institutional dimensions are used to contrast
Malaysia and Thailand’s institutional and political-economic landscapes – state-level economic planning, the role of political leadership, dominant political-economic coalitions, state-business collaborations, the degree of political stability, and the impact of the 1997-8 Asian Financial Crisis – in order to understand the reasons behind Malaysia and Thailand’s distinct national economic systems. Chapter Five also introduces Malaysia and Thailand’s national retail markets. Discussion focuses on the development of modern retailing in each retail sector between the 1960s and 2000. It also explores the different ways in which Malaysia and Thailand’s national governments have been involved in their respective national retail markets prior to the arrival of retail TNC firms. Three areas of interaction are discussed in particular, policies designed to promote growth and modernisation in the retail system, the role the state during the 1997-8 Asian Financial Crisis and the strength of state-business linkages across each retail sector. The chapter also provides a conceptual justification for the selection of Malaysia and Thailand as case countries within this thesis.

Chapter Six maps out the transformation of Malaysia’s national retail market since the 1990s. It examines the processes driving the modernisation of the retail system, and the reasons behind the regulatory constraints placed on retail TNC activities by the Malaysian government in the early 2000s. The competitive impacts of transnational retail firms are examined. The domestic retail trade’s reaction and ensuing resistance to retail TNCs is assessed in terms of its impact on government decision-making. The sector-specific rules that were introduced by the Malaysian government had a profound effect on the way in which the national retail market went on to develop. The chapter examines market-based changes created by the regulations and the strategies retail TNCs employed to resolve the regulatory challenges associated with the implementation of sectoral rules. The chapter also considers the impact of the Malaysian state’s ongoing involvement in the national retail market during the 2010s.

Chapter Seven follows a similar structure to Chapter Six. It begins by highlighting the emerging features of Thailand’s national retail market following the arrival of
transnational retail firms. The events leading up to the introduction of sector-specific regulation, including the strategies of resistance employed by domestic market actors, are explored and the various political and institutional factors that shaped the regulatory decision-making process are examined. The chapter assesses the market impact of the sectoral rules and compares the changes experienced in Thailand during the 2000s and early 2010s with those seen in Malaysia. As in Chapter Six, the relationships that developed between retail TNCs and the institutions that implemented the sectoral regulations are examined. This is followed by a broader assessment of levels of state-business collaboration in the national retail market and the role of domestic firms in driving retail system growth and modernisation during the 2010s.

Chapter Eight draws together the empirical findings and theoretical contributions of the study. The conceptual framework devised for this thesis facilitates a detailed discussion of the contrasting trajectories of Malaysia and Thailand’s national retail markets between 1990 and the mid-2010s. The empirical findings are situated in relation to the theoretical ideas and arguments mobilised throughout the thesis. The central theoretical contribution of this thesis – a heuristic conceptual framework for the analysis of national retail market transformation – is returned to and considered in relation to the theoretical perspectives employed and integrated across the study. Lastly, the methodological implications of the research are discussed and future avenues of research are considered.

Several key insights emerge from this thesis. Firstly, this research contributes to the current lacuna within the retail globalisation literature surrounding the long-term effects of retail TNC entry into national retail markets, the strategies of resistance and adaptation undertaken by domestic market actors, and the mediation of those changes by national governments through the application of sectoral regulation. It introduces new empirical knowledge about the causal processes driving national retail market transformation and modernisation in Southeast Asia. Secondly, this study conceptualises national retail markets as dynamic, path-dependent and contested multi-actor systems. This perspective draws attention to the socially
embedded and institutionally mediated nature of economic action within distinct sectoral economic systems. By focusing on formal regulation, the role of economic agents in negotiating and reproducing national retail markets can be highlighted. Third, the empirical findings are derived from a conceptual perspective that mobilises the Variegated Capitalism perspective (Peck and Theodore, 2007) and integrates two significant fields of research, comparative capitalism and relational economic geography. Through this heuristic conceptual approach the multi-dimensional nature of retail system change can be examined and linked the diverse cross-connective globalising processes that contribute to creating distinct national economies. In so doing, this thesis adds to the knowledge about sources of spatial variegation in contemporary capitalism.
CHAPTER TWO

Variegated national economic systems

2.1 Introduction

In an era of significant transnational business activity and globalisation, national retail markets are exposed to a range of processes operating at different levels of economic activity. This chapter considers the different theoretical perspectives that aim to explain the varying institutional conditions and political-economic processes that shape national economic systems, and influence economic action at a sectoral level. Central to the ideas and arguments developed across this chapter and the next is the integration of perspectives from economic geography and the broad, multidisciplinary comparative capitalism literature that investigates and theorises different national capitalisms. By integrating the lessons and observations developed by scholars within each field, national economies are revealed to be highly differentiated and dynamic systems. This discussion begins the process of conceptualising national retail markets affected by the globalisation of retailing through the activities of transnational retailers during the 1990s and early 2000s.

The chapter is organised as follows. Section 2.2 considers five issues that underpin the empirical focus of this study; the role of institutions, actors and institutional change in economic processes, theories that explain market processes, and the conceptualisation of formal market regulation. Section 2.3 begins the process of conceptualising the conditions and characteristics of national economic systems by examining the Varieties of Capitalism (VoC) framework introduced by Hall and Soskice (2001a) and National Business System (NBS) approach developed by Whitley (1999, 2007). These perspectives indicate how firms and extant institutional arrangements in nation states interact to produce distinct forms of capitalism. Ultimately the firm-centric and parsimonious nature of these perspectives does not provide sufficient explanation for the diverse conditions that exist within national economies. Section 2.4 narrows the focus of the chapter by concentrating on perspectives designed to explain the distinctiveness of East and Southeast Asian
capitalisms. These approaches aim to provide a more accurate interpretation of the region’s varied national economic systems by highlighting distinctive institutional, socio-cultural and political-economic processes. The institutional features identified are used to develop a comparative framework for subsequent analysis of Malaysia and Thailand’s institutional environments. Section 2.5 integrates comparative capitalism analysis with relational economic geography perspectives and introduces the Variegated Capitalism perspective (Peck and Theodore, 2007) and the Global Production Network framework (Coe and Yeung, 2015). These perspectives draw attention to the range of multi-scalar and spatially variegated processes that comprise national economic systems, and move analysis away from the methodological nationalism common to comparative capitalism theorisation. Section 2.6 summarises the ideas developed across the chapter and links them to the focus of Chapter Three.

2.2 Conceptualising institutions, economic actors, markets and regulation

This section draws on comparative institutional perspectives within economic sociology, political economy and business/management studies (Morgan et al., 2010) to conceptualise institutions and the reciprocal interactions between institutions and actors in economic processes. Giddens’ (1984) theorisation of structures (institutions) and agents (actors) is mobilised to nuance understanding of the processes that lead to institutional change. Theories that explain markets and forms of market regulation are examined in order to clarify this thesis’ approach to market systems. Lastly, the section introduces and outlines different modes and forms of formal regulation and the role of regulation in the transformation of economic processes. This discussion provides the analytical platform for evaluating comparative capitalism perspectives in this chapter and subsequent empirical analysis of market actors and institutions in Malaysia and Thailand’s national retail markets.
2.2.1 Institutions, actors and institutional change

In comparative institutional analysis a range of perspectives exist on the closely related concepts of institutions and actors. Central to these perspectives is the notion that social context informs and guides economic activity. It is for this reason that institutional perspectives have gained significant currency across the social science disciplines over the past thirty years (Djelic, 2010). Thematically, institutional perspectives reject the application of natural and universalistic laws to social processes. Emphasis is instead placed on the historically contingent and path-dependent nature of the social environment, as economic action is “embedded and framed within larger institutional schemes that tend to be stable” (Djelic, 2010: 16; Granovetter, 1985). Institutions are therefore viewed as multidimensional phenomena and political-economic settings can simultaneously contain a variety of institutions (Campbell, 2010). In economic geography embeddedness signifies the social relationships between economic and non-economic actors, wherein economic action is grounded in societal and institutional structures (Hess, 2004). The concept of embeddedness is closely connected to the notion within institutional perspectives that social context informs and guides economic action. Relational perspectives in economic geography view embeddedness as a dynamic, socio-spatial and temporal feature of economic processes (Jones, 2008). In effect, both perspectives aim to avoid reducing the context in which economic action occurs to “background scenery theorised in the broadest of abstract brush strokes” (Jones, 2008: 72; Peck 2005; Morgan et al., 2010a, 2010b). Institutions are therefore complex path-dependent constructs that are contingent to the specific setting in which they emerge and are reflective of dynamic, reflexive processes that occur over time (Bathelt and Glückler, 2014).

Institutional perspectives view institutions as a form of constraint on human action that can be both formal and tangible or informal in terms of the norms that individuals and organisations recognise and adhere to. For example, historical institutionalist perspectives tend to support structuralist interpretations of institutions, which focus on formal rules, and conceptualise institutions as
“essentially structural frames, organisational solutions and formal rules or systems” (Djelic, 2010: 25). Similarly, institutional economists view institutions as “rules of the game in a society” (North, 1990: 3) and an expression of the constraints devised by humans to shape human interaction (North, 2005). As an informal constraint, institutions can be conventions of social life or existing patterns of interaction and have been defined as “widely prevalent patterns of thought in a given community such that they are analogous to cultural themes” (Weed, 1981: 72), since to “institutionalise means to infuse with values” (Selznick, 1957: 16-17). In effect, institutions act as a powerful constraint upon actors whilst simultaneously being produced by human action (Djelic, 2010; Djelic and Quack, 2003; Djelic and Sahlin-Andersson, 2003; Scott, 2008; Greenwood et al., 2008).

Empirical investigation into national retail markets in emerging and rapidly industrialising economies requires analytical sensitivity towards both formal institutions, such as market regulation in the form of legislative or policy-based rules, and ideational dimensions such as the cultural norms and values held by consumers that inform their shopping preferences, and the views and perspectives of governments and firms towards consumers in national retail markets. Institutions in this thesis are therefore conceptualised as having “both a structural dimension, including formal and informal rules and systems, and an ideational dimension, including normative and cognitive patterns” (Djelic and Quack, 2003: 18). Correspondingly, institutions are recognised as processual within time and space. These conceptualised features of institutions are a useful starting point for considering the structural role of institutions and economic actors in processes of institutional change.

This research examines the processes through which national retail systems are altered by economic actors and the institutions that guide market activity. The structuration theory (Giddens, 1979, 1984) helps to explain how institutional change can occur in economic systems. Giddens (1984) suggests social institutions – structures – contain a duality; they are both the medium through which action takes
place as well as the outcome of the recursive practices of actors. As explained by Jackson:

“Actors’ identities and interests are shaped by the broader institutional environment and should not be considered as fixed or exogenous. Likewise institutional analysis must take seriously the constellation of actors within a given institutional domain, and their interactions” (2010: 70).

The structural properties of social systems do not exist outside of action, but are “chronically implicated in its production and reproduction” (Giddens, 1984: 374). Put simply, agents and structures (actors and institutions) cannot exist without one another.

For Giddens, institutions contain both rules and resources. Rules are defined as “generalizable procedures applied in the enactment/reproduction of social life” (Giddens, 1984: 21) whereas resources are divided into two forms – authoritative and allocative – and describe “anything that can serve as a source of power in social interactions” (Sewell, 1992: 9). Knowledgeable agents – social actors who know a great deal about the conditions and consequences of what they do – are aware of rules and have access to the authoritative and allocative resources of structures within a specific context (Archer, 1982). Agents are able to resist and adjust the structural constraints placed upon them by utilising their own rules and appropriating resources available to them within the social system. Consequently, “structures must not be conceptualised as simply placing constraints on human agency, but as enabling” (Giddens, 1976: 161). Agency is therefore defined as purposeful action carried out by individual or collective agents, such as people, firms or organisations (Meyer and Jepperson, 2000). Rules and resources do not have agency in social systems, but they have effect by being known and used by actors (Dawson and Mukoyama, 2014a).

Whilst the agency of actors is constrained, temporal and often arrives in stages, it can also be described in terms of “ambiguity, unexpected development, and complex motives” (Djelic, 2010: 34) as opposed to self-interested, rational strategic action. For example, one outcome of institutional change created by the interaction of agents and social institutions is to introduce intended and unintended consequences within social systems. This generates new catalysts and structural
constraints on agents to which they may need to respond. The intended and unintended outcomes that arise reinforce the continuous interaction between actors and structures (Dawson and Mukoyama, 2014a). Social action – such as in national retail systems – therefore unfolds as reflexive interaction as agents continuously reproduce the conditions that enable their action (Bathelt and Glückler, 2014).

Interpretations of what constitutes institutional change and emergence vary within institutional perspectives. Theories that prioritise functionalist and technological (structural) imperatives have been joined by approaches that consider the role of actors in social systems and how actors perceive and interpret their institutional environment (Campbell, 2010). For example, Streek and Thelen (2005) distinguish five different forms of institutional change. These include displacement (when actors defect from old to new institutions), layering (when institutions coexist alongside new ones, but support gradually shifts towards the latter), drift (when institutions fall into neglect), conversion (when institutions are put to a new purpose) and exhaustion (when institutions suffer from decreasing returns). Institutional perspectives also incorporate notions of struggle, conflict and negotiation between actors and how this can lead to institutional change. Innovative actors – despite the constraints placed on them by institutions – can generate change through their use of resources and institutional arrangements. For example, actors can behave as institutional entrepreneurs and translators of institutions by mobilising resources to achieve solutions to problems (DiMaggio, 1988). Actions that lead to the rearrangement, recombination or blending of new institutional elements into established institutions (Djelic, 2010; Campbell, 2004; Crouch, 2005) demonstrate the contested nature of institutions and the notion that institutional reproduction and change is mutually reinforcing (Campbell, 2010).

In sum, institutions and economic processes are transformed by the relationships between actors, and between actors and institutions within continent, path-dependent, socio-spatial and temporal settings (Bathelt and Glückler, 2014). Conceptualising institutions, actors and institutional change in this multidimensional
way ensures analytical sensitivity to the range of relationships and processes occurring within a particular context and area of economic activity such as the national retail markets of Southeast Asia. Keeping this perspective in mind, discussion now turns to the concept of markets, their composition and institutional features, and the role of actors in shaping market operation.

2.2.2 Conceptualising markets

The central aim of this study – to examine and compare the transformation of the national retail markets in Thailand and Malaysia – requires sensitivity towards how markets, as a form of economic activity, have been conceptualised. Discussion focuses on explaining how markets become infused with rules that order economic interaction and activity. Here markets are conceptualised as institutions that organise and stabilise the behaviour of economic agents, whilst simultaneously being altered by the agency of the economic agents involved in their operation. The conditioning role of the state in shaping market structures is considered along with the different processes through which market institutions are reproduced and informed by actors, such as firms.

How do markets acquire rules and principles that guide their operation? In contrast to neo-classical perspectives, institutional analysis prioritises the assumption that “in the beginning there were social relations out of which emerged, in specific contexts and forms, market processes” (Morgan, 2010: 211). Markets are therefore social arenas where sellers and buyers meet and, as “social worlds [...] they operate according to principles like all other worlds” (Fligstein, 2001: 70). Market rules are created by the actions and interests of buyers and sellers (economic actors) whose need for stability generates agreements over the conditions of exchange. Structured exchange denotes economic actors expectation for the repeated exchange of their products, which necessitates “rules and social structures to guide and organise exchange” (Fligstein, 2001: 30). Social institutions arise within markets due to the self-interest of economic agents as they “begin to view their own stability (i.e. reproduction) as contingent on stabilising trade” (Fligstein, 2001: 30). Actors turn to social institutions to reinforce agreements over the structure and stability in the
The market institution therefore emerges from social and economic settings through the agency and interest of economic actors.

The social institutions relied upon by economic actors are constructed and shaped by nation states. For example, Morgan (2010) highlights that markets are distinct sites of exchange that contain objects of exchange (commodities) and mediums of exchange (money). However, market situations are embedded within distinct settings and cannot exist without social rules; consequently the sites, objects and mediums of exchange should be understood in terms of their social underpinning. Some rules are embedded in legal frameworks and the state is central to sustaining these agreements. For example, states condition the “property rights, governance structures, conceptions of control, and rules of exchange [that] define the social institutions necessary to make markets” (Fligstein, 2001: 70). Markets are therefore constituted by a set of political, social, legal and economic processes working in tandem; at the same time, they begin to reorder these processes (Knox-Hayes, 2010a). For that reason nation states, in conjunction with firms and networks of firms, are important in shaping the competitive and organisational structure of market systems (Morgan, 2010).

Markets can also be viewed as an outcome of the dynamic interaction between structures and agents involved in economic activity. This perspective leads to two further questions; once social institutions applied to a market exist, how are they adapted and adjusted by market actors? Moreover, how are market institutions stabilised, reproduced and gradually transformed? The process of structuration described by Giddens (1984) provides an explanation of how institutional change or market transformation might occur. However, for this discussion it might be useful to consider a more concrete example of how markets are built and operationalised by the agency of market actors. Knox-Hayes (2010a) provides an informative example through her analysis of carbon markets in Europe and North America.

Knox-Hayes views carbon markets as more than regulatory mechanisms to control climate change, but as institutions designed to organise collective behaviour (2010a: 177). Scott’s (2001) theorisation of three institutional pillars – regulative, normative
and cultural-cognitive – is utilised by Knox-Hayes to signify the market institutions that can be altered by the agency of market actors. The regulative institutional pillar refers to how institutions constrain actor behaviour, the normative pillar denotes common values and norms among actors, and the cultural-cognitive pillar signifies shared conceptions on the nature of social reality (Scott, 2001). For Knox-Hayes, the market is a network of common belief and practice that is shared and communicated by market actors (Callon, 1998) and the three pillars are the “components required to bind together imagined communities under the institutions of common practice and understanding” (Knox-Hayes, 2010a: 194). Public and private organisations involved in carbon markets are able to build and operationalise these underlying market institutions (Knox-Hayes, 2010b; Knox-Hayes and Levy, 2011). Non-regulatory organisations, such as the World Bank or legal firm Baker McKenzie, construct the social meaning and material substance of the market ahead of the formal regulatory and institution-forming bodies authorised by governments (Knox-Hayes, 2010a). Therefore, the strength of market institutions that guide processes of exchange and market interaction “cannot be determined by regulation alone [but] on the strength and embeddedness of the organisations that build them” (Knox-Hayes, 2010a: 176).

Knox-Hayes’ (2010a; 2010b) approach to examining the construction of carbon markets is useful as it highlights that researchers can examine market institutions in terms of their formation and gradual transformation by market actors. Understanding the transformation of national retail markets in Southeast Asia requires consideration of the different market actors engaged in producing the rules and the institutions guiding the operation of retail systems. Governmental regulation is one type of formal institution that can alter the behaviour of market actors as well as constrain and enable them. The formation and modification of regulations applied to national retail markets requires a deeper understanding of regulation and the different forms it takes, and Section 2.2.3 addresses this conceptual issue.
2.2.3 Formal regulation in markets

In the process of capitalist accumulation, why is regulation required? In regulation theory, regimes of accumulation are conceptualised as “historically distinctive and relatively durable form[s] of growth based on a particular nexus of production and consumption and a supporting mode of regulation” (Peck, 2009: 640). For a regime of accumulation to be realised, the process is dependent on the development of procedures – regulations – that guarantee its reproduction and ensure individual behaviours are integrated into a schema that supports capitalist reproduction (Tickell and Peck, 1992). These procedures mitigate the competing and conflictual dynamics inherent within capitalist social relations – dynamics that are also present in markets – and secure the integrity and cohesion of capitalist accumulation processes in the medium term (Tickell and Peck, 1992; Jessop, 2006, 2013). It is the ensemble of regulatory relationships derived from political social relations – such as state action, legislation, social institutions, behavioural norms and habits, and political practices – that produce agreed procedures or modes of social regulation that enable capitalist accumulation to continue without falling into crisis (Tickell and Peck, 1992).

Regulation is therefore a necessary, broad mode of control or regulating social institution within capital accumulation activities (Tickell and Peck, 1992). Regulation can also be a formal institutional mechanism, such as law or government policy, within markets. It can be an actively negotiated institution adjusted by constrained actors in a range of contingent, spatial and temporal settings (Senn, 2011). Regulation is therefore both an informal mode of social control in economic activity as well as a tangible, formal constraint created and strategically used by socio-economic and political agents. It is both a programmatic idea as well as a technology of governing social systems (Baldwin et al., 2010a; Black 2001). In this thesis formal regulation within markets is conceptualised as “the intentional use of authority to affect the behaviour of a different party according to set standards, involving instruments of information gathering and behaviour modification” (Baldwin et al., 2010b: 12). Formal regulations are instruments that express regulatory authority.
Laws, from which many types of regulation are derived, are “the formal codification and application of norms and values of society as crafted by politicians and judges” (Morgan and Quack, 2010: 275). Thus, law is an institution that constructs and organises economic action. It frames economic categories such as firms, property, contract, labour, and capital and sets the parameters for actor agency by defining and facilitating the powers that can be claimed by actors and by providing the means for remedying disputes (Morgan and Quack, 2010). Law is also a governing institution, which is dynamic and endogenous to the economic processes throughout which it exists, rather than a static and exogenous arm of the state (Morgan and Quack, 2010). In this regard, legislation is a form of normative ordering and it evolves over time and remains dependent on the policy issues at stake as well as technological and societal developments (Senn, 2011).

Regulations applied to markets can be “any law or ‘rule’ which influences the way firms in a particular sector behave” (Mutebi, 2007: 360). This includes self-regulation, quasi-regulation and direct government command and control measures (Mutebi, 2007). Government regulations within legal frameworks include measures such as primary legislation (acts of the legislature) and subordinate legislation (written guidelines and rules). Primary legislation refers to instruments that have the force of law and are made by an authority to which the legislator has delegated part of its legislative power (Mutebi, 2007). Subordinate legislative instruments include statutory rules that are subject to legislative review and instruments devised at a ministerial or government agency level, but are reviewed by the legislator (Mutebi, 2007). Quasi-regulatory regimes and mechanisms are subordinate legislative instruments and are described as the “rules, instruments and standards by which government influences business to comply, but do not form part of explicit government regulation” (Mutebi, 2007: 361). Written guidelines derived from economic policy to coordinate and manage market activity are included within the category of quasi-regulatory mechanisms used by governments. This is in addition to measures arising from policy or political decision-making such as the economic instruments of taxation, subsidies, licenses, tradable permits and authorisation requirements. These measures can be used to either initiate a pursued behaviour
amongst market actors or be used to prevent an undesirable behaviour (Senn, 2011: 40). Quasi-regulatory measures can be used by states in combination with legislation to shape and inform the behaviour of an industry, organisation, and individual economic agents to reach a desired market structure or processes of competition. Consequently, legislation and alternate market-based quasi-regulations construct a formal and tangible regulatory institutional framework in market settings and they are the primary regulatory structures investigated and analysed in this thesis.

A rationale for regulation can arise as a result of information asymmetries in markets, monopolistic situations, issues relating to public interest, as well as changes arising from technological developments (Senn, 2011). Regulation is therefore always the result of negotiations between economic actors and existing regulatory structures (Senn, 2011). As with markets, different national legal systems are embedded within, and emerge out of, distinct socio-economic, political and institutional settings. Similarly, government policy objectives translated into economic instruments and performance or processed-based goals and other forms of regulation are embedded within, and subject to, the contingent strategic interests arising from within distinct institutional settings (Senn, 2011).

Where points of contestation occur in economic activity, new regulation may emerge or existing regulation may be re-negotiated. Negotiation over regulation creates specific points of interaction or ‘passage points’ (Morgan and Quack, 2010), and actors such as the state, organisations and individuals have the opportunity to change or reform law and the legal system. Economic actors will also compete to secure the most preferable form of regulation according to their interests (Senn, 2011). In terms of who is involved in negotiating regulatory measures inside states, regulatory institutions at local, municipal and federal level exist alongside a “whole range of independent authorities, agencies and organisations acting on the basis of powers delegated by the state” (Senn, 2011: 38). Participants in the regulatory process also include non-governmental industry associations, industry experts, civil servants, interest groups as well as networks of firms, particularly in cases where regulation is applied to a specific market sector. Market-based regulations are
therefore simultaneously politically and professionally mediated. In effect, regulatory frameworks such as in national retail markets are constructed by a wide range of competing authorities and socio-economic agents in a range of arenas. In terms of this research, Chapters Six and Seven examine how economic actors sought to influence governmental regulations applied to Malaysia and Thailand’s retail systems in response to the competitive impacts of transnational retailers. In this regard, the description and conceptualisation of the different types of legislative regulations set out in this subsection are crucial to understanding later empirical analysis of the transformation of national retail markets.

In sum, this section has provided explicit conceptualisations of key elements within the economic processes investigated in this thesis; institutions (structures), actors (agents), institutional change through processes of structuration, markets, and the different modes of formal regulation used by national governments. Understanding these aspects of economic activity facilitates later analysis and interpretation of market actor interactions within the two Southeast Asian national retail markets selected for investigation. Section 2.3 shifts the focus of the chapter to theorisation of macro-economic processes, the organisation of national economic systems and why they continue to present distinct forms of contemporary capitalism.

2.3 National varieties of capitalisms

Analysis and investigation into the transformation and evolution of national retail markets requires understanding of the national economic systems and institutional environments in which this type of economic activity takes place. Nation states contain multiple institutions and the behaviour of economic agents is socially mediated and institutionally embedded within these settings. In this regard, nation states remain the dominant environment for economic action. However, in an era where processes of globalisation and the activities of transnational firms substantially affect national economies, conceptualising these environments requires thought. This section begins the process of conceptualising national economic systems, the organisation of economic activity and the role of institutions in that process. The Varieties of Capitalism (VoC) approach introduced by Hall and
Soskice (2001a, 2001b) and the National Business System (NBS) framework set out by Whitley (1999, 2007) provide theoretical explanations for how market economies are organised and the social structures that enable economic processes. The intention here is to draw lessons from these frameworks to better understand the different factors that shape the operation and evolution of national retail markets.

The VoC perspective and NBS approach each offer a structure for comparing national economic systems through a firm-centric lens. These perspectives provide conceptual interpretations of the relationships between leading economic actors (firms) and the nationally bounded institutional structures in which economic action is embedded. It is for this reason that these particular frameworks are examined in this section rather than other comparative capitalism perspectives. Common conceptual themes within comparative capitalism research concern notions of informal and formal institutional arrangements, institutional complementarities and patterns of embeddedness, and historical-cultural path-dependencies that collectively inform the character of economic organisation within specific contexts and units of analysis. Furthermore, a number of institutional dimensions are mobilised to contrast national economic systems. They include civil society, employment relations, financial systems, corporate ownership and governance, and the state (Whitley, 1999; Hall and Soskice, 2001a; Amable, 2003; Allen, 2004; Redding, 2005; Hanke et al., 2007; Witt and Redding, 2014). Comparative capitalism approaches, including the VoC and NBS frameworks, tend to consider the nation state as the loci for the formation, stabilisation and reproduction of institutions and national institutional environments as “crystallised sediments of a past national history [which] generate deep-rooted systemic and behavioural inertia” (Djelic, 2010: 25). The analytical unit of the nation state is therefore prioritised within this “body of knowledge comprised of contributions which take institutions as their starting point when considering the evolution of national political economies” (Morgan, 2011: 482).

In the Varieties of Capitalism framework devised by Hall and Soskice (2001a) nations contain different logics of economic activity and different institutionalised rules of
the game (Morgan, 2011). It reflects rational-choice variants of institutional thought – a feature of the historical and institutional economist perspectives highlighted in Section 2.2.1 – which preference structuralist interpretations of institutions. In this view, actors behave rationally and institutions represent agreements about the structure of economic cooperation and mechanisms that “economise on transaction costs, reduce opportunism and other forms of agency ‘slippage’ and thereby enhance the prospects of gains through cooperation” (Shepsle, 1986: 74). Hall and Soskice see national political economies as terrains “populated by multiple actors, each of whom seeks to advance his interests in a rational way in strategic interaction with others” (2001a: 6). In the VoC approach firms are viewed as crucial actors in a capitalist economies and are therefore prioritised analytically. This perspective is grounded in transaction cost economics (Williamson, 1985), in which strategic interactions between actors are conceptualised as occurring through the coordinating efforts of firms, and institutions are viewed as “arenas for the resolution of coordination problems” (Peck and Theodore, 2007: 744).

In the VoC perspective the organisation of economic activity within different nation states is characterised and compared on the basis of established patterns of firm behaviour and the coordination of firm relationships associated with the institutional arrangements that are present (Bieling, 2013). In each nation state social institutions are shaped by their historical and cultural development, and create distinct sets of opportunities for firms. As companies are likely to be aware of these opportunities, firms adjust their mode of production, and firm-based resources, to take advantage of the opportunities available to them (Hall and Soskice, 2001a; Allen, 2004). Consequently, the institutional arrangements of prevailing national political economies generate systemic differences in corporate strategy. Firm behaviour in the VoC perspective is therefore conceptualised as predominantly nationally specific in character (Hall and Soskice, 2001a). More specifically, firms seek relationships with other economic actors and institutions in order to improve their competencies and capabilities. These relationships mean that firms face coordination problems and performance depends substantially on a firm’s “ability to coordinate effectively with a wide range of actors” (Hall and Soskice, 2001a: 6). In the VoC framework, Hall
and Soskice (2001a) identify five institutional spheres in which firms face strategic coordination problems: industrial relations, vocational training and education, corporate governance, inter-firm relations and firm-employee relationships. How successful a firm is depends on the efficient coordination of actors in these multiple spheres of the economy (Hall and Gingerich, 2009). For Hall and Soskice, it is therefore logical to look at the dominant institutions in the five spheres of strategic interaction. National capitalisms are differentiated and compared on the basis of the formation and attributes of institutions across the five spheres and they way in which firms resolve coordination problems within them (Peck and Theodore, 2007).

A further layer of systemic coordination at the national level conceptualised in the VoC approach arises as a result of firms and institutions becoming complementary (Hall and Gingerich, 2009). Institutional complementarities emerge through the interaction of firms and other market actors within the institutional spheres and this reinforces patterns and modes of production (Hall and Soskice, 2001a). Institutions are also considered to be complementary if the presence or efficiency of one increases the efficiency of another. Complementarities arising between firms and institutions in one institutional sphere can potentially transfer to other spheres if similar systems of coordination exist (Hall and Soskice, 2001a). In sum, in the VoC approach different national institutional frameworks incentivise and sustain different patterns of economic behaviour, and institutional ensembles came to display an interlocking or complementary character, which subsequently gel into “relatively durable configurations of economic organisation” (Peck and Theodore, 2007: 736).

This is the basis upon which capitalist diversity between nation states rests in the VoC framework. Market economies are considered to run along an axis between two ideal-types; liberal market economies (LMEs) and coordinated market economies (CMEs). The UK, United States, Australia, Canada, New Zealand are categorised as LMEs. Here, firms coordinate their internal and external relationships primarily via hierarchies, competitive market arrangements and arms length exchanges of goods in a context of competition and formal contracting. Germany and Japan and other northwest European nations are categorised as CMEs. In these economies firm
interactions are thought to preference non-market strategic modes of coordination. This includes relational or incomplete contracting, network monitoring based on the exchange of information inside networks, and firm competencies built through collaboration (Hall and Soskice, 2001a). National differences in economic organisation are not attributed to institutions per se, but seen as a result of the two-way interaction and mutual influence of institutions and actors.

In the VoC perspective, agents (firms) remain largely constrained by the structural conditions of the institutions that emerge across the national settings examined (Peck and Theodore, 2007). Institutions are viewed in relation to the patterned searches of firms for coordination solutions (Hall and Soskice, 2001a). In terms of institutional change, critics of the VoC approach have questioned the framework’s ability to negotiate institutional transformation and emergence across a limited register of institutions, and different forms and modes of growth. For example, in the VoC framework once a country has developed a particular set of institutions and processes of institutionalised operation there is little opportunity to diverge from the structure it establishes. These pathways “were fixed, sign-posted roads with clear boundaries and a certainty of direction” (Crouch, 2005: 2). Hall and Soskice (2001a) rely on the concept of general equilibrium to explain change. Conditions of institutional stability are considered to prevail unless interrupted or ‘punctuated’ by external shocks such as economic crisis, which would then disrupt and alter the established order (Thelen, 2010). The VoC framework’s static assumption of punctuated equilibrium ignores how processes of contestation and struggle – as highlighted in 2.2.1 – create change as well as the possibility of gradual endogenous and continuous institutional transformation (Boyer, 2005; Streek and Thelen, 2005; Jackson and Deeg, 2006).

In sum, the VoC perspective does not satisfactorily accommodate this study’s particular focus on the agency of market actors. The limitations of the VoC approach in this regard are compounded by the model’s focus on a narrow spectrum of national capitalisms, together with the assumption that across all sectors (within national economies) the same groups of institutions exist. The VoC framework has a
reductive tendency through its binary categorisation of national systems into two stylised, ideal-type market economies (Walter and Zhang, 2012; Crouch, 2005; Thelen, 2004). This parsimonious structure creates an artificial abstraction in which national economic systems appear more unified and coherent than they actually are (Peck and Theodore, 2007). The binary structure undermines the framework’s ability to accommodate the actual diversity of capitalisms that exist at the national level as well as those operating at subnational and transnational scales (Allen, 2004; Boyer, 2005; Peck and Zhang, 2013; Coates, 2014).

Despite the limitations of the VoC framework in relation to the focus of this research, it is useful to examine because it offers an analytical starting point from which to develop a more nuanced approach that integrates “interrelated substantive and theoretical claims, concerning, inter alia, the complex embedding of strategic behaviours of firms and other actors in a range of institutional environments” (Peck and Theodore, 2007: 732). In this regard, it makes sense to next explore the National Business Systems approach (Whitley 1999, 2005, 2007) as an alternate perspective on national systems of economic organisation in which sectoral economic activity – such as national retail markets – is institutionally mediated and socially embedded. Like the VoC, the NBS approach also focuses on the manner in which relationships between economic actors are coordinated. However, it concentrates on integrating a “macroinstitutional level of analysis with more microinstitutional analyses of firm governance and behaviour” (Whitley, 2007: 5). Initiated by Whitley in the early 1990s to explain differences in post-World War Two East Asian capitalisms (Whitley, 1992a, 2014), the NBS approach was subsequently applied to Western capitalisms (Whitley, 1992b; Whitley and Kristensen, 1996, 1997) and to the emerging economies in Eastern Europe after the collapse of the Soviet Bloc (Whitley et al., 1996; Czaban and Whitley, 1998). In the NBS perspective the institutional structure of firms is derived from the societal institutional structure in which they are embedded (Whitley, 1999). Business Systems are conceptualised therefore as “distinctive patterns of economic organisation that vary in degree and mode of authoritative coordination of economic activities, and in the organisation of, and interconnectivities between owners, managers, experts and other employees”
Authoritative coordination in business systems refers to the common obedience to established rules of conduct in the pursuit of collectively agreed goals.

As in the VoC perspective, the relationships that exist between economic agents are viewed as critical to the organisation of economic activity within the NBS approach. These include relationships between the providers and users of capital, consumers and suppliers, competitors, firms in different sectors, and employers and different kinds of employees (Whitley, 2007). These associations vary in the extent of organisational integration that exists and the manner through which it is achieved, including ownership-based hierarchies, formal agreements or personal obligations. From the NBS perspective, firms are strategic agents and as authoritatively coordinated organisations, they can exert control and decision-making power across the coordinated networks of interaction through which they operate (Whitley, 2007). Patterns of authority coordination inside business systems are shaped by a number of factors including the type of interactions that occur between firms and other socio-economic actors. National business systems are therefore characterised and compared on the basis of the degree and mode of organisational integration (organisation coordination) of economic activities and the nature of the controlling groups present (modes of authority coordination).

Whitley (1999, 2007) initially identified six ideal-type business systems and subsequently extended this to eight. These national business systems vary in terms of the types of economic activity occurring, how they are organised, and the degree to which economic action is integrated. For example, fragmented business systems describe groups of small owner controlled firms that engage in adversarial competition. Project network business systems are coordinated through shared information, investment opportunities and expertise. Coordinated industrial districts describe the organised integration of inputs and outputs within production chains and sectoral cooperation. Financial conglomerates are business systems dominated by large, diversified holding companies that rarely integrate the disparate activities of subsidiaries, but integrate them through company wide procedures, routines and
careers. Integrated conglomerates are also dominated by large, diversified holding companies, although these business systems integrate subsidiary activities to ensure the effective transfer of knowledge and skills. Compartmentalised business systems indicate large unified ownership units that integrate activities within production chains and sectors. Lastly, collaborative business systems reflect the collective organisation and cooperation within sectors and highly coordinated systems reflect alliance forms of owner control and greater organisational coordination across an economy.

The characteristics of these ideal-type business systems develop interdependently with dominant social institutions so that distinctive forms of economic organisation become established in particular institutional settings (Whitley, 1999). Institutions are conceptualised in terms of their influence on the organisational integration and authoritative coordination that arises between economic agents. Crucial institutions within this process are seen to be those that govern access to critical resources, especially labour and capital. Key institutional arenas are the state (through its ability in coordinate and develop the national economy and regulate markets), the financial system (capital market and credit based resources), the skills development system (the public training system and the strength and role of unions) and dominant conventions governing trust and authority (institutional trust and type of authority relations present) (Whitley, 1999: 48). The national specificity and distinctiveness of business systems depends upon the extent to which states and governing institutions are complementary and active in structuring and coordinating interest group interrelationships through state agencies. States are therefore viewed in conjunction with the collection of institutions that shape the legal system, property rights, norms governing authority relations, market boundaries and behaviour, interest groups and skills formation (Whitley, 1999).

Like Hall and Soskice’s (2001a) Varieties of Capitalism approach, Whitley’s (1999, 2007) perspective leans towards a structuralist interpretation of institutions and their determining influence on the actions and behaviour of economic agents. The NBS framework also theorises the complementarities between firms and their
external environment, but extends its analysis to include patterns of state organisation and operation alongside other dominant institutions within nation states (Amable, 2008). However, the NBS framework also shares a number of the limitations identified within the VoC perspective. Its methodological prioritisation of the national scale restricts analysis of the internal complexities of national capitalism (Peck and Theodore, 2007). Processes of political-economic and socio-cultural interaction at other levels of economic activity are overlooked. This includes porous national economic systems that demonstrate network style forms of capitalism at local, regional and international scales (Peck and Theodore, 2007) and sectoral systems such as national retail markets. As a consequence, Whitley’s (1999) initial definition of business systems has since been broadened to include institutions at both firm and societal level (Redding, 2005; Witt and Redding, 2014a).

Like the VoC perspective, the NBS conceptualisation of national business systems also presents a relatively static interpretation of economic organisation, which limits the frameworks ability to accommodate processes of change over time and the range of institutions that influence economic processes (Walter and Zhang, 2012a, 2012b).

In terms of this thesis the VoC and NBS approaches provide alternate interpretations of, and comparative criteria for, the relationships between firms and socio-political and institutional arrangements within nation states. Although the frameworks proposed by Hall and Soskice (2001a) and Whitley (1999; 2007) do not provide a complete assessment of the processes and conditions that form national economic systems, they do offer a conceptual foundation for understanding the potential impact of firm-institution relationships on the function of economic activity at a national scale. This includes theorisation of historically and culturally embedded institutions that exhibit path-dependent properties and the possible schema through which economic action is coordinated. In order to understand the conditions that shape national retail markets in emerging and rapidly industrialising economies, as opposed to advanced-industrialised nations, analysis of other theoretical perspectives is required. Section 2.4 stays with the comparative capitalisation literature and examines frameworks that seek to explain East and Southeast Asian
capitalisms. The outcome of this discussion is the identification of specific institutional, political-economic and socio-cultural factors that potentially influence the operation of national retail markets in Southeast Asia.

2.4 East and Southeast Asian varieties of capitalism

Comparative capitalism analysis of East and Southeast Asian economies has led to analytical diversification away from frameworks derived from European and North American settings and led to greater reflection on the institutional features of non-western and non-industrialised economies (Rajan and Zingales, 1998; Wade, 1998; Fruin, 1999; Amable, 2003 Walter and Zhang, 2012a; Storz et al., 2013). This shift in focus was driven by research seeking to expand knowledge of Asian economic systems and assess the applicability of extant theories and frameworks within the field (Witt and Redding, 2014). For example, other than for Japan, the VoC spectrum of LME and CME ideal-type capitalisms does not capture the wide variety of economic systems in Asia (Witt and Redding, 2013). Furthermore, institutional structures within the region “diverge considerably from the prototypes advanced in the VoC approach” (Peck and Zhang, 2013: 365) and the institutional dimensions associated with the LME-CME spectrum are not necessarily present. Equally, comparative assessment on the basis of institutional integrity at the national scale is potentially difficult in countries whose institutions are still growing (Peck and Zhang, 2013). The following discussion examines comparative capitalism frameworks designed to explain institutional and economic differentiation between East and Southeast Asian capitalisms. The institutional, socio-cultural and political economic features highlighted are subsequently integrated into the conceptual comparative framework developed for this thesis to examine Malaysia and Thailand’s national retail markets.

The three analytical frameworks examined in this section emphasize different aspects of the institutional, political-economic, and socio-cultural processes that characterise East and Southeast Asian capitalisms. Walter and Zhang (2012a; 2012b) draw upon institutional dimensions identified within the VoC approach and wider
comparative capitalism research to contrast social modes of economic governance and process of institutional change in East and Southeast Asia. Zhang subsequently built upon this work to develop the perspective further with Whitley (Zhang and Whitley, 2013). In their assessment of East and Southeast Asian economies, the NBS perspective is mobilised by Zhang and Whitley (2013) to examine how state direction and steering of economic development and firm-based business coordination of economic action has contributed to institutional change and distinctive modes of economic governance in four East and Southeast Asian economies. In contrast, Witt and Redding (2013; 2014b) highlight processes that influence the institutional arrangements and business systems of thirteen Asian economies. These frameworks address empirical gaps in comparative capitalism analysis as well as theorise the distinctiveness of the region’s economies. Table 2.1 summarises the major features of each approach.
Walter and Zhang (2012) suggest that Hall and Soskice’s (2001a) firm-centric VoC approach omits two important non-market dimensions within capitalist economies: state organisation of economic activity and the impact of social modes of coordination. The latter refers to the social coordination of economic action by political, corporate and social hierarchies that allocate resources, constrain market
activity and enforce rules and social norms. In East and Southeast Asia a high degree of state organisation of economic activity takes place within a “broad social context and is shaped and mediated by various societal institutions [...] and the social coordination of private market behaviour” (Walter and Zhang, 2012a: 15). Consequently, national economic systems are thought to reflect how intra-firm and inter-firm relations are organised through social modes of coordination as they play a “linchpin role in calibrating the character of financial and labour institutions in a given political economy” (Walter and Zhang, 2012a: 10). Social modes of coordination include a wider variety of market actors than business modes of coordination, which refer to how firms organise, compete and cooperate in national economic systems (Zhang and Whitley, 2013).

In Walter and Zhang’s (2012a, 2012b) and Zhang and Whitley’s (2013) analyses of social/business modes coordination of economic action are integrated with four modes of economic governance – extensive-strong, extensive-weak, modest-strong, modest-weak – to characterise four varieties of capitalism and these are summarised in Table 2.2.

### Table 2.2 Asian varieties of capitalism and national modes of economic governance

<table>
<thead>
<tr>
<th>Social/business coordination of economic action</th>
<th>Strong</th>
<th>Weak</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State organisation of the economy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extensive</td>
<td>I Co-governed</td>
<td>II State-led</td>
</tr>
<tr>
<td></td>
<td>South Korea, Taiwan</td>
<td>China, Malaysia, India</td>
</tr>
<tr>
<td>Modest</td>
<td>III Networked</td>
<td>IV Personalised</td>
</tr>
<tr>
<td></td>
<td>Japan</td>
<td>Philippines, Thailand</td>
</tr>
</tbody>
</table>

Source: Author’s compilation derived from Walter and Zhang (2012a) and Zhang and Whitley (2013).

The eight national capitalisms identified by Walter and Zhang (2012a, 2012b) – four of which are examined by Zhang and Whitley (2013) – describe the following national economic systems: co-governed (economic activity is governed through mutually dependent and negotiated relationships); state-led (poorly organised and fragmented private actors and business organisation combined with highly active states that mould most components of economic activity); personalised (relatively modest and unpredictable state organisation of the economy combined with weakly
networked private firms and limited authoritative coordination); and networked
(relatively modest direct state organisation of economy, but state-business linkages
strongly institutionalised through network governance arrangements and business
association coordination of market behaviour) (Walter and Zhang, 2012a; Zhang and
Whitley, 2013). In addition to the national capitalisms identified by Walter and Zhang
(2012), Witt and Redding (2013; 2014b) identify five national business systems –
(post-) socialist, advanced city economies, Southeast Asian, Northeast Asian and
Japan – from cluster analysis of institutional characteristics within thirteen Asian
capitalisms.

A variety of socio-cultural and institutional factors influence modes of economic
governance within East and Southeast Asia. For example, social capital, which
describes interpersonal and institutional trust, shapes how businesses operate and
interact in the region (Whitley, 1999; Redding, 2005; Witt and Redding, 2014a).
Interpersonal trust describes an individuals knowledge of, and trust in, the honest
disposition of another and institutionalised trust is drawn from the confidence that
an individual or organisation will act honestly because there is a system in place that
has sanctions against dishonesty (Witt and Redding, 2013). Asian economies are rich
in interpersonal trust through extensive networks of reciprocal relationships both in
and outside the firm. However, there is considerable variation in the presence of
institutionalised trust as the “extent of delegation correlates positively with levels of
institutionalised trust” (Witt and Redding, 2013: 280). In other words, business
relationships based on personal ties or political affiliation increases in national
economic systems where weaker levels of institutionalised trust exist. Thus, forms of
cooperation across firms are often based on party political interests or personal ties
(personal relationships) at an individual level. This correlates with observed
ownership and corporate governance patterns within East and Southeast Asian
economies wherein family ownership is dominant, alongside that of state owned
enterprises (SOEs), although variation clearly exists.

Business groups also influence social and business modes of coordination and these
are defined as “a collection of legally independent firms linked by multiple ties,
including ownership, economic, and/or social (family, kinship, friendship) ties through which they coordinate to achieve mutual objectives” (Makino and Yiu, 2014: 568; Carney, 2014). There are several reasons for the strong presence of business groups in the region and it is often related to weak levels of institutionalised trust (Witt and Redding, 2014b). Business groups represent a response to the absence of reliable legal frameworks, which could be used to enforce contracts. Higher levels of family control in business groups also reflect preferences among business leaders to delegate important tasks to those they personally trust. In addition to this, “the business groups extant today thus emerged in more unsettled times, and the general inertia inherent in any organisation is likely to prevent their disappearance” (Witt and Redding, 2013: 290). This is reflected in the continued presence of business groups within advanced city capitalisms – Hong Kong and Singapore – that are involved in business activities in neighbouring countries that have lower levels of institutional trust (Witt and Redding, 2013).

Incorporating notions of social capital and business group structures into comparative capitalism analysis of East and Southeast Asian economic systems widens the spectrum of institutions perceived to shape the function and character of economic activity and the type of capitalisms present. For example, culture also plays an important part in Asian business systems and the existence of strong hierarchical values is consistent with the prevalence of top-down decision-making in firms (Witt and Redding, 2013, 2014b). Another institutional characteristic concerns processes of informality and this refers to the “reliance on informal (uncodified) institutions such as unwritten norms, conventions or codes of behaviour” (Witt and Redding, 2013: 292). Informal institutions are potentially complementary to formal institutions. Witt and Redding argue that notions of informality and informal institutions, previously ignored within business system theorisations, require greater acknowledgement, particularly when investigating and comparing capitalist processes in Asia as “in the absence of a reliable formal structure, actors will evolve their own informal institutions as functional substitutes” (2014b: 690). One outcome of this process is the challenge of establishing institutionalised trust in the presence of “embedded and entrenched informal institutions” (2014b: 690). This is yet
another feature that emphasizes the complex path-dependent and institutional processes present in East and Southeast Asian economic settings.

Processes of institutional change are also theorised within the frameworks proposed by Walter and Zhang (2012a, 2012b) and Zhang and Whitley (2013). To understand the evolution of economic development in East and Southeast Asia, Zhang and Whitley (2013) argue that better analysis of state direction and steering of economic development, and the coordination of economic action by dominant political-economic coalitions is required. For Zhang and Whitley, state and societal actions and decisions “constitute a crucial organisational ensemble through which economic policies are formulated, market rules are made and institutional changes determined” (2013: 329-330). For example, exogenous influences such as financial crises or shifts in regional or global markets are significantly mediated though national political landscapes that are structured by dominant coalitions of firms, business association structures and state actors (Zhang and Whitley, 2013). Diverse policy interests and differences in the political strength of dominant socio-political coalitions can also lead to contrasting patterns of institutional change in the regions national capitalisms (Zhang and Whitley, 2013).

From this perspective, Zhang and Whitley (2013) conclude that integrating microanalyses of coalition dynamics with macro-structural variables is crucial for explaining patterns of institutional change in East and Southeast Asia. In their view, future empirical research and theorisations should avoid functionalist interpretations. Research should place greater emphasis on examining “political conflicts and compromises as major determinants on institutional choices and variations, closely connecting the evolution of national capitalist systems to the changing power and interest configurations of dominant socio-political blocs” (Zhang and Whitley, 2013: 330). This standpoint develops upon Whitley’s (1999, 2007) earlier explanation of business systems and moves away from Hall and Soskice’s (2001a) interpretation of institutional change via punctuated equilibrium in the VoC framework. Zhang and Whitley’s (2013) inclusion of processes of struggle and contestation also introduces greater sensitivity towards the agency of economic
actors and their relationship with institutional structures in producing economic and institutional change.

Theorisation of state functioning and intervention in East and Southeast Asian economies also highlights sources of differentiation between nation states. The degree of state intervention and the formulation and implementation of industrial policy varies significantly in East and Southeast Asian nations (Zhang and Whitley, 2013). This may arise from differences in state capacity and state direction. State capacity is defined as “the ability of the government to achieve its goals” (Tipton, 2009: 402). State direction refers to the reach of a government’s ambitions. State direction is categorised into three areas of state functioning by Tipton. Commitment capacity refers to the ability of government leaders to articulate strategic goals and mobilise support for intervention into the economy. Planning capacity describes the capability to produce clearly articulated programmes that draw on the support that governments have mobilised and specify the resources to be deployed. Implementation capacity signifies direct intervention, the deployment of resources, and the monitoring of outcomes (Tipton, 2009). Reasons for variations in state direction derive from differences in the path-dependency and institutional development of bureaucratic structures and governance systems within each economy. For example, in Japan, Malaysia, Taiwan, and Thailand considerable variation exists in the ways in which states interact with private market actors and business associations through network governance arrangements. Similarly, the role of state owned enterprises and levels of direct state investment are also an influential feature (Zhang and Whitley, 2013). In terms of commitment, planning and implementation capacity across Southeast Asian economies, administrative capabilities often remain low and marked by inefficiency and the competitive overlapping of government agencies (Tipton, 2009). This is associated with over-centralisation within agencies and limited cooperation between administrative silos, government agencies connected to ruling parties, and bureaucratic appointments on the basis of political patronage.
What impact might the state, dominant political-economic coalitions, and institutions such as social capital and processes of informality have on the organisation of economic activity within nation states? Witt and Redding (2013, 2014b) suggest such conditions may lead to a ‘multiplexity’ of multiple business systems within the same economy. Multiplexity is thought to arise if institutions are weak or flexible as the presence of informal mechanisms and lower levels of institutionalised trust enable higher levels of variance within national settings. This could potentially lead to “multiple punctuated equilibria and thus multiple business systems in an economy” (Witt and Redding 2014b: 690). Conversely it would be expected that in settings with higher levels of institutionalised trust, fewer opportunities for multiple business systems would develop. The institutional informality that can give rise to multiple business systems within one national context challenges the notion of institutional convergence at a national level, it becomes “moot, as firms subject to convergence pressures may create their own equilibrium points” (Witt and Redding, 2014b: 691). This perspective introduces an important question in relation to this research, how useful are the frameworks designed to explain East and Southeast varieties of capitalism for this thesis?

Table 2.3 summarises the different institutional, socio-cultural and political-economic features of East and Southeast Asian national economic systems examined in this section. The institutional features listed are employed in Chapters Five, Six and Seven to guide investigation into, and comparative interpretation of, the institutional conditions within Malaysia and Thailand that affect the behaviour of market actors in each countries national retail market.
Table 2.3 Political, economic, and institutional features of Southeast Asian nation states

<table>
<thead>
<tr>
<th>Institutional Feature</th>
<th>Type of national capitalism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-governed</td>
<td>Economic activity governed through mutually dependent and negotiated relationships.</td>
</tr>
<tr>
<td>State-led</td>
<td>Poorly organised and fragmented private actors and business organisation combined with highly active states that mould most components of economic activity.</td>
</tr>
<tr>
<td>Networked</td>
<td>Relatively modest direct state organisation of economy, but state-business linkages strongly institutionalised through network governance arrangements and business association coordination of market behaviour</td>
</tr>
<tr>
<td>Personalised</td>
<td>Relatively modest and unpredictable state organisation of the economy combined with weakly networked private firms and limited authoritative coordination</td>
</tr>
</tbody>
</table>

State-business institutional dimensions

| Business groups       | A collection of legally independent firms linked by multiple ties, including ownership economic, and/or social ties through which mutual objectives are coordinated and achieved |
| Social modes of coordination | The power of political, corporate and social hierarchies to allocate resources, constrain market activity and enforce rules and social norms |
| Dominant political-economic coalitions | Network governance arrangements linking state actors, firms and business associations through which institutional changes in national political landscapes are mediated |

The role of the state

| State capacity | The ability of the government to achieve its goals |
| State direction | The reach of a government’s ambitions |
| Commitment capacity | The ability of government leaders to articulate strategic goals and mobilise support for intervention into the economy |
| Planning capacity | The capability to produce clearly articulated programmes that draw on the support that governments have mobilised and specify the resources to be deployed |
| Implementation capacity | Direct intervention through the deployment of resources and the monitoring of outcomes |

Social capital

| Interpersonal trust | Trust based on the knowledge of the honest disposition of the other |
| Institutional trust | Trust drawn from the confidence that the other will act honestly because there is a system in place that sanctions dishonesty |


The institutional features outlined above facilitate empirical interpretation of Malaysia and Thailand’s economic and institutional national environments. For example, comparisons can be made in terms of the degree and form of state planning and organisation of the economy. Similarly, the concept of social capital and theorised social/business modes of coordination and dominant political-
economic coalitions (Walter and Zhang, 2012b; Zhang and Whitley, 2013) aid empirical interpretation of institutional and political-economic processes that affect national retail markets.

The impact of processes of globalisation on national (and sectoral) economic systems is one area of economic action that is not sufficiently addressed within the comparative capitalism frameworks discussed. Ultimately, the methodological nationalism of these perspectives limits analytical focus to observed patterns within national economic system ideal-types and this restricts theorisation to one set of social phenomena (Lane and Wood, 2009). Section 2.5 addresses this issue and integrates perspectives within economic geography with comparative capitalism approaches. This supports the development of an analytical framework that permits conceptualisation of the wide array of processes that influence national economies and sectoral economic systems – national retail markets – in particular.

2.5 Variegated Capitalisms

National economies contain a wider range of processes than those identified by comparative capitalism analysis. This section draws together the advantages of comparative capitalism research with approaches within economic geography that develop more inclusive, multiscalar and differentiated conceptualisations of economic processes. Two perspectives are utilised, namely the Variegated Capitalism (VC) framework proposed by Peck and Theodore (2007) and the Global Production Networks (GPN) framework developed by Henderson et al. (2002; Coe et al., 2008; Coe and Yeung, 2015; Yeung and Coe 2015). In this study, the Variegated Capitalism approach provides an analytical bridge between the classification of national varieties of capitalism and theories that explain unevenly developed, plural forms of capitalism – inclusive of sectoral systems – and multiscalar globalisation processes that intersect national economies. In conjunction with the GPN framework the VC approach aids theorisation on how globalisation dynamics traverse and engage with the economies and socio-political institutional environments of nation states. The integration of these approaches with comparative capitalism
perspectives completes this chapter’s conceptualisation of the complex institutional settings in which national retail markets evolve and are reproduced.

Economic geography shares intellectual common ground with comparative capitalism perspectives, particularly in its commitment to theoretically informed concrete research, identifying local forms of contemporary capitalism and showing “skepticism concerning the hyperglobalisation rhetoric and the associated embrace of convergence theses” (Peck and Theodore, 2007: 732). It is similarly committed to recognising the institutionally mediated and socially embedded nature of economic structures and relations (Christopherson, 2002; Storper and Rodriguez-Pose, 2006; Peck and Theodore, 2007; Gertler, 2010; Bathelt and Glückler, 2014). However, more recently there have been calls for the wider inclusion of institutional perspectives in economic geography, including greater analysis of individual agency and institutional evolution in economic processes and an epistemological shift towards comparative methodologies (Peck and Theodore, 2007; Gertler, 2010; Peck and Zhang, 2013; Zhang and Peck, 2014; Bathelt and Glückler, 2014). This thesis is part of that move towards integrating comparative institutional analysis (Morgan et al., 2010; Witt and Redding, 2014) with relational economic geography perspectives which seek to explain complex processes of globalisation that potentially transform national economies or parts of economies, including sectoral level economic systems (Dicken, 1994; Dicken et al., 2001; Yeung, 2003, 2005; Coe, 2004; Wrigley et al., 2005; Dicken, 2007). From this viewpoint Table 2.4 outlines the Varieties of Capitalism (Hall and Soskice, 2001a) and National Business System perspectives along with the Variegated Capitalism approach to highlight the contrasts between the models, but also areas of potential complementarity.
Table 2.4 Frameworks analysing national and variegated forms of capitalism

<table>
<thead>
<tr>
<th>Main analytical focus</th>
<th>Varieties of Capitalism</th>
<th>National Business Systems</th>
<th>Variegated Capitalism</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Understanding institutional and organisational variability among advanced capitalist economies.</td>
<td>The organisation of market economies through patterns of authoritative coordination and control within business systems.</td>
<td>Explicating processes and forms of uneven development within and beyond capitalism.</td>
</tr>
<tr>
<td>Main theoretical influences</td>
<td>Neoclassical and transaction cost economics.</td>
<td>Regulation theory and varieties of capitalisms theories.</td>
<td>Analyses of uneven spatial development, cultural and relational economic geography and regulation theory.</td>
</tr>
<tr>
<td>Key concepts</td>
<td>Institutional complementarities and firm-centric coordination of economic activity.</td>
<td>Forms and processes of organisational and alliance integration and ownership coordination amongst firms and complementary institutions.</td>
<td>Localised and cultural networks of economic activity that generate qualitatively different forms of capitalism across space and scale.</td>
</tr>
<tr>
<td>Key agents and institutions</td>
<td>Firms, business associations, policy entrepreneurs and institutional systems.</td>
<td>Firms, unions, regional and national institutions, states.</td>
<td>Agents embedded in constitutive network relations.</td>
</tr>
<tr>
<td>Case study rationale</td>
<td>Comparative cases positioned relative to the privileged axis of LME-CME capitalisms.</td>
<td>Comparison of institutional settings, firms and state structures governing economic relationships within and across national boundaries.</td>
<td>Individual cases selected according to their theoretically generative properties.</td>
</tr>
<tr>
<td>Approach to scale</td>
<td>Methodological nationalism and presumption of high degrees of institutional coherence and convergence and a national unified economic space.</td>
<td>Recognition of regional and international processes, but primacy given to national scale for influencing business systems.</td>
<td>Concerned with multi-scalarity, supermodularity and conjunctural effects at multiple spatial scales.</td>
</tr>
<tr>
<td>Discipline</td>
<td>Political Economy</td>
<td>Business Studies</td>
<td>Economic Geography</td>
</tr>
</tbody>
</table>


Whereas comparative capitalism frameworks describe and explain patterns of economic coordination at a national scale, the VC approach investigates the constitutive insides and outsides of national capitalisms (Zhang and Peck, 2013). Notions of institutional convergence within national economies are rejected as sub-national capitalisms, as well as sectoral-based systems, are “not just Russian doll style mesocosms of a national model; they display a spectrum of part-whole
relationships with the aggregate that is the ‘national economy’” (Zhang and Peck, 2013: 5). National systems are therefore co-dependent on, and internally characterised by, multiple forms of capitalism. Economic patterns within nation states reflect the uneven development of a collection of economic systems, such as those operating at the local, regional, sectoral and international scales (Peck and Theodore, 2007). The intent of this conceptualisation is to support more nuanced analyses of the temporality and spatiality of capitalist development. Consequently, a defining feature of the VC perspective is theorisation of the mutual interdependencies and cross-case connections between national and local economies that does not privilege one scale above another (Zhang and Peck, 2014). Compared to the Varieties of Capitalism perspective, the VC approach is more sensitive to the existence of contradiction and disjuncture across economic and institutional interactions and “unevenly realised tendencies and programmes of restructuring with variable (and contested) outcomes” (Zhang and Peck, 2014: 6). Thus, the Variegated Capitalism approach is “generally devoted to explaining spatially uneven development and polymorphic capitalism(s) […] analytical focus is therefore placed more on the co-dependence, co-constitution and co-production of multiple capitalist formations” (Zhang and Peck, 2014: 6). This last point is particularly relevant to this thesis, which focuses on the formation and transformation of one type of sectoral economic system and the co-constituting role of domestic market actors, state-level institutional structures and globalising transnational firms in that process.

The Variegated Capitalism approach is also inclusive of methodological propositions for the analysis of differentiated forms of capitalism. By proposing the Variegated Capitalism framework, Peck and Theodore (2007) seek to challenge both the analytical and methodological nationalism of varieties of capitalism theories and initiate a conversation over a shared concern with the spatial differentiation of contemporary capitalism between scholars in different fields. In this regard, Variegated Capitalism is not an alternative to comparative capitalism perspectives, but “more an on-going attempt to codify and sharpen extant methodological practices” (Peck and Zhang, 2013: 359). Peck and Theodore (2007) also recognise
the need within economic geography for greater methodological innovation and the
development of rigorous comparative research designs that could map economic
structures and processes beyond the documentation of local economic
distinctiveness. The VC perspective therefore urges greater empirical and theoretical
engagement with macroeconomic geographies (such as those demonstrated within
comparative capitalism research) and the patterns and trajectories of institutional
landscapes at the international scale. Methodologically, it encourages economic
geographers and comparative capitalism researchers alike to consider the following
analytical practices: (a) to embrace multiscalar rather than monoscalar forms of
analysis; (b) to place emphasis on examining contradiction and disjuncture rather
than nationally scaled institutional coherence; (c) to utilise relational perspectives to
emphasize the role of mutual interdependencies between local economies; and (d)
to explore crosscutting and connective processes not only as carriers of convergence
tendencies, but in the context of combined and uneven development (Peck and
Zhang, 2013).

This thesis engages with this methodological perspective. Although this study
primarily examines retail systems and institutional structures at the national level,
the research is sensitive to the different scales at which economic action takes place
(Christopherson, 2002; Crouch et al., 2009). An important part of the research is also
the analysis and explanation of points of disjuncture and contestation between
market actors. It draws on relational perspectives to conceptualise the mutual
interdependencies between transnational firms and the political-economic and
institutional settings in which they become embedded (issues that are explained
further in Chapter Three). In addition, the Global Production Network perspective
facilitates analysis of the crosscutting connective practices undertaken by globalising
transnational retail firms. It is a framework that contextualises the processes in
which transnational firms are involved and how these dynamics potentially alter
national retail markets.

Global Production Networks have been defined as “organisational arrangement[s]
comprising interconnected economic and non-economic actors coordinated by a
global lead firm and producing goods or services across multiple geographic locations for worldwide markets” (Yeung and Coe, 2015: 32). This conceptualisation brings to the fore the actor-specific strategies that shape global production networks. It recognises the different types of firms and non-firm actors that comprise GPNs in different localities, including the state, international organisations, consumers and civil society organisations (Yeung and Coe, 2015). The GPN approach breaks with national level conceptualisations of economic processes seen in comparative capitalism analysis and it prioritises the contingency of economic action. Both GPNs and transnational firms are viewed as path dependent within a “historically inherited geographic surface unevenly endowed with tangible and intangible resources” (Zhang and Peck, 2013: 7) and nation states play a critical role in this process, not least as a structural precondition for their operation and gradual evolution (Henderson et al., 2002; Dicken, 2007).

The GPN framework has also been viewed as “capable of grasping the global, regional and local economic and social dimensions of the processes involved in many forms of global production” (Henderson et al., 2002: 445; Hess and Yeung, 2006; Coe et al., 2008; Coe and Yeung, 2015). The central premise of the perspective revolves around production networks; i.e. the nexus of interconnected functions and operations through which goods and services are produced, distributed and consumed (Henderson et al., 2002). These networks of interaction integrate not only firms into these structures, through the development of diverse forms of equity and non-equity relationships, but also national economies or parts of economies such as market sectors or subnational regions (Henderson et al., 2002). GPNs intersect porous state boundaries in highly differentiated ways and, in so doing, are themselves shaped by the regulatory and non-regulatory barriers and local socio-cultural institutional conditions that are present. Furthermore, as transnational firm production networks operate across a range of host nations, regions or sectors and they are considered to alter, and be altered by, the territorially diverse spaces they enter in a multitude of ways (Yeung, 2009a). For Coe et al. (2008) this is a key advantage of the GPN framework. It is inclusive of all the major actors in economic processes, is flexible in terms of scale and reveals that global production networks
and TNCs are “deeply influenced by the concrete socio-political contexts within which they are embedded” (Henderson et al., 2002: 446). As a form of variegated capitalism these territorial economic structures are “co-evolutionary with, rather than determined by, institutional arrangements” (Peck and Zhang, 2013: 6).

Institutional arrangements, inclusive of formal state level organisations, are therefore viewed as “central to the question of whether GPNs can deliver sustained economic and social development in the locations they incorporate” (Henderson et al., 2002: 455). This includes multiscalar regulatory systems and national modes of regulation – of which sectoral regulation is one group – and the formal expression of norms and values existing at different levels of economic and societal activity. For example, the institutional features of East and Southeast Asian economies identified in comparative capitalism analyses, and explored in Section 2.4, exemplify the range of institutional structures that potentially influence the behaviour of transnational firms entering the region’s economies. In East and Southeast Asia transnational firms may engage with business groups (Witt and Redding, 2014b) or need to be responsive to varying modes of social coordination and the influence of dominant business coalitions (Walter and Zhang, 2012b; Zhang and Whitley, 2013). Moreover, through the analysis of regulatory change in national retail markets and the array of institutions that influence their operation, this thesis can contribute to understanding how institutional configurations at a sectoral level potentially shape retail TNCs and the global production networks in which they operate.

In sum, national economies can be conceptualised as a composite of polymorphic variegated capitalisms (Peck and Theodore, 2007). Patterns of national distinctiveness, as theorised and identified within the comparative capitalism literatures and examined in this chapter, coincide with economic processes and forms of uneven development that are interconnected across scales and sectors. The entrance transnational retail firms into national retail markets and their subsequent expansion are an example of how national economies, or rather sectoral systems within nation states, are intersected by processes of globalisation. In this regard, sectoral systems inclusive of national retail markets can be described as
contested multi-actor, multi-institutional fields (Cao and Perderzoli, 2013) operating within institutionally distinct national environments that contain multiple variegated capitalisms.

### 2.6 Summary

This chapter has focused on developing a theorised understanding of national institutional, social-cultural and political economic conditions that can influence the transformation of national retail markets affected by processes of globalisation. This task has involved the integration of theories from comparative capitalism research, comparative institutional analysis, and economic geography. The chapter initially dealt with five core themes: the role of institutions, actors and institutional change in economic processes, and the theories that explain markets and forms of market regulation. Discussion of these concepts provided the analytical platform for the evaluation of comparative capitalism perspectives and created a foundation for understanding the behaviour of market actors and their interactions with institutions in national retail markets.

The process of conceptualising the conditions and characteristics of national economic systems began with an assessment of the Varieties of Capitalism (VoC) perspective (Hall and Soskice, 2001a) and National Business System (NBS) approach (Whitley, 1999, 2007). Each perspective offered a structure for comparing national systems of economic organisation through a firm-centric lens and introduced conceptually distinct interpretations of the relationships between leading economic actors (firms), and nationally bounded institutional structures. Ultimately the parsimonious nature of these models, which limited theorisation of capitalisms to a specific set of characteristics at the national scale, did not provide sufficient explanation for the diverse conditions within national economies. Perspectives designed to explain the distinctiveness of East and Southeast Asian economies were then examined. The institutional arrangements and processes identified in these frameworks – such as the conditioning role of the state, social/business modes of economic governance, state-business linkages, dominant political-economic conditions and social capital – form part of a comparative framework that structures
analysis of Malaysia and Thailand’s institutional environments in the empirical
chapters of this thesis. Lastly, perspectives from within economic geography were
used as an analytical bridge between analyses of national economic systems and
conceptualisation of the diverse, contested and pluralistic forms of capitalism that
comprise national economies. The Variegated Capitalism (VC) approach introduced
by Peck and Theodore (2007) supports the integration of theories that explain
processes of globalisation (as in the Global Production Networks framework) and the
comparative analysis of contemporary capitalisms. The VC perspective broadens
understanding of the range of diverse and complex processes that comprise national
economic systems. It facilitates greater analytical sensitivity to processes of
disjuncture and change within sectoral level economic systems. The next chapter
focuses on the process of retail globalisation; it examines how transnational retail
corporations have been conceptualised, and assesses the host economy impacts of
these firms on emerging economy national retail markets. The theories dealt with in
Chapter Two are returned to once more at the end of Chapter Three as they form
part of this thesis’ conceptual framework for investigation into the transformation of
Malaysia and Thailand’s national retail markets since transnational retail investment
during the 1990s and the early 2000s.
CHAPTER THREE

Retail globalisation and the transformation of national retail markets

3.1 Introduction

National retail markets in Southeast Asia were transformed by the store-based and sourcing practices of retail transnational corporations during the mid-1990s to mid-2000s and the varied and often intense responses of domestic market actors to these processes. The competitive impacts of transnational retailers created the need for new sectoral regulations to resolve market actor disagreements and reinforce the stability of markets undergoing retail TNC initiated change (Mutebi, 2007; Wrigley and Lowe, 2010). Consequently, national retail markets have been conceptualised as “highly varied landscape[s] in which the ability of large retailers to impose their scale economies is differentiated and variably contested” (Coe and Wrigley, 2009: 8). This chapter concentrates on the retail globalisation process, the retail TNC, and the process through which these firms initiated the transformation of distinct national retail markets.

The chapter is organised as follows. Section 3.2 examines the globalisation of retailing in general terms, drawing on perspectives from business.management studies, agricultural economics and economic geography. Section 3.3 conceptualises the retail TNC and explores how these firms become integrated into emerging economy retail markets through processes of societal, network and territorial embeddedness. Next, Section 3.4 considers how the market impacts of retail TNCs have been conceptualised and reflects on the processes through which these firms stimulate market transformation and modernisation. This is followed by Section 3.5, which concentrates on the sectoral regulations implemented by national governments seeking to resolve points of disjuncture and contestation between market actors within national retail markets. Lastly, Section 3.6 synthesizes the themes developed across Chapters Two and Three to present this studies analytical
framework for investigating the transformation and evolution of national retail markets in Southeast Asia.

3.2 The globalisation of retailing

To understand how transnational retailers alter the markets in which they invest, it is important to consider the process of retail globalisation and how it has evolved over time. The following discussion focuses on the progression of retail internationalisation since the 1960s and the surge of retail foreign direct investment into emerging economies driven by retail TNCs during the mid-1990s and early 2000s. It also introduces the different ways in which retail globalisation has been conceptualised by business/management scholars, agricultural economists and economic geographers.

Retail firms involved in overseas investment prior to the 1990s tended to be European and North American. Internationalising retailers were often department and variety store operators, such as Safeway (UK) and IKEA (Sweden), or specialist and clothing retailers e.g. Toys ‘R’ Us (USA), The Body Shop (UK), Gap (USA) and Laura Ashley (UK) (Laulajainen et al., 1993; Burt, 1993; Alexander, 1997). In the late 1980s business/management scholars began to assess the processes involved in retail internationalisation and which type of firms were involved. Retail internationalisation was examined within specific regions such as Europe (Burt, 1991), according to the nationality of the internationalising firms (Robinson & Clarke-Hill, 1990; Burt, 1993; Sternquist, 1997) or in terms of the host economies receiving investment (Davies, 1994; Muniz-Martinez, 1998). In terms of why European and North American retailers expanded overseas, causal influences were conceptualised in terms of ‘push’ and ‘pull’ factors (Williams, 1992; Burt, 1993; Akehurst and Alexander, 1995a, 1995b, 1996; Alexander, 1997). Increasingly saturated and competitive home markets, combined with the availability of surplus capital, were thought to propel retailers into new markets (Akehurst and Alexander, 1995a). In addition to this, improvements in the organisational development of retailing meant that more retailers had the capacity to exploit international opportunities (Akehurst and Alexander, 1996). Often decisions over where to invest...
were determined by either geographical proximity (nearby markets being more accessible) or cultural dimensions (culturally similarity between home and foreign markets) (Williams, 1992; Vida and Fairhurst, 1998).

Business/management scholars developed explanations for the strategies and mechanisms through which internationalisation occurred (Sternquist, 1997, 1998; Alexander and Myers, 2000). Frameworks were developed to explain the levels of risk firms were willing to accommodate (Treadgold, 1988), the degree of control exerted over host market operations (Salmon and Tordjman, 1989) and the extent to which firms adapted their store operations to local environments (Treadgold, 1991). Primary mechanisms for market entry included merger and acquisition, joint ventures with domestic firms and owner operated activities (Treadgold, 1988; Pelligrini, 1994; Dawson, 1993, 1994). A firm’s ability to accommodate risk was thought to decide which entry mechanism was employed (Pelligrini, 1994). Different entry modes were also associated with different categories of retail firms and the location and features of receiving host markets (Burt, 1993; Dawson, 1994).

During the 1990s patterns of retail internationalisation altered significantly as a select group of transnational retailers quickly expanded their operations into new markets (Coe, 2004; Coe and Hess, 2005). Emerging markets in Latin America, Central Europe, and East and Southeast Asia attracted the majority of foreign retail capital. Across these regions retail TNCs were able to generate rapid growth and higher returns by mobilising economies of scale, lower capital costs and advanced distribution and logistics systems (Wrigley, 2000a). The surge in retail FDI was characterised not by cultural and geographic proximity, but by its speed, geographical scope, the scale of investment undertaken, predominance of cross-border merger and acquisition, and a range of previously unseen impacts on host economy retail systems (Coe and Wrigley, 2009). For example, in 2002 ten transnational retailers derived USD$10 billion from international sales and a number of firms operated in twenty to thirty countries (Coe, 2004). The firms that were rapidly expanding in the 1990s tended to be food and general merchandise retailers and from North America and Western Europe, although a number of Japanese firms
were also involved (Coe and Hess, 2005). Table 3.1 lists the top fifteen transnational retail firms in 2002 according to international sales.

### Table 3.1 Leading transnational retailers by international sales in 2002

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Country of origin</th>
<th>International sales (USD$ million)</th>
<th>Number of countries of operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ahold</td>
<td>Netherlands</td>
<td>50 377</td>
<td>27</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>United States</td>
<td>39 124</td>
<td>10</td>
</tr>
<tr>
<td>Carrefour</td>
<td>France</td>
<td>31 739</td>
<td>32</td>
</tr>
<tr>
<td>Metro</td>
<td>Germany</td>
<td>22 338</td>
<td>28</td>
</tr>
<tr>
<td>Delhaize</td>
<td>Belgium</td>
<td>16 183</td>
<td>11</td>
</tr>
<tr>
<td>Tengelmann</td>
<td>Germany</td>
<td>13 671</td>
<td>16</td>
</tr>
<tr>
<td>Aldi</td>
<td>Germany</td>
<td>12 811</td>
<td>12</td>
</tr>
<tr>
<td>Ito Yokado</td>
<td>Japan</td>
<td>11 168</td>
<td>13</td>
</tr>
<tr>
<td>IKEA</td>
<td>Sweden</td>
<td>11 037</td>
<td>33</td>
</tr>
<tr>
<td>Auchan</td>
<td>France</td>
<td>10 390</td>
<td>20</td>
</tr>
<tr>
<td>Intermarche</td>
<td>France</td>
<td>9 156</td>
<td>8</td>
</tr>
<tr>
<td>Rewe</td>
<td>Germany</td>
<td>8 113</td>
<td>11</td>
</tr>
<tr>
<td>Pinault</td>
<td>France</td>
<td>7 429</td>
<td>16</td>
</tr>
<tr>
<td>Tesco</td>
<td>United Kingdom</td>
<td>7 114</td>
<td>11</td>
</tr>
<tr>
<td>Lidl</td>
<td>Germany</td>
<td>6 711</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: Adapted from Coe (2004).

Retail TNCs firmly committed to international expansion were conceptualised as ‘proto-global’ and included Ahold, Wal-Mart, Carrefour and Tesco (Currah and Wrigley, 2004). Just below this group were a significant number of supermarket operators including Auchan, Casino, Delhaize, Aldi and Kingfisher. Firms that invested in their home regions were conceptualised as ‘regional’ retail TNCs and included Dairy Farm International and AS Watson (Hong Kong) in Asia and Shoprite (South Africa) in Southern Africa (Wrigley and Lowe, 2010).

The rapid expansion of food and general merchandise retail TNCs occurred in response to a series of changes in home and overseas markets. Retailer internationalisation was fuelled in many cases by the perceived, or imminent, saturation of domestic markets, the need to sustain earnings and secure future revenue growth, and the opportunity to spread risk, particularly if public policy constraints limited future growth in home markets (Coe, 2004). The availability of surplus capital and international debt financing in home markets, together with technological improvements in retailer procurement systems facilitated the process of internationalisation (Wrigley and Lowe, 2002; Coe, 2004). Transnational firms also sought to secure first mover advantage in emerging markets that were relatively unexploited by existing international retail firms (Coe, 2004). The full or partial
liberalisation of FDI regulations reinforced this process, particularly in East and Southeast Asia following the 1997-8 Asian Financial Crisis (AFC) where retail TNCs were able to acquire domestic assets divested by local firms in response to the crisis (Coe and Wrigley, 2009; Endo, 2013). In Southeast Asia and elsewhere, transnational firms benefitted from rising incomes across unevenly developed retail systems with large, relatively untapped consumer markets. The expansion of foreign retail was also linked to a shift in the demand for modern retail provision that resulted from rapid urbanisation in emerging economies (Reardon, 2005).

In terms of where international investment occurred, agricultural economist Reardon and his colleagues began to map the geographical distribution of retail FDI and the degree of in-country market penetration by transnational retailers during the 1990s and early 2000s (Reardon et al., 2003, 2007, 2009; Reardon and Berdegué, 2002; Reardon, 2005; Reardon and Hopkins, 2006). For Reardon et al., the arrival of modern supermarket formats in emerging economies “transformed agrifood markets at different rates and depths across regions and countries” (2003: 1140; Dries et al., 2004). Patterns of international expansion were conceptualised as “waves of diffusion rolling along” (Reardon, 2003: 1142). An initial wave of investment hit major cities in Latin America, a second reached East and Southeast Asia, a third saw retail FDI into the smaller and poorer economies across these regions, and a fourth wave entered into markets in Central America and South and Eastern Africa. Staged ripples of in-country penetration by transnational retailers were thought to follow each new wave of market entry. Retail TNCs gradually increased their market penetration by opening outlets in niche markets of capital cities before proceeding to develop store networks in second tier cities and urban areas, and eventually more rural locations. This was thought to create spatial variation in the development of foreign retail in national retail markets as stores and product ranges were adapted to attract lower income groups.

Table 3.2 indicates a broad periodisation of the different phases of retail internationalisation between the 1960s and the mid-2010s. The phases of expansion
were drawn from business/management assessments and integrated with changes mapped by agricultural economists and economic geographers.

### Table 3.2 Phases of expansion in retail internationalisation 1960 to mid-2010s

<table>
<thead>
<tr>
<th>Phase of expansion</th>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
<th>5th</th>
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</thead>
<tbody>
<tr>
<td>Time period</td>
<td>Mature Markets</td>
<td>Crisis</td>
<td>Renaissance</td>
<td>Rapid Expansion</td>
<td>Competitive Shake Out</td>
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The rapid expansion of retail FDI shown in Phase Four of Table 3.2 marks a shift from retail internationalisation primarily between mature markets in developed economies, to processes of retail globalisation that encompass emerging markets in the world’s developing regions. Coe (2004) highlights the important distinction between processes of internationalisation – defined as the simple extension of economic activities across national boundaries (Dicken, 1998) – and processes of globalisation. The latter is conceptualised as the functional integration of internationally dispersed activities and, as such, it reflects qualitative changes in the organisation of economic processes (Coe, 2004). This shift from retail internationalisation to retail globalisation is embodied by the activities of retail TNCs. During Phase Four retail TNCs began to connect their expanding store operations to existing global sourcing systems in order to supply a variety of products to home and overseas markets (Coe and Hess, 2005). Since the 1990s the local supply structures of emerging economies have become increasingly integrated into the global sourcing networks of transnational firms, albeit unevenly and in different ways (Coe and Hess, 2005; Durand, 2007; Coe and Wrigley, 2009).
In terms of changes in the process of retail globalisation since the 2000s, Phase Five in Table 3.2 indicates a period of ‘competitive shake out’ in the process of retail globalisation (Coe and Wrigley, 2007; Wrigley and Lowe, 2010). For retail TNCs, the initial gains derived from host markets were replaced with the need to sustain profitability and establish market leadership. The inability to achieve market scale due to competition from better situated competitors led to processes of selective and strategic divestment, market exit and asset swapping between retail TNCs during the early 2000s (Burt and Sparks, 2001, 2006; Alexander and Quinn, 2002; Burt et al., 2002, 2003, 2008; Wrigley and Currah, 2003; Jackson et al., 2004; Palmer, 2004; Alexander et al., 2005). Retailers who had engaged in ‘flag-planting’ investments in emerging markets via start-up expansion or minority share acquisition often exited overseas markets (Wrigley and Lowe, 2010). The process of competitive shake out challenged the assumed inevitability of retail TNC domination in emerging market retail systems and it highlighted the contested nature of host national retail markets (Wrigley and Lowe 2010).

In sum, patterns of retail internationalisation have evolved from investment characterised by geographical and cultural proximity, to the global expansion of retail TNC operations across a diverse range of emerging economy retail systems. This study is part of the continuing literature examining the evolution of retail globalisation in the 2010s and the changing conditions of emerging market retail systems altered by transnational retail investment during the 1990s and 2000s. Keeping in mind the processes examined in this section, the following discussion introduces how the retail TNC has been conceptualised by economic geographers, and the theoretical frameworks developed to explain how these firms became integrated into national retail markets in emerging economies.

### 3.3 The retail transnational corporation in context

The transnational retail firm has been the main vehicle through which process of retail globalisation have been generated and realised. This section builds a conceptual picture of the retail TNC. It explores why the distribution-based TNC is distinct from other types of transnational corporation and focuses on the concept of
embeddedness to explain how and why retail TNCs become so deeply embedded in, and shaped by, the distinct political-economic and institutional settings in which they operate.

In economic geography TNCs are conceptualised as a form of business organisation that “favours the ongoing spatial distribution of corporate activities as a means of diversifying risk and managing uncertainty” (Currah and Wrigley, 2004: 6). This perspective emphasizes that transnational firms link highly dispersed places through the network flows that they coordinate. TNCs are able to enter, as well as move between, locations to exploit the resources, or competitive advantages different locations provide (Dicken, 1998, 2000, 2003; Currah and Wrigley, 2004). TNCs are also complex configurations of intra-, inter- and extra-firm relational networks that are embedded within the political-economic and institutional landscapes of both home and host countries (Dicken, 2000; Wrigley et al. 2005). The notion of relational networks is used to explain the different types of connections transnational firms develop in the markets they invest in (Wrigley et al., 2005). Table 3.3 outlines the different intra-, inter- and extra-firm networks that TNCs operate.

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<th>Table 3.3 The composition and structure of firm networks</th>
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<tr>
<td><strong>Intra-firm networks</strong></td>
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<tr>
<td><strong>Inter-firm networks</strong></td>
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<tr>
<td><strong>Extra-firm networks</strong></td>
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Source: Author’s adaptation from Dicken (2000) and Wrigley et al. (2005).

Intra-firm networks refer to interactions between different parts of the same business. Inter-firm networks are those between firms and extra-firm networks represent the relationships between firms and external, non-firm agents. For retail TNCs inter-firm networks can be both competitive, such as between retailers, and collaborative through the development of supply networks with domestic producers and manufacturers. Extra-firm networks, for example, arise through the process of consumption as domestic consumers begin to engage with the new store formats that retailers introduce (Wrigley et al., 2005).
As business/management and economic geographers began to examine processes of retail globalisation and the retail TNC, existing debates on economic globalisation were thought to demonstrate a deeply rooted productivist bias, which neglected the increasing role of distribution-based TNCs in the global economy (Wrigley et al., 2005; Dawson 1994, 2007; Dawson and Mukoyama, 2003). Retail TNCs were distinguished from manufacturing TNCs based on identifiable differences in their business models, their methods of internationalisation, and how they engaged with and operated in host economies (Dawson, 1994, 2007). For example, retail and production based TNCs had different strategic objectives when internationalising. The local (and nationally bounded) nature of retail TNC markets contrasted with the international or even global markets of manufacturing firms, and for retail firms the store format became the end product rather than a manufactured item (Dawson, 2007). Retail TNCs also operated spatially disaggregated networks of retail units, rather than a small number of production units, and had a larger number of suppliers and customers than production-base firms (Dawson, 2007). The internationalisation of retailing also required the international sourcing of products and the transfer of management expertise between home and host country retail markets (McGoldrick, 1995; Dawson, 1993). Coe (2004) added to the business/management classifications by highlighting the role of investment by financial institutions in retail internationalisation, the presence of cross-border shopping and consumption between host retail markets, the overseas sales of retail TNC own-brand products and, lastly, the internationalisation of support functions that facilitated retail TNC operations.

In terms of conceptualising the retail TNC, business/management scholars described transnational retail firms as an alliance of shops or other forms of retail distribution in more than one country (Dawson, 1994). Economic geographers highlighted that retail TNCs simultaneously stretched both “distribution and sourcing activities (and the assets and employment linked to those activities) over multiple national boundaries” (Wrigley et al., 2005: 440). However, it was the retail TNCs need to embed its operations in host markets that was critical in distinguishing the retail TNC from other types of transnational firm. In order to achieve successful
internationalisation and secure market share and future profitability, retail TNCs consistently invested in embedding their operations into host markets (Wrigley et al., 2005). Retailers become unusually close to host economies and societies because they needed to respond to socio-cultural variations in consumption. Retail TNCs sink capital into the physical assets in markets simply to access them. In order to access suppliers the retailer becomes intimately intertwined with the local supply base and logistics infrastructure of host economies. This is particularly the case for food and general merchandise retail TNCs because they source the vast majority of their products from within the national territory they serve (Coe and Hess, 2005). As retail TNCs develop store and sourcing activities, they became both necessarily embedded and essentially networked within the national retail markets they invested in (Lowe and Wrigley, 2007, 2010). This perspective places the notion of embeddedness and its path-dependent properties as central to an effective conceptualisation of the retail TNC (Wrigley et al., 2005).

Embeddedness signifies the social relationships between economic and non-economic actors and the grounding of economic action in societal structures (Hess, 2004; Jones, 2008). Retail TNC embeddedness describes, “how production networks constitute and are reconstituted by the economic, social, and political arrangements of the places they inhabit” (Coe and Lee, 2006: 66). It is the starting point for a theoretical and conceptual understanding of the impact of foreign retailers on national retail markets and how host economies ‘reconstitute’ retail TNCs. Table 3.4 summarises the different areas of retail TNC embeddedness.

<table>
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<th>Table 3.4 Areas of embeddedness in retail transnational corporations</th>
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<tr>
<td><strong>Societal Embeddedness</strong></td>
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<tr>
<td><strong>Network Embeddedness</strong></td>
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<tr>
<td><strong>Territorial Embeddedness</strong></td>
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Embeddedness is a dynamic and relational sociospatial-temporal concept (Woods and Reynolds, 2012, 2014) and the three dimensions of embeddedness shown in Table 3.4 are closely connected. Societal embeddedness signifies the influence of the home market on the strategic behaviour of economic actors. The cultural, institutional and political-economic environment of home markets shape and comprise a TNC’s particular ‘genetic code’ (Hess, 2004) and this affects the decision-making process within transnational firms in foreign settings. Host retail markets are potentially altered by a firm’s expression of societal embeddedness. The notion of societal embeddedness can similarly be applied to the local, indigenous retail firms that compete with retail TNCs in their home markets.

Network embeddedness refers to the composition and structure of the network relations of a given economic actor (Wrigley et al., 2005). For example, retail TNCs develop inter-firm networks with suppliers and competitors, and extra-firm networks with customers and governments. These relationships take place at various organisational and spatial scales (locally, regionally, nationally) within host economies and across firm operations (Tacconelli and Wrigley, 2009). The level of a firm’s network embeddedness within a national retail market is determined by the structure, durability and stability of the inter-firm and extra-firm relationships it becomes involved in (Hess, 2004).

Developing network embeddedness is strategically significant for retail TNCs as it enables access to information, resources, markets and technologies that can support a firm’s competitive advantage in host economies (Tacconelli and Wrigley, 2009: 52). This is particularly relevant when retail firms want to localise their operations and utilise economies of scale in newly entered retail sectors. Territorial embeddedness describes the extent to which a firm’s strategic behaviour is influenced and potentially constrained by the institutional characteristics of the host economy and society it has entered (Wrigley et al., 2005; Tacconelli and Wrigley, 2009). Here the notion of territory is distinct from that of societal and network embeddedness as it refers to the conditioning of relationships within a specific geographical location, as
opposed to the form and type of connections that can be stretched between different and distinct places.

Through processes of territorial embeddedness, places are ‘inserted’ into the organisational spaces of TNCs. At the same time transnational firms are inserted into the multi-actor institutional fields of places, in this case, national retail markets (Dicken, 2000; Dicken et al., 2001; Dicken and Malmberg, 2001; Dicken, 2003). Territorial embeddedness suggests that the ability to adapt must be a key part of the knowledge base of all retailers (Dawson, 2007). Individual retailers will vary in the extent to which they territorially embed their operations. For example, some will rely more heavily on intra-firm network embeddedness to offer standardised operations across different markets while others will adopt a more decentralised approach that leads to deeper territorial embeddedness (Wrigley et al., 2005). Three dimensions of territorial embeddedness, initially identified by Wrigley et al. (2005), and expanded upon by Tacconelli and Wrigley (2009), reveal how retail TNCs become functionally integrated into host market structures. Figure 3.1 demonstrates the three dimensions of territorial embeddedness within transnational retail firms; consumer markets and cultures, logistical and supply networks, and real estate markets and land-use.
Each dimension of territorial embeddedness highlights how different areas of national retail markets retail TNCs engage in. For the retail TNC, attracting and maintaining the loyalty of host economy consumers is crucial for profitability and sustaining market share. Consumption is a socio-cultural process and retailers need to be responsive to local variations in cultural tastes, norms and preferences at both national and sub-national scales (Tacconelli and Wrigley, 2009). Adjusting to these features requires transnational retailers to assess evolving geographic, demographic and lifestyle variables. This leads to adaptations in the design and product composition of stores and the development of customer service practices that intend to build consumer loyalty. In order to access the logistics infrastructure within economies (e.g. roads, railways and ports) and develop distribution outlets (stores and shopping centers) retailers need to invest in physical assets in host countries. Similarly, retail TNCs invest in constructing efficient and reliable inter-firm networks
with local suppliers and vendors. These processes include implementing product quality standards and the construction of efficient distribution and logistical systems that integrate the functional elements of TNC distribution and retail systems with host economy infrastructure.

The dimension of real estate markets and land-use highlights how retail TNCs become involved with regulatory frameworks associated with national property markets and planning systems in host countries. This initiates extra-firm network interactions with city planners, property developers and financial investors. The process of site acquisition and the sheer visibility of retail TNC operations cause firms to become subject to intense regulatory challenges (Tacconelli and Wrigley, 2009). This aspect of territorial embeddedness is particularly relevant to this thesis as sectoral regulations applied to the market (in response to the impact of transnational retail firm operations) are often associated with the size and location of foreign-owned stores and are implemented by local, municipal, regional and national authorities (Mutebi, 2007). Section 3.5 explores and conceptualises these issues further. For retail TNCs to achieve appropriate territorial embeddedness they must become “sophisticated in managing (different types of) knowledge and guiding emergent networks and associated corporate cultures” (Wood and Reynolds, 2014: 1376). As the degree and nature of retail TNC territorial embeddedness develops over time, the spatial and organisational complexity and variability of firm operations will become dynamic spaces of network relations (Wrigley et al., 2005).

Another part of the process of territorial embedding is the localisation of store formats to domestic consumer markets. For transnational retail firms the store is an autonomous center of innovation that becomes embedded in, and shaped by, the unique local markets of host economies (Wrigley et al., 2005). Format operation is comprised of two parts: know-how (the internal operational strengths and strategic direction of a retailer) and external offering (the functional, social, aesthetic and entertainment benefits that attract consumers to stores) (Goldman, 2001). For retailers of all types the store format serves as a unifying component for competitive planning. Retailer competitiveness relies on the ability to adapt and adjust store
formats to the conditions of local retail systems and as such they undergo “a constant process of renewal and development” (Dawson and Mukoyama, 2014b: 41). Formats developed overseas often reflect the firm’s societal embeddedness and processes of localisation and adaptation to the prevailing consumer society (Goldman, 2001; Goldman and Hine, 2005; Dawson and Mukoyama, 2014b, 2014c).

During the process of expanding store networks, retail TNCs may face consumer-based challenges (differences in the characteristics and preferences of consumers within foreign markets and in comparison to home markets), industry-based challenges (differences in the nature of competition, technology, suppliers or infrastructure) and legal and regulatory challenges (differences in governance and regulations in overseas markets) (Reinartz et al., 2011). Large-scale food and general merchandise retailers tend to require a higher degree of local advantage and responsiveness because they experience “greater pressures to adapt assortments to local tastes and construct supply chains within each host country” (Wood et al., 2014: 4). For example, a transnational retailer may establish a new format that keeps only a few of its original home market features in order to become locally competitive. Early adaptations to formats can be tentative and subject to amendment, but the overarching motivation is to leverage global advantages and compete successfully in foreign markets (Goldman, 1981, 2001; Goldman et al., 2002; Goldman and Hino, 2005). The outcome of this process is to introduce domestic retail systems to a range of retail practices and competitive behaviours. It is also a potential route through which retail TNCs deepen their territorial embeddedness within diverse national retail markets.

Building opportunities for capital accumulation in host economy retail markets – whether through store networks or the development of local sourcing systems – also requires firms to involve themselves in the “painstaking initiation, formation and maintenance of social relationships between groups of variously powerful actors across and intermediaries in different (and often distant) locations” (Coe and Yeung, 2001: 375). The concept of organisational legitimacy (Bianchi and Arnold, 2004) is closely linked to the process of territorial embedding and the diverse inter-firm and
extra-firm networks that retail TNCs develop in the markets they invest in. Organisational legitimacy represents the outcome of domestic market actors evaluating foreign firm behaviour as they “compare the organisation’s actions and practices to established norms that exist within the organisation’s environment” (Bianchi and Arnold, 2004: 152). Through the process of territorial embedding transnational firms come into contact with political, institutional and market-based actors, or groups of actors, within nation states and the cultural-institutional conditions that shape and inform the behaviour of these agents. National retail markets are therefore comprised of “social actors that guide and shape the strategy, practices and formats of retail firms” (Bianchi and Ostale, 2006: 141). If transnational retailers are to succeed in developing credibility – organisational legitimacy – within host economy national retail markets they must conform to the nationally specific salient norms of retailing that prevail amongst market actors (Bianchi and Ostale, 2006). These informal institutional rules denote “appropriate expectations of behaviour that are acceptable within an institutional environment and act as unwritten rules of proper social conduct to which organisations must adhere to become legitimated” (Bianchi and Arnold, 2004: 152; Scott, 1987; Bianchi and Mena, 2004). Through processes of territorial embedding, transnational retailers may receive legitimacy from other social actors within a retail sector. Firms that fail to engage with national and market specific institutional norms risk undermining their performance and competitive position as “retailer internationalisation depends on how well firms conform to salient norms of retailing in every country in which they operate” (Bianchi and Ostale, 2006: 146). Institutional and retail norms exist in all countries; however the presence, importance or saliency of one norm over another depends upon both historical and cultural factors (Bianchi and Ostale, 2006).

In sum, this section has drawn on perspectives within business/management studies and economic geography as well as institutional analysis to conceptualise the transnational retail firm. Critical to understanding the relationship between transnational retailers and national retail markets is the notion of embeddedness, the diverse dimensions of territorial embeddedness in particular, and the inter-firm and extra-firm network relationships that structure the interactions between TNCs
and domestic market actors. Due to the exceptionally high levels of territorial embeddedness that transnational retailers must achieve to obtain organisational legitimacy, host economy retail systems are able to exert influence over the global production networks of retail TNCs (or specific parts of these GPNs) (Tacconelli and Wrigley, 2009). The next section examines the consequences of transnational retailer entry into national retail markets, the processes of transformation these firms initiated, and the contested nature of national retail markets.

3.4 The host economy impacts of transnational retailers

This section reflects on the processes through which transnational firms stimulate market transformation and modernisation in national retail markets. The features of emerging economies retail systems are initially outlined. This is followed by a brief explanation of agricultural economist and business/management assessments of the market impacts of retail TNCs. Coe and Wrigley’s (2007) seven-dimension typology of host economy impacts – an extension of Coe’s (2004) initial assessment of retail led change in host markets – is then examined. This framework integrates notions of embeddedness and relational network processes into a non-prescriptive, dynamic categorisation of the processes of TNC-led market transformation. The host economy impacts outlined reflect the large body of literature that has arisen from research into the globalisation of retailing. Six of the seven dimensions are examined, as the regulatory impacts of retail TNC activities are the focus of Section 3.5.

The majority of retail markets that experienced retail FDI in the mid-1990s and 2000s were emerging and rapidly industrialising economies in Central and Eastern Europe, East and Southeast Asia, Latin America and South Africa (Coe, 2004). The domestic retail systems in these regions were often highly fragmented and comprised of indigenous modern retail firms and traditional retail arrangements – such as wet markets and small independent shops – that reflected historical patterns of disparate and independently organised and owned wholesale and retail operations (Reardon et al., 2003; Coe and Hess, 2005; Humphrey, 2007; Endo, 2013). Mature, emerging and less developed national retail markets exhibit different
concentrations of business ownership, patterns of competition, infrastructure, levels of technological development as well as socioeconomic factors (Reinartz et al., 2011). The structure of retail ownership and organisation in national retail markets can also vary according to the degree of state coordination of the economy. For example, formally state-controlled economies (FSCEs) including China, Laos, Myanmar and Vietnam have different structures to those seen in non-FSCEs such as Indonesia, Malaysia, the Philippines, South Korea and Thailand (Nguyen et al., 2013).

During the 1990s and early 2000s transnational retail firms introduced new practices and organisational innovations to emerging retail markets. This included new store formats, procurement and distribution systems, customer service practices and product quality assurance standards. Agricultural economists viewed the arrival of retail TNCs across Latin America, Asia and parts of Africa as leading to the rapid consolidation and transnationalisation of agrifood systems in these regions (Reardon and Berdegué, 2002; Reardon et al. 2003, 2007, 2009; Reardon and Swinnen, 2004; Dries et al., 2004; Reardon and Hopkins, 2006). It was expected that domestic retail systems would become defragmented as local wholesale and retail activities were integrated into the centralised procurement systems of transnational retailers. The efficiency gains derived from modern systems would consequently fuel profits for, and further investment by, retail TNCs. In addition to this, Reardon et al. (2003) highlighted that demand-side variables facilitated this ‘supermarket revolution’ in emerging economies. For example, rising incomes and the expansion of the middle classes in rapidly industrialising economies led to increased disposable income and increased ownership of refrigerators, which allowed consumers to shift from daily to weekly or even monthly shopping. Whilst retail TNCs initially had limited capture of fresh food produce sales because local wet markets remained popular amongst consumers, the supermarket sectors in Latin America, Asia and parts of Africa were expected to become “increasingly and overwhelmingly multinationalised (foreign owned) and consolidated” (Reardon et al., 2003: 1143).

In contrast to these assessments of regional and national retail change, business/management perspectives focused on firm-centric explanations for market
transformation. Dawson (2003, 2007) developed a framework that conceptualised the different types of market impact taking place, the processes through which they occurred, and the intensity of these impacts. Dawson suggested that foreign retailer activity had led to changes in the performance of internationalising firms, sectoral competitiveness, consumer literacy, social and cultural values, public policy at national, regional and local levels, and in the effectiveness of the supply chain as relationships between suppliers and retailers altered. Different processes were associated with the different types of impacts identified. In terms of market-based processes that affected the marketing practices introduced by retail TNCs, these included the economic conditions of the host country, national infrastructure, degree of coordination in, and organisation of, existing supply chain structures, the level of technological innovation and existing competitive cost structures (Dawson, 2003). The intensity of transnational retail market impacts on host economy retail systems was thought to be dependent upon the degree of modernisation within a national retail market. For example, host markets with high levels of competitive innovation and knowledge development in retailing were likely to experience less intense change than those with a weaker competitive environment. Similarly, a foreign firm’s brand identity, how it localised its operations, and used economies of scale and available resources, affected the intensity of market impacts and degree of market penetration (Dawson, 2007).

The initial explanations of retail TNC host economy impacts by agricultural economists and business/management researchers gradually gave way to interpretations that revealed a more complex and contested picture of national retail markets. The profound transformative impacts of retail TNCs on the retail structures of host economies became contextualized and differentiated by subsequent empirical research (Coe and Wrigley, 2009). The seven-dimension typology of host market impacts devised by Coe (2004), integrated Dawson’s (2003) initial categorisation with impacts identified within a wide body of work investigating the globalisation of retailing and host economy national retail markets. Drawing on this framework, Coe and Wrigley (2007) conceptualised the interactions between domestic market actors, transnational retail firms and the institutional, regulatory
and cultural settings of host economies as mutually transformative. Each of the seven dimensions, illustrated in Figure 3.2, signifies areas in which national retail market that have experienced retail TNC led change. Coe and Wrigley (2007) utilise the intra-firm, inter-firm and extra-firm network perspective to explain the nature and form of retail TNC host economy impacts. Beyond intra-firm impacts on retail TNCs (represented by dimension seven in Figure 3.2), the consequences of retail globalisation for national retail markets primarily occurred through inter-firm and extra-firm network relationships. Coe and Wrigley group these interactions into: inter-firm network impacts on competitiveness (dimensions one and two), inter-firm impacts on supply chain dynamics (dimensions three and four) and extra-firm network impacts on consumption practices, consumer society and regulatory frameworks (dimensions five and six). Each dimension reveals potential patterns and processes of market change.
Inter-firm competitive impacts refer to the varying experience of both retail TNCs and indigenous modern retail firms in host economies. On the one hand, the westernised practices and format types of transnational retail firms have affected domestic retailers in host economies. This includes large-format stores, such as hypermarkets, which sell a wide range of products at lower prices due to the economies of scale transnational retailers can achieve. On the other hand, evidence of the rising market share of transnational firms is tempered by research that shows retail TNCs have often failed to compete successfully against highly competitive indigenous retailers who are able to garner the support of national governments, are familiar with the domestic market and sectoral institutional norms, and the preferences of consumers (Goldman, 2001; Faiguenbaum, 2002; Bianchi and Mena, 2004; Bianchi and Ostale, 2006; Kaliappan et al., 2008; Mohd Roslin and Melewar,
2008; Endo, 2013). Equally, small-scale traditional retailers operating ‘mom and pop shops’ and traditional wet markets continue to remain popular across many emerging economy settings. Retail TNCs have had variable levels of penetration into market areas served by traditional retail structures (Humphrey, 2007; Endo, 2013). Another outcome of retail TNC market entry has been the emulation and imitation of retail TNC practices by domestic retailers. The organisational innovations developed by domestic firms are thought to deepen the modernisation trend within national retail markets (Goldman, 2000, 2001; Lo et al., 2001; De Rocha and Dib, 2002; Biles, 2006; Coe and Wrigley, 2009). Retail TNCs have also worked collaboratively with domestic firms through joint venture partnerships or merger and acquisition to gain market insight and competitive advantage (Coe and Lee, 2006).

Competition between retail TNCs within the same market (dimension two of Figure 3.2) is understood to lead to learning and emulation between transnational firms as well as periods of competitive shake out (Coe and Wrigley, 2007). The selective market divestment and retrenchment of transnational retail firm operations (Burt et al., 2002, 2003; Jackson et al., 2004; Benito, 2005), also highlighted in dimension seven, can vary both spatially (success in one country is not necessarily repeated in another) and temporally (divestment from one market is counterbalanced by strategic expansion elsewhere) (Alexander and Quinn, 2002; Alexander et al. 2005; Cairns et al., 2008). The redeployment of divested retail TNC assets to competitors within host national retail markets has in some cases increased market consolidation by transnational retail (Shannon, 2009, 2014). Proto-global retail TNCs, such as Tesco (UK), have benefitted from this process and concentrated on building market share within a limited number of markets in order to secure market leadership within the food and general merchandise segment (Dawson, 2007). Research into retail TNC market exits has also revealed the ability of retail firms to learn from market failure (Wrigley and Currah, 2004; Palmer and Quinn, 2007), and the role of organisational legitimacy and the national business environments in the process of divestment (Bianchi and Arnold, 2004; Palmer, 2004; Palmer and Quinn, 2007; Christopherson, 2007; Cairns et al., 2008).
In terms of inter-firm supply chain impacts (dimension three), retail TNCs have been shown to initiate a shift from traditional to specialised and dedicated procurement agents, the growth of preferred supplier systems (Dolan and Humphrey, 2000; Humphrey, 2007), the adoption of centralised distribution centres, the imposition of private standards for product quality assurance, and the enforcement of public safety standards (Reardon, 2005). Coe and Wrigley (2007) outline studies that indicate the widespread adoption of modern procurement and logistics systems and the transformation of traditional and informal supply channels (Reardon 2004, 2005; Biles, 2006; Biles et al., 2007) as well as areas of contestation and resistance to retail TNC practices within host economy supply systems. The costs associated with changes to supply systems are often borne by domestic suppliers, such as paying to upgrade firm operations in order to access and benefit from the opportunities transnational retailers provide. Dimension four brings attention to the relationship between the sourcing systems of host national retail markets and the regional and global sourcing activities of transnational retailers. There is evidence that retail TNCs act as export gateways for domestically produced products in host economies (Coe and Hess, 2006; Reardon et al., 2007; Durand 2007), which also facilitates the development of regional sourcing systems (Reardon, 2007). Through regional and global sourcing networks supply systems host economies are potentially integrated into the global production networks of transnational retail firms. Rationalisation and consolidation in emerging economy supply systems was thought to create a complex map of ‘winners and losers’ across emerging economy retail systems (Coe and Hess, 2005; Coe and Wrigley, 2007; Humphrey, 2007). However, Endo (2013) highlights that it is important not exaggerate the degree of market transformation led by retail TNCs as changes have to be assessed in relation to the whole market system and not just those areas affected by the activities of transnational firms.

Extra-firm network impacts of retail TNCs on consumption practices, consumers and civil society (dimension five) ranged from new patterns in consumerism and new format types, the introduction of quality assurance standards, to changes in the nature of customer service. As with many of the changes already discussed, socio-cultural impacts were shaped by the cultures and histories of national retail markets.
and the internationalising and domestic market actors present (Gamble, 2004). Coe and Wrigley question the extent to which retail TNCs drive consumer markets in host economies, as they may be “simply part of the emergence of vigorous consumerism and possibly a new consumerist middle class” (2007: 360). As consumers are critical for the success of transnational retail firms (Coe and Lee, 2006), the adaptation and localisation of retail formats to the specific cultural values and buying preferences of host country consumer markets is part and parcel of retailer strategies (Dawson and Mukoyama, 2014b). Therefore, consumers are conceptualised as mutually constitutive of the composition and character of national retail markets (Coe and Wrigley, 2007). Lastly, intra-firm network impacts on retail TNCs (dimension seven) are conceptualised as the reciprocal impacts of host economies on retail TNC organisational structures and competencies. In addition to the reputational and profitability impacts arising from processes of divestment, Coe and Wrigley point to research that reveals organisational learning and knowledge transfers within retail TNCs. For example, home market headquarters may receive knowledge of new practices in store development and design, merchandising techniques and IT systems developed by overseas subsidiaries (Currah and Wrigley, 2004; Wrigley et al., 2005; Dawson and Mukoyama, 2006a, 2006b; Wood et al., 2014).

In sum, Coe and Wrigley’s (2007) assessment of retail TNC host economy impacts highlights a number of important analytical themes. The dynamic nature of emerging economy retail systems is clearly evident. The inter-firm and extra-firm impacts of transnational retailers can be both positive and negative for market actors and national retail markets. Significant variation exists between host economies as to the types of changes experienced and the extent of market transformation that has occurred. Whilst the impacts of retail TNC operations are potentially profound for emerging economies, transnational firms have not swept aside existing retail structures or uniformly transformed national markets (Humphrey, 2007; Endo, 2013). From this perspective, this study adds to the body of work examining the consequences of retail TNC investment in emerging markets. Due to the time that has passed since the start of the retail globalisation process in the 1990s it is now possible to examine the longer term outcomes of this process and the variety of
changes that have been experienced by emerging economy retail systems. The next section focuses on dimension six, the extra-firm network impacts of retail TNCs on the institutional and regulatory framework of host economies. The theories that are examined underline the importance of investigating the role of sectoral regulations in managing the impacts of retail globalisation within national retail markets.

3.5 Conceptualising the regulation of national retail markets

Where there are disagreements and points of contestation between market actors there is often, although not always, some form of regulatory action taken by national governments to manage the organisation and operation of economic activity. This section examines theoretical explanations for the range of formal sectoral regulations that have been implemented in response to the competitive impacts of transnational retail firms in host economy national retail markets. The discussion considers which areas of national retail markets are regulated and why. Understanding these issues is crucial for a complete and comprehensive assessment of the regulations applied to Malaysia and Thailand’s respective national retail markets.

The introduction of sector specific rules by emerging economy governments in the early-to-mid 2000s was initially conceptualised as an increase in regulatory barriers in countries that had previously been relatively open to retail FDI (Wrigley and Lowe, 2010). This shift in public policy was described as a move from the liberalisation of market access to processes of re-regulation or ‘regulatory tightening’ (Wrigley and Lowe, 2010). It was attributed to “intense debate within the host economy/society over the desirability of multinational driven retail change, large-format retail development, and/or market dominance by retail TNCs” (Coe and Wrigley, 2007: 362). Reardon and Hopkins (2006) conceptualised market actor disagreements as a series of ‘wars’ between transnational retailers and the traditional retail sector in relation to pricing, convenience, food quality and safety. Correspondingly, transnational retail firms were considered particularly exposed to localised regulatory challenges due to the visibility of their store operations and the degree of
necessary, territorial embedded investment undertaken by these firms (Coe and Wrigley, 2007).

In terms of the type of rules that could be introduced, Reardon and Hopkins (2006) suggested commercial regulations were crucial for managing the tension between supplier/producers and retail TNCs over product compliance, payment periods for suppliers set by retailers and competition based pricing. The policy responses of national governments to the spread of large-format transnational retailers, measures were initially identified and categorised by Mutebi (2007). Across the regulations that were applied, some rules were applied to all foreign direct investment into host nations, other rules were applied specifically to large-format transnational food and general merchandise retailers and another set of policies were in place prior to, or introduced shortly after retail TNC entry (Mutebi, 2007). Host economy governments during the early 2000s were increasingly aware of the competitive problems associated with the rapid growth of retail systems within settings that had limited regulation to manage the type of changes taking place. For national governments the introduction of sectoral regulation had to balance the goal of supporting trade competitiveness and revenue growth, and the need to defend the interests of local firms, interest groups and consumers (Mutebi, 2007).

Wrigley and Lowe (2010) extended Mutebi’s (2007) categorisation by identifying whether legislative, quasi-legislative, and policy-based regulations incurred market entry costs or ongoing operational costs for transnational retail firms. Wrigley and Lowe reported that market-based rules could be “written and/or interpreted in such a way that they are restrictive of particular forms of ownership and levels of control by foreign firms” (Wrigley and Lowe, 2010: 22). In other words, transnational firms could be restricted through a variety of entry measures, which were both direct and indirect. A direct measure could be the registration of land ownership for a company that was majority owned by foreign interests. Indirect control might occur through the introduction of competition laws, which sought to regulate unfair trade practices. The way in which competition laws were interpreted by regulatory authorities – such as government ministries – could potentially restrict or alter the
behaviour of transnational retailers. Table 3.5 uses Wrigley and Lowe’s (2010) interpretation of Mutebi’s categorisation to illustrate the different types of legislative and quasi-legislative policy-based regulations introduced by host economy governments.

**Table 3.5 Regulatory measures designed to constrain transnational retail induced concentration in national retail markets**

<table>
<thead>
<tr>
<th>Market Entry Costs</th>
<th>Ongoing Operation Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Measures applying to all foreign investors</strong></td>
<td><strong>Large-format TNC targeted measures</strong></td>
</tr>
<tr>
<td>Land and property laws</td>
<td>Laws governing the various forms of ownership in real estate property.</td>
</tr>
<tr>
<td>Competition laws</td>
<td>Laws promoting competition and unfair trade practices, and generally encompassing anti-trust and consumer protection laws.</td>
</tr>
<tr>
<td>FDI laws and policies</td>
<td>Laws governing movement of capital across national frontiers in manner that grants investors control over acquired assets – covers both greenfield investments and acquisitions.</td>
</tr>
</tbody>
</table>

**Large-format TNC targeted measures**

| Shareholder equity requirements | Rules on specific equity thresholds for TNCs to participate in the host country’s retail sector. |
| Minimum capital requirements | Rules on specific capital requirements for TNCs to participate in the host countries retail sector. |
| Advance applications for new outlets | Rules on specific equity and related requirements for any firms to participate in the retail sector. |
| Serviced population | Rules requiring minimum population thresholds for permit to site a large-format retail outlet in a given community. |
| Building and outlet size codes | Rules specifying form and size of construction for large-format retail outlets and shopping centers, usually prohibiting specific formats and/or sizes. |
| Hours of operation | Restrictions on operating hours of large format outlets, usually specifying opening and/or closing hours. |
| Others | Rules relating to warehousing, management and marketing, ancillary service provisions, etc. |

The nature of the national economic system, the state, and the institutional arrangements present within host countries all affect the type of laws and regulations that are selected, devised and implemented by national governments. How national governments decide to implement regulations will also vary and inevitably reflect cultural and institutional variations between countries (Wrigley and Lowe, 2010). For instance, regulations may be imposed as a legitimate and necessary measure to protect culturally valued aspects of the urban and/or natural environment, or used to maintain fair competition (Wrigley and Lowe, 2010). The regulatory measures listed in Table 3.5 are primarily associated with the competitive impacts of transnational retail firms and different areas of the market altered by retail TNC activities. In general, foreign direct investment laws and policies regulate the movement of capital across national frontiers (Mutebi, 2007). Market entry rules, such as shareholder equity and minimum capital requirements, seek to ensure domestic firm involvement in foreign operations and aim to develop a sufficient level of market investment from internationalising firms (Mutebi, 2007). Regulations that create ongoing operational costs include land-use zoning rules, building and outlet size controls and advance notification requirements for new outlets. The different processes through which retail TNCs become territorially embedded highlight why this group of firms becomes exposed to land and property regulations (Wrigley et al., 2005). For example, transnational retailers may need to secure prior approval from government institutions at both local and national level in order for new stores to be built. Serviced population requirements can also affect the location and type of stores that are developed as well as advanced socio-economic, environmental and historic preservation impact studies and rules over the hours of store operation (Mutebi, 2007). The regulatory measures identified in Table 3.5 facilitate empirical identification and evaluation of the sectoral rules applied to Malaysia and Thailand’s respective national retail markets in the early 2000s. By examining the formation and implementation of sectoral regulations it is possible to explore the consequences of retail TNCs investment in each market, the priorities of national governments and the contrasting strategic interests of market actors.
In sum, the different types of sectoral regulations introduced by host economy governments often reflect the types of changes taking place within national retail markets. Sectoral regulations are primarily applied to activities associated with retail TNC formats because the store is the principal vehicle through which retailers compete in national retail markets. The institutional arrangements and political-economic conditions of nation states and the agency of economic actors shape and determine the process through which formal market regulations are devised and implemented. The next section introduces this study’s analytical framework for investigating the transformation of Malaysia and Thailand’s national retail markets.

3.6 Synthesis: conceptualising the transformation of national retail markets

This thesis compares and contrasts Malaysia and Thailand’s national retail markets. Through empirical illustration the study explains how and why each retail system has evolved since the arrival of transnational retail firms during the 1990s and early 2000s. This section synthesizes the ideas and theoretical arguments developed across Chapters Two and Three to develop a conceptual framework through which the transformation and evolution of emerging economy national retail markets can be investigated and analysed.

Since the 1990s the activities of transnational retail firms have had a profound impact on emerging economy retail systems. A wide variety of host economy market actors have been shown to mediate the market transitions initiated by retail TNCs to collectively produce and reproduce national retail markets (Coe and Wrigley, 2009). This raises the question, how should we conceptualise the transformation of national retail markets in which transnational retail firms are but one element? The introduction of sector-specific regulation provides a starting point. Regulations that are devised and implemented in national retail markets are a key element in the process of market adjustment and transformation following the arrival of transnational retail firms. Regulatory negotiations represent the culmination of disagreements over market change and they reveal the contrasting strategic interests of the economic agents involved in reproducing the market. Examining the formation and implementation of formal sectoral regulation is therefore the central
analytical lens through which the transformation of national retail markets is conceptualised and investigated in this thesis.

Underlying this analytical approach is the perspective that national retail markets are dynamic, path-dependent and contested multi-actor systems. National retail markets are continually negotiated and reproduced by the interaction of market actors and the institutions that guide and inform economic action. Market actors, or networks of collaboratively or competitively engaged firms, rely on social institutions, including formal regulations and laws devised by governments, to reinforce agreements over the structure and stability of the market (Fligstein, 2001; Morgan and Quack, 2010). Retail TNCs investing in territorial embeddedness in host economies during the 1990s and early 2000s disrupted established patterns of market operation and behaviour. New market rules were required because transnational firms altered the conditions of national retail markets and incumbent market actors perceived their stability and profitability to be undermined. Indigenous modern retailers and traditional traders responded to market changes by seeking the support of national governments who were expected to arbitrate and resolve market actor disagreements arising from the competitive impacts of retail TNC operations. Negotiations over the formulation and implementation of sector specific regulations were simultaneously mediated by market actors, intent on ensuring their strategic interests were represented, and by representatives within regulatory institutions – such as government civil servants and elected officials – seeking to resolve the market actor disagreements. Sectoral regulations therefore represent a change in the institutional arrangements that structure market actor behaviour, or aspects of their behaviour. The re-regulation of national retail markets is also a source of national retail market transformation as economic actors adapt and respond to new sectoral rules. Based on this conceptualisation, Figure 3.3 presents a heuristic analytical tool devised to illustrate host economy national retail market transformation following the arrival of transnational retail firms.
Figure 3.3 The transformation of host economy national retail markets following investment by large-format transnational retailers

1. The national retail market primarily contains traditional and modern domestic market actors. Relatively few foreign retail firms are present.

2. Market conditions begin to change as large-format food and general merchandise transnational retail firms enter the market and begin to expand their operations.

3. The competitive impacts of retail TNC investment interrupts established patterns of market operation and leads domestic market actors to resist market changes and seek government support and protection through regulation of the market.

4. National governments introduce sector-specific regulatory measures to resolve market actor disagreements and manage the market changes taking place. The new rules alter the institutional conditions of the market.

5. Retail transnational firms and modern domestic market actors alter their behaviour in response to the new regulations.

6. Market conditions continue to be altered by the competitive interactions of domestic and transnational retail firms and their mutual responses to the new sectoral regulations applied to the market.

7. Intensification of market competition as the share of modern retail expands and processes of modernisation continue. State involvement in the market continues.

Source: Author’s compilation.
In Figure 3.3 the spiral signifies the ongoing evolutionary trajectory of economic action wherein no single phase in a national retail market’s development is returned to, but each phase informs the next. The seven transitional phases located along the spiral describe patterns of market transformation following the entry of large-format retail TNCs. The three causal dimensions – phases of accelerated market transformation, phases of market actor contestation, adaptation and strategic action, and phases of government regulation and institutional, political-economic mediation of market transformation – encapsulate the different processes driving national retail market transformation.

Looking more closely at the events and processes leading to market change, phase one indicates the status of national retail markets before significant retail TNC investment initiated market change. In this study, Chapter Five addresses this phase and explores the evolution of Malaysia and Thailand’s respective national retail markets and the role of each countries wider institutional and political-economic environment in each sectoral system prior to the arrival of retail TNC investment. Phases two to five focus on the host economy impacts of retail TNCs and describe the initial entry and expansion of retail TNCs, domestic market actor resistance to retail TNC market changes, the introduction of sector specific regulations, and the outcome of these new regulations for market actors. Phase six indicates ongoing markets changes after the immediate impacts of regulatory tightening have been experienced. Phase seven highlights how national governments continue to be involved in the retail systems through policy-based initiatives and state-level economic planning, or when sectoral regulations are revised or updated.

Dimension one conceptualises periods of intense change and accelerated market transformation associated with the arrival of retail TNCs and the subsequent re-regulation of market processes by national governments. Through in-depth analysis of phases of accelerated market transformation and the host economy impacts of retail TNCs it is possible to develop a picture of the processes driving retail system change in contrasting national settings. This dimension is particularly important for profiling how Malaysia and Thailand’s national retail markets have evolved since the
1990s. It also facilitates identifying areas of commonality and difference between the two national retail markets, particularly in terms of how domestic market actors and transnational firms have shaped the development of modern retailing. The extent to which processes of retail globalisation have affected each country’s retail systems over time can also be assessed.

Dimension two conceptualises transitional phases in which market actors take action to express their strategic interests, firstly during the formulation of sectoral regulations and secondly, during the implementation of these rules. Giddens’ (1984) conceptualisation of the structuration process facilitates analysis of, and investigation into, how national retail markets are transformed by the agency of economic actors (agents) and through their interactions with social institutions (structures). Formal sectoral regulation is therefore conceptualised as a medium through which action takes place in national retail markets as well as the outcome of the recursive practice of knowledgeable agents. Correspondingly, the disagreements and periods of contestation between market actors, caused by the competitive impacts of retail TNCs within national retail markets, are conceptualised as points of market disjunction and contestation. The interaction of agents and social institutions during the implementation of sectoral regulations, can also lead to intended and unintended outcomes (Giddens, 1984). The varied outcomes arising from the re-regulation of retail systems can often intensify market transformation, and create new avenues of market change, and these processes are assessed in both Malaysia and Thailand’s national retail markets.

Dimension three conceptualises phases in which political-economic, socio-cultural and institutional arrangements within nation states influence and mediate sectoral level economic activity. By examining the processes through which regulations are formulated, and again as they are implemented, it is possible to examine how political and bureaucratic decision-makers, and the different institutions that implement regulations, impact upon market actor behaviour and the retail system as a whole. More specifically, five features conceptualised within comparative capitalism research – state planning and intervention, the role of political leaders,
the impact of dominant political-economic coalitions, the role of political instability and the strength of state-business linkages (Tipton, 2009; Zhang and Whitley, 2013; Witt and Redding, 2014b) – are employed to contrast the ways in which Malaysia and Thailand’s wider national economic systems and socio-cultural and institutional settings produce and reproduce distinct national retail markets.

In terms of the range of market actors that comprise national retail markets, Table 3.6 indicates the common collaborative and competitive inter-firm networks, and extra-firm network relationships that can exist in national retail markets. Extra-firm market actors are organised into political-government, business, and societal categories. The difficulty in identifying all possible market actors in national retail markets, and the processes through which market actor interactions occur, means that this list is representative rather than exhaustive.

<table>
<thead>
<tr>
<th>Inter-firm network actors</th>
<th>Extra-firm network actors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Collaborative relationships between</strong></td>
<td><strong>Political-government</strong></td>
</tr>
<tr>
<td>Retail TNCs</td>
<td>Senior representatives of governments</td>
</tr>
<tr>
<td>Domestic retailers (via joint ventures or franchise)</td>
<td>Government ministries</td>
</tr>
<tr>
<td>Shopping mall owner-operators</td>
<td>Regional level governments</td>
</tr>
<tr>
<td>Specialist retailers</td>
<td>City and town planners</td>
</tr>
<tr>
<td>Suppliers and producers</td>
<td>Local authorities</td>
</tr>
<tr>
<td>Manufacturers</td>
<td>Political parties</td>
</tr>
<tr>
<td>In-store vendors</td>
<td><strong>Business</strong></td>
</tr>
<tr>
<td>Property developers</td>
<td>Retail trade associations</td>
</tr>
<tr>
<td><strong>Competitive relationships between</strong></td>
<td>Supplier and producer trade associations</td>
</tr>
<tr>
<td>Retail TNCs</td>
<td>National chambers of commerce</td>
</tr>
<tr>
<td>Indigenous modern retailers</td>
<td>International chambers of commerce</td>
</tr>
<tr>
<td>Traditional retailers</td>
<td>Foreign government trade bodies</td>
</tr>
<tr>
<td>National, regional and local wholesalers</td>
<td><strong>Societal</strong></td>
</tr>
<tr>
<td>Shopping mall owner-operators</td>
<td>Consumers</td>
</tr>
<tr>
<td>Specialist retailers</td>
<td>News media</td>
</tr>
<tr>
<td>Suppliers and producers</td>
<td>Manufacturers</td>
</tr>
</tbody>
</table>

Source: Author’s compilation drawn from Wrigley et al. (2005), Coe and Wrigley (2007, 2009).

In summary, the conceptual framework outlined in this section is employed to examine the transformation of Malaysia and Thailand’s national retail markets since the entry of large-format food and general merchandise retailers. It provides the framework through which the research questions outlined in Chapter One are answered. The heuristic analytical tool in Figure 3.3 is used in Chapters Six and Seven to visually illustrate retail system transformation in Malaysia and Thailand. For each
country phases one to seven contain details of the changes experienced in each national retail market. The conceptual framework devised for this study activates the Peck and Theodore’s (2007) approach towards the analysis of contemporary capitalisms, developed within the Variegated Capitalism perspective. In so doing, it draws together the advantages of comparative capitalism analyses of national economic systems and approaches within economic geography that develop more inclusive, multiscalar and differentiated conceptualisations of economic activity for the analysis of two sectoral economic systems. This enables a deeper, more nuanced understanding of the role of globalised processes – retail globalisation and the activities of retail TNCs – and the institutional and political-economic conditions within nation states, which shape emerging economy retail systems. This supports the conceptualisation of national retail markets as distinct, path-dependent, contested multi-actor sectoral systems that evolve and change over time and in different ways. Before the empirical findings of this research are presented, Chapter Four explains the methodological foundations and the research strategy employed in this study.
CHAPTER FOUR

Undertaking comparative case study research to investigate national retail markets in Southeast Asia

4.1 Introduction

“Without rigour, research is worthless, becomes fiction, and loses its utility” (Morse et al., 2002: 1).

Moving on from theorising the characteristics of national retail markets, this chapter provides an account of the methodological strategy applied in this research. To ensure rigour, all phases of the inquiry process require consideration, from the ontological perspectives of the researcher to the selection of investigatory strategies. Each stage of the research undertaken in this thesis, from design to implementation, will be considered in this chapter.

The chapter is structured as follows. Section 4.2 begins with a discussion of the philosophical foundations of the research and its influence on the methodological choices made within the study. It then outlines the thesis’ comparative case study methodological strategy in Section 4.3 and justification is provided for each element of the research design. The issue of data collection is addressed in Section 4.4, with discussion focusing on the various methods used to acquire secondary data and the main source of primary data, the qualitative interview. Section 4.5 considers data analysis and the process through which participant interviews were coded and the data verified. Section 4.6 examines researcher positionality, particularly when undertaking corporate elite interviews, and research ethics. Section 4.7 concludes the chapter.

4.2 Research philosophy in economic geography

Decisions over which methodological strategies to follow and the type of methodological techniques employed should originate from research philosophy. Different research philosophies propose different ontological and epistemological
assertions about the nature of reality. Thus, the role of philosophy is to make social scientists aware of their own working assumptions of reality (Cruickshank, 2010), as “the nature of what exists cannot be unrelated to how it is studied” (Archer 1995: 16). In contemporary economic geography a range of research philosophies exist to guide theorisation and methodological approaches to research into the social world. These philosophies are not static collections of ideas, but have “evolved over time and often in reaction to the perceived shortcomings of other approaches” (Graham, 2005: 9). Anti-naturalist philosophies, which postulate the difference between the social and natural sciences, such as Marxism, post-structuralism, postmodernism, feminism (Aitken and Valentine, 2014; Graham, 2005) and critical realism (Bhaskar, 1979, Archer et al. 2007; Sayer, 2010) arose during the 1970s and 1980s as researchers began to question the validity of the (naturalist) positivist and empiricist approaches (Popper 1970), which had come to dominate geographical research in the post-war decades (Cloke et al., 1991). Internal variations exist within each perspective as researchers continue to debate the relationship between philosophy (concepts of knowledge and reality) and social science (theorisation and methodological practice) (Yeung, 1997). This chapter does not provide the opportunity to discuss the various philosophical doctrines available to human geographers and this is dealt with elsewhere in social science literature (Cloke et al. 1991; Graham, 2005). However, as the methodological strategy used in this thesis draws on critical realism, it is important to briefly outline the influence of this perspective on the research presented.

Critical realism is primarily an ontological argument about the nature of reality and knowledge of objects, rather than an epistemological prescription for social knowledge (Yeung, 1997). The work of Roy Bhaskar (1975, 1979, 1998) is widely considered to have been instrumental in developing critical realism as a distinct research philosophy (Elgar, 2010). Bhaskar (1975, 1979) challenged positivist and empiricist accounts of the procedures and discoveries of natural science in which knowledge of reality was drawn from inductive (verifying theory by observing relations of cause and effect) or deductive (using observation to test theories) reasoning. Positivism postulates an implicit closed system ontology, which presumes
that the natural world is constituted by fixed empirical regularities (Cruickshank, 2010). Critical realists reject this and for Bhaskar, when such an approach is applied to knowledge of social reality, it becomes empirically fallible because “social phenomena only ever manifest themselves in open systems” (1998: 144). Thus, “the elucidation of entities, powers and interactions cannot be grounded in empiricist induction or covering law deduction” (Elgar, 2010: 254). Critical realism therefore makes different ontological claims from positivism and empiricism.

First, human knowledge of reality is mediated through our experience of it, the language we use to describe it, and the conditions and social relations in which knowledge is produced (Sayer, 2010). Critical realists view reality as an open-system stratified into the real (the underlying causal properties and powers of nature), the actual (the particular ways these powers are expressed – or not – as particular conditions and causal mechanisms interact or do not interact) and the empirical (the outcomes of causal mechanisms that can be perceived and observed) (Elgar, 2010). Reality is consequently made up of various entities (such as firms), which have necessary and contingent relations, structures (both internal and external to entities) with causal powers and liabilities, and events (or outcomes) of social activity and interactions (Sayer, 2010). Reality is therefore complex and difficult to comprehend with empirical findings potentially including an element of conjecture about the nature of the real (Easton, 2010).

Second, critical realism considers the causal relationship between social structures and human agency as a recognisable feature of social life (Cruickshank, 2010). Two types of relationships exist: necessary and contingent. Necessary relations derive directly from the entities involved (an object or entity will be dependent on the existence of another), whereas contingent relations are those that may or may not occur (an object may be dependent on another) (Sayer, 1992; Easton, 2010). Associated with this conceptualisation is critical realism’s approach to structure and agency in the social world. In contrast to feminist and Marxist ontologies, critical realism does not draw on a holistic or grand theory to explain the relationships between agents and structures (Graham, 2005). For critical realism, understanding
how and the degree to which structures and agents interact is key to revealing how reality is mediated and produced. Elucidating upon Gidden’s (1979, 1984) theory of structuration, previously outlined and discussed in Chapter Two, Archer (1995) emphasized the duality of structure and agency in which structures were real entities with causal powers, actively dependent upon both the past and present, but whose existence is not dependent upon agents conceptualisation of them. Equally, agents may change structures – as structures are contingent on the continued action and mediation of agents (Sayer, 2010) – but such transformation takes time and remains “a matter of empirical investigation rather than a priori theorising” (Cruickshank, 2010: 590; Archer 1995; Archer et al., 1998). This last point echoes the approach taken in this study towards the process of structuration and the relationship between institutions and agents in the construction of national retail markets. These features of critical realism mean it is more suitable than other philosophical approaches when considering the research focus of this study. For example, an ontology that prioritised inquiry into the balance of power between men and women, as in feminist perspectives, would not be suitable (Graham, 2005) or one that tended towards structuralist perspectives in which “individuals are reduced to passive agents in the production and reproduction” (Graham, 2005: 25) of capitalism, as in some Marxist philosophies (Cloke et al., 1991).

This raises the issue of epistemology and how critical realist philosophy translates into methodological strategy to produce theoretically informed concrete research. Critical realism offers some guidance on methodological strategy, although debate continues over what it actually means to do critical realist research (Yeung, 1997). Fundamental to critical realism is the question of, once social phenomena are identified why do they occur (Easton, 2010)? Emphasis is therefore placed on identifying causal processes (mechanisms), contextualising social phenomena, attentiveness to temporal sequencing and interaction effects, and the critical contextualisation of actors accounts (Elgar, 2010: 255). This leads critical realists to prioritise research strategies and methods (whether quantitative or qualitative) according to the type of data produced, rather than ascribing value to one particular set of methods above another. For example, in human geography and more
specifically economic geography, greater attention has been paid to developing process-based methodological frameworks that involve “the creative and coherent deployment of different methodological practices [...] that [are] sensitive to specific research questions and/or contexts” (Yeung, 2008: 443). This study follows this approach by combining different data collection techniques to ensure empirical and analytical depth. The conceptual framework explained in Section 3.6 indicates why such an approach is required and why critical realism, as an ontological perspective, is most appropriate for this study. Questions relating to the causal mechanisms and processes of path-dependency within national retail markets, and the national environments in which they are embedded, are best answered through methods sensitive to the complexity of social phenomena, such as qualitative interviewing.

The critical realist approach also advocates avoiding methodological dualism in social science (i.e. quantitative vs. qualitative, deductive vs. inductive, objective vs. subjective) and instead promotes developing multi-method strategies that include both quantitative and qualitative techniques to ensure methodological validity, reliability and reflexivity throughout the research process (Yeung, 1997; Philip, 1998). This implies that methodological strategy should not be conflated with the technical aspects of a method as “the same method can be used by researchers who come from different ontological and epistemological starting positions” (McEvoy and Richards, 2006: 69). Epistemologically, it draws researchers away from ascribing particular methodological approaches with particular philosophical stances, such as positivism with quantification and humanism with qualitative research (Philip, 1998).

In terms of developing theory from concrete research using a critical realism perspective, Sayer (2010) contrasts two types of research design – extensive and intensive, ostensibly capturing breadth versus depth – and explores how each produces different types of knowledge and potential theorisation. Extensive research focuses on assessing regularities, patterns and distinguishing features of populations to reveal representative generalisations and uses techniques such as statistical analysis and large-scale questionnaires of representative sample populations (Sayer, 2010: 244-5). Intensive research uses mainly qualitative
techniques – including the study of agents in their causal contexts, participant observation and/or interviews – to uncover “causal explanation of the production of certain objects or events, though not necessarily representative ones” (Sayer, 2010: 243). In contrast to knowledge derived from extensive research, which can potentially be replicated by other researchers, intensive research produces contingent knowledge that is unlikely to be replicable. This study employs an intensive research design to empirical investigation. Sayer (2010) points out that acquiring contingent knowledge does not preclude intensive research identifying commonalities between different settings or that abstracted (theorised) knowledge is less objective (i.e. uncorroborated) about subject matter in different contexts. Rather, objects occurring in separate settings can “continue to exist while other constituents undergo changes in attributes which are not relevant to their reproduction” (Sayer, 1992: 94). In effect, the identification of invariance within social systems forms the basis for theorising from concrete knowledge (Easton, 2010). Theorisation can also ensue when moving from “description of some phenomena to a description of something which produces it or is a condition for it” (Bhaskar, 1986: 11), a process described as retroduction by critical realists (Yeung, 1997). For critical realists these processes highlight the theoretically driven but open-ended nature of social research (Elgar, 2010).

In sum, this research follows an anti-naturalist perspective to research into social phenomena and it relies on the philosophical foundations of critical realism within economic geography. The advantage of critical realism when compared to other ontologies used within human geography is its emphasis on investigation into causal relationships and its perspective on context, structures, agents and events. Proponents of critical realism have also indicated ways of arriving at theoretical knowledge drawn from appropriately selected research methods and intensive research designs. When compared to Marxist, feminist and postmodern ontologies (Graham, 2005), critical realism most closely reflects the views of the researcher towards reality in the social world. Its epistemological dimension is commensurate with the focus of this study, which examines the causal processes behind the
production, transformation and regulation of national retail markets in Southeast Asia.

4.3 Research design: an explanatory, cross-national comparative case study

Different perspectives exist on what case study research entails. Some view it as an inquiry strategy (Denzin and Lincoln, 2005), a methodology (Merriam, 1998), phenomenon explored through one or more cases within a bounded system (Stake, 2005; Creswell, 2007) or a comprehensive research strategy (Yin, 2003, 2009). Despite the different classifications, most scholars acknowledge that case study analysis is a qualitative approach that involves investigation through detailed, in-depth data collection involving multiple sources of information (e.g. observations, interviews, audiovisual material, documents and reports), although varying viewpoints exist on the role of quantitative techniques (Creswell, 2007; Baxter and Jack, 2008; Yin, 2009). Yin postulates that case studies comprise “an all-encompassing method – covering the logic of design, data collection techniques, and specific approaches to data analysis” (2009: 18). This thesis employs Yin’s (2009) perspective to case study research. The value of the comprehensive case study strategy rests in the type of knowledge it can yield about the social world. As a mode of empirical inquiry it “investigates a contemporary phenomenon in-depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin, 2009: 18).

Case study research can be differentiated not only by the methodological approach, but also by the size and number of cases examined and the underlying analytical intent (Creswell, 2007). Stake (1995, 2005) suggests three variations in analytical intent: instrumental (a single case to illustrate a particular issue or refine a theory), collective or multi-case (multiple cases used to illustrate or make comparisons about a particular issue in different sites), and intrinsic (investigation into an issue to better understand social phenomena as opposed to replication or illustration). Both comparative and intrinsic approaches are applied in this research. In turn, Yin (2003, 2009) advances four case study forms: exploratory – an initial investigation as a preliminary adjunct to further study; descriptive – where cases are characterised
and/or illustrative of issues; explanatory – investigating causal links in real-life phenomena; and lastly, enlightening – to expand on previously investigated issues. Woiceshyn (2010) asserts the value of explanatory case studies vis-à-vis exploratory and descriptive case studies, stating that “to answer ‘why’ questions [...] linkages between events must be identified [...] for building explanatory theories that generalize from the story” (Woiceshyn, 2010: 137). Intrinsic, explanatory case study research, as applied in this research, inevitably also includes aspects that are instrumental as well as descriptive and exploratory, as describing context and examining the role of events are part of determining causal processes (Creswell, 2007; Woiceshyn, 2010).

Explanatory case study research is compatible with critical realism as “the cutting edge of this method is to continue to ask the question, why?” (Easton, 2010: 124). Data collection is necessarily eclectic, with the choice of method “governed by what is thought to be required to establish causal mechanisms” (Easton, 2010: 124). The emphasis on causal processes enables exploration of how context and social entities are structured and how agents interact with and constitute them, all of which is “crucial for explanation” (Sayer, 2010: 248). Case study research also supports the iterative review of acquired knowledge through continuous cycles of research and reflection (Easton, 2010). This ensures the complexities of the systems studied are revealed and causal misattribution is avoided (Sayer, 2010). Hence, explanatory case study designs adhere to critical realism’s focus on the origins of social phenomena and extrapolation of relationships between context, causal processes, structures, agents and social outcomes.

Intensive explanatory case study research can also include comparative, cross-national and longitudinal investigatory strategies (Ruspini, 2003). These elements of research design further refine the analytical focus and intent of case-based investigations and are used within this thesis. McFarlane suggests comparison is “an explicit methodology and an implicit mode of thought that informs how we construct knowledge and theory” (2010: 726). As a strategy of critique and alterity (otherness), comparison depends on a “continuous process of criticism and self-
criticism” (McFarlane, 2010: 727) throughout the inquiry process, which reinforces iterative reflexivity by the researcher. As a methodological strategy, comparison can be used to reveal “the assumptions, limits and distinctiveness of particular theoretical claims and secondly, for formulating new lines of inquiry and more situated accounts” (McFarlane, 2010: 727). Another objective of comparative research is to increase empirical knowledge; it can be used to assess our understanding or expectations of existing circumstances. This implies social phenomena are better understood when two or more meaningfully contrasting cases or situations are examined.

Cross-national comparative research is one form of case-based comparative inquiry. The intention of cross-national research is to compare how social phenomena are manifested in different socio-cultural settings – in terms of institutions, customs, traditions, value systems, life styles, and language – and to seek explanations for similarities and differences to gain a deeper understanding of social reality in different national contexts (Hantrais, 1996; Bryman, 2008). As discussed in Chapter Two, this study draws on a field of research that compares national economic systems and forms of capitalism within nation states, broadly described as comparative capitalism perspectives. This body of work has formulated a range of typologies and taxonomies of national capitals in different parts of the world and while national varieties are presented and interpreted in different ways, empirical comparison forms the basis for theorisation. Without comparison it would be impossible to determine if the features identified in a national setting were a unique product of that country or part of a wider set of processes (Bryman, 2008). Cross-national comparison of national economies is the underlying mode of inquiry in this thesis, albeit the focus is restricted to one area of economic activity – retailing – and the influence of the national capitalism within each state studied. Comparative inquiry in this thesis is not, however, restricted to the national scale, but informed by perspectives within economic geography that introduce empirical and analytical sensitivity to the variegated, multi-scalar and temporal-spatial nature of economic activity and different forms of capitalism (Henderson et al. 2002; Peck and Theodore, 2007; Zhang and Peck, 2014).
Yin (2009) outlines six components of comprehensive case study research design, namely: research questions or propositions that establish the focus and parameters of the study; a clear unit of analysis; links between data and research focus; determining criteria for analysing; the interpretation of data; and, lastly, theory development. In this study, Chapter One introduced the research questions and Chapters Two and Three developed the theoretical focus and parameters of the study, therefore it is not necessary to repeat these aspects of research design here.

In terms of investigatory focal points, the social phenomena at hand – national retail markets – are the primary unit of analysis for this multi-case research. This is determined by the research questions and the cross-national comparative nature of the study and analytical emphasis on the role of distinct national contexts in shaping the transformation and regulation of retail industries within nation states. As explicated in Chapters Two and Three, nation states and national retail markets are not static or delineated closed systems. They are dynamic open systems that are intersected by structures (e.g. formal regulation and governmental institutions), actors (e.g. consumers, retail associations and retailers) and processes (e.g. competition or regulatory change) that crosscut the national scale (the focal point of analysis).

In terms of establishing a clear link between research focus, data collection and criteria for analysis, Section 4.4 explains this study’s data collection strategy and Section 4.5 tackles the process of data interpretation and verification. As for the role of theory, Yin (2009) states prior theorisation should inform not only the selection of cases, but also the potential theoretical contribution of case study research. Therefore, the question of how many cases to investigate requires some thought. Criticisms of single-case studies often reflect concerns about the uniqueness of a case and applicability beyond the single example studied (Yin, 2009; Bryman, 2008). Two or more cases will potentially remove this concern by strengthening empirical conclusions and providing the opportunity for replication (if that is the aim of research). In addition, analytical conclusions will be more powerful coming from two or more cases than those coming from one (Yin, 2009). Similarly, whilst divergence between cases may limit replication and opportunities for generalisation, this is not
necessarily a weakness as analytical robustness can still occur by finding causal explanations associated with similar processes in different settings (Sayer, 2010).

The theoretical framework developed across Chapters Two and Three draws on conceptual and theoretical approaches that employ both theoretical and empirical comparison. Accordingly, two countries are investigated in this study and whilst Chapter Five provides a more detailed and theorised justification for the selection of the cases – Malaysia and Thailand – the rationale for selection also involved empirical and practical considerations. The decision-making process was guided by purposive sampling undertaken by the researcher. Purposive sampling refers to the strategic selection of cases so that the sample is relevant to the research questions (Bryman, 2008). Firstly, the case countries had to be sufficiently contrasting to ensure the comparative nature of this study was successful. Cases were chosen once the researcher had developed detailed knowledge of retail industries across Southeast Asia. The case countries were selected according to particular features present within their national retail markets and wider national contexts, a process that was informed by prior theorisation. For example, both countries had to contain examples of retail transnational investment and regulatory responses by national governments to the competitive impacts of these firms. Lastly, practical considerations in terms of financial, logistical and time constraints meant in-depth investigation had to be restricted to two national retail markets in Southeast Asia; any more would have challenged the viability of the study for the single researcher.

Successful case study research not only requires appropriate theoretical foundations, but it can also produce new theoretical knowledge (Yin, 2009). Dooley (2002) argues that case study research can fulfill four specific roles in relation to theory formulation. It can: inform, develop and refine a theory through applying previously conceptualised and operationalised theories (Lynham, 2002); provide confirmation or rejection of an existing theory; be designed for the purpose of creating new theory; and, lastly, be used for the purpose of extending the application and utility of a theory through replication in multiple cases in similar and dissimilar settings. There are thus four types of theorising in case study research;
theory-refining, theory-testing, theory-building or theory-verifying (Sarantakos, 2013; Babbie, 2004). Empirical investigation in this thesis is therefore guided by an analytical framework comprised of theories and concepts from two large fields of study: comparative capitalism research and economic geography. Each field of research is ultimately concerned with explaining the forms, outcomes and dynamics of economic organisation in contemporary capitalism, albeit from differing perspectives and with contrasting analytic intents.

Associated with the potential theoretical functions of case study research is the issue of knowledge production through generalisation from qualitative research. Yin (2003) points to the difficulty of generalising from single and even multiple case studies, and qualitative research is often criticised for being too subjective or guided by the positionality of the researcher (Bryman, 2008). It is not the overall intention of this thesis to produce results that can be generalised and replicated in other situations. Rather, the objective is to highlight the contrasting effects of distinct institutional environments on sectoral economic activity and theorise about the influence of national context on the characteristics and evolution of national retail markets. The empirical and theoretical generalisations arrived at in this thesis can be considered in terms of how well the concepts, interpretations and conclusions applied to one setting might potentially be applied to others (Sarantakos, 2013). By looking at social phenomena in different circumstances, finding similarities within different settings can lead to generalisation (Mayring, 2007).

Thus far, this chapter has dealt with the ontological and epistemological influences of critical realism on this thesis and provided details of the qualitative research design developed by the researcher to guide the inquiry process. The research design follows an intensive, comparative and explanatory case study approach that incorporates cross-national research strategies. The unit of analysis is the national retail market and the selected country case studies were chosen according to a purposive sampling technique. The thesis has potentially theory-building properties and aims to be theory-verifying and theory-refining, although generalisation is more likely to occur through assessing how well research findings fit other empirical
settings. Accurate and appropriate data collection is therefore critical to the investigatory process and Section 4.4 outlines the data collection process used in this thesis.

4.4 Undertaking multi-method research

Research began with extensive documentary analysis followed by a series of visits to Malaysia and Thailand to gather primary data. A multi-method approach was used as the research involved “a number of complementary methods [...] employed to address different facets of a research question, or to address the same research question from different perspectives” (Philip, 1998: 264). This should not be confused with mixed method approaches in which two or more methods are used to address a research question at the same stage in the research process and with the same research subjects (Philip, 1998). Secondary data sources were wide ranging and encompassed both documentary data – for example academic studies, official governmental documents, market research studies on economies and companies, articles from news media and industry publications – and statistical information acquired from company and governmental websites and other internet sources. At different stages in the research process, documentary analysis of secondary data was used to pursue new lines of inquiry as well as verify information from participant interviews. This multi-method strategy reinforced the iterative and reflexive data analysis undertaken. The following discussion addresses the secondary data collection process in more detail and considers the different techniques used to conduct semi-structured interviews.

Throughout the research process a range of documents were acquired from databases, Internet searches and library resources, through meetings with participants at conferences, and from local industry publications and media reports during field visits. In the initial stages of the study, documentary analysis – assessing and interpreting textual information (Coffey, 2014) – was important for determining industry characteristics, the regulatory conditions of retail markets, the international activities of transnational retailers and for identifying leading economic and institutional actors in the retail industries of Southeast Asian countries. Once two
Southeast Asian countries had been selected, secondary documentary evidence was gathered to identify potential interview participants prior to, during and between visits to the field. Initial findings from the early stages of the research were added to and amended as the research proceeded. This ensured that empirical data derived from documents and interviews were up-to-date and representative of the events and processes studied. The cross-cultural nature of the research meant time was spent translating information contained in Malaysian and Thai websites and documents into English. In these instances ‘Google Translate’ proved indispensable. Similarly, ensuring data such as official statistics was comparable was another challenge of cross-national research.

Made available by the University of Manchester Library, market research databases (primarily Euromonitor International, IGD Retail, and Planet Retail) provided an important source of qualitative and quantitative information on national economies as well as corporate, sectoral and governmental activities. The advantage of databases is that they “provide an accessible and comprehensive source from which to gather contextual data to help the grounding of interview data” (Chapman and Edmond, 2001: 59). Online databases shorten the time-consuming process of collating market data, can be accessed from a single terminal and often provide global coverage of national economies and specific sectors (Chapman and Edmond, 2001). Researchers can refine database searches according to predetermined terms and selection menus and the availability of longitudinal datasets allows users to study temporal and geographical change (Euromonitor International Database, 2016). Databases rely on a multiplicity of sources including journals, financial publications, newsletters, market research studies and non-English language texts. However, this does mean database information potentially includes a degree of selectivity error or misrepresentation and the researcher must be sensitive to this issue (Chapman and Edmond, 2001).

Primary information in this research came from semi-structured interviews with sixty respondents. There were legitimate reasons for choosing this method. Qualitative interviews are more focused, in-depth and detailed than ordinary conversations, yet
are less balanced because one person does most of the questioning and the other primarily answers (Rubin and Rubin, 2005). Qualitative personal interviews are therefore “communicative events in which interviewers and respondents are engaged in an active interaction and exchange of information through various communication channels and codes” (Yeung, 1995: 322). Semi-structured interviews prioritise open-ended questions that provide respondents with latitude to articulate their responses and an opportunity “to organise their answers within their own frameworks” (Aberback and Rockman, 2002: 674), which often increases the validity of participant response. In-depth interviews denote a face-to-face interchange between researcher and informants with the purpose of understanding the latter’s experiences and perspectives (Welch et al., 2002) as well as revealing contextual nuances about the processes and relationships being investigated (Aberback and Rockman, 2002). The strength of the in-depth semi-structured interview therefore lies in its ability to examine dynamic, context-dependent and interactive phenomena (Welch et al., 2002). Empirical depth can be achieved if a researcher can deal with “the complexity of multiple, overlapping and sometimes conflicting themes” (Rubin and Rubin, 2005: 35) whilst paying attention to specific meanings, situations and history. Together, these elements make the semi-structured interview method more appropriate than other forms of inquiry, such as structured interviews or surveys, for discovering the processes and relationships that shape and produce distinct national retail markets. Flexible, in-depth interviews enable greater empirical sensitivity to the messy and complicated economic landscape of globalised economic activity. As a method, the semi-structured interview is also consistent with the intensive research approach encouraged by critical realist perspectives to empirical investigation (Yeung, 1995).

In qualitative personal interviews a good interviewer will: be well prepared; be alert to establishing rapport through mutual trust and interest; develop an interested listening role; be analytical of the relationships, schemes, meanings and explanations provided by the informant; be non-reactive; non-directional or therapeutic; be sensitive to issues of power and control; and patiently probe (Glesne and Peshkin, 1992). The interviewer and participant have mutual influence during the interview
relationship; however, the researcher has greater responsibility to ensure self-reflection during the inquiry process. Researchers must be sensitive to their own biases, experiences and cultural lenses – i.e. their positionality – and how this can influence the questions that are asked, the type of answers given, and the subsequent interpretation of interview data (Rubin and Rubin, 2005). Similarly, deciding whom to approach for the purpose of research through interviews is a process informed by both prior theorisation and the actions of the researcher during data collection in the field.

In this study it was important to gather a representative sample from the different firms, organisations and institutions involved in, or affected by, the modernisation of retailing in each of the case countries. Guided by prior theorisation (Wrigley et al., 2005; Coe and Wrigley, 2007; Mutebi, 2007; Wrigley and Lowe, 2010), eight categories of market actor were selected for interview: transnational retail firms, international branded retail firms, domestic retail firms, shopping mall owner operators, retail trade associations, business associations, governmental institutions, retail consultancies and those with expertise on the legal and political-economic conditions of the selected case counties. The last group represents an external sample group. External sampling refers to the inclusion of participants outside the focal organisations, but with knowledge of them, in order to gain alternative perspectives (Welch et al., 2002). These expert respondents provided contextual information about the legal, institutional and economic environment in each case country. For example, legal experts with knowledge of Malaysian and Thai legislation and the process through which regulations are devised and implemented were interviewed. Table 4.1 lists the firms, institutions and organisations represented by participants interviewed for this study (a full list of participant interviews is provided in Appendix 1). The category ‘other’ indicates respondents interviewed by telephone (Germany and Hong Kong) and in person (the UK and Singapore) based outside the case study countries. The number of interviews identified for each category includes email interviews and those undertaken over the telephone.
Table 4.1 The firms, institutions and organisations represented by research participants

<table>
<thead>
<tr>
<th>Market Actor</th>
<th>Malaysia</th>
<th>Thailand</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transnational retail firms</td>
<td>5</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>International branded retail firms</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Domestic retail firms</td>
<td>2</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Shopping mall owner operators</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Retail trade associations</td>
<td>1*</td>
<td>3*</td>
<td></td>
</tr>
<tr>
<td>Business associations</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Governmental institutions</td>
<td>-**</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Retail consultancy</td>
<td>5</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>External expertise</td>
<td>3</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>Total number of interviews undertaken</strong></td>
<td>22</td>
<td>29</td>
<td>8</td>
</tr>
</tbody>
</table>

*Several retail trade association respondents also represented other domestic retailers or domestic shopping mall operators **In Malaysia, interviews with government representatives were repeatedly requested, but declined.

Purposive sampling was used to identify potential research participants with expertise or experience of retailing within the different firms, institutions and organisations listed. Interviews with participants from transnational retail firms included government-business affairs and corporate affairs executives, marketing directors, business development managers, store managers, purchasing and trading directors, former Chief Executive Officers (CEOs) and Chief Operating Officers (COOs). In terms of international branded retailers participants included the managing directors of foreign subsidiaries and firms operating the franchise of an international brand. Participants from domestic retailers were either managing directors or owner-managers of the firms involved. Shopping mall owner-operators were represented by CEOs and senior managers who were directly involved in the management of shopping malls. Participants from retail trade associations, business associations and government institutions were presidents, vice-presidents or directors of the organisations they represented. Similarly, participants from retail and property consultancies included managing directors and divisional vice-presidents. As this list reveals, interview participants were primarily employed at senior levels within the firms and organisations they represented. Section 4.6 considers the impact of interviewing elite participants on the data collection process in more detail.

Representatives from each category were identified in the case countries through analysis of market reports from databases, Internet searches and by examining
company and governmental websites and online news reports. Participants were approached in several ways. Professional groups operating via an online professional network (LinkedIn) enabled the researcher to establish contacts within the two case countries. During field visits to Malaysia and Thailand respondents were cold-called as contact details were often provided by company websites. These interviews often led to further interviews through snowballing (Morgan, 2008), wherein interviews occurred as a result of referrals from interviewed respondents. In several cases this led to interviews with participants from the same business or organisation. Attending the World Retail Congress in Germany in 2011 and London in 2012 provided the researcher with an opportunity to network and observe the current concerns and debates within the global retail industry as this conference attracts representatives from around the world. Attendance at both conferences led to participant interviews with respondents who provided contextual expertise about the global retail industry.

In terms of sampling, Goldstein suggests a “sustained period of time ‘in country’ is key to making connections and being able to set up interviews” (2002: 671). In total over two months were spent in each case country and this provided sufficient time to access participants from the eight interview categories. In the process of accessing participants, Welch et al. (2002) remark that the researcher should be sensitive to the impact snowballing can have on a data sample. For example, bias might occur as participants may refer the researcher to those that share their perspectives and interests. However, one advantage of the technique was to gain access to groups of people who otherwise would have been hidden or inaccessible. Bewley suggests interviewing a variety of participants is important because “without it you cannot see the connections between responses and the circumstances of various types of respondent” (2002: 345). For example, interviews with participants from within the same company provided the opportunity to gather different perspectives about common issues and a deeper understanding of the firm involved.

In this study snowballing enabled access to a varied sample of respondents. At each interview informants were asked to refer the researcher to contacts with expertise
in specific areas of the retail market. As Table 4.1 indicates, participants were interviewed from each of the eight categories, bar representatives from government institutions in Malaysia. Considerable effort was made to access a representative sample of each category across the case countries, and in Malaysia requests for interviews were submitted to representatives from the Malaysian government and the Ministry of Domestic Trade, Commerce and Consumers, but all requests were declined. Such limitations were mitigated by the interviewed participants as many of those interviewed represented the interests of more than one market actor or had experience and expertise of different parts of the retail industry due to the different roles they had undertaken throughout their careers. This was particularly the case for participants representing retail trade associations – who often represented domestic retailers or shopping mall owner-operators – and representatives of retail transnationals’ that had previously worked in governmental ministries and the civil service.

Notes were taken throughout each personal interview and reviewed after each meeting and fed back into the design and question structure of subsequent interviews (Rubin and Rubin, 2005). All personal interviews, bar one, were digitally recorded and transcription took place as soon as possible after each interview. Digital recording facilitated the conversational style of the semi-structured interviews and minimized potential information loss (Aberback and Rockman, 2002). During the interview in which the respondent did not wish to be recorded (to protect their anonymity and maintain corporate confidentiality), detailed notes were taken and the respondent was asked to confirm points of information that had been written to ensure accuracy. As the researcher had previously been employed as a minute-taker for confidential meetings in which accuracy was paramount, producing a representative written record of the interview, whilst challenging, remained achievable. Most interviews took place in the offices of the respondents although a number took place in public spaces such as cafés and hotel lobbies. Interviews undertaken in public spaces were usually the result of participants wishing to meet at times that did not interfere with their work commitments and at locations near to their offices. Fieldwork in Malaysia and Thailand was undertaken during 2011 and
2012. Malaysia was visited twice and Thailand three times. After each visit the transcribed interviews were reviewed and used to evaluate emerging empirical themes and the analytical direction of data collection. This reinforced the ongoing reflexive and iterative analysis of data as it was acquired and the elaboration of theorised empirical themes.

In this research four group interviews were undertaken, three in Malaysia and one in Thailand. In each case senior managers had requested the presence of middle managers and or junior staff members in order to include their expertise of the issues being investigated. Group interviews are defined as “an interview in which several respondents are simultaneously questioned by the researcher” (Bloor and Wood, 2006: 99). Group interviews are distinct from focus groups as they are intended to gather data from more than one participant at one time, cover a variety of topics (rather than one issue at length) and are focused on the individual views and perspectives of participants rather than the interaction of the group (Bloor and Wood, 2006). These interviews proved particularly informative as participants shared a range of experiences and expertise that generated new avenues of thought and inquiry in the study. In terms of interviewing, these meetings did require additional interviewer sensitivity and alertness to manage and respond to the simultaneous and contrasting answers provided by different respondents.

Several participants who could not be interviewed during the field visits to Malaysia and Thailand agreed to provide information via email. Four e-interviews were conducted (two as a follow up to a personal interview) in which a series of four to six tailored questions (fewer than in personal interviews) were emailed to participants so that answers could be supplied via an emailed reply. The e-interview is a valid method of inquiry (Bampton and Cowton, 2002). When compared to personal interviews, e-interviews are often shorter (concisely written emails) to maintain participant interest and focus, they are asynchronous as pauses often occur between episodes of communication, which give respondents time to consider their answers (thereby improving the validity of responses), and the interview relationship takes place at a distance and through the medium of electronic screen-based text
(Bampton and Cowton, 2002). E-interviews do not require transcription, are not constrained by geographical location or time zone, and are less costly than personal interviews (Selwyn and Robson, 2003). However, emailing questions means that the “bandwidth of an e-interview is severely restricted” (Bampton and Cowton, 2002: 15) when compared to the social reading that occurs in a face-to-face interview. Despite this limitation, e-interviews remain one of the “more personal and thoughtful forms of computer-mediated communication” (Mann and Stewart, 2000: 128).

Telephone interviews were also undertaken in this research in order to speak to individuals with expertise in retailing or experience of retail markets in Southeast Asia who were overseas (Hong Kong and Germany), or unable to attend an interview in person due to their work commitments. Johnson notes that telephone interviews naturally follow the semi-structured format as the researcher can lead the conversation easily through the question structure, but “there remains ample opportunity for discussion and further questions to be explored” (2014: 11). Telephone interviews require a good level of social skills on the part of the researcher as well as the participant in order to succeed. In each of the three telephone interviews undertaken, rapport was quickly developed with the respondents and interesting, informative conversations ensued. Often due to the added effort and concentration required in telephone interviews, respondents gave very focused and detailed answers to questions. As a group, those who agreed to telephone interviews were professional people who researchers could reasonably “assume to have different rapport requirements” (Johnson, 2014: 11). Similar to face-to-face meetings these interviews lasted about an hour, sometimes longer and were digitally recorded by using the speaker function on the telephone used. This meant no data was lost or errors introduced to the record of the conversation. In sum, this section has examined the methods used to gather information on the transformation and regulation of national retail markets in two Southeast Asian countries. The next section considers data analysis and verification and ethical practice.
4.5 Considering analysis, data verification and coding interview data

In explanatory case study research, analysis occurs throughout the data collection process. For example, analysis is undertaken during personal interviews as the researcher condenses and interprets responses, it occurs as the interview is transcribed and again as information is collated, categorised and verified (Kvale, 2007). Explanations of causal processes are continually refined as questions are answered in an iterative process that moves between data and interpretation (Yin, 2009). In this sense, “there is only interpretation. Nothing speaks for itself” (Denzin, 1994: 500) and making sense of data is essentially a matter of deriving meaning (Simons, 2009). Several strategies were used to analyse (the procedures used to organise data) and interpret (deriving understanding and insights) interview and secondary data in this study (Simons, 2009).

Once participant interviews were transcribed, participant statements were rephrased into a few words that reflected the content of what had been said, a process called meaning condensation (Kvale, 2007). Figure 4.1 indicates the three levels of coding that were used to organise, analyse and interpret participant information. Level one codes indicate the broad themes of investigation: the actions and perspectives of national retail market actors, the features of the national retail market and nation state, and the interactions between market actors and institutions, and sectoral regulation. Level two codes narrow the focus to specific market actors, characteristics of the market and national environment, types of actor interactions, and regulations present. Using the short annotated descriptions of participant statements, quotes were extracted from transcripts and grouped into level three coded categories. For example, statements that dealt with issues associated with large-format regulation in Malaysia were grouped together as were participant references to the competitive impacts of transnational retailers, resistance by domestic retailers and traditional retail, and so forth. The same categories were applied to quotes referring to Thailand’s national retail market. The conceptual framework outlined in Section 3.6 guided the coding strategy for organising participant interview data presented in Figure 4.1. The combined, coded
information was organised into documents, which formed the empirical information described by second level codes, and each document was given an appropriate file name. Each case country had the same level two code documents and comparative analysis could be undertaken easily as common themes could be identified through the level three codes.

**Figure 4.1 Coding structure for the comparative analysis of interview data**

<table>
<thead>
<tr>
<th>1&lt;sup&gt;st&lt;/sup&gt; Level code</th>
<th>2&lt;sup&gt;nd&lt;/sup&gt; Level Code</th>
<th>3&lt;sup&gt;rd&lt;/sup&gt; Level code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actions and perspectives of national retail market actors</td>
<td>Transnational and domestic grocery retail</td>
<td>Retail TNCs, indigenous retail, suppliers, wholesalers, convenience segment.</td>
</tr>
<tr>
<td></td>
<td>Specialist and non-food retail</td>
<td>Franchising, international firms, domestic firms.</td>
</tr>
<tr>
<td></td>
<td>Shopping mall retail</td>
<td>Sector overview, mall design and development, mall associations.</td>
</tr>
<tr>
<td></td>
<td>Consumers</td>
<td>Consumer characteristics, income variation, sales promotions, response to TNCs.</td>
</tr>
<tr>
<td></td>
<td>Extra-firm actors</td>
<td>European and British institutions, retail trade associations, retail and property consultancies.</td>
</tr>
<tr>
<td>Features of the national retail market and nation state</td>
<td>National retail market characteristics</td>
<td>Past retail development, contemporary retailing, future developments.</td>
</tr>
<tr>
<td></td>
<td>Government and national state characteristics</td>
<td>Government leadership, regulatory departments and institutions, political issues, economic planning.</td>
</tr>
<tr>
<td>Interactions between market actors and institutions</td>
<td>Domestic resistance</td>
<td>Small scale resistance, indigenous retail opposition, political sensitivity, role of trade associations in regulatory negotiations.</td>
</tr>
<tr>
<td></td>
<td>Government and grocery retail interactions</td>
<td>Lobbying, store openings, regulatory negotiations, government perspectives.</td>
</tr>
<tr>
<td></td>
<td>Government and non-grocery interactions</td>
<td>Government policies for mall development, infrastructure, joint venture and franchise arrangements.</td>
</tr>
<tr>
<td>Sectoral Regulation</td>
<td>Large-format regulation</td>
<td>Market entry rules, market operation rules, federal, state and local level implementation, impacts of regulation on retail TNCs, market outcomes.</td>
</tr>
<tr>
<td></td>
<td>Shopping mall and branded retail regulation</td>
<td>Licensing and registration, taxation, import rules.</td>
</tr>
</tbody>
</table>

This process made participant data accessible and comparison between the case countries more fruitful. Alongside meaning condensation and coding, interviews were analysed through a process of bricolage or “the free interplay of techniques” (Kvale, 2007: 115) to note patterns and themes and make comparisons. Transcripts
were reread, specific or interesting passages reexamined, relationships between actors identified and contrasting perspectives highlighted. This meant that information obtained from elite interviews could be interpreted in context (Yeung, 1995). Furthermore, interview bricolage facilitated researcher sensitivity towards, and interpretation of, the meanings attributed by participants to events and market actor interactions.

As with interviews, texts from databases and other sources were examined as resources (or repositories of information) and in relation to other written materials (Coffey, 2014). The function of documents and how they are constructed must be considered in terms of the interests of the author, potential audience and the reality that is being represented (Coffey, 2014). Similarly, ascertaining the validity of textual evidence requires consideration of a document’s authenticity (i.e. whether the evidence was genuine and of unquestionable origin), credibility (i.e. whether the document is free of error and distortion), representativeness (i.e. is it typical of its kind), and lastly, meaning (i.e. is the document clear and comprehensible) (Scott, 1990). One limitation of documentary data is that it can include bias or present particular versions of reality; consequently, it should not be treated as unquestioned evidence of what is reported (Coffey, 2014). For example, corporate texts are illustrations of company rhetoric and discourse that need to be “constructed (to identify the overall message) and deconstructed (to identify assumptions, inconsistencies and hidden agendas)” (Chapman and Edmond, 2001: 60).

In order to foster reliability in this research secondary text based and statistical data was acquired to contextualise, guide and crosscheck information gathered from interviews. As with all forms of data, information from elite interviews must be reinforced by other forms of empirical data (Lilleker, 2003). In this regard, the researcher can improve the quality of data by their actions (Morse et al., 2002). For example, good preparation for an interview not only leads to good data, but also improves the credibility of future interviews (Goldstein, 2002). A coherent relationship between the methods used to collect data and the procedures for interpreting and analysing data improves reliability and validity, as does collecting
and analysing data concurrently (Morse et al., 2002). These strategies were employed within this study. Similarly, researchers can safeguard against empirical fallibility by using triangulation to achieve convergence validity (Yeung, 1997). In this thesis data triangulation (cross checking data related to the same phenomenon) was used to reinforce the validity of the data and empirical conclusions (Yeung, 1997; Bloor and Wood, 2006). Yeung remarks that “triangulation is useful in so far as different facets of a concrete phenomenon are researched through the most appropriate combination of methods; it is surely not about replication per se, but about making connections within particular cases” (1997: 65). In other words, beyond ensuring empirical validity, triangulation through complementary methods – such as those used in this thesis – can enhance a researcher’s appreciation of, and investigation into, complex social phenomena. Lastly, self-reflection by the researcher is a further aspect that informs the reliability and validity of data and the data collection process. Section 4.6 considers this issue in more detail by reflecting on researcher positionality and the issues associated with interviewing elite participants.

4.6 Interviewing elites, the role of researcher positionality and ethical practice

The nature of the organisations and institutions involved in national retail markets meant that many of the interviewed respondents could be considered elites and “those with close proximity to power or policymaking” (Lilleker, 2003: 207). In the corporate and international business environment, elites have been defined as:

“An informant, (usually male) who occupies a senior or middle management position; has functional responsibility in an area which enjoys high status in accordance with corporate values; has considerable industry experience and frequently also long tenure with the company; possesses a broad network of personal relationships; and has considerable international exposure” (Welch et al., 2002: 613).

The advantage of this definition is that it focuses on international business and does not assume that elites are confined to senior management positions (Welch et al, 2002). How elite informants are defined will inevitably vary according to different contexts, whether corporate, political or other, and research focus (Yeung, 1995;
Interpretations of the power elites are considered to hold are not unproblematic; power can be derived from knowledge, political authority and, in the case of this research, from the professional position they hold in corporate and business contexts (Smith, 2006).

In economic geography, interviewing is a well-established method of gaining access to business elites (Dicken and Thrift, 1992). Elite interviews add greater depth to analysis of an event or phenomena and can reveal more about the “machinations between influential actors and how a sequence of events was viewed and responded to” (Lilleker, 2003: 208). However, researchers face potential challenges when seeking interviews with elites, principally obtaining access and managing the power asymmetry between interviewer and interviewee (Welch et al., 2002). Compared to non-elites, elite respondents’ views can be more difficult to penetrate than that of other groups (Smith, 2006). Elites are busy people with many demands on their time (Goldstein, 2002) and access can be constrained by the nature of the organisation involved and the role of ‘gatekeepers’ (Yeung, 1995). Researchers can improve the likelihood of reaching elites by highlighting their professional standing and drawing attention to their institutional affiliation (Welch et al., 2002). Luck also plays a role and gaining access relies upon a degree of opportunism and persistence on the part of the researcher (Yeung, 1995). In this research, developing rapport with the personal assistants of elite informants, who were mostly women, became a crucial part of securing interviews as they not only managed the informants’ appointment schedules, but also potentially evaluated the quality of the research and researcher. These relationships raise the issue of researcher positionality in elite interviews and the issue of power in corporate interview settings requires consideration.

In terms of power, elites are accustomed to exerting authority over others, and are “better equipped to protect themselves and are better positioned to manipulate research results and dissemination” (Smith, 2006: 644). Consequently, the interview can be a site in which elite interviewees pursue their own points of interest (Schoenberger, 1991). For example, elites can potentially take charge of interviews by ignoring questions or saying what they want, and whilst this can throw up
interesting details, it is often counterproductive to the research process (Lilleker, 2003). The power imbalance can begin at the point of access, with researchers grateful for the opportunity to carry out their research interview (Welch et al., 2002). Conversely, researchers may arrive at an interview that has resulted from a referral by a previously interviewed elite member and are thus able to establish a degree of credibility in the eyes of the potential participant (Herod, 1999). It is important not to automatically assume the existence of a power imbalance between researcher and elite participant in the interview space; rather, that the power relations are negotiable and context dependent (Smith, 2006). Encouraging elite informants to regard the interview as an intellectual discussion, and the researcher as a facilitator of their own thinking and ideas, may resolve possible power asymmetries and create a space for intellectual dialogue (Welch et al., 2002). Strategies to mitigate elite participants dominating interview topics include thorough preparation for the interview, repeating questions or asking for further explanation of specific points, but “in the end the only weapon the academic interviewer has is persistence” (Lilleker, 2003: 211).

The positionality of the researcher is significant in the investigatory process, particularly during elite interviews, as “face-to-face responses are not simply given to the question, but to a researcher who asks those questions” (Shah, 2004: 552). The background and social characteristics of interviewer and interviewee are important because as:

“In any social situation there is a swift appraisal of age, gender and ethnicity; of accent, dress and personal grooming; of conventionality, eccentricity and subculture markers; of confidence levels, physical attractiveness, friendliness or restraint” (Mann and Stewart, 2002: 126).

Thus, the positionality of a researcher – their age, gender, race, class or language group – can affect the way in which informants respond to researchers and each interview will be different (Yin, 2009). As a younger female researcher it is necessary to consider the impact this may have had when undertaking elite interviews and the style or manner in which information was conveyed. For example, if participants are older than the researcher, they may assume a paternalistic attitude by instructing the less experienced researcher or expressing impatience at having to spend time
answering what are felt to be obvious or irrelevant questions (Welch et al., 2002). Similarly, gender can also be a double-edged sword. If the researcher is female it may encourage elite (male) interviewees to be patronising or potentially make them more willing to devote time to the interview (Schoenberger, 1991; Welch et al., 2002). In this research, the experience of interviews with elite participants varied widely and in only a handful of cases was a strong power differential felt between the researcher and older, male respondents. More commonly, age and gender were not perceived to be a prominent issue and in several cases, elite participants were female and of a similar age to the researcher. Instead, culture and language played an important role in shaping the interview dynamic and the issue of being a foreign researcher and perceived ‘outsider’.

In this study there were a number of situations in which being a foreigner aided the process of access to corporate elites. Participants expressed interest that a British researcher should be investigating the retail industry of another country. In terms of personal interviews, Welch et al. (2002) suggest that corporate elites are more likely to have cross-cultural experience and the facility to communicate with people from different cultures. This may particularly be the case for elites working in subsidiaries of businesses that originate in other countries. Cross-cultural familiarity of this sort was encountered during interviews with elites from European transnational retail firms in both Malaysia and Thailand. The fact that I was British aided the research experience and access to respondents from one European retailer in particular. As for the impact of language, several participants in Thailand were not comfortable expressing themselves in English, despite its widespread use in business. In these interviews, elite participants requested the presence of a colleague who could translate the questions asked and expand on answers when the participant felt their English was not sufficient. One advantage of operating in a different national context is the opportunity to maintain a critical distance from what is studied (Welch et al., 2002). When overseas, researchers tend to question their experience and take less for granted. This may make the researcher examine their “own taken-for-granted terms and concepts” (Herod, 1999: 325) and question their own culture and positionality. Ultimately, the reliability of data and its interpretation can be improved
if the researcher questions their experiences, perspectives, cultural lenses and potential biases (Rubin and Rubin, 2005).

A further influence on the quality of data produced by research is ethical practice. Beneficence is an umbrella ethical principle in social science research and refers to “maximizing good outcomes for science, humanity, and the individual research participants while avoiding or minimizing unnecessary harm, risk or wrong” (Boeije, 2010: 45). Researchers have to therefore consider the “moral accuracy of their research activities” (Boeije, 2010: 44) and the quality of knowledge that is produced. Ethical principles such as informed consent, anonymity, confidentiality and accuracy form the basis for codes of ethics that guide and ensure moral accuracy. In this research a series of measures were in place to ensure compliance with the standards outlined by the University of Manchester’s Ethics Committee. At the point of contact, usually via an email and occasionally in person, all participants were provided with a research summary that explained the nature and purpose of the study and a participant information form. This document outlined the type of questions likely to be asked during interviews, how confidentiality would be maintained, what to do if the participant wanted to withdraw from the study, and details of how interview data would be stored. Informed consent was sought using the University of Manchester participant consent form prior to the start of each interview. Participants could therefore decide, in full knowledge of the possibilities and benefits of the study, whether and how to participate (Christians, 2000; Denzin and Lincoln, 2005). As previously explained, all but one participant agreed to the interview being recorded. To ensure anonymity and break the link between data and an identifiable individual, participant names were removed and pseudonyms attached to quotes and references from interview transcripts. In sum, all possible effort was made to ensure the highest standards of ethical practice were adhered to throughout this research study.

4.7 Summary

This chapter has set out in detail the methodological strategy employed in this thesis. That strategy was designed in order to compare and explain in-depth the
causal processes that led to the regulation and progressive transformation of two national retail markets in Southeast Asia. The chapter began by considering the ontological foundations of the research and the implications of critical realist thought for the methodological decision-making process. Discussion then turned to the study’s research design and an explanation of the thesis’ intensive cross-national comparative case study approach. This included reflection on the processual nature of the work, case country selection, possible theoretical contributions and issues of empirical generalisation. Data collection followed a multi-method approach and the techniques used – primarily documentary analysis of secondary data and qualitative interviews – were selected according to their potential explanatory properties and the nature of information likely to be revealed. Semi-structured elite interviews were the most appropriate strategy for examining the interactions between retail market actors and the relationship these agents have with regulatory structures within distinct national institutional and economic environments. Discussion then turned to the information collected from the two case countries, with transcribed data organised into theoretically informed categories that revealed emerging empirical themes. Ultimately, the strength of research findings relies on the thoroughness of data verification, processes of triangulation and consideration of possible influences on the data collection process. In effect, how well each phase of the investigatory process is implemented determines the quality of the research produced. The intention of this chapter was to demonstrate the steps taken to produce reliable knowledge based on both empirical and analytical rigour. The following three chapters utilise the data discussed here to explore the evolution of the national retail markets in Malaysia and Thailand affected by processes of retail globalisation, and the regulatory responses of governments designed to resolve points of disjuncture between market actors caused by this process.
CHAPTER FIVE

Malaysia and Thailand’s national retail markets prior to retail TNC investment

5.1 Introduction

Malaysia and Thailand share a 646.5 km long border (World Atlas, 2016) and since the late 1980s both countries have emerged as part of Southeast Asia’s rapidly evolving and expanding regional economy. However, despite their geographical proximity and rapid economic development, Malaysia and Thailand have richly contrasting institutional and political-economic histories (Baker and Pongpaichit, 2009; Jomo and Hui, 2010). This chapter examines key aspects of Malaysia and Thailand’s national economic systems during the latter half of the 20th century. It does so in order to better understand the different nationally specific institutional, socio-cultural and political-economic conditions that have shaped each country’s national retail markets both prior to, and after, the arrival of retail TNCs.

The chapter is organised as follows. Section 5.2 introduces the different national capitalisms that have been attributed to Malaysia and Thailand. Features of Southeast Asian capitalisms identified in Table 2.3 are used to contrast Malaysia and Thailand’s national economic systems and institutional arrangements within 5.2.1 and 5.2.2. Five institutional areas are examined in particular, state-led economic planning of the national economy, state-business linkages, the role of political leadership, dominant political-economic coalitions and the degree of political stability experienced in each nation state. Section 5.3 introduces Malaysia and Thailand’s national retail markets. In 5.3.1 discussion focuses on the development of modern retailing in each sector between the 1960s and 2000 and 5.3.2 highlights the different ways in which Malaysia and Thailand’s national governments have been involved in their respective national retail markets prior to the arrival of retail TNC firms. Three areas of interaction are discussed in particular, policies designed to promote growth or modernisation, the role the state during the 1997-8 Asian
Financial Crisis and sector-specific state-business linkages. Section 5.4 summarises the ideas developed across the chapter and links these with the empirical content of Chapters Six and Chapter Seven. Before proceeding further, a brief explanation is given for why Malaysia and Thailand were selected for investigation in this research.

Chapter Four outlined the methodological and practical rationale for employing a multi-case research strategy in this thesis. Southeast Asia is an appropriate geographical area from which to select two case countries. Since the 1990s, economies in the region have received significant levels of foreign retail capital. Emerging economies within Southeast Asia were among the second and third groups of countries to receive retail TNC investment by European and North American firms during the 1990s to early 2000s (Coe, 2004). Southeast Asia is delimited by the ten Association of Southeast Nation (ASEAN) countries of Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

The focus of this study – the comparison of national retail markets transformed by the arrival of globalising retail TNCs and the formal regulations implemented in response to the market changes they introduced – informed the process of case country selection. For example, Brunei Darussalam, Cambodia, Laos and Myanmar were immediately excluded because these countries were not sufficiently developed to attract transnational retail investment during the 1990s and early 2000s (Coe and Bok, 2014; Euromonitor International Database, 2015). Table 5.1 indicates the intensity of retail TNC investment into Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam between 1980 and the mid-2000s. The timeframe begins in the 1980s to recognise East Asian TNC investment into Southeast Asian economies prior to the activities of European and North American retail TNCs.
### Table 5.1 Distribution of retail TNC investment into Southeast Asia from 1980 to 2005

<table>
<thead>
<tr>
<th>Retail TNC Investment</th>
<th>Indonesia</th>
<th>Malaysia</th>
<th>Philippines</th>
<th>Singapore</th>
<th>Thailand</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of retail FDI</td>
<td>Medium</td>
<td>Medium/High</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Retail TNC entries</td>
<td>&lt;5</td>
<td>&gt;5</td>
<td>&lt;3</td>
<td>&lt;5</td>
<td>&gt;10</td>
<td>&lt;3</td>
</tr>
<tr>
<td>Market entries by</td>
<td>3</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>same retail TNC*</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

**Regulation**

| FDI rules | Yes | Yes | Yes | Yes | Yes | Yes |
| Sectoral regulation | Yes | Yes | Yes | Yes | Yes | Yes |

*Malaysia and Thailand both received investment from AEON, Carrefour, Dairy Farm International, Makro and Tesco. Indonesia, the Philippines and Vietnam also received investment from several of these firms.

In terms of Indonesia, the Philippines, and Vietnam each country received retail FDI during the 1990s and early 2000s. Sector specific regulation was implemented to manage the impact of transnational retailers in these economies, but it occurred either well after the initial waves of retail TNC investment or the FDI rules in place were sufficiently restrictive to limit, or in some cases deter, retail TNC investment (Mutebi, 2007; Euromonitor International 2011a, 2011b, 2011c; Romo et al., 2009; Alejandro et al., 2012; Nguyen et al., 2013). Although the impact of retail TNC investment in Indonesia, the Philippines and Vietnam could be compared, insufficient time had passed to fully assess the impacts of sectoral regulations on the retail systems in these three countries. As a result, Indonesia, the Philippines and Vietnam had to be set aside as possible case countries. By the early 2000s Singapore’s national retail market was predominantly modern, it had received retail TNC investment and only a limited traditional distributive trade existed (Euromonitor International Database, 2015; Coe and Bok, 2014). As Singapore’s economy was relatively developed by the early 2000s – in 2001 Singapore’s GDP per capital was USD$ 24,027 (World Bank, 2016) – the transformative effects of large-format transnational food and general merchandise retailers would be different to economies with larger populations and less mature retail markets (Reinartz et al., 2011). In this regard Singapore presented a challenge when seeking to build
informative comparisons with other Southeast Asian nations and had to be excluded as a possible case for investigation.

Malaysia and Thailand both received a higher proportion of foreign retail capital than elsewhere in Southeast Asia, with six and eleven retail TNCs entering each market respectively. Retail FDI initiated significant host economy impacts across the two national retail markets and a period of competitive shake-out amongst proto-global and second tier retail TNC firms in the mid-2000s was shown to have taken place in both countries (Coe, 2004; Wrigley and Lowe, 2007; Shannon et al., 2009, 2014; Endo, 2013). Accounts of these market changes reflected Coe and Wrigley’s (2007) observations of the contested process of host economy retail TNC impacts in emerging economies. Five of the six transnational retailers that had entered Malaysia also invested in Thailand and both countries introduced regulation in the early 2000s in response to domestic market actor resistance to the changes brought about by these firms (Mutebi, 2007). Altogether, Malaysia and Thailand demonstrated sufficient areas of commonality to support an interesting and detailed comparison of national retail markets transformed by processes of retail globalisation and retail TNC initiated market regulation.

5.2 **Institutional and political-economic conditions in Malaysia and Thailand**

This section draws on comparative capitalism research to examine the national economic systems and institutional arrangements within Malaysia and Thailand. It is the starting point for empirical analysis into the impact of Malaysia and Thailand’s institutional and political-economic conditions on their respective national retail markets. To begin with, the varieties of capitalisms that have been attributed to each country are examined. Institutional and political-economic dimensions identified within comparative capitalism research are used to aid comparison of each nation state in the remainder of the section.

The taxonomies developed by Walter and Zhang (2012a), Zhang and Whitley (2013) and Witt and Redding (2014) and their colleagues can be integrated to build a picture of institutional patterns and political-economic behaviour within Malaysia
and Thailand. Comparative capitalism research suggests that Malaysia and Thailand exhibit both personal capitalism and aspects of predatory capitalism (i.e. dominant political and economic elites make use of the state system for personal enrichment). Personal capitalism depicts concentrated enterprise ownership and centralised corporate control over firm activities, which is thought to place significant discretion in the hands of a small group of owner-entrepreneurs (Carney and Andreisse, 2014). If a state has limited monitoring and coordinating capabilities over the behaviour of leading economic actors, there is a potential for powerful individuals or small numbers of associates to “control the commanding heights of the economy” (Zhang and Whitley, 2013: 305). The rise of personal capitalism in Malaysia has been linked to a combination of liberal market policies toward foreign direct investment during the 1990s, the growth of state owned enterprises, and the promotion of imperfectly regulated public equity markets that provided an alternate source of unmonitored working capital (Carney and Andriesse, 2014). In contrast, the presence of personal capitalism in Thailand is associated with weak and poorly implemented state-led economic planning during the 1990s and long-term political insecurity and factionalism within the political system. The latter issue has been thought to reinforce patterns of interpersonal trust and the concentration of family-based ownership of domestic firms (Zhang and Whitley, 2013; Suehiro and Wailerdsak, 2014).

Malaysia has also demonstrated a state-led variety of capitalism and Thailand shows aspects of post-developmentalist capitalism (Witt and Redding, 2014). State-led capitalism in Malaysia signifies “highly active states that mould most components of economic activity through a myriad of interventions” (Zhang and Whitley, 2013; 306), alongside often poorly organised and fragmented private actors and business groups. Post-developmentalist capitalism describes Thailand’s open, market-orientated economy in which a dominant private sector has been supported by government trade policies aimed at facilitating import substitution and export promotion, and industrial planning designed to protect and foster domestic industries (Suehiro and Wailerdsak, 2014). Research into state functioning and government intervention in Malaysia and Thailand has revealed the differing roles
successive governments have had in directing the national economy during the post-World War Two period (Baker and Pongpaichit, 2009; Gomez, 2012; Kwong, 2013). Different configurations in the policy interests and political strength of dominant political coalitions have similarly evolved over the past seventy years (Zhang and Whitley, 2013).

In terms of contrasting Malaysia and Thailand’s particular capitalisms, Table 5.2 draws on the institutional and political-economic features of East and Southeast Asian economies theorised in Section 2.4 to identify key differences between each countries national economic systems.

**Table 5.2 Features of Malaysia and Thailand’s national economic systems**

<table>
<thead>
<tr>
<th>Institutional dimension</th>
<th>Malaysia</th>
<th>Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of national capitalism</td>
<td>Personal/State-led</td>
<td>Personal/Post-developmentalist</td>
</tr>
<tr>
<td>The role of the state and national government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Degree of political stability</td>
<td>High</td>
<td>Medium/Low</td>
</tr>
<tr>
<td>State capacity</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>State direction</td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>Commitment capacity</td>
<td>High</td>
<td>High/Medium</td>
</tr>
<tr>
<td>Planning capacity</td>
<td>High</td>
<td>Medium/Low</td>
</tr>
<tr>
<td>Implementation capacity</td>
<td>High/Medium</td>
<td>Medium/Low</td>
</tr>
<tr>
<td>State-business linkages</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strength of state-business linkages</td>
<td>Variable</td>
<td>Variable</td>
</tr>
<tr>
<td>Presence of business groups</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Presence of dominant political-economic coalitions</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>


The features outlined in Table 5.2 are used as a framework to explore why Malaysia and Thailand demonstrate particular national capitalisms, and to highlight the type of institutional and political-economic conditions that potentially shape each country’s national retail market. Furthermore, the role of the state and national government is considered, particularly in terms of national level economic planning as this indicates levels of state capacity and state direction. The different types of state-business linkages are assessed, along with the role of dominant political-economic coalitions and the impact of the 1997-8 AFC. The role of political stability is also highlighted in addition to particular features that are unique to each market. A
broad timeframe is followed from the mid-20\textsuperscript{th} century to the 2010s as the features that are examined primarily emerged during this period.

5.2.1 Malaysia’s institutional and political-economic landscape

In Malaysia, government planning of the economy has played a significant part in the country’s industrial and economic development since the late 1950s. The different economic programmes implemented by the Malaysian government since the 1970s contributed significantly to producing the country’s state-led approach to economic development. Policies of affirmative action to promote the ethnic Malay business community formed a key part of this process. Strong political leadership and extant dominant political-economic coalitions together with long-term political stability have similarly combined to shape Malaysia’s national economic system.

After Merdeka (independence) in 1957 the Malaysian government had limited involvement in the economy as it pursued laissez-faire policies that combined import substitution with agricultural diversification and rural development (Jomo, 2007; Jomo and Hui, 2010). State invention began in earnest under Prime Minister Tun Abdul Razak in 1971 when the New Economic Policy (NEP) was introduced in response to the political disruption caused by the 1969 race riots (Gomez and Jomo, 1997). The NEP delineated both the reach of the government’s ambitions (state capacity) and initiated an institutional framework through which successive governments could demonstrate their commitment to economic growth as well as planning and implementation of their strategic goals (state direction). The NEP initiated significant and long-term state involvement in Malaysian society, including state ownership of private enterprise, an expanded public sector, the promotion of an indigenous business class and the fusion of government and business interests (Beeson, 2007). State monitoring of the progress of the NEP was carried out through five-year plans that set out macroeconomic growth targets and expenditure allocation.

In the 1970s and 1980s, higher levels of state involvement under the NEP were driven as much by ethnic factors as by economic goals (Beeson, 2007). The intention
of the NEP was to avoid further political volatility and achieve socio-economic equality, stability and prosperity, through “poverty eradication irrespective of race, and restructuring to abolish the identification of race with economic functioning” (Khoo, 2001: 184). In addition to securing growth through public expenditure into the development of domestic industry under the NEP (Jomo and Hui, 2010), the government sought to restructure society and promote ethnic-Malay communities so that they would become full partners in all aspects of economic life in the nation (Wong et al., 2011; Carney and Andriesse, 2014). Affirmative action was a cornerstone policy of the NEP. This included the targeted redistribution of a 30% share of capital growth and investment to native Malaysian bumiputera (translated as ‘sons of the soil’) by 1990 (Gomez, 2012). In 1991 the National Development Policy (NDP) reaffirmed this policy and introduced a new target, which was to have 30% bumiputera participation in all economic sectors by 2010 (Malaysia, 1996). Inter-ethnic wealth distribution – embodied in the NEP and implemented by the governing Muslim-Malay based United Malay National Organisation (UMNO) party – gradually became communicated across Malaysia’s public consciousness (Zhang and Whitley, 2013).

State involvement in the economy continued under the premiership of Mahathir Mohamad (1981-2003) and affirmative action programs ran alongside rapid industrialisation through foreign investment into export-orientated light industries and capital-intensive sectors (Khoo, 2001). This included a broad array of trade, financial, investment and technological policies that were selectively used to promote specific firms and sectors (Gomez, 2012). Although the state did not subsidise industrial development, it gave targeted industries generous tax allowances and funding support through development funding institutions (Zhang and Whitley, 2013). Prime Minister Mahathir’s vision of economic and enterprise development for Malaysia was influenced by neoliberalism and as such, strategies to protect and promote domestic wealth and increase privatisation were pursued along with the opening of the Malaysian stock exchange (Gomez, 2012). The close nexus between the state and capital in Malaysia saw a significant rise in the number of state-owned enterprises and government-linked companies (GLCs) during the 1980s
and 1990s. The measures that were introduced in the mid-1980s saw a decade of rapid growth until the 1997-8 AFC (Jomo and Hui, 2010). However, despite the apparent strength of the macroeconomic framework in Malaysia, institutional management of strategic growth plans was not always conducted in a transparent or consistent manner.

In Table 5.2 state-business linkages were shown to be relatively weak in Malaysia. This can be attributed to a number of institutional and policy-based factors. During the NEP’s implementation, government interactions with domestic business were shaped by political patronage and affirmative action. Prime Minister Mahathir supported the selection of bumiputera enterprises – without open tender – to receive government rents such as licenses, contracts, privatised projects and loans from GLCs (Gomez, 2012). Government policies to assist bumiputera capital also tended to favour large business interests rather than smaller companies (Gomez and Jomo, 1997). Political patronage undermined the fair and appropriate allocation of state funds to domestic firms. The most suitable firms were not always selected and state credit was often poorly monitored and not dependent on the attainment of specific performance goals (Gomez, 2012). At this time the financial system also succumbed to rent-seeking behaviour and cronyism among entrepreneurs and the misallocation of capital to unproductive firms (Gomez, 2012). This negatively affected the development of cohesive state-business interactions or domestic firm operation. For example, well connected and preferentially treated Malaysian firms often developed business strategies that were influenced by easy access to funds and the opportunity for quick profits based on consumer demand, rather than longer-term entrepreneurial driven growth (Gomez, 2012). Weak monitoring and enforcement mechanisms reinforced such behaviour and restricted the extent of technology transfer from multinationals to domestic industries. Similarly, over-reliance on multinational firm technology consequently hindered comparable organisational and technological capabilities amongst Malaysian business groups (Carney and Andriesse, 2014). For example, the Malaysian government did not stipulate that foreign investment be conditional upon the transfer of technological capabilities and organisational know-how to domestic partner firms (Gomez, 2012).
Affirmative action and the variability of state-business interactions combined with a lack of institutional transparency and accountability, have ultimately been detrimental to securing institutional trust in Malaysia, state-business co-governance of the economy, and to building entrepreneurial capacity and self-reliance amongst Malaysian bumiputera firms (Gomez, 2012). At the end of his premiership Mahathir admitted that affirmative action policies had created a “crutch mentality among bumiputera businesspeople” (Gomez, 2012: 76). By the 1990s and 2000s the role of the private sector in both policy design and implementation was low. Despite government efforts to promote collaboration and encourage private firms to take greater initiative, many public-private sector interactions were led by the Malaysian state (Zhang and Whitley, 2013). For example, in 1991 the Malaysian Business Council was established as a national level state-business consultative body to increase collaboration between government ministries, trade associations and domestic and foreign firms through designated councils (Zhang and Whitley, 2013).

However, network governance arrangements through these councils were undermined by the infrequency with which they met, and council dialogues and deliberative outputs were felt to reflect state interests rather than business interests (Richie, 2001; Felker and Jomo, 2007; Jomo, 2007; Zhang and Whitley, 2013). This has meant that state-business linkages – as indicated in Table 5.2 – have remained relatively weakly developed in Malaysia.

During the time retail TNCS began to enter Malaysia during 1990s and 2000s, the interests of the political leadership and dominant political-economic coalitions continued to shape economic policy. Malaysia’s increasing integration into the global economy also had profound affects on the direction of economic planning (Jomo and Hui, 2010). After achieving high-middle income status in 1992, Prime Minister Mahathir envisaged Malaysia attaining high-income developed country status by 2020. The National Vision Policy (NVP) and ‘Wawasan 2020’ (Vision 2020) were designed to drive forward Malaysia’s economic progress (Khoo, 2001; Malaysia, 2010; Wong et al., 2011). However, the 1997-8 AFC significantly disrupted economic growth (Rodan et al., 2004). For Malaysia, the AFC instigated a period of recession and a devaluation of the ringgit, which undermined the stability of the economy and
domestic industrial conglomerates (Khoo, 2009). The crisis did not lead to an International Monetary Fund (IMF) reform package. The Malaysian government eschewed IMF intervention in order to follow its own fiscal policies. In 1997, the Barisan Nasional (translated National Front), under Prime Minister Mahathir and Finance Minister Anwar, resisted exposing the economy and extant networks of political and economic power to external scrutiny and reform (Beeson, 2007). Instead, the strategic development of economic sectors was prioritised and domestic initiatives (some of which were reflective of measures recommended by the IMF) were implemented (Khoo, 2001).

Malaysia returned to growth relatively quickly after the 1997-8 AFC, but during the mid-2000s there were signs of economic inertia (Carney and Andriesse, 2014). Malaysia’s economy experienced a gradual slowing of growth rates associated with falling foreign capital inflows, bureaucratic inadequacies, low-value exports, and weak domestic led creativity and innovation across industry sectors (Malaysia, 2010e). The government responded to the threat of Malaysia falling into a middle-income trap by introducing a substantial and ambitious economic programme, the New Economic Model (NEM) in 2011 (The Asia Foundation, 2011). Central to the NEM was the Economic Transformation Programme (ETP) and state-supported development of eight strategic industries that were designated ‘New Key Economic Areas’ (NKEA) (Malaysia, 2010e). Malaysia’s retail and distributive industry became an NKEA and Chapter Six explores the implications of the ETP for the national retail market in more detail.

The strength of state-led economic planning and extant dominant political-economic coalitions in Malaysia, as indicated in Table 5.2, can be linked to the long-term influence of the UMNO party in the ruling political coalition Barisan Nasional (BN), which has been in power since the 1950s (Jomo and Hui, 2010). Although the coalition includes the Malaysian Chinese Association (MCA), Malaysian Indian Congress (MIC) as well as other smaller political groupings, it is dominated by the UMNO party and the hegemonic power of the Prime Minister (Zhang and Whitley, 2013). In Malaysia ethnic-based political representation has been a long-term
feature of the political system and political mobilization on the grounds of ethnicity has been reinforced by the established political structure (Gomez and Jomo, 1997). UMNO remains dependent upon a wide coalition of political elites and big business, and continued popularity amongst the Malay masses to secure electoral support and political legitimacy for implementing socio-economic policies effectively. At the time of writing the Barisan Nasional government remains the longest serving coalition in Southeast Asia, having been in power continuously since Malaysia’s Independence in 1957 (Hill et al., 2005). However, the UMNO and the BN coalition have not been without challenge and periods of political disjuncture (Gomez and Jomo, 1999; Khoo, 2001; Gomez, 2012). Accordingly, Malaysia’s prevailing political system has played a key part in sustaining the country’s long-term economic development and overall political stability (Kwong, 2013).

In sum, the economic role of the government, particularly in terms of public finance and spending has played an important part in shaping Malaysia’s economic development (Jomo and Hui, 2010). National level economic planning has sustained the countries normative institutional understanding that prioritises state-orchestrated economic development (Gomez, 2012; Scott, 2008) and created significant path-dependence within Malaysia’s state-led mode of governance (Zhang and Whitley, 2012). The Malaysian national economy has been strengthened by foreign capital inflows and since the 1980s the country has become progressively integrated into global economic processes (Jomo and Hui, 2010). However, a key feature of its national economic system is the strength of state-level protection for domestic business interests and the Malay bumiputera business community in particular. The 2011 NEM continued to reflect the broad preferences of the Malay-bumiputera public and dominant political-economic coalitions towards societal restructuring and state-led industrialisation (Zhang and Whitley, 2013). Chapter Six explores further how the different features of Malaysia’s institutional and political economic environment – described in this section – have shaped the country’s national retail market. Analysis of Thailand’s national economic system provides a contrasting picture of state planning and political involvement in the national
economy to that seen in Malaysia. Interestingly, commonalities emerge and these are discussed at the end of this section.

5.2.2 Thailand’s institutional and political-economic landscape

Like Malaysia, Thailand has maintained an open, market-orientated economy although the Thai state remains far less dirigiste than Malaysia in its influence over the economy. The following discussion examines how state economic planning, state-business linkages, dominant political-economic coalitions and political instability have shaped Thailand’s national economic system. Lastly, the impact of the 1997-8 AFC on Thailand’s institutional conditions and political system is considered. As in 5.2.1, discussion follows a broad timeline from the mid-20th century to the 2010s and draws on Table 5.2.

Similar to Malaysia, decision-making power in Thailand has largely remained centralised and top-down in orientation. During the 1950s, Thailand’s military government at the time, led by Sarit Thanarat, undertook limited state-level planning of the economy and concentrated on agricultural intensification and increased industrialisation (Kelly et al., 2012). In the 1960s, industrial policies strongly favoured import substitution industrialisation; however, this shifted towards export promotion under the Investment Promotion Act in 1972 (Warr, 2001). Between the 1970s and mid-1990s, state planning largely originated from a centralised, technocratic bureaucracy that collaborated with private capital to govern the economy (Suehiro and Wailerdsak, 2014). Under the direction of the National Economic and Social Development Board (NESDB), initiated in 1961, a series of five-year plans linked Thailand’s development to private-capital led economic growth. Macroeconomic planning was maintained and implemented by the Fiscal Policy Office of the Ministry of Finance, the Bureau of the Budget of the Prime Minister’s Office and the Bank of Thailand (Suehiro and Wailerdsak, 2014). The NESDB was almost entirely technocratic in make-up, and in conjunction with the executive, it continued to direct much of macroeconomic planning during the late 1970s and 1980s (Haggard, 1998, 2004).
As the economy grew Thai owned business conglomerates began to grow in strength and influence (Beeson, 2007). In the 1980s protectionist policies were replaced by increasing liberalisation of the financial and industrial sectors. This generated significant inflows of foreign direct investment and facilitated substantial economic growth between the late 1980s and early 1990s (Suehiro and Wailerdsak, 2014). This led to Thailand’s increasing integration into the global economy. The prioritisation of private-capital led economic growth has continued to shape economic policy decision-making. For example, the Board of Investment (BOI), initially established in 1959, administered all foreign investment into Thailand and was responsible for attracting investment with trade and pricing policies, promotional schemes, tax regimes and tariff policies (Warr, 2001). To date, the BOI continues to implement legislation and guidelines for foreign direct investment.

Table 5.2 indicates weak state-business linkages in Thailand. The role of state-business coordination of Thailand’s economy was more significant in the 1980s, but this gradually lessened over time. State-business policy interactions were initially formalised and institutionalised through the government’s Board of Trade during the 1970s. It collaborated with nearly two hundred business trade associations and this contributed to the creation of the Joint Public-Private Consultative Committee (JPPCC) in 1981 (Zhang and Whitley, 2013). However, the strength of state-business cooperation and coordination declined in the 1990s. Powerful political and business leaders began to sideline the JPPCC and other network mechanisms in state-business deliberation processes in favour of party-mediated policy interactions. This had “deleterious effects on the organisational strength of public-private policy networks, sectoral based industrial associations and inter-corporate relations” (Zhang and Whitley, 2013: 329). Inter-firm linkages weakened further as Thai companies sought capital investment from international sources rather than national banks, who had previously been a key facilitator in securing and sustaining inter-firm ties and state-business governance of the economy (Suehiro and Wailerdsak, 2014). Steps towards parliamentary rule and greater democracy also saw the degree of state intervention reduce and state-business networks diminish as conflicting political interests came into play in the early 1990s (Haggard, 1998; Baker and Pongpaichit, 2009).
Political instability has also played an important role in shaping Thailand’s national economic system. This can be traced to the country’s political history and the competing interests of dominant political-economic coalitions during the 20th century. Prior to 1932, Thailand was ruled by an absolute monarchy and since then power has shifted between, or been shared by, four dominant political coalitions: the bureaucracy, military, elected politicians and business oligarchs (Baker and Pongpaichit, 2009; Zhang and Whitley, 2013). From 1959 to 1973, a series of authoritarian military governments held power and the bureaucracy was given a free hand in managing the macro-economy. However, shifting political forces undermined military authoritarianism in the 1970s to give rise to power sharing between the military and a growing civilian and business-political class (Prasirtsuk, 2007).

Political instability and periods of economic crises also significantly influenced Thailand’s political-economic situation during the period in which retail TNCs began to invest in the country. By the 1990s, business elites in Bangkok were competing with the military junta for political influence and a fragmented class of provincially elected politicians began to challenge the political authority of the bureaucracy and extant political groups (McCargo, 2003; Baker and Pongpaichit, 2009). During this time, the organisation of economic development became “increasingly atomistic and fluid, as particularist practices [...] began to reign” (Zhang and Whitley, 2013: 321). At this point state intervention was not necessarily an institutionally cohesive process and institutional support initiatives did not always turn into concrete policies. For example, strategic plans for private sector development frequently lacked budget allocation or were ineffectively implemented (Zhang and Whitley, 2013).

Despite inconsistencies in government economic planning, Thailand’s economy did not experience a single year of negative growth between 1958 and 1995 (Warr, 2001). However, the 1997-8 AFC significantly interrupted this remarkable trajectory and led to substantial change across institutional and political structures in Thailand, including the introduction of a relatively progressive new constitution (McCargo, 2011). The political and economic restructuring programme brokered by the IMF in
July 1997 arguably worsened the economic downturn, as currency devaluation led to a price collapse in many of Thailand’s overcapitalised sectors (Hewison, 2001). The IMF-imposed austerity programme led to increased taxation, higher interest rates, the closure of weak financial institutions, liberalisation of the economy and further political reforms. Established Thai conglomerates – particularly those linked to banking, but also in the retail and service sector – underwent significant rationalisation and restructuring (Baker and Pongpaichit, 2009, Endo, 2013). Simultaneously, the economy became increasingly integrated into the international economy as exports increased and foreign capital acquired a much larger share of the economy as restrictions on foreign holdings in banks, property and other sectors were eased (Baker and Pongpaichit, 2009).

For Thailand, the economic shock of the AFC and subsequent IMF programme undermined confidence in the established political order and political factionalism increased (Zhang and Whitley, 2013). The bureaucracy was considered to be increasingly out of touch with the demands of the Thai economy in a globalised and increasingly competitive economic climate (Parsirtsuk, 2007). This created a political vacuum and, in response to the austerity following IMF policies and resistance to the growing influence of foreign capital, domestic business leaders used changes to electoral rules in the 1997 constitution to secure political power and directly protect their interests (Parsirtsuk, 2007; Baker and Pongpaichit, 2009).

Until the 1990s a technocratic bureaucracy had largely guided government decision-making over state-level economic planning. However, changes to the political system deepened during Prime Minister Thaksin’s 2001 to 2006 administration (Suehiro and Wailerdsak, 2014). By exploiting weaknesses in the 1997 constitution, decision-making authority under Thaksin was largely transferred to the executive body. Simultaneously, business funded party politics, electioneering and the appointment of non-bureaucrats (often businessmen) to senior bureaucratic posts increased (Prasirtsuk, 2007). By elevating business leaders and political supporters Thaksin weakened the influence of the conservative bureaucracy (Baker and Pongpaichit, 2009). This meant the interests of domestic capital became further entrenched.
within the political order and political factionalism continued (Hewison, 2005). State-
business governance of the economy weakened further as the political upheaval
marked an important shift in the loci for macroeconomic decision-making (Baker and
Pongpaichit, 2009). Although decision-making power remained centralised, it moved
away from the bureaucracy and towards the Prime Minister and executive authority.

As retail TNCs began to expand their operations in Thailand during the first half of
the 2000s, state intervention increased under Thaksin through populist welfare
packages and state-led economic policy initiatives to encourage state-business
linkages (Zhang and Whitley, 2013). However, the implementation of initiatives to
protect and promote domestic business was undermined by government
prioritisation of macroeconomic performance (Williams, 2004). This shift was driven
by the knowledge amongst political leaders that a failure to deliver national
economic growth was “one of the few ways it [the government] might become
vulnerable to challenge and change” (Kanchoochat, 2008: 94). Ultimately politics
under Thaksin’s administration led to the return of military rule in 2006 in an
attempt to rebalance political power (Baker and Pongpaichit, 2009). Democracy was
re-established in 2011 under Thaksin’s sister, Yingluck Shinawatra. Yet, Thailand’s
political vicissitudes continue and 2014 saw the return of military rule.

In order to understand the impact of the Thai state on the development of sectoral
regulation in Thailand’s national retail market, it was important to have provided an
account of the country’s evolving institutional arrangements and political-economic
system. The economic and political changes that occurred during and after the 1997-
8 AFC impacted substantially upon the development of Thailand’s national retail
market and Chapter Seven explores this further. Overall, Thailand’s upper-middle
income status in August 2011 (World Bank, 2013) and long-term economic growth
have not arisen as a result of a strongly developmentalist approach or sustained
neoliberalism (Hewison, 2005). The continued success of Thai business and
commerce can be linked to the relative freedom private capital experienced as the
economy developed, state-business governance of the economy up until the late
1980s, the stability of the medium to large business community in Thailand, and the persistence of family-based capitalism (Suehiro and Wailerdsak, 2014).

In sum, Malaysia and Thailand demonstrate distinct and contrasting political-economic histories. Processes of institutional change are apparent throughout each countries development during the 20th century. A key contrast between Malaysia and Thailand has been the nature and intensity of state-led economic planning. In contrast to Malaysia, long-term economic planning in Thailand has been less extensive and frequently disrupted by periods of political instability. Another significant contrast between Malaysia and Thailand has been the degree of protection provided to domestic business interests by each country’s national governments. During the 1997-8 AFC the Malaysian government eschewed exposing its economy (and bumiputera business community) to international competition. Thailand’s adoption of IMF austerity measures arguably intensified the impact of the economic crisis for domestic businesses and increased the economy’s integration into the global economy. Although Malaysia and Thailand have diverse experiences of political stability and partial democracy, decision-making power has remained largely centralised in both countries and in the hands of the executive and bureaucracy. State-business linkages and economic co-governance have remained relatively weak and underdeveloped in both Malaysia and Thailand. Similarly, dominant political economic coalitions have played an important part in shaping the trajectory of development in both nation states. The next section draws on these themes and begins the analysis of Malaysia and Thailand’s national retail markets.

5.3 The evolution of Malaysia and Thailand’s national retail markets prior to 2000

This section focuses on the development of Malaysia and Thailand’s national retail markets between 1960 and the late 1990s. The timeframe reflects the period during which modern retailing began to emerge in each country. In addition to providing an outline of retail market development, the role of domestic firms in developing shopping malls, department stores and modern grocery retail outlets in each market is explored. During the 1980s and 1990s Malaysia and Thailand’s national retail
markets also received government support and investment. The different policies that were introduced, the nature of sectoral level state-business linkages during that time, and the impact of the 1997-8 AFC on each retail system are examined.

5.3.1 The rise of domestic modern retailing in Malaysia and Thailand

The following discussion highlights the changes experienced in Malaysia and Thailand’s national retail market and the role of domestic market actors in modernising each countries retail system. Until the 1970s food and general merchandise retail was primarily supplied by traditional retail structures. Table 5.3 outlines key developments within Malaysia and Thailand’s national retail markets between 1960 and 2000. The information in Table 5.3 is developed further in this section and the following issues are explored: features of the traditional retail systems in each market, the development of shopping malls in Malaysia, and the growth of department store retailing in Thailand since the 1970s. The emergence of domestic supermarkets, convenience retailing and the role of Japanese retail investment are also outlined.
In 1980, 90% of retail establishments in Malaysia were under single proprietor ownership (i.e. family-run provision shops) (Othman, 1987). In the same year, large and medium sized privately owned retail outlets supplied only 2% of retail provision within Malaysia (Othman, 1987). Traditional retailing in Malaysia also included

Table 5.3 Key developments in Malaysia and Thailand’s national retail markets between 1960 and 2000

<table>
<thead>
<tr>
<th>Years</th>
<th>Malaysia</th>
<th>Thailand</th>
</tr>
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<tbody>
<tr>
<td>1960s</td>
<td>Traditional wholesale and small-scale shop houses dominate grocery retail provision. Domestic manufacturers, European-domestic import traders and national and provincial wholesalers operate distribution channels.</td>
<td>First supermarket opens in 1964 (Weld Supermarket) and a second opened three years later.</td>
</tr>
<tr>
<td>1970s and 1980s</td>
<td>First wave of foreign retail investment. Japanese department store groups including Daimaru, AEON, Isetan, Yoahan, Kimisawa, Sogo and France’s Printemps provide supermarkets within department stores and often act as anchor tenants in new shopping malls. Traditional retailers and wholesalers continue to provide the majority of retail provision nationally.</td>
<td>Domestic department store operators open outlets in Bangkok and provincial cities.</td>
</tr>
<tr>
<td>1990 to 1997</td>
<td>Significant increase in the size of each market as modern retail increases in volume through the expansion of modern outlets and rising consumer spending.</td>
<td>Rapid expansion of shopping malls across suburban areas and several are operated by AEON.</td>
</tr>
<tr>
<td>1997</td>
<td>Expansion of transnational retailers into both markets through hypermarket and supermarket formats, bringing new distribution and sourcing structures, organisational procedures and technological innovations.</td>
<td>Opening of megamalls over one million sq. ft., including the Suria KLCC and Sunway Pyramid.</td>
</tr>
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hawkers and temporary stalls within traditional bazaars, or ‘pasar’ (markets), which supplied fresh fruit, vegetables and meat, as well as household goods and general merchandise. The pasar were often managed by local councils and included ‘pasar thani’ (farmers markets) and ‘pasar malam’ (night markets) (Othman, 1987). In Thailand, traditional retailing included open-air fresh markets as well as floating markets, and ‘mom and pop’ shops (Shannon, 2014). Before the significant growth of modern retail outlets in the 1990s and 2000s, a dual structure existed in Thailand’s traditional retail system, European trading companies and Chinese own general stores operated alongside domestic wholesale retail distribution to traditional traders (Endo, 2013). Small-scale independently run grocery stores (named cho huai) consequently provided the overwhelming majority of retail provision across the country (Endo, 2013). As of writing, traditional retail structures continue to serve large parts of Malaysia and Thailand’s national retail markets, but the significance and organisation of these systems has altered since the substantial growth of modern retail provision and retail TNC firms during the 2000s (Mohd Roslin and Melewar, 2008; Shannon, 2009, 2014; Coe and Bok, 2014).

In Malaysia, shopping mall developments provided the first formal, modernised environment for domestic retail businesses. The first generation of shopping centres was developed in the early 1970s – Ampang Park (developed in 1973) and the Campbell Complex in Kuala Lumpur – and a second wave of centres were built during the late 1970s and early 1980s (Soo, 2010). Anchored by domestic retailers, and the few Japanese operated department stores present in Malaysia, a further third and fourth wave of shopping malls were built during the 1980s and 1990s. At each stage shopping complexes became progressively larger and were often built as strata complexes. In strata developments, mixed retail space for a range of store sizes and types is available over a number of floors and often one department store can encompass a series of floors as an ‘anchor’ tenant (Chan, 2011; Soo, 2010, Mohd Yusof et al., 2011). This process of investment and expansion, driven by Malaysian property developers, led to some of Asia’s most prestigious mega mall complexes being operated in Malaysia, with several in excess of one million sq.ms. (Soo, 2010; Chan, 2011). A number of Malaysia’s leading shopping centre operators in 2016
emerged during this period including family owned and operated firms such as The Sunway Group (Sunway Pyramid), Malton Barhad (Pavilion KL), Bandar Utama Development (One Utama) and IGB (Mid-Valley Megamall). This is in addition to corporate groups such as Kuala Lumpur City Centre (KLCC) Holdings that own Suria KLCC at the base of world the famous Petronas Towers, and CapitaMalls from China (Chan, 2011). These major shopping centres are primarily located in Kuala Lumpur, the Klang Valley and Selangor.

For Thailand, department store retailers led the way in modern non-grocery retail and shopping mall provision. Thailand’s first department store was the Central Trading Store, which opened in 1947 followed by Central Wangburapa (1956) and Central Chidlom (1973) (Central Retail, 2012; Endo, 2013). During the 1970s the Central Department Store promoted the trend of anchoring their stores within their own shopping malls, the first being Central Plaza in Lat Phrao in northern Bangkok (Endo, 2013). The Central Department Store subsequently became Central Retail. It was owned and developed by the Chirathivat family who went on to form the Central Retail Corporation, which would become one of Thailand’s largest retail conglomerates operating property, restaurant, hotel and marketing firms under the collective name of the Central Group. As of writing, Central Pattana develops retail space for Central Retail’s four department store chains and specialist retail brands (Central Pattana, 2012). In addition, Central Marketing owns the franchise agreements for a number of international retail and restaurant brands that are operated across Central Retail’s department stores and Central Pattana’s twenty-four shopping mall developments (Central Pattana, 2015). Other leading department store operators include the Mall Group, Siam Paragon and Robinson Department Store (now operated by the Central Retail Corporation) (Endo, 2013). As opposed to property developers in Malaysia, department store operators began the development of shopping mall retailing as a leading context for modern domestic and international non-grocery retail in Thailand.

Malaysian department stores have not evolved in the same way as those in Thailand. The Parkson Department Store Group began operating in 1982. It has become one of
the leading department stores in Malaysia and it operates stores in China and Vietnam (Euromonitor International, 2012d; Euromonitor International Database, 2016). The oldest department store in Malaysia, The Store Corp (established in 1968), has continued to operate in every province and includes seven hypermarket outlets (Euromonitor International, 2012c). The location of department stores and supermarkets during the 1990s was indicative of the geographical distribution of modern retail provision in each market. For example, in 1996 the northern and central regions of Thailand had two major department stores each, the northeastern and southern provinces each had four, the eastern province had one, whilst Bangkok had forty-five (Feeny et al., 1996: 39). Similarly, Malaysia’s modern retail outlets and shopping mall developments were concentrated in the central region of the Malaysian peninsula, embracing Kuala Lumpur, neighbouring Petaling Jaya, Klang Valley, Selangor and westwards towards the coastal town of Melaka (Chan, 2011).

In terms of modern grocery retailing in Malaysia and Thailand, supermarkets outlets increased in number during the 1980s and 1990s in both markets. In Malaysia, independent supermarkets and relatively small, neighbourhood shopping centres had been in existence since the 1970s, but numbers gradually increased in the subsequent decades (Othman, 1987; Mohd Roslin and Melawar, 2008; Soo, 2010). During the 1980s Malaysian supermarket operators, such as Cold Storage (later to merge with Hong Kong’s Dairy Farm International in 1994), began to operate stores within shopping malls in urban areas, particularly in Kuala Lumpur and the Klang Valley (Othman, 1987). In the 1970s independent supermarkets, Villa, Foodland and Home Fresh, began to open in Bangkok (Shannon, 2014). However, there was limited development of supermarket chains until the late 1980s and 1990s (Shannon, 2009). In 1988 Thailand’s CP ALL, a division of the leading Thai distribution and agribusiness Chaeron Pokphand Group, joined with SHV Holdings, a Dutch company operating Makro, to develop the first big-box wholesale cash-and-carry stores in order to capture hotel, restaurant and catering services (HoReCa) and by 2002, twenty-one outlets had opened (Shannon, 2009; 2014). In 1989 CP ALL launched the 7-Eleven convenience brand in Bangkok (Euromonitor International, 2012k). CP ALL also opened its own supermarket brand ‘Sunny’ and an early hypermarket format ‘Lotus’
in 1994, of which twelve outlets were in operation three years later (Shannon, 2009; 2014).

In 1993, Central Retail opened its first superstore under the ‘Big C’ brand on Chaeng Wattana Road in Bangkok and by 1997 a further nineteen Big C outlets were established (Shannon, 2009; Central Retail, 2015). Central Retail subsequently introduced a supermarket format called ‘Tops’ in 1995 and in two years twenty-seven Tops stores had opened in Bangkok (Shannon, 2009). During the 1990s domestic convenience store operators become relatively successful in urban areas in Malaysia and Thailand. The Malaysian firm Convenience Shopping opened 7-Eleven stores in 1984, 99 SpeedMart began operating in Kuala Lumpur five years later (99 SpeedMart, 2012) and KK Super Mart joined the market in 2001 (Seih Lee, 2013). In 1998 Japanese retailer Family Mart introduced a chain of convenience stores in Thailand, and in 2003 domestic firm Sahapat Group opened the convenience 108 Shop (Shannon, 2009; Euromonitor International, 2012m).

Foreign retail investment has been a long-term feature of Malaysia and Thailand’s national retail markets. Japanese retailers opened department stores during the 1970s and 1980s in both markets (Othman, 1987; Feeny, 1996). In 1984 AEON established its ‘Jaya Jusco’ and ‘Jusco supercentres’ stores in Malaysia and Thailand respectively (AEON, 2015). Isetan developed shopping centres in Thailand in 1989 and nine years later in Malaysia with their department stores acting as anchor tenants to newly developed shopping malls (Euromonitor International, 2012a, 2012b). Japanese firms operating in Malaysia developed supermarkets within their department stores, which were often located within suburban shopping malls (Soo, 2010). In the mid-1980s a number of Japanese retailers, who had failed to capture significant market gains, exited Malaysia and in several cases domestic firms absorbed their operations (Soo, 2010). As Table 5.3 indicates, Japanese department store retailers added a foreign dimension to the market. By the time transnational retail firms began to invest in each national retail market during the 1990s, shopping mall-based retailing and department stores were well established within both
Malaysia and Thailand and domestic versions of modern grocery retail channels had developed.

This brief overview of the evolution of modern retailing in Malaysia and Thailand shows the dynamic and path-dependent nature of each country’s national retail market. Modern retailing largely emerged during the 1970s to 1990s, and it developed in a geographically uneven way, with the majority of modern retail largely, although not exclusively, concentrated in and around Kuala Lumpur and Bangkok. Differences between the two markets reflect how domestic firms developed modern retailing in each country. In Malaysia, shopping mall operators played an important part in providing organised retail space for domestic retail businesses (Sieh Lee, 2013; Selvandurai, 2013). In Thailand, it was department store operators, most notably Central Retail, Robinson and the Mall Group that advanced the sector along with CP ALL through its operation of 7-Eleven convenience stores. Until the arrival of transnational retail firms in the 1990s, traditional retail structures continued to provide the majority of food and general merchandise retail provision in Malaysia and Thailand. However, as Chapters Six and Seven will illustrate, the decline of traditional retailing in each market during the 2000s and 2010s has been the result of complex set of processes and not simply due to store network expansion undertaken by retail TNCs.

5.3.2 State involvement in Malaysia and Thailand’s national retail markets

Thus far, the chapter has introduced key features of Malaysia and Thailand’s national economic systems and examined how modern retailing evolved in each country prior to 2000. This section outlines the role of Malaysia and Thailand’s national governments in the domestic retail systems before the impacts of retail TNC investment began to significantly take affect. Three aspects of state involvement in Malaysia and Thailand are considered: policies designed to promote specific activities in the retail system, the role of the state following the 1997-8 Asian Financial Crisis and state-business linkages within each sector prior to 2000. This information helps to contextualise empirical analysis of the regulatory frameworks that arose in response to retail TNC investment in Malaysia and Thailand. It also
begins the process of applying comparative capitalism assessments of processes operating at the national level (e.g. state-business linkages) to sectoral level economic systems.

As domestic modern retail activities began to expand in Malaysia and Thailand during the 1980s and 1990s, a number of government initiatives designed to support distributive processes within each market were introduced. The first time the national retail market was incorporated into national level state planning in Malaysia occurred in 1996 under the Seventh Malaysia Plan (1996-2000) (Malaysia, 1996). At this time, measures were introduced to encourage specific areas of the retail industry including: the direct selling industry (through the 1993 Direct Selling Act), farmers markets, warehouse sales and store-based use of technological systems such as point of sale systems (POS) and bar coded products (Malaysia, 2001). As in other areas of Malaysia’s economy, bumiputera business interests were prioritised within the national retail market. For example, the 1998 Franchise Act and the Franchise Development Programme were used to promote entrepreneurial activities amongst the bumiputera business community (Malaysia, 2001). Bumiputera businesses were provided access to licenses, credit facilities and technical and advisory services. Under the Seventh Malaysia Plan the government also provided financial assistance to small and medium enterprises (SMEs) in the retail and distributive sector in the form of loans and grants from the government backed Small Entrepreneur Financing Fund and the Small Entrepreneur Fund (Malaysia, 2001). Similarly, the Bumiputera Participation Unit (BPA) under the Ministry for Domestic Trade and Consumer Affairs (MDTCA) was established in 1999 (Malaysia, 2001). These policies highlight that retail businesses were included in affirmative action programmes in Malaysia. It was also the start of the government’s long-term involvement in the industry. Through the five year plans and other national level programmes (discussed in Chapter Six) the Malaysia government has continued to support bumiputera interests in the national retail market (Malaysia, 2006, 2010e).

In terms of state intervention into Thailand’s national retail market, the NESDB started to incorporate distributive and retail trade policies into state-level economic
planning in the 1980s and by 1991 policies began to reflect the changes that were occurring in the domestic retail market (Srimanee and Routray, 2012). For example, during the 1990s the Thai government sought to improve domestic food production and increase linkages between local producers and modern grocery retail chains. During the seventh and eighth National Economic and Social Development Plans (NESDP) that ran from 1992 to 2001 (Thailand, 2015), the government focused on increasing fresh fruit and vegetable (FFV) production through sustainable and organic methods and this led to an increase in domestic FFV availability and overseas exports (Srimanee and Routray, 2012). Similarly, the eighth (1997-2001), ninth (2002-2006) and tenth (2007-2011) NESDPs actively sought private sector involvement in order to improve food production and the infrastructure of domestic distributive channels (Thailand, 2015b).

Section 5.2 highlighted Malaysia and Thailand’s national governments different responses to the 1997-8 Asian Financial Crisis. In Malaysia, the government sought to protect domestic business interests, whereas in Thailand, the nature of the crisis and the IMF austerity measures placed considerable pressure on the domestic economy (Jomo and Hui, 2010; Shannon, 2009, 2014). This pattern is reflected in the degree to which each country’s national retail markets were protected against the impacts of the 1997-8 AFC. In Malaysia the crisis led to lower aggregate demand across the national retail market and total retail format sales fell by a third between 1997 and 1998 (Planet Retail Database, 2013). In 1998 the sector experienced negative growth of 3.1% caused by a fall in consumption and rising unemployment (Malaysia, 2001). Through the framework of the Seventh Malaysia Plan, the Barisan Nasional introduced initiatives to boost the performance of the sector. For example, in 1998 a nationwide ‘Buy Malaysian Campaign’ was launched along with a ‘Made in Malaysia’ logo for domestically manufactured products (Malaysia, 2001). These initiatives were designed to increase consumption of local products, reduce imports and strengthen domestic production within the economy.

In contrast to Malaysia, under the IMF austerity programme the Thai state offered little protection for modern domestic retail firms in the aftermath of the 1997-8 AFC.
Between 1996 and 1998 modern retail format sales contracted by nearly half, falling from USD$59.6 million to USD$36.9 million (Planet Retail Database, 2013). As in other parts of the Thai economy, the crisis instigated a period of competitive repositioning and rationalisation amongst the leading grocery and provincial department store operators (Baker and Pongpaichit, 2009; Endo, 2013). CP ALL and Central Retail were exposed in 1997 to the weaknesses of the country’s inflated economy, its reliance on debt-finance growth and the role of Thai banks in facilitating access to foreign capital flows during the first half of the 1990s (Baker and Pongpaichit, 2009). Processes of liberalisation initiated by the IMF austerity programme, combined with domestic firm retrenchment in the retail sector, opened up the national retail market to global retail FDI. Transnational retail firms were able to acquire significant market share through merger and acquisition, joint venture and owner operator investments (Endo, 2013). This included the ‘bricks and mortar’ (stores and infrastructure) foundations of modern domestic retail operations. It was through this process that parts of Thailand’s national retail market were integrated into the global sourcing and store-based operations of retail TNCs.

The state-led, top-down direction of government involvement in Malaysia and Thailand’s national retail markets during the 1980s and 1990s tends to reflect earlier observations concerning economic governance of the national economy, and the strength and type of state-business linkages present at a national level (Gomez, 2012; Zhang and Whitley, 2013). State-business collaboration was not extensive in either national retail market during the 1980s and 1990s. Low-levels of state-business collaboration in both Malaysia and Thailand may have resulted from the prevalence of traditional retail structures at that time (Sieh Lee, 2013; Endo, 2013). In Malaysia, state-business linkages were primarily structured by policies designed to support the competitive abilities of selected groups within the sector (Malaysia 2001, 2005). For example, state-business linkages were initiated under the BPA at the Convention on Bumiputera Distributive Trade in 2000, which was convened to obtain feedback from retail and distribution based bumiputera entrepreneurs. The prioritisation of bumiputera entrepreneur interests may also have inhibited the
development of sector-wide network arrangements between private business and the state.

In terms of business representation, the Malaysian Retailer Association (MRA) (founded in 1982), Malaysian Retail Chains Association (MRCA) (founded in 1992) and the Persatuan Pengurus Kompleks (translated Malaysian Association for Shopping and High-rise Management, hereafter PKK) (founded in 1984) have played a role in representing retail industry interests to government, but their focus tends to be on developing expertise and inter-firm collaboration within the industry (MRA, 2016; MRCA, 2016; PKK, 2016). In Thailand, retail trade business associations and Joint Public-Private Consultative Committees at the local, provincial and national level were important for traditional, small-scale retailers and medium sized indigenous retail firms when representing their interests to government during the 1990s and early 2000s (Endo, 2013). Similarly, the Thai Retailers Association (TRA), Thai Chamber of Commerce and the national level JPPCC collaborated over the operation of the national retail market at this time (Endo, 2013). However, the presence of these institutions did not necessarily equate to significant sectoral inter-firm cooperation with the state and economic governance of Thailand’s retail sector.

In summary, the degree of state involvement in Malaysia and Thailand’s national retail markets has been relatively limited prior to the arrival of transnational retail firms. When compared to other national industries, both of the retail sectors were neglected in favour of industries that support rapid industrialisation and export-orientated growth including technology and manufacturing industries (Hewison, 2001; Gomez and Jomo, 1997; Beeson, 2007; Baker and Pongpaichit, 2009; Gomez, 2012; Perpinsky, 2012; Sieh Lee, 2013; Endo, 2013). The predominance of traditional retail structures in both national retail markets up until the late 1990s and into the 2000s is likely to have contributed to limited state involvement and low levels of state-business co-governance of the retail systems. Through this brief assessment of state involvement in Malaysia and Thailand’s retail and distributive sectors it is possible to see the impact of the wider national economic systems and institutional conditions on each national retail market.
5.4 Summary

This chapter introduced the institutional and political-economic landscapes of Malaysia and Thailand in order to build a picture of the context in which their retail systems have evolved. It began by reflecting on the different national capitalisms attributed to Malaysia and Thailand and considered what these classifications revealed about each nation state. In addition to the impact of the 1997-8 AFC five institutional dimensions were examined – state-level economic planning, state-business linkages, the role of political leadership, dominant political-economic coalitions, the degree of political stability – in order to understand the different processes that have shaped Malaysia and Thailand’s national economic systems in the post-World War Two period. Areas of commonality were revealed, such as weak state-business linkages, the centralised structure of governmental decision-making and economic planning, economic openness to international investment and the global economy, and the significant role of dominant political-economic coalitions (Baker and Pongpaichit, 2009; Jomo and Hui, 2010). The areas in which Malaysia and Thailand diverged – the degree of sustained political stability and the extent to which domestic business interests were protected from international competition by the state – are particularly interesting, especially when such features affect each country’s national retail markets. Chapters Six and Seven move the discussion forward and examine in detail the processes through which Malaysia and Thailand’s national retail markets were subsequently transformed by transnational retail investment and the introduction of sectoral regulation in response the changes retail TNCs introduced.
CHAPTER SIX

Malaysia’s national retail market: competition and state supported transformation

6.1 Introduction

Malaysia has a business-friendly environment according to the World Bank’s 2016 Ease of Doing Business Report, which ranks it 18th amongst 189 countries (World Bank, 2016a). In terms of FDI, the Organisation for Economic Co-operation and Development (OECD) classifies Malaysia as one of the most open economies in East and Southeast Asia. However, Malaysia’s national retail market is subject to a number of rules and regulations that make it one of the more restrictive regulatory settings for transnational retail (Mutebi, 2007; HKTDC, 27 January 2015). Out of 58 selected economies in the OECD’s 2014 FDI Regulatory Restrictiveness Index, Malaysia’s national retail market was ranked as the fourth most restrictive retail sector in 2014, after Indonesia, Tunisia and Jordan (OECD Statistics, 2016).

This chapter maps out a series of important phases in the transformation of Malaysia’s national retail market since the 1990s and examines the processes behind the national governments’ strong regulatory protection of the national retail market. The thesis’ conceptual investigatory framework, set out in Chapter Three, is used to guide analysis of the processes of transformation initiated by the entry and expansion of transnational retail firms. Figure 6.1 summarises key stages of transformation in Malaysia’s national retail market and differentiates between phases of accelerated market transformation (dimension one), phases of market actor contestation, adaptation and strategic action (dimension two) and phases of government regulation and institutional, political-economic mediation of market transformation (dimension three). Although each phase and dimension of change are presented as relatively distinct in Figure 6.1, this structure is primarily an analytical tool, as processes of market operation and evolution continually intersect and are mutually constitutive.
Figure 6.1 Phases of transformation in Malaysia’s national retail market following investment by large-format transnational retailers

1. Pre-1990s
Shopping mall retail dominates modern retail provision, a small number of indigenous modern retailers operate alongside Japanese department stores. Traditional traders largely constitute the grocery retail sector.

2. Early 1990s-2000s
The expansion of retail TNCs leads traditional retailers and supplier/producers to complain to the government as they become exposed to TNC competition and new sourcing practices. In 2001 Prime Minister Mahathir introduces a short-term ban on all new large-format hypermarket developments.

3. Early 2000s
Following domestic market actor resistance to transnational firm store-based expansion, the MDTCC introduces new sectoral regulations that prohibit retail TNC’s from opening stores below 3000 sq.m.

4. 2004 onwards
Retail TNC and domestic retailers respond to the new regulations. Large-format hypermarket growth intensifies and domestic retailers diversify across the grocery segment of the market.

5. Mid-2000s onwards
Intense competition exists in the hypermarket segment. The MDTCC manages the approval of all new store openings, which are primarily negotiated at the federal level.

6. 2010
Revised MDTCC regulations are introduced in 2010. The wholesale and retail trade is announced as a New Key Economic Area under the 2011 National Economic Transformation Programme. Thirteen entry point projects are introduced to drive forward market transformation.

7. 2010 onwards
State involvement in the sector deepens under the Economic Transformation Programme. Traditional retail and distributive traders are supported through government initiatives. Modern retailers continue the modernisation and expansion of the market.

Dimension 1 Phases of accelerated market transformation
Dimension 2 Phases of market actor contestation, adaptation and strategic action
Dimension 3 Phases of government regulation and institutional, political-economic mediation of market transformation

Source: Author’s compilation.
In Figure 6.1 phase one is represented by the empirical content discussed in Chapter Five and the trends identified in that chapter continue to be apparent in subsequent market developments. The structure of this chapter maps onto the remaining phases of market transformation represented in Figure 6.1 and it is organised in the following way. Section 6.2 examines the arrival of transnational retail firms in the 1990s and early 2000s and the initial host economy impacts of these firms in the market (phase two). Section 6.3 explores how and why new sector-specific regulations were introduced to the market in 2002 and 2004 and the period of market disjuncture that preceded their arrival (phase three). Although retail TNC host economy impacts were localised to the urban areas surrounding Kuala Lumpur, Selangor and Johor in the early 2000s (Lim et al., 2003), a nationwide regulatory structure was introduced. The new rules had a profound effect on the way in which the Malaysian grocery retail market would develop and this section outlines in detail the regulations that were devised and implemented by the Malaysian government. Section 6.4 looks at the market impacts of the restrictions placed on transnational firms – who could only open large-format stores – and the consequences for modern indigenous retailers (phase four). New large-store developments became the focal point for transnational firm negotiation with the government (phase five) and Section 6.5 examines these extra-firm negotiations and the outcomes of this process for the national retail market. Further state involvement occurred in 2010 with a revision of the earlier guidelines and the introduction of the Economic Transformation Programme in 2011, in which the wholesale and retail trade became a New Key Economic Area within the economy (phases six and seven). Section 6.6 explores how national level economic planning under the ETP created further transformation in the national retail market. Lastly, Section 6.7 draws together themes from across the different phases of national retail market transformation and concludes the chapter.
6.2 Transnational retail in Malaysia

This section looks at how transnational retail firms entered Malaysia and the different market entry rules that affected their arrival. The initial host economy impacts of retail TNC investment are then outlined as these indicate how the market began to evolve through their investment and why domestic market actors began to resist transnational firms. The section concludes by looking at how institutional and political-economic conditions in Malaysia affected the entry and subsequent operation of retail TNCs.

A number of interview respondents described conditions in the grocery market prior to the arrival of transnational firms as somewhat unsophisticated and “more into shopping centers [which] are more about property then about true retail” (Retail Consultant, November 2011, Malaysia). Westernised forms of retailing introduced by transnational retail firms in the 1990s and early 2000s presented a significant contrast to what consumers were familiar with when shopping for groceries (Sieh Lee, 2013). European and East Asian transnational retailers primarily entered Malaysia prior to the 1997-8 Asian Financial Crisis with the exception of Tesco, which entered Malaysia in 2001 and started operating stores in 2002. In 1995 the Malaysian government, through the Domestic Trade and Consumer Affairs Ministry (after 2009 it became the Ministry of Domestic Trade Co-operatives and Consumerism, hereafter MDTCC), established the Distributive Trade Committee (DTC) to administer the approval of new market entrants. The DTC managed the local incorporation, licensing and registration of retail TNCs under the ‘Guidelines on Foreign Participation in Wholesale and Retail Trades’, which drew on the 1965 Companies Act and 1950 Contracts Act (Cassey, 2004; Malaysia, 2010c; Wong et al., 2011; Planet Retail 2013a). Prior to this, the Foreign Investment Committee under the 1970 New Economic Policy (NEP) used the ‘Regulation of Acquisition of Assets, Mergers and Take-overs of Companies and Businesses’ guidelines to administer foreign direct investment. In terms of market entry costs, the NEP required a minimum of 30% bumiputera equity participation in foreign owned retail businesses entering Malaysia (Raslan Loong, 2009). In terms of capital requirements, the 1995
guidelines stated that firms had to have a minimum capital of MYR10 million (approximately USD$2.6 million) in order to participate in the retail sector. This increased to MYR50 million (USD$13.3 million) in April 2002 and has remained unchanged since then (Mutebi, 2007; Planet Retail, 2013a). Table 6.1 outlines the arrival of transnational firms into Malaysia, their joint venture partners, and in some cases, the market exit of these firms.

Table 6.1 Food and general merchandise retail TNC entries into Malaysia since 1980

<table>
<thead>
<tr>
<th>Retailer (country of origin)</th>
<th>Year of entry-exit</th>
<th>Entry mode</th>
<th>Domestic partner</th>
<th>Outlet banner</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEON (Japan)</td>
<td>1984</td>
<td>Joint venture</td>
<td>Peremba, Cold Storage</td>
<td>Jaya Jusco</td>
</tr>
<tr>
<td>Makro (Netherlands)</td>
<td>1993-2006</td>
<td>Joint venture</td>
<td>Li &amp; Fung PKNS*</td>
<td>Makro</td>
</tr>
<tr>
<td>Dairy Farm International (Hong Kong)</td>
<td>1994</td>
<td>Acquisition</td>
<td>Teng Family</td>
<td>Giant, Cold Storage, Guardian Carrefour</td>
</tr>
<tr>
<td>Carrefour (France)</td>
<td>1994-2012</td>
<td>Joint venture</td>
<td>Syarat Persaka Antah</td>
<td>Carrefour</td>
</tr>
<tr>
<td>Royal Ahold (Netherlands)</td>
<td>1996-2003</td>
<td>Joint venture</td>
<td>Kuok Group</td>
<td>Tops, Tops Market Place, Tesco</td>
</tr>
<tr>
<td>Tesco (United Kingdom)</td>
<td>2001</td>
<td>Joint venture</td>
<td>Sime Darby</td>
<td>Tesco</td>
</tr>
</tbody>
</table>


The earliest market entrant was AEON and it benefitted from long-term political and economic links between Malaysia and Japan. In 1984 AEON opened its Jaya Jusco stores through a joint venture with Cold Storage and Peremba – a leading Malaysian property government linked company – following an invitation from Prime Minister Mahathir to the firm’s CEO during a visit to Japan in 1983. The intention of this invitation was “to help modernise the retail industry in Malaysia [...] this was part of Mahathir’s [1982] ‘Look East’ Policy for Malaysia” (AEON, 2015). In 1994 Dairy Farm International acquired 90% ownership of the Giant superstores, Cold Storage supermarkets and Guardian pharmaceutical outlets (with the remainder held by the store’s founders, the Teng Family) (Euromonitor International, 2012e). It was not until 2013 that Dairy Farm International met the 30% bumiputera equity requirements set out in the NEP guidelines. Participants explained that there existed some flexibility in the MDTCC guidelines over the implementation of this rule. Firms could defer meeting the requirement until they had found a suitable investment partner. In the case of Dairy Farm International, it announced it was entering a joint
venture with property developer Gapurna Sendirian Berhad (defined private limited company, hereafter Sdn. Bhd.) in 2013 to facilitate the Malaysian firm’s operation of convenience outlets (The Star Online, 1 July 2013; New Straits Times, 22 June 2013).

Makro was the first European retailer to enter Malaysia and it arrived in 1993 through a partnership with the Perbadanan Kemajuan Negeri Selangor (defined Selangor State Development Corporation, hereafter PKNS) and Hong Kong-based Li & Fung trading group (Kaliappan et al., 2009; Halalstock, 2013). Carrefour SA arrived in 1994 under the name Magnificent Diagraph Sdn. Bhd. and it joined with a private investment company, the Malaysian royalty-controlled Syarikat Pesaka Antah Sdn. Bhd. (Planet Retail, 2010c). In 1996 Dutch firm Royal Ahold began operations through acquisition of a number of ‘Looking Good’ and Parkson Grand outlets with Kerry Stores and Perlis Plantations Berhad (defined public company, hereafter Bhd.), which was operated by the Malaysian family-owned conglomerate, the Kuok Group (De Jong et al., 2005; The Wall Street Journal, 20 September 1996). However, despite Royal Ahold becoming the largest supermarket operator in Malaysia by 1998, it sold its stores to Dairy Farm International in 2003 following a weaker than expected market performance (Planet Retail 2010d). Lastly, in 2002 Tesco partnered with domestic firm Sime Darby Sdn. Bhd., a Malaysian property and agricultural business.

Compared to Thailand, Malaysia had fewer modern indigenous retail firms, therefore transnational firms primarily entered into joint ventures with non-retail firms. This meant foreign entrants did not necessarily benefit from partnering with firms closely involved in, or familiar with, the domestic retail market. Tesco, Makro, Carrefour and AEON had to acquire land to construct new outlets, which extended the time taken to develop store networks (Planet Retail, 2010d). Only Dairy Farm International and Royal Ahold acquired stores from domestic retailers and as a result they expanded at a faster rate. For example, by 2000 Makro and Carrefour had opened six and seven hypermarket stores respectively, whereas Dairy Farm International was operating seventy-one stores (inclusive of the Guardian pharmacy outlets) and Royal Ahold had opened forty Tops and Tops Market Place supermarkets (Planet Retail, 2013a).
A further wave of retail FDI arrived in the mid-2000s, this time by non-food retailers. Along with global fashion brands such as Gucci and Prada, internationalising specialist retailers expanded the range of retail categories available to consumers. Exposure to overseas retail markets – whether through advertising or overseas travel – had increased the appetite for European and North American brands amongst Malaysian consumers (Euromonitor International, 2014d). Similar to retail TNCs, internationalising specialist retailers entered through joint ventures with domestic brands, via arrangements with shopping mall operators, or through franchise arrangements (Swoboda et al., 2014). For example, in 2004 eight European retailers entered Malaysia, encompassing Arcadia Group’s Dorothy Perkins, TopMan and TopShop as well as Esprit, La Senza, Marks and Spencer, Mothercare and Zara. Subsequent years have seen the arrival of The Body Shop and The Gap as well as Debenhams under a new franchise arrangement in 2008 with Malaysian firm Stella Retail (Planet Retail Database, 2013). A number of these foreign retail brands have become anchor tenants in shopping malls. For example, in 2014 H&M became an anchor store for the Avenue K shopping mall, which is linked to the Suria Kuala Lumpur City Center development (UK Trade and Industry, 2013).

In terms of retail TNC investment in the first half of the 2000s, modern retail outlets rapidly increased in number. In 2000 there were twenty-two foreign and six domestically owned hypermarkets, by 2005 this had risen to sixty-eight and thirteen respectively (Malaysia, 2001). The strategic rationale for transnational retailers in emerging markets has been to increase profitability through sustained retail sales growth and to ensure that overseas operations become self-sufficient and successful (Dawson, 2007). The hypermarket therefore became the most profitable format model for emerging markets, as one participant who worked in both Malaysia and Thailand explained:

“‘They’re efficient to deliver to, they are efficient to staff […] the hypermarket was a commercial necessity as the entry model’” (Former Senior Manager for Transnational Retailer, March 2012, Thailand).

In the early 2000s, transnational retailers operating hypermarkets began to expose the Malaysian consumers to Westernised retail culture through new forms of marketing, operational practices and sourcing strategies. TNCs developed distinct
brand identities and created new experiences for consumers. For example, retail TNCs would provide products ranges exclusive to their stores, and displays and store environments would be localised to the market. High levels of customer service and a consistent consumer experience were delivered across all stores. Loyalty card schemes were also introduced along with food quality certification and product standards, which were linked to supply chain transparency (Sieh Lee, 2013; Retail Week, 15 March 2013).

The growth of foreign retail outlets during the first half of the 2000s was largely localised to urban areas in Malaysia (Hassan et al., 2013). Their expansion was supported by a construction boom of large-scale shopping malls, which in turn benefitted from the “massive infrastructural development of highways, transport systems, residential properties in new townships, establishment of digital-based and up-to-date facilities for commerce, households and industry” (Sieh Lee, 2013: 9; Tay and Sieh Lee, 2000). Figure 6.2 demonstrates the largely consistent expansion of Malaysia’s national retail market as a measure of total sales revenues for store-based grocery and non-grocery retailing. Other than a slight drop in growth following the Global Financial Crisis the retail industry has grown consistently and between 2001 and 2015 it doubled in size from USD$24.5 billion to USD$50 billion.

**Figure 6.2 National retail market value in Malaysia from 2001 to 2015**

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Source: Euromonitor International Database (2016).
The integrated wholesale and retail functions of transnational retailer hypermarkets altered the market conditions experienced by traditional retailers (Malaysia, 2001). The impact of hypermarkets could be direct and intense, as one industry specialist explained:

“Opening a cash-and-carry in [a] largely unregulated emerging market overnight probably makes anything between 50 and 100 local food and non-food stores completely redundant” (Retail Economist, December 2011, Telephone).

The competitive impacts were concentrated in areas close to hypermarkets, which were primarily located in the densely populated areas of Kuala Lumpur and neighbouring Selangor and Johor (Lim et al., 2003). In these areas grocery provision shops and minimarts reported falling sales, fewer customer visits, store closures and lower net profit during the first half of the 2000s (Kaliappan et al., 2008). However, not all grocery retailers were affected in the same way or at the same time (Mohd Roslin and Melewar, 2008). Small and neighbourhood grocery stores often survived the effects of hypermarkets because they relied on different consumer shopping patterns. Large formats only became relevant if the purchasing preferences of consumers became similar to those of the smaller outlets (Mohd Roslin and Melewar, 2008). Similarly, non-grocery retailers considered hypermarkets to have increased footfall as the popularity of these stores generated new spillover benefits (Kaliappan et al. 2008; Malaysia, 2005).

In terms of the impact of retail TNC and domestic retailer store network expansion on traditional retailing, in 2000 modern retail’s market share of store-based retailing stood at 33.7% and this increased to 40.51% in 2014. Between 2008 and 2013 the number of traditional retail outlets fell from 71,883 to 68,714 and in 2014 traditional grocery retail experienced minimal market growth (Euromonitor International, 2014b). Although, traditional retailing has experienced continued popularity amongst both rural and urban consumers (Malaysia, 2010a), since 2000 the segment’s overall market share has gradually declined and this is shown in Figure 6.3.
Figure 6.3 Market share of modern to traditional grocery store-based retail in Malaysia between 2000 and 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Modern Grocery Retail Sales (%)</th>
<th>Traditional Grocery Retail Sales (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>2002</td>
<td>35%</td>
<td>65%</td>
</tr>
<tr>
<td>2004</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>2006</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>2008</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>2010</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>2012</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>2014</td>
<td>65%</td>
<td>35%</td>
</tr>
</tbody>
</table>


The competitive impacts of transnational retailers on traditional retail were reinforced by broad patterns of change within the national retail market. In 2005 the Ninth Malaysia Plan reported the increasing vibrancy of retail trade during the early 2000s, with the rise in shopping complexes and modern grocery outlets reflecting changes in consumer demographics and lifestyles (Malaysia, 2005). Transnational retailer hypermarkets captured the growing consumer preference for “convenience, comfort and product variety offered by these largely one-stop-shop establishments” (Malaysia, 2006: 210), and it was anticipated that both domestic and foreign retailers would continue to introduce new retail concepts through planned expansion and the integration of leisure, entertainment, recreation and shopping (Malaysia, 2005). For example, between 2000 and 2005 the number of shopping complexes grew from 392 to 550 (Malaysia, 2006). In 2011, Malaysia’s shopping-complex industry had established approximately 100 million sq.ft of net lettable area (the total floor space that can be let to tenants, hereafter NLA) with a combined real estate value of USD$33 billion, providing direct employment for half a million people (Chan, 2011). Economic recovery during the early to mid-2000s improved consumer confidence and underpinned the modern retail sector’s continued expansion. In line with the growing demand for leisure and entertainment space, community malls and lifestyle malls with cinemas, bowling alleys, alfresco dining and open-air spaces, as well as hypermarket malls with lifestyle retail provision, have grown in popularity
since 2000 (Chan, 2011). Consequently, shopping malls represent the dominant retail format in Malaysia and in 2010 comprised 80% of the market’s total NLA (Chan, 2011).

In summary, Malaysia’s national retail market experienced a period of accelerated market transformation (phase two and dimension one of Figure 6.1) associated with the arrival of transnational retail firms. Several of the host economy impact dimensions explored by Coe and Wrigley (2007) – e.g. impacts on indigenous retailers, competition between retail TNCs, local supply chain changes and socio-cultural impacts – became apparent as retail TNCs expanded their operations in Malaysia. Market transformations in both the food and non-food retail segments in the first half of the 2000s reflect an intensification of retail TNC and shopping mall investment, shifts in consumption patterns, as well as improvements in infrastructure that supported modern retail growth in urbanised areas (Sieh Lee, 2013). The arrival of large-format retailers reinforced a growing demand amongst consumers for retail to provide a wider choice of products and for stores to become “retail-cum-entertainment outlets” (Sieh Lee, 2013: 10), that were spacious, clean, neat and well ventilated with attractive displays. These new retail environments and the processes and structures that supported them challenged existing market practices and the next section examines the outcomes of these market changes.

6.3 The response to market change: regulating the national retail market

Initially, the response of traditional retailers to hypermarkets in the mid-1990s had been one of watchfulness; small traders were “not very worried yet, they were cautious” (Industry Expert, March 2012, Malaysia). During interview discussions it became evident that small trader resistance grew with the expansion of large-format outlets. As store numbers increased, so did the number of small traders exposed to competition from hypermarkets and by the early 2000s, resistance focused on the proposed sites for new stores. As one participant explained, “mention names like Tesco, Carrefour, they [small traders] are becoming very negative towards them, so they are lobbying the government” (Industry Expert, March 2012, Malaysia). This section examines the emergence of points of market disjuncture and contestation
created by transnational retailers. Examples of how domestic market actors expressed their strategic interests and used resources available to them to voice their concerns to the Malaysian government are examined. This period led to the renegotiation of the institutional rules conditioning Malaysia’s national retail market and corresponds with phase two of Figure 6.1. The sectoral rules that were introduced in the early 2000s are outlined and the role of the national environment in mediating their introduction (dimension three) is considered.

Independent sundry shops unhappy with the arrival of large-format outlets in the early 2000s were able to convey their interests to local and national government through lobbying politicians involved in the areas affected by new hypermarkets and via “political linkage [...] to politicians who seemed to be making a lot of decisions about their country” (Industry Expert, Malaysia, March 2012). The regulatory outcome of political lobbying was the introduction of socio-economic impact studies for all new hypermarket store applications under the 2002 ‘MDTCC Guidelines on Wholesale and Retail Trades’ (Malaysia, 2010c). The actions of traditional retailers occurred at the same time as suppliers began to experience the procurement techniques of transnational retail firms. The strategic action taken by domestic suppliers in response to retail TNC behaviour produced a more immediate and intense regulatory response by the Malaysian administration. In 2005 the Ninth Malaysia Plan reported positively on the inter- and intra-sectoral linkages developed by retail TNCs as the introduction of new methods for supply chain management, branding, outsourcing and the integration of international networks were seen to create “more avenues for local retailers to develop and modernise their businesses” (Malaysia, 2006: 210). However, TNC procurement methods also challenged domestic manufacturers to adapt to the expectations and techniques used by international firms. According to respondents who arranged buying and product selection for transnational retailers, the sourcing and supply process did not always run smoothly in the early stages of development. For example:

“When expats go into a new market you get a sudden mismatch and that mismatch is quite startling because you’ve got the comparatively innocent food manufacturers who [...] are suddenly confronted by this battle hardened buyer who is used to fighting with Unilever or companies like that and it’s not
exactly an even fight!” (Former Senior Manager to Transnational Retailer, March 2012, Thailand).

In 2001, a mismatch between foreign buyers and a number of Malaysian suppliers led to dramatic effects on both transnational and domestic retailers. Coinciding with concern over the impact of hypermarkets on small traditional traders, Prime Minister Mahathir was alerted to a number of complaints from suppliers of unprocessed goods over what they considered to be unfair buying tactics by hypermarket operators. In response to these complaints, Mahathir placed an immediate ban on all new hypermarket store openings by both foreign and domestic operators. At this time Tesco had built its head office, employed 150 staff and purchased land for a further eleven hypermarkets; similarly Carrefour was about to open its eighth store.

A senior manager from the transnational firm whose buyers had caused the complaints understood what had occurred and commented:

“[It] very quickly became obvious that we’d screwed up because the buyers were being excessively tough with [...] small suppliers who actually needed nurturing and we needed them. So that was easy to correct, but changing Mahathir’s mind was not” (Former Senior Manager to Transnational Retailer, March 2012, Thailand).

The response of the Malaysian government was comparatively quick, indicating a willingness to intervene in retail market operation under the personal leadership of Prime Minister Mahathir. Although the restriction was lifted a few months later, the initial regulatory action by Mahathir alerted transnational firms to the ability of the Prime Minister and government to intervene on behalf of domestic suppliers. Respondents from the retail TNC that had pre-empted the ban on all new hypermarkets explained how senior managers sought to reassure Prime Minister Mahathir. Senior civil servants and leading politicians were taken to neighbouring Thailand to show how suppliers were growing through involvement with the retailer. As the ban affected all large-format retailers, it might reasonably be assumed that other hypermarket operators also sought to alleviate the concerns of Mahathir and the Malaysian administration.
The 2001 ban on hypermarket expansion and introduction of impact studies in 2002 are two distinct examples of regulatory realignment in Malaysia’s national retail market following a point of market contestation and disjuncture arising from the expansion of retail TNCs. Traditional retailers and suppliers who felt vulnerable to the pressures of transnational organisations were able to represent their interests to government. As knowledgeable agents (Giddens, 1984), they purposefully used the resources available to them (political representation and lobbying of regulating institutions) to assert their interests (agency) and to negotiate a regulatory response to the impact of retail TNCs and the altered market environment. The events described marked the starting point for more substantial regulation of the retail market by the Malaysian government. Transnational retailers and the expansion of hypermarket outlets had opened up new areas of market operation, which required regulatory management.

In 2005 the Malaysian government described the national retail markets new regulatory framework as “in the early stages of formation” (Malaysia, 2005: 213). Regulations focused on competition and the promotion of domestic interests and were intended to “create a more conducive environment for healthy competition and one that will contribute towards preventing anti-competitive behaviour and practices as well as the abuse of power” (Malaysia, 2005: 213). Regulations came in the form of quasi-regulatory guidelines, devised by the Policy and Strategic Planning Division, and these rules remain centrally implemented by the MDTCC through the Distributive Trade Committee (Malaysia, 2015c). Sectoral regulation arrived in two stages, first in 2002 and then in 2004. In both cases measures were introduced to manage new activities in the market as well as reduce the competitive impacts of retail TNCs. Drawing on Mutebi’s (2007) and Wrigley and Lowe’s (2010) classifications of legislative and quasi-legislative market rules, Table 6.2 outlines the key areas of regulation developed by the Malaysian government for application in the national retail market.
Table 6.2 Regulatory measures implemented to constrain retail FDI and enhance domestic industry growth in Malaysia’s national retail market

<table>
<thead>
<tr>
<th>Regulatory measure</th>
<th>Years introduced/revised</th>
<th>Large-format retail TNC</th>
<th>Domestic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market entry cost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FDI laws and policies</td>
<td>1965/1950/1970</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Minimum capital requirements</td>
<td>1995/2002/2010</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Shareholder equity requirements</td>
<td>2004/2010</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>Market operational cost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advanced socio-economic impact studies</td>
<td>2002</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Building and outlet size codes</td>
<td>2002</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Zoning</td>
<td>2002/2004</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Serviced population requirements</td>
<td>2002/2004</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Advance applications for new outlets</td>
<td>2004</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Environmental impact studies</td>
<td>2004/2005</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Hours of operation</td>
<td>2004/2010</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Competition laws</td>
<td>2008</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Land and property laws</td>
<td>2010</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>30% Bumiputera SKUs*</td>
<td>2010</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

Source: Malaysia (2005, 2010c, 2010d); Cassey (2004); Mutebi (2007); Planet Retail (2013a). *Stock keeping units.

In terms of regulating the operation of new areas of the national retail market, the 2002 guidelines initiated tighter controls in the application process for new outlets. Land use zoning rules meant hypermarkets could not operate within 3.5 km of a residential area or town centre, had to be freestanding and not an anchor tenant to shopping malls. Large-format stores, department stores and specialist stores had to be operational within two years of MDTCC approval (Malaysia, 2010c). Advance socio-economic studies were quasi-regulations that assessed the potential impact a retail project could have on existing businesses and local communities (Mutebi, 2007). As a regulatory tool, impact studies provided local businesses an opportunity to communicate their interests to government. Participants explained that large-format retailers, local authorities and the MDTCC could learn about the perceptions of local communities towards new store developments. Consequently, transnational retailers could respond to the concerns raised by local businesses and potentially anticipate governmental concerns associated with new stores. Hypermarkets would only be considered for areas with a population of 350,000 or more and 200,000 or more for supermarkets, and licenses had to be acquired for all types of foreign owned stores (Planet Retail, 2013a; Mutebi 2007). The DTC monitored new store applications as well as changes to existing stores under the 2002 rules. The DTC’s
role as the authority to either deny, amend or approve new stores constituted a focal point for market negotiations between transnational retailers and the government. Rules relating to the opening of new large-format stores became a key issue from retail TNCs and Section 6.4 of this chapter looks more closely at the actions of transnational firms in resolving the regulatory limitations placed on their operations.

The 2004 MDTCC regulations also marked an important shift in market conditions for transnational retail firms and their domestic competitors. In 2004 further hypermarket development was initially banned until December 2009 in three heavily populated areas of the country: the Klang Valley (including Kuala Lumpur), Penang and Johor Bahru. However, the MDTCC subsequently lifted the ban in 2005 and the population requirement established in 2002 was reduced to 250,000 per hypermarket as these limits on retail development had become viewed as overly restrictive (Planet Retail, 2013a). Hours of operation were also standardized in 2004 and stores could open from 10am to 10pm on weekdays and 10am to 1am at weekends; however domestic operators could be open 24 hours. Critically, transnational retailers were excluded from opening smaller formats as the 2004 guidelines stipulated TNCs could not open stores with a sales floor area of less than 3000 sq.ms. (the size of a supermarket), convenience stores or fuel station forecourt outlets (Malaysia, 2010c). This particular rule had a significant impact on the strategic direction of transnational retailer activity as it prevented foreign retailer expansion into smaller format channels. Retail TNCs could not access consumers whose habits were based on convenience shopping or gain market share through developing a diverse store profile that included convenience and forecourt outlets. AEON, Carrefour, Dairy Farm International, and Tesco had yet to diversify into small formats; now they could only open smaller outlets through franchise arrangements.

The regulatory framework that developed during the early to mid-2000s was mediated and characterised by Malaysia’s distinct institutional and political-economic environment. Political sensitivity towards domestic interests and the concerns of traditional retailers and supplier/producers demonstrated the states
long-term protection and promotion of the domestic economy. In discussions with respondents, the personality and decision-making powers of Prime Minister Mahathir were thought to be particularly relevant to the process of forming sectoral regulations. The wholesale and retail trade regulatory guidelines were centrally devised and implemented under the MDTCC and operationalised within a long-established state-wide institutional framework designed to execute rules and programmes across the domestic economy. These features of the regulatory framework reflect earlier analysis of Malaysia’s national retail market in Chapter Five. Institutional and political-economic conditions at the national scale, noted by comparative capitalism researchers (Zhang and Whitley, 2013; Witt and Redding, 2013, 2014b), are clearly relevant to the operation of Malaysia’s national retail market. This evidence supports Peck and Theodore’s notion of contested economic systems operating within, and producing, variegated national economic systems. The next section explores in more detail the impact of the MDTCC regulatory framework on the national retail market through the responses of transnational and indigenous modern retailers.

### 6.4 Market outcomes of regulation and inter-firm competition

The national retail market in Malaysia is distinct within Southeast Asia because of the government’s decision to limit foreign retail firms to formats of 3000 sq.m. or above. The 2004 restriction affected AEON, Carrefour (prior to its exit in 2012), Dairy Farm International and Tesco in particular, and it changed the grocery segment of the retail market in three key ways: it altered the strategic choices available to international retailers, changed the competitive conditions experienced by domestic firms, and lessened the intensity of competition in the small-store grocery segment of the market. This section discusses phase four of Figure 6.1. It examines the processes of market change associated with new formal regulatory institutions and engages with dimensions one and two described in Figure 3.3. The MDTCC guidelines altered the conditions of the national retail market, accelerated transformation amongst domestic firms and required TNC strategic adaptation to the new restriction on their operations.
Format diversification is a key strategic choice for retail TNCs in emerging economies. Respondents highlighted that firms could increase access to consumer spending by developing a variety of store types, which has the effect of safeguarding market share and longer-term profitability. Hypermarkets also operate as a platform for expansion into other format channels as one participant explained:

“[Hypermarkets] give you volume. In those first stores you try and build up a critical mass to cover your overheads and get established, so it’s much easier if you start with the few big stores then [...] roll out an awful lot of small stores” (Global Property Manager for Transnational Retailer, December 2012, Telephone).

Unlike Thailand, where the opportunity for format diversification remained unlimited despite the implementation of zoning and building code regulations, the MDTCC guidelines curtailed TNC access to key areas of the consumer market. Two market changes unfolded: TNCs focused on expanding hypermarket store networks and domestic firms sought to increase their competitiveness by increasing store numbers, with some diversifying their activities into smaller format channels. The effects of regulation are apparent in the ownership composition of grocery outlets in the market. Local firms could enter smaller format channels without competition from transnational retailers and Table 6.3 shows that in 2015 foreign retailers operated in only three of six format channels in Malaysia; large-format hypermarkets and supercenters, supermarkets, and department stores within shopping malls.
### Table 6.3 Distribution of grocery retail formats by ownership in Malaysia in 2015

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Wholesale Cash-and-carry</th>
<th>Hypermarket / Supercentre</th>
<th>Supermarket</th>
<th>Convenience</th>
<th>Forecourt</th>
<th>Department Store / Shopping Mall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EconSave</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Mydin</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>KK SuperMart</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Store</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petronas</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petron Corp</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7-Eleven</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>99 Speedmart</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AEON</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dairy Farm Intern</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Isetan</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tesco</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>


After 2004 inter-firm competition particularly in supermarket and hypermarket channels intensified. The entrance of transnational retailers also sparked a change in the activities of domestic market actors. As one participant explained:

“Foreign retailers have a massive influence on the market [...] even if they don’t become a major player, their sheer presence kick-starts something among the locals [...] kick-starts expansion, [local players] look towards new formats” (Industry Expert, December 2012, UK).

Table 6.4 reveals the impact of TNC concentration in the hypermarket segment, which shows the market shares of the twelve leading grocery retailers in 2014. Dairy Farm International and Tesco established themselves as the market leaders in the grocery retail segment and, altogether, international retailers hold 21.5% of total grocery market sales.
Table 6.4 Market share growth and ranking for leading grocery retailers in Malaysia

<table>
<thead>
<tr>
<th>Rank</th>
<th>2004 Sales</th>
<th>2014 Sales</th>
<th>Market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dairy Farm International 479.8</td>
<td>1889.4</td>
<td>5.2</td>
</tr>
<tr>
<td>2</td>
<td>Tesco 152.0</td>
<td>1464.0</td>
<td>1.6</td>
</tr>
<tr>
<td>3</td>
<td>7-Eleven Sdn. Bhd. 109.5</td>
<td>702.7</td>
<td>1.2</td>
</tr>
<tr>
<td>4</td>
<td>AEON Group -</td>
<td>587.3</td>
<td>-</td>
</tr>
<tr>
<td>5</td>
<td>EconSave 131.6</td>
<td>425.4</td>
<td>1.4</td>
</tr>
<tr>
<td>6</td>
<td>Mydin -</td>
<td>217.0</td>
<td>-</td>
</tr>
<tr>
<td>7</td>
<td>Petronas Dagangan Bhd. 58.0</td>
<td>169.4</td>
<td>0.6</td>
</tr>
<tr>
<td>8</td>
<td>Petron Corp -</td>
<td>137.2</td>
<td>-</td>
</tr>
<tr>
<td>9</td>
<td>KK Supermart 1.3</td>
<td>119.0</td>
<td>-</td>
</tr>
<tr>
<td>10</td>
<td>99 Speed Mart 5.8</td>
<td>96.8</td>
<td>0.1</td>
</tr>
<tr>
<td>11</td>
<td>The Store Corp 34.4</td>
<td>58.3</td>
<td>0.4</td>
</tr>
<tr>
<td>12</td>
<td>Carrefour SA 253.0</td>
<td>-</td>
<td>2.7</td>
</tr>
</tbody>
</table>

Source: Euromonitor International Database (2014) *Company shares by national brand owner according to retail value derived from retail selling price (RSP), excluding sales tax, and reflective of year-on-year exchange rates. ** Carrefour exited the market in 2012.

Although independent operations dominated the supermarket channel during the 2000s, indigenous retailers EconSave and Mydin steadily increased their market presence by opening their own versions of supermarkets and hypermarkets. Originating in Port Klang, EconSave is a Chinese family-owned firm operating supermarkets and cash-and-carry outlets across Malaysia, primarily on or near to the west coast, and since the early 2000s it has progressively captured market share (Euromonitor International Database, 2016). Mydin expanded from six wholesale-emporium outlets in 1997 to over 100 stores by 2012 (Howa Mohd, 2012). Mydin is the only retailer present in all grocery format channels except forecourts, as it operates hypermarkets, wholesale emporiums, bazaars, supermarkets and convenience stores (Mydin, 2015). Mydin grew its smaller MyMart and MyMydin stores relatively quickly – opening 57 stores in 2013 – as the company has used both franchise and an owner-operator strategy to expand into the convenience sector (Euromonitor International, 2014c). Initially new supermarkets and hypermarkets developed by EconSave and Mydin in the early 2000s were described as “very raw and rough” (Retail Consultant, November 2011, Malaysia). Over time this changed as inter-firm competition led domestic retailers to construct and refine their own interpretations of the formats they developed. In the convenience channel, 7-Eleven Malaysia Sdn. Bhd. is the largest operator with 3.4% market share. KK Supermart grew at the fastest rate between 2004 and 2014, with sales rising from USD$1.9 to
USD$119 million. This strong performance is followed by 99 Speedmart and to a lesser extent The Store Corp, (Euromonitor International Database, 2014). Interestingly, the majority of modern convenience stores are forecourt outlets run by petroleum firms as TNCs are excluded from involvement in the channel and modern domestic retailers have yet to significantly engage with this format type on a large scale.

Excluding transnational firms from the convenience and small supermarket channels has meant that format diversification is limited amongst TNCs and convenience retailing has grown and evolved at a slower rate in Malaysia when compared to Thailand. As one respondent explained:

“There will always be good local retailers or current operators will develop more [change is] a bit slower for being protected in the way that the government has chosen to do it” (Global Property Manager for Transnational Retailer, December 2012, Telephone).

This has given domestic firms the opportunity to develop their own competitive strategies in the market. For example, Mydin established a strong brand identity early on through its Muslim business values and practices. Mydin promotes its Malaysian roots by selling discounted goods that prioritise the preferences of the large Muslim consumer base within the country (Howa Mohd, 2012), a point that was elaborated upon by a market competitor:

“Thereir strength is because they are focusing on Muslim apparel and Muslim stock and by virtue that they are a Muslim organisation. They don’t sell pork or non-halal meat [...] they have that exclusivity to the Malays [...] they have a niche [that] creates an attraction for customers who say they are very sensitive” (Government Representative for Transnational Retailer, February 2012, Malaysia).

Mydin uses its brand identity and commitment to bumiputera culture and local business to build consumer loyalty and competitive advantage. It promotes itself as a homegrown rags-to-riches success story of a family institution and leading opponent to foreign market competitors (Howa Mohd, 2012). This generates a strong marketing tool for the firm and competitive advantage within the market. Similarly, EconSave focuses on a low-price and no-frills concept, similar to German discounters Aldi and Lidl, to attract residential consumers in middle to low-income suburban areas in provincial and coastal towns (IGD Retail Analysis, 2014a). EconSave’s cash-
and-carry stores are mainly located in Selangor and the retailer has developed its own selection of mid-range and budget private label products. Malaysia’s domestic convenience retailers focus on consumers seeking expediency and value for money, but combine this with differentiated services and in-store facilities. For example, 99 Speedmart’s Near’N’Save strapline promotes the notion of closeness and affordability (IGD Retail Analysis, 2014b). The KK Group emphasizes fresh food through its KK Freshmart neighbourhood stores alongside its minimarts. It has also expanded into homeware, restaurants and automobile outlets (KK Group, 2015). In contrast, 7-Eleven provides ready to eat foods and concentrates on additional services such as photocopying, free Wi-Fi, in-store cafés, mobile top up, ‘pay-and-go’ card payment technology, and it is the first domestic retailer to offer online food ordering and home delivery (7-Eleven Malaysia, 2015).

Transnational retailers have responded to their exclusion from smaller format channels by diversifying their existing store-based activities to attract a wide variety of consumers. For example, AEON, Dairy Farm International, and Tesco developed mall space surrounding their hypermarket stores, which included food courts and rental lots for local businesses. Mydin followed suit in 2006 by opening its first Mydin Mall, which comprised shops, restaurants, stalls and other services as part of a 600,000 sq.ft. complex that included a hypermarket and the firm’s headquarter offices. The development of online retailing by Tesco is also an example of the firm’s response to the format restriction. Tesco launched its online food and grocery retail business in 2013 and began delivering to homes in the Klang Valley before progressively expanding its delivery area (Tesco Malaysia, 2015). Tesco advertises its use of refrigerated delivery trucks and low carbon footprint to differentiate itself in the market. Table 6.5 indicates the variety of innovations, services and products that have emerged in the grocery market since the arrival of TNCs, all of which are provided by Tesco and many of which have been adopted and adapted by domestic firms.
As in Thailand and emerging economies elsewhere, loyalty card schemes and private label products were introduced into the market by transnational firms and subsequently adopted by local retailers. Tesco promotes 4,000 own brand products under the Tesco Value, Choice, Finest and Lighter Choices ranges in Malaysia (Tesco PLC., 2015). In 2014 Tesco diversified its private label further by introducing Tesco baby care products, nutritional labeling, and consumer product testing schemes (Euromonitor International, 2012n). TNC innovations also included financial services such as retailer-linked credit cards through which additional loyalty card points or coupon discounts are available. Similarly, shop-in-shops were initiated in hypermarkets such as owner-operated in-store pharmacies, bakeries or enclosed alcohol and tobacco sales areas. Other practices and in-store activities are associated with Malaysian culture. These include marketing through weekly pamphlets, sponsored promotional competitions or events and entertainment linked to annual festivals (retailer websites). All are a popular and regular feature of large-format mall-based retailing in Malaysia.

In terms of store development, transnational firms have continued to aggressively expand their large-store networks. This process was helped by a number of divestments by firms that had failed to achieve sufficient profitability and market share in Malaysia. Tesco’s acquisition of Makro outlets in 2006 boosted its

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**Table 6.5 In-store environment, services, and product innovations initiated by domestic and transnational retailers since 2002**

<table>
<thead>
<tr>
<th>Store Environment</th>
<th>Services</th>
<th>Product Innovations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low carbon footprint stores</td>
<td>Social Media (Facebook, Twitter)</td>
<td>Localisation of products</td>
</tr>
<tr>
<td>Till payment systems</td>
<td>Phone and fax ordering</td>
<td>Private label products</td>
</tr>
<tr>
<td>Food courts</td>
<td>Cash-and-carry services</td>
<td>Halal certification</td>
</tr>
<tr>
<td>Competitions, entertainment</td>
<td>Financial services</td>
<td>Consumer product testing</td>
</tr>
<tr>
<td>events (including CSR* charity activities)</td>
<td>Online food ordering and delivery</td>
<td>Nutritional labeling</td>
</tr>
<tr>
<td>Shop-in-shops</td>
<td>Loyalty card</td>
<td></td>
</tr>
<tr>
<td>Mall space</td>
<td>Website</td>
<td></td>
</tr>
<tr>
<td>Prayer rooms</td>
<td>Ecommerce phone apps</td>
<td></td>
</tr>
<tr>
<td>Bumiputera mall space</td>
<td>Climate controlled delivery</td>
<td></td>
</tr>
<tr>
<td>Free Wi-Fi</td>
<td>vehicles</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Electronics delivery and installation</td>
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</tbody>
</table>

hypermarket store network and Makro stores were converted into new Tesco Extra outlets (Tesco Malaysia, 2015). Similarly, AEON was able to introduce its AEON Big format through its acquisition of Carrefour hypermarkets in 2012 (AEON, 2015). Only Dairy Farm International has been able to operate supermarkets below 3000 sq.m. due to its acquisition in 1994 of the Cold Storage outlets whose original store network included stores smaller than 3000 sq.m. The retailer gained a further fourteen supermarkets by acquiring the Bintang Supermarket Group in 2010 (The Star Online, 28 January 2014). Similarly, AEON and Isetan operate supermarkets as part of their department store operations.

In summary, international and domestic retailers have jointly modernised and expanded grocery retailing across Malaysia, albeit the pace of change has been uneven across the different format channels. The restriction on transnational firms led to an intensification of competition in the large-format grocery segment. This contributed to Makro exiting in 2006, and Carrefour in 2012, as each had failed to secure leading market positions. The strong presence of AEON, Dairy Farm International, Tesco, and domestic operators EconSave and Mydin together with the MDTCC guidelines have effectively removed any opportunity for further inward investment by large-format transnational firms. The 2004 rules now mean Dairy Farm International and Tesco are relatively protected within the market and despite the growth of EconSave and Mydin, they are unlikely to face significant challenge other than from each other. Consumers now have a choice in Malaysia between international and domestic firms operating hypermarkets and large supermarkets and domestic chains in the smaller supermarket and convenience channels. This is in addition to grocery provision by independent outlets and traditional retailers. The next section focuses on the impact of the 2002 and 2004 regulations on the relationships between transnational and domestic firms and the government institutions involved in implementing the sectoral rules.

6.5 Regulatory negotiation over hypermarket expansion

Post 2004, negotiations between government regulators and transnational retailers concentrated on the licensing and approval of new large-format stores. As one
business association representative observed, “the major sticking points are that they [are] not getting all the licenses that they would want to have” (Senior Manager for European Business Association, March 2012, Malaysia). This section focuses on the nature of the regulatory interactions that arose between the Malaysian government and transnational retailers and thus reflects on phase five of Figure 6.1. The aim is to both highlight the competing interests present within the grocery retail market and explore what factors affect the implementation and negotiation of retail regulation. Chapter Two introduced a number of features of Southeast Asian economies, including the coordinating role of the state and dominant political-economic coalitions, concepts of social capital, and state-business linkages. The discussion here touches again upon these themes through the lens of firm-institution negotiations over new hypermarket stores at different levels of regulatory implementation.

Coe and Wrigley suggested retail TNCs could be “extremely agile” (2007: 363) when adapting to regulatory tightening. Strategies may include preemptive land acquisition, format adaptation and diversification, or a deepening of the embedding process, such as working with local communities to counter regulatory pressures and domestic resistance. In Malaysia, transnational retailers had limited time to try and side-step the 2004 ruling on format size as the 2002 regulations required firms to give two years notice for all new store developments. The Malaysian government had proven its ability to enforce its decisions on foreign retailer activity in 2001, and store applications had to be agreed by institutions operating across different levels of government and then authorised by the MDTCC.

For retail TNCs, new store applications involved governmental authorities at local, state and federal level. However, approval and licensing for new stores ultimately had to be received from the MDTCC through the Distributive Trade Committee. At a state level, retailers have had to work closely with senior state officials as, “the Chief Ministers will be the ones who say yes or no at the local level” (Government representative for transnational Retailer, February 2012, Malaysia). At a local scale, participants commented there was often enthusiasm within district councils towards
hypermarkets due to the employment and growth opportunities such formats would bring. However, as documented endorsements have to be received from each level of government, the procedures for new store applications could become protracted and one respondent explained:

“...then you are stuck, but it costs you” (Senior Manager for European Business Association, March 2012, Malaysia).

Advance impact studies combined community perspectives with input from local authorities and state-level Chief Ministers. Together these affect how the MDTCC interprets the potential impact of new hypermarkets and the spectrum of store-based approvals received by firms. Local traders and regional trade associations representing ethnic business groups are able to communicate their concerns in a variety of ways including lobbying local politicians and councils, members of parliament, civil servants at the MDTCC as well as the Prime Minister. One TNC representative explained:

“They write letters or tweet with the PM [...] there are many other forums and sometimes it becomes a bit more painful when they go to the press” (Government Representative for Transnational Retailer, February 2012, Malaysia).

The challenge for the MDTCC has been to arbitrate between the competing strategic interests of economic agents in the market. For example, in the late 2000s the East Malaysian state government in Sarawak encouraged investment from Dairy Farm International and Tesco into the region. However, the “Sarawak people, or the retailers [were] very strong in terms of lobbying the government, not the state government, but the federal government” (Industry Expert, March 2012, Malaysia) and this resistance meant the investment proposals were delayed or denied as the federal government erred on the side of local businesses in Sarawak.

Participants highlighted that tensions between retail firms and government institutions often arose due to the management of the application process within the MDTCC. Documented endorsements for new projects have to be received from the local and state authorities before applications can be submitted to the MDTCC.
Key to the approval of store licenses is consensus between all stakeholders and at each level of government. One TNC representative was critical of the implementation process and the perceived preference of the MDTCC towards protecting domestic interests, stating:

“When there are overriding issues about local traders and complaints and all that, the policy is put aside and [it’s] just protect the mom and pop shop” (Government Representative for Transnational Retailer, February 2012, Malaysia).

The sensitivity of MDTCC politicians and administrators to local level resistance to retail TNCs has remained a constant issue for transnational firms. For example, store approvals could be rescinded if politicians felt their support for TNC activities could undermine their popularity amongst the electorate. Concerns over the execution of the MDTCC guidelines were also linked to a lack of institutional transparency and poor communication over the store application process. For example, store approvals could be unexpectedly revoked without explanation. Participants reported that all of the leading large-format retailers experienced unexpected or late revocation of store approvals. These uncertainties eroded institutional trust between firms and MDTCC decision-making practices, as there was often limited recourse for the firm to discover the source of revocation. One participant expressed their frustration and explained:

“Meetings happen, they won’t call the hypermarkets to defend the paper or application [...] when they reject, then you will be at a loss because you will see a letter saying no, but what is the reason?” (Government Representative of Transnational Retailer, February 2012, Malaysia).

Reasons for rejection were often linked to concerns over traffic congestion, a lack of community involvement, local resistance, supplier concerns or a perceived saturation of the market in the area under review. The impact of delays increased costs for the retailer and impacted upon further planned outlets. As one participant explained:

“If this store here is stuck, that can affect another development which is linked to that one [...] you can’t really make long term plans because you don’t know if everything is going smoothly or not” (Senior Manager for European Business Association, March 2012, Malaysia).
To remedy such situations retail TNC representatives worked directly with civil servants and key MDTCC officials to discover the source of the problem and to provide a counter-argument or seek a solution. This involved:

“A lot of intelligence work [and] personal interaction and relationship becomes very important [...] no matter what policy you have, that is about relationship” (Government Representative of Transnational Retailer, February 2012, Malaysia)

At a federal and state level, establishing long-term relationships and the development of interpersonal trust (Witt and Redding, 2014b) became crucial for retail TNCs. Respondents reported that points of contestation over regulation were often negotiated on a case-by-case basis and decisions came down to the preferences and choices of leading individuals within the MDTCC, an issue which increased perceived inconsistency in policy execution. A European business association representative (interviewed March 2012, Malaysia) explained that the wider policy context often shaped the implementation of institutional decisions, and suggested that the MDTCC’s Secretary General could not be seen to publically favour foreign retailers over domestic business, despite the benefits and investment these firms brought to the economy. This implies that the long-term protection and promotion of domestic interests has become established in public expectations of political leaders.

Working with government civil servants and ministers – including the Secretary General of the MDTCC – enabled transnational retailers to continually promote their interests and identify potential problems in the application process for new stores. Of the large-format retailers present, some were more successful than others at negotiating the institutional environment and securing hypermarket approvals. One reason for this lies with the capacity of retail TNCs to absorb the costs of multiple applications and willingness to pursue productive relationships with public officials involved in the regulatory framework. Personal connections between corporate representatives and government individuals became a powerful tool for success and long-standing relationships generated a reflexive understanding between retail firms and government representatives. The development of social capital through interpersonal trust constitutes a form of territorial embedding undertaken by
transnational retailers within Malaysia and a route to attaining organisational legitimacy. Furthermore, for CEOs unfamiliar with domestic social and institutional norms and practices, having an embedded liaison officer can serve to support continuity in strategic planning and market expansion. Individuals native to the market were often viewed as particularly successful in building positive working relationships with government representatives over regulatory issues due to their familiarity with domestic politics and government institutional operation. For example, one transnational retailer representative was described as “a good lobbyist [...] has been there a long time, knows everyone, knows how to go about getting them to say yes” (Industry Expert, March 2012, Malaysia).

At a local level, corporate representatives pursued public engagement strategies with local traders and communities to highlight the benefits of hypermarket investment. Tackling local resistance thus became part of negotiating the regulatory conditions. As one respondent stated, “we have done quite a lot of public debates, public dialogues and it’s no fun” (Government representative for transnational retailer, February 2012, Malaysia). In another example, local traders and members of the local community were invited to meet TNC representatives in stores to discuss their concerns. Another group that retailers work with regularly are local politicians. Respondents stated elected representatives were often wary of upsetting local business communities for fear of losing votes, but were ready to claim ownership of successful projects. Malaysia’s institutional environment was repeatedly described in participant interviews as highly politicised. Thus, seeking positive representations was crucial as negative outcomes could affect the approval process for new stores and hence wider profitability. One TNC representative explained:

“What we normally try to do is to work on neutral ground, understand who will be the champion or spokesman for certain causes that benefit the community, we will work with them very closely” (Government Representative for Transnational Retailer, February 2012, Malaysia)

In terms of negotiation between market actors over regulation and government policy, the MDTCC organised dialogues with retailers relatively frequently. Meetings would occur at a ministerial level, and this would include luncheons, or networking events with stakeholders, trade and business associations, domestic retailers and
transnational firms. Non-governmental organisations such as the European Union Malaysian Chamber of Commerce and Industry also facilitated discussion through regular events. It has also lobbied for the interests of its members when new regulations or legislations were proposed, or when common or critical issues arise for European retailers. Business-based discussion forums constitute an arena through which the private sector is able to share information with the Malaysian government. In contrast, participants almost uniformly viewed retail trade associations such as the Malaysian Retail Chains Association and Malaysia Retailers Association as limited in their impact on the national retail market. Respondents explained that despite retail TNC membership of the MRA, the association did not have significant involvement in the regulatory interactions of grocery retailers with governmental institutions. Firms largely dealt with these issues independently from the association. The issues discussed draw attention to the limited level of state-business governance within the sector and the centralised decision-making role of the MDTCC over sectoral regulations in the national retail market.

In summary, the MDTCC’s 2002 and 2004 guidelines generated a wide range of collaborative extra-firm network relationships between transnational retailers, governmental institutions and a variety of domestic market actors. The issue of new store applications also demonstrates how territorial and network embeddedness (Wrigley et al., 2005) has been established by retail TNCs through the involvement in negotiations over the application of formal sectoral regulation. Similarly, TNCs were able to cultivate organisational legitimacy (Bianchi and Arnold, 2004) within the national retail market by adapting to the conditions adhered to by governmental and domestic market actors and developing social capital and interpersonal trust with decision-makers. This is demonstrated by the range of negotiated issues arising from new store applications and the way in which firms and the traditional domestic trade conveyed their interests to regulating authorities and political representatives. Market actors have continually competed to assert their strategic interests, with some being more successful than others. For example, domestic traders use and benefit from the political sensitivity of elected representatives and long-term state prioritisation of domestic business interests. Small traders and business associations
for suppliers and producers access multiple levels of government and are able to communicate their interests through a range of strategies, including regulated impact studies. In effect, extra-firm networks between traditional retail, distributive traders and government institutions criss-cross a wide domain of public and private settings and in numerous ways. Interaction and negotiation between government and modern retailers – both domestic and foreign – occurs on a formal and informal level, through shared business and governmental forums, public meetings and at different governmental scales, from the local to state level. These examples show how the Malaysian government and MDTCC have mediated the transformation of, and retail market actor negotiations within, the national retail market. It also demonstrates how market processes and institutional rules and resources continually evolve through the micro-level interactions of economic agents. Section 6.6 next examines market transformation at the macro level, through national level socioeconomic planning and further state intervention in the national retail market during the 2010s.

6.6 ‘Building a more dynamic market’: government led transformation

In 2010 two important events occurred in Malaysia’s national retail market. First, the MDTCC issued revised guidelines for foreign retailers participating in the retail market and second, the government introduced the national Economic Transformation Programme. Under the ETP the wholesale and retail trade was announced as one of twelve New Key Economic Areas that would drive forward Malaysia’s economic growth towards developed country status (Malaysia, 2010b). This section focuses on how the Malaysian government has continued to mediate and influence the national retail market during the 2010s. It assesses the market impacts of, and market actor responses to, the 2010 revised MDTCC guidelines. Then, discussion focuses on how the Malaysian government sought to direct the development of the traditional retail and distributive trade under the ETP. As the national retail market modernised, it received greater attention from the Malaysian government and the ETP reflected the state’s interest in promoting growth in the sector. Throughout the section examples of policy-based state-business
collaboration are introduced and the differing responses of modern domestic and transnational market actors are highlighted. Taken together, the issues discussed demonstrate the different routes through which the Malaysian government has sought to guide the direction of national retail market transformation.

In May 2010, the MDTCC’s revised guidelines on foreign participation in the distributive trade were introduced as a “progressive liberalisation process that [would] lead to a balanced growth beneficial to both local and foreign players” (Malaysia, 2010c: 1). Whist the 2004 guidelines remained largely unchanged, a new rule was introduced: within three years all foreign retailers had to ensure 30% of their total stock-keeping units (SKUs) were produced by bumiputera small and medium sized enterprises (Malaysia, 2010c). In addition, space had to be provided for local businesses at a reasonable rental rate in hypermarkets, department stores and superstores. The rule that foreign firms held 30% of bumiputera made SKUs by 2013 was an ambitious target and, at the time of writing, transnational retailers have yet to meet this requirement. Respondents explained that many SME suppliers, including those operated by bumiputera groups, did not have the financial and operational resources, or experience, to supply hypermarkets. Producers were often undermined by weak organisational structure, limited capitalisation, inappropriate product tracking systems and a lack of functional space to expand operations (Malaysia, 2015a). These factors undermined the reliability of SME products delivered to stores as one participant explained:

“[Suppliers] are not equipped or do not have the knowledge to go as rapid[ly] as us, so there is a big gap in terms of our expected growth” (Product Manager for Transnational Retailer, March 2012, Malaysia).

To resolve this limitation, respondents explained that Malaysian and bumiputera products sold by tenants in the mall areas of hypermarkets compensated for the shortfall in bumiputera SKUs sold in large-format stores.

Transnational retailers and the MDTCC both wanted to improve the capabilities of SME suppliers, but for different reasons. Retail TNCs and domestic firms have liaised with the government over SME supplier development (Malaysia, 2015c), as a TNC representative explained:
“We have a SME team, we work closely with the SME government agency [...] we will ask them to help our suppliers so that when we are ready to order more, they are ready to meet up with our orders” (Transnational Retailer Government Representative, February 2012, Malaysia).

Table 6.6 indicates the programmes operated by the MDTCC’s Business Development Division in which both domestic and transnational firms were involved (Malaysia, 2015c).

<table>
<thead>
<tr>
<th>MDTCC initiatives</th>
<th>Year</th>
<th>Objective</th>
<th>Participating retailers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy Malaysia Product Campaign</td>
<td>1998</td>
<td>Encourage consumers to buy products made in Malaysia and promote SME produced goods</td>
<td>-</td>
</tr>
<tr>
<td>Malaysian Products Our Preference (PMCK)</td>
<td>2003</td>
<td>Expand opportunities for domestic producers to market products in large-format outlets</td>
<td>AEON, DFI*, Tesco</td>
</tr>
<tr>
<td>Business Modification Programme</td>
<td>2009</td>
<td>Introduce and exhibit SME products to foreign and local retailers, wholesalers and traders, including entrepreneurship training for bumiputera businesses</td>
<td>Mydin, The Store, Unspecified</td>
</tr>
</tbody>
</table>

Source: Malaysia (2015c) *Dairy Farm International.

In 2009 Tesco coordinated with the Malaysian SME Corporation to facilitate the export of Malaysian halal products to UK stores (Tesco PLC, 2015; Tesco Malaysia, 2015; Berita British Malaysia Chamber of Commerce, 2011). Similarly, AEON and Dairy Farm International enabled SME suppliers to join their global sourcing networks through the Taste Of Malaysia Campaign. As one respondent highlighted:

“We try to grow traditional businesses to guide them to be able to compete internationally, as well as this [being] part of the government strategy with foreign retailers” (Product Manager for Transnational Retailer, November 2011, Malaysia).

Respondents reported that Tesco similarly supported overseas exhibitions designed to showcase Malaysian products and often organisations like the British Malaysia Chamber of Commerce and UK Trade and Industry facilitated these events (UK Trade and Industry, 2013). By 2015, 90% of Tesco Malaysia’s products were locally produced or sourced from domestic suppliers (Tesco PLC, 2015).

State-business collaboration over bumiputera products has not been universal across Malaysia’s national retail market. In 2010 foreign department stores and specialist retail outlets also had to start sourcing 30% of their stock-keeping units.
from bumiputera suppliers and producers. However, representatives from retailers in these categories explained that the rule was not rigidly enforced. For example, in the case of one UK department store in Malaysia, a respondent explained:

“Worldwide, in our global business, there was sufficient production in Malaysia that counteracted [the rule], so it wasn’t necessarily the products that were being sold in the franchise” (Former International Director UK Retailer, August 2012, Telephone)

This incorporation of Malaysian and bumiputera products and services was not uniformly undertaken across the market. The Malaysia Insider (2013) reported that the Malay Chamber of Commerce and Malay rights group Perkasa had criticised leading shopping malls operators, including the Suria KLCC mall, for discriminating against bumiputera traders and making it difficult to compete with international brands by not providing sufficient or affordable rental space. The Malaysian Association for Shopping and High-rise Management (PKK), representing 90% of Malaysia malls, dismissed the complaint by explaining retailers were selected on the basis of their financial strength. The president of the PKK stated, “this is business, not politics” (The Malaysia Insider, 2013), as bumiputera business could not expect a subsidised position in mall retail (The Star Online, 19 November 2012).

In Malaysia the majority of regulations designed to guide the development of the sector has been applied to the grocery retail trade, despite the substantial role played by non-food retailers and shopping mall developers. There are a number of possible reasons for this situation. Firstly, Malaysian shopping mall retailing has been primarily undertaken by domestic firms – both Malay bumiputera and Chinese – that have a long history of property development in the market (Business Circle, 2013). Secondly, unlike transnational grocery and general merchandise retailers, foreign mall developers such as China’s CapitaMalls and property investment funds or Real Estate Investment Trusts (REITs) are not necessarily viewed as a threat to the role and position of domestic mall owner-operators in the industry. This is in part due to the differing role grocery and non-grocery retailing has in Malaysia’s economy. For example, a larger proportion of the working population is employed in wholesale and grocery retailing (Malaysia, 2013b), and whilst consumption of food and grocery items is a necessity, spending in shopping malls remains largely discretionary, with
malls mostly located in higher-income areas (Property Quotient, 2011). Lastly, respondents explained that many regional East and Southeast Asian and Malaysian non-food brands such as Parkson have been able to compete successfully with foreign specialist and branded retailers, which often operate in Malaysia through franchise agreements with domestic firms (UK Trade and Industry, 2013), due to their competitive pricing, long-term presence and familiarity with the market.

In terms of direct policy-based state intervention in the retail sector since 2010, both food and non-food retail segments have received support and investment. Under the 2011 ETP the government introduced a set of ambitious goals for the national retail market (Malaysia, 2010b). Thirteen Entry Point Projects (EPPs), supported by public-private investment, were designed to boost the country’s total gross national income (GNI) by MYR156 billion (approximately USD$37 billion) and create 454,190 new jobs (Malaysia, 2010a, 2013b). The EPPs shown in Table 6.7 were organised into three policy themes: ‘modernise’, ‘globalise’ and ‘revolutionise’. The modernise EPPs addressed the “process and system gaps that [were] observed in the way traditional retail operators manage their businesses” (Malaysia, 2010b: 257). The globalise EPPs supported the expansion of Malaysian retailers, products and mall developers overseas, and the revolutionise EPPs promoted new concepts and strategies that Malaysian retailers had yet to explore.

Table 6.7 The thirteen entry point projects under the wholesale and retail NKEA

<table>
<thead>
<tr>
<th>Theme: Modernise</th>
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</thead>
<tbody>
<tr>
<td>EPP. 1</td>
<td>Increasing number of large-format stores</td>
</tr>
<tr>
<td>EPP. 2</td>
<td>Helping small retailers to modernise via Program TUKAR</td>
</tr>
<tr>
<td>EPP. 3</td>
<td>Modernising and amalgamating various local market formats into large-sized Pasar Komuniti</td>
</tr>
<tr>
<td>EPP. 4</td>
<td>Increasing quality and service levels of automotive workshops</td>
</tr>
<tr>
<td>EPP. 5</td>
<td>Developing Makan Bazaars – large, premium, professionally managed food centres</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Theme: Globalise</th>
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<tbody>
<tr>
<td>EPP. 6</td>
<td>Developing 1Malaysia Malls in emerging markets like Vietnam and China</td>
</tr>
<tr>
<td>EPP. 7</td>
<td>Developing a virtual mall</td>
</tr>
<tr>
<td>EPP. 8</td>
<td>Facilitating local companies to acquire stakes in foreign retail businesses</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Theme: Revolutionise</th>
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</tr>
</thead>
<tbody>
<tr>
<td>EPP. 9</td>
<td>Removing import duties on all finished goods</td>
</tr>
<tr>
<td>EPP. 10</td>
<td>Setting up wellness resorts</td>
</tr>
<tr>
<td>EPP. 11</td>
<td>Organising unified Malaysia sales</td>
</tr>
<tr>
<td>EPP. 12</td>
<td>Intensifying transformation of Kuala Lumpur International Airport (KLIA) into a retail hub</td>
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<tr>
<td>EPP. 13</td>
<td>Developing ‘Big Box Boulevards’</td>
</tr>
</tbody>
</table>

Source: Malaysia (2010b).
The NKEA projects represent the Malaysian government’s ambition that the retail sector should be a growth area in the national economy. The different EPPs were designed to facilitate both the modern and traditional retail and distributive trades. The entry point projects were designed to promote different parts of the retail system. For example, EPP 1 targeted the development of large-format hypermarkets, supercentres and department stores. This was perhaps an easy project to include due to the strategic interests of domestic and TNC retail firms. Similarly, EPP 7 has promoted the development of e-commerce through initiatives encouraging the development of a Malaysian online virtual mall (Malaysia, 2015d). EPP 13 focused on the development of ‘Big Box Boulevards’ comprised of both foreign large-format retailers and a range of wholesale and modern domestic operators. The sixth EPP is perhaps the most interesting. It was designed to support the globalisation of Malaysian shopping mall expertise and to facilitate the development of 1Malaysia Malls in locations across Vietnam and China, in which 50% of tenants would be Malaysian retail brands (Malaysia, 2010b). The Malaysian government has been very ambitious with this project, quoting an expected return income from 1Malaysia Mall developments of MYR2.2 billion (approximately USD$ 52 million) and more than 3,800 new jobs for Malaysians with “assumptions that earnings will be repatriated to Malaysia” (2010b: 266). Unsurprisingly, the EPP has had limited success despite interest from GLC property developers, most likely due to the competitive and complex nature of developing overseas shopping malls (Malaysia, 2013a).

A key example of how the Malaysian government has sought to generate growth and transformation in the retail system has been through EPP 2, the Transformasi Kedai Runcit, or ‘Small Retailer Transformation Program’ (locally known as TUKAR). This project was specifically designed to increase independent retailer competitiveness and prevent the closure of traditional outlets in Malaysia. It arose as a result of dialogue between modern retailers, government and small traders (Malaysia, 2010b). Throught the TUKAR project traditional retailers are helped by modern firms to upgrade their premises. This can range from total renovation to changing the arrangement of product display. Participants are
expected to demonstrate a degree of uniformity in terms of operating procedures, store culture, ethical behaviour and infrastructure, as well as customer satisfaction and marketing strategies, in order to match the capabilities of modern supermarkets and hypermarkets (Malaysia, 2015a, 2015b, 2015c, 2015f). The project includes education and training to improve local trader business skills via entrepreneurship courses, such as stock and financial management, point of sale systems, and consumer behaviour through the Cooperative College of Malaysia (Malaysia, 2015b, 2015c).

The first modern retailers to support the initiative were Mydin and EconSave followed by Tesco, Carrefour (until its exit in 2012), Dairy Farm International and AEON. For Mydin, involvement in government initiatives positioned the firm as a leading domestic retailer and facilitator of government interest and involvement in the market. It also enhanced Mydin’s brand identity, as a local, family-run firm with modest origins whose founder Mr. Mydin, has remained “thrifty, frugal and humble” (Howa Mohd, 2012: ix). A Senior Manager within the firm explained:

“We understand, we are a local player and we are supportive of the local traders because those small traders are also our customers” (Senior Manager for a Domestic Retailer, March 2012, Malaysia).

In contrast, transnational retailers view such projects as an opportunity for good publicity and a chance to improve relationships with the MDTCC, particularly in relation to new store approvals. As one TNC representative explained:

“Its voluntary work, it’s purely CSR, its long term relationship building [...] I call it building trust with the government. If you are able to deliver certain pet projects they might have a soft spot on you, but it doesn’t necessarily mean turning it into an [store] approval” (Government Representative for Transnational Retailer, March 2012, Malaysia).

Transnational retailers that support Malaysian businesses gain public and consumer trust in the retail market and projects such as TUKAR are a way to attain organisational legitimacy within the market (Bianchi and Mena, 2004). For example, private sector contributors to the EPP projects’ are called EPP Champions. Initiatives like TUKAR potentially enable retail TNCs to “have a green lane like at the airport, rather than you go through the red lane” (Government Representative for
The success of the TUKAR project was widely publicised, with the number of upgraded stores increasing to over 2000 in 2014 and of 800 stores surveyed in 2013, 78% declared an increase in sales revenue (Malaysia 2013a, 2015c). However, of the surveyed outlets 10% reported no improvement in sales and 12% declared a decline in revenue compared to the previous year (Malaysia, 2013a). In addition, interviewed participants reported that co-operative stores, whose involvement in TUKAR was mandatory, expressed concerns over the degree of control that mentors, particularly domestic retailers, exercised over the choice of products traders could select for sale. Co-operatives stores found themselves limited to those products produced by the retailers guiding their modernisation. TUKAR participants also experienced difficulties with new stock management systems and point of sales technology, including bar code and inventory databases due to lack of training or incomplete use of the systems (Free Malaysia Today, 8 April 2014). All of these issues undermined the overall performance of TUKAR outlets.

The Malaysian government has not limited its involvement in the retail sector to store-based retailing, through a number of projects it has sought to strengthen the performance of small-scale domestic producers and distributors. For example, the Koperasi Jaringan Sepadu Malaysia Berhad (translated Co-operative Integrated Network, hereafter KOJARIS) was set up in 2008 to coordinate the distribution of 239 SKUs, produced by Malaysian SMEs, to TUKAR and non-TUKAR traditional retail outlets (Malaysia, 2013a). KOJARIS has access to over seventy wholesale and retail cooperatives via the Malaysia Co-operatives Societies Commission (MCSC) and in 2013 a pilot KOJARIS Co-operative Regional Distribution Centre (CRDC) was established, as part of a wider programme to build a KOJARIS CRDC in each state (Malaysia, 2015a). Through the KOJARIS CRDC domestic SME producers and manufacturers could supply traditional retailers directly; this would shorten domestic supply chains by removing the need for mid-channel distributors currently involved in the process (Malaysia, 2015a). Simultaneously, KOJARIS Mart outlets
were opened in 2013 to sell 3,000 local products in smaller and more flexible quantities at bulk-buy prices to small traders (The Star Online, 24 February 2014). Of the products sold, KOJARIS promotes ‘COOP 1Malaysia’ products which are non-branded and locally manufactured by co-operatives and SMEs. COOP 1Malaysia goods have been sold nationwide at a price 20% to 30% lower than other branded products (Malaysia, 2015b).

By modernising and coordinating aspects of traditional distributive system, the Malaysian government went on to generate another range of state supported shops and products in the retail market. The Kedai Rakyat 1Malaysia was developed as a low budget convenience retail format by the Malaysian government (Malaysia, 2015b). Through these outlets, which are operated by Mydin and small traders, the government can control prices to support consumers in urban areas and reduce the impact on domestic suppliers of international competitors. There are 250 Kedai Rakyat 1Malaysia products and the 150 stores selling these items are aimed at low-income groups and in direct competition to hypermarkets (Malaysia, 2015b). Kedai Rakyat products are packaged in smaller pack sizes and supplied by domestic SME suppliers, thus acting “as a platform for the government’s continuous support to increase, enhance and expand SME’s products manufacturing capacity as well as sales” (Malaysia, 2015b). In effect, the Malaysian government has introduced a range of national ‘own brand’ products sold through Mydin and Kedai Rakyat 1Malaysia stores to the national retail market.

In summary, increased levels of state intervention in Malaysia’s national retail market during the 2010s are indicative of the degree of market transformation that has taken place in the retail system since the entry of retail TNCs in the 1990s. Although the sector has been subject to policy intervention and supportive initiatives since the early 1990s, under the ETP the Malaysian state attached greater significance to growth and productivity in the retail sector for the national economy. This is a reflection of the increasing importance of the sector in the national economy and the impact of changes that have taken place in the market since transnational retailers arrived, including the substantial growth of shopping mall
retailing. The MDTCC’s encouragement of the traditional retail and distributive sector through TUKAR, KOJARIS and Kedai Rakyat programmes (Malaysia, 2010b), was intended to address the limited productivity of traditional independent retailers and the small-scale distributive trade. Had transnational retail firms been able to diversify into smaller format segments, the national retail market may have experienced increased levels of market growth. The Malaysian governments approach to protecting and promoting the national retail market has to an extent created a two-tier system within grocery retail system. The national retail market has a significant level of modern retail provision as well as a large traditional retail base. Lastly, despite the evidence of indigenous firm and retail TNC involvement with government initiatives in the national retail market, this has not constituted state-business governance of the sector. This reflects observations within comparative capitalism research that state institutions significantly influence the economic governance of sectoral economic systems within Malaysia (Carney and Andriesse, 2014).

6.7 Summary

Across the different phases of national retail market transformation in Malaysia summarised in Figure 6.1 – from the arrival of retail TNCs, to the negotiation of new large-format stores and promotion of traditional retailers under the TUKAR scheme – institutions within the wider national environment have played an important mediating role within the national retail market (dimension three of Figure 6.1). The MDTCC wholesale and retail trade guidelines introduced in 2002 and 2004 and the later 2010 revisions, were centrally devised and implemented within a well-established, nationwide institutional system familiar with executing rules and government programmes across the domestic economy. It has been this long-term, state-led institutional structure – designed to ensure socio-economic equality, stability and prosperity (Khoo, 2001) and formalised under the 1971 New Economic Policy (NEP) (Gomez and Jomo, 1997) – that has influenced much of the transformation of Malaysia’s national retail market. Moreover, the NEP introduced policies of affirmative action that have significantly shaped Malaysia’s particular
nexus of business, politics and bureaucracy. Affirmative action regulations have formed an important institutional condition within the national retail market. Just to enter the Malaysian retail market retail TNCs had to arrange 30% bumiputera equity participation within their foreign subsidiary business (Raslan Loong, 2009). The NEP and subsequent National Development Policy in the 1990s also formed the policy context for the MDTCC’s 2004 guidelines on foreign participation, and the restriction of transnational firms to large-format stores.

In terms of how Malaysia’s national retail market has transformed, phases of accelerated market transformation (dimension one of Figure 3.3) during the 2000s and 2010s have not been as intense as they might have been had transnational retailers been able to diversify across all grocery retail channels. Despite retail TNCs holding significant market share in the grocery segment and the growing presence of international specialist retailers, the 2004 MDTCC guidelines created an ownership structure in the national retail market that ensured the continued predominance of domestic retail. As retail TNCs changed the conditions of the national retail market in the 1990s, traditional and modern domestic market actors alike were able to ensure their strategic interests were taken into account by government decision-makers in a political and institutional setting sensitive to the needs and interests of domestic business. This activity, particularly during phases of market actor contestation, adaptation and strategic action (dimension two in Figure 3.3), was evident as the initial impacts of retail TNCs were experienced in the market, and again in ongoing negotiations over the opening of new large-format stores after 2004. In Malaysia, domestic market actors are as important as retail TNCs in producing and shaping the landscape of the national retail market. As a sectoral economic system, Malaysia’s retail system contains demonstrable path-dependent characteristics that embody the wider institutional environment and political economic context, the strategic interests of a variety of market actors, and the impact of processes of retail globalisation through the strategic adaptations of transnational retailers. Thailand’s national retail market stands in contrast to the changes seen in Malaysia, and the next chapter explores its transformation since the arrival of transnational retail firms in the 1990s.
CHAPTER SEVEN

Thailand’s national retail market: diversity driven competition

7.1 Introduction

“If there are multiple retailers [...] then it is going to come down to who is giving the strongest brand equity, best shopping experience, the best service, the best availability, the best prices [...] it will stimulate a lot of innovation and competition” (Global Property Director for Transnational Retailer, November 2012, Telephone).

Since the 1990s, Thailand has experienced a series of changes across its retail landscape as modern indigenous retail firms and transnational retailers have invested heavily in expanding their store networks. In 2015 there were more than 10,000 convenience stores, and between 2008 and 2013 retail sales for this category grew by 13% annually, faster than any other grocery retail channel in Thailand (HKTDC, 13 May 2015). Further expansion can be expected in the convenience channel as Central Retail, Family Mart, Fresh Mart, Jiffy, PTT, 108 Shop, Tesco and Casino are likely to enter northeastern provinces where half the country’s consumer market remains relatively under-served by modern retail. This is in addition to CP ALL’s target to increase its network of 7-Eleven outlets by a further 2,500 to reach 10,000 in 2016 (The Nation, 14 May 2013). This chapter explores the impact of transnational retail on Thailand’s national retail market and the outcomes of government regulation following periods of market disjunction and disagreement initiated by the arrival of retail TNCs in the early 2000s. The subsequent transformation of the national retail market, as in the convenience segment introduced above, can be traced to the events of the late 1990s and early 2000s and Figure 7.1 tracks the changes that have occurred since that time.
**Figure 7.1 Phases of transformation in Thailand’s national retail market following investment by large-format transnational retailers**

1. **1990s**
   - The grocery market is primarily comprised of traditional retailers. Modern domestic market actors lead department store development and shopping mall expansion. Transnational retailers begin to enter Thailand.

2. **1997-8**
   - The Asian Financial Crisis instigates rationalisation amongst domestic retailers and retail TNCs gain a foothold in the market through joint venture and acquisition of existing store networks. The new 1999 Foreign Business Act facilitates this process.

3. **Early 2000s**
   - A regulatory vacuum is created by the competitive changes introduced by retail TNC operations. In 2001-2 traditional retailers and supplier/producers increase demands for new sectoral regulations.

4. **2003-2004**
   - The 1999 Competition Act under the Competition Commission is inconsistently implemented against retail TNCs. In 2003 and 2004 the Thaksin administration brings a shift in policy approach, away from the Retail or Wholesale Business Operations Act and introduces less restrictive revised town planning rules.

5. **2004 onwards**
   - The new town planning regulations reinforce format diversification by retail TNCs. Competition across the grocery market intensifies, domestic retailers begin to dominate the convenience channel and consolidate market share, and traditional wholesalers diversify their operations in response to market changes.

6. **Late 2000s**
   - As the new town planning regulations are unevenly implemented, the process of regulatory negotiation creates new avenues of state-business interaction and collaboration. Retail TNCs deepen their territorial embeddedness within Thailand. Domestic and transnational retailers increase investment into north and northeastern provinces in Thailand.

7. **2010s onwards**
   - Increasing government - retailer collaboration occurs. After the 2008 Global Financial Crisis the government seeks support from transnational and domestic grocery retailers to reduce the cost of living. Domestic department store and shopping mall retailers lead initiatives to situate Thailand as retail hub for Southeast Asia.

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**Source:** Author’s compilation.
Each section in this chapter maps on to the phases of transformation identified in Figure 7.1. Again, phase one illustrates the information discussed in Chapter Five and subsequent periods of accelerated market change, market actor contestation and adaptation, and government mediation of the retail market are indicated to reflect the types of processes occurring. This chapter is organised in the following way. The arrival of transnational retail firms in the 1990s and early 2000s (phase two) and the initial host economy impacts of these firms in Thailand’s retail market are outlined in Section 7.2. Then, Section 7.3 examines the events leading up to – and the political compromise that weakened – the 2003-2004 regulation of retail TNC activity in the national retail market (phases three and four). The town planning regulations used to restrict retail TNC operations are outlined, and reasons for the Thai government’s failure to implement the Retail or Wholesale Business Operations Act are considered. Next, Section 7.4 looks at the market impacts of the 2003-2004 town planning regulations (phase five) and explores how both domestic and transnational retail firms have transformed the retail market. Section 7.5 examines in closer detail the extra-firm network interactions that arose between provincial institutions and transnational retailers over the 2003-4 town planning regulations (phase six). Then Section 7.6 provides a broader assessment of state-business collaboration in Thailand since 2010 and the impact limited state intervention has had on the retail market (phase seven). Lastly, Section 7.7 draws together themes from across the phases of national retail market transformation and concludes the chapter.

7.2 The modernisation of Thailand’s retail system

By 2015 Thailand was the second largest economy in Southeast Asia after Indonesia, and its capital, Bangkok, had become a commercial hub in the region with a diverse retail market that attracted both Thai and international visitors (HKTDC, 13 May 2015). Bangkok’s position in Southeast Asia reflects the transformation that has occurred in Thailand’s national retail market over the last three decades. Retail provision in the capital and second and third tier cities has undergone significant modernisation and consolidation, driven by both domestic and transnational retail firms (HKTDC, 13 May 2015). Figure 7.2 displays the considerable growth of
Thailand’s national retail market, with the total market value more than tripling from USD$29.4 billion in 2001 to USD$92.7 billion in 2015 (Euromonitor International Database, 2016).

**Figure 7.2 National retail market value in Thailand between 2001 and 2015**

![Graph showing national retail market value in Thailand between 2001 and 2015](image)

Source: Euromonitor International Database (2016).

Since the 1990s modern outlet numbers have rapidly increased as transnational firms entered the market, modern domestic retailers continued to expand, and specialist international and domestic franchise retailers benefited from the growth of new, increasingly large shopping mall developments (Endo, 2013; Shannon, 2014). This section addresses phase two of Figure 7.1 and outlines the arrival of transnational retail, the role of domestic market actors in that process and broad trends of market change in the 1990s to mid-2000s that characterised this period of accelerated retail market transformation.

Chapter Five introduced two important domestic market actors in Thailand – Central Retail and CP ALL – and during the financial upheaval of the 1997-8 Asian Financial Crisis these firms sought to protect their core businesses operations by divesting ownership of their supermarket and hypermarket chains to foreign retailers. This enabled transnational firms to secure an affordable foothold in the market (Endo, 2013) and Table 7.1 details the joint ventures each firm entered into during the late 1980s and 1990s.
Table 7.1 Food and general merchandise retail TNC entries into Thailand since 1980

<table>
<thead>
<tr>
<th>Retailer (country of origin)</th>
<th>Year of entry-exit</th>
<th>Entry mode</th>
<th>Domestic partner</th>
<th>Outlet banner</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEON (Japan)</td>
<td>1984</td>
<td>Owner operated</td>
<td>-</td>
<td>Siam Jusco</td>
</tr>
<tr>
<td>Makro (Netherlands)</td>
<td>1989-2013</td>
<td>Joint venture</td>
<td>CP ALL</td>
<td>Makro</td>
</tr>
<tr>
<td>Isetan (Japan)</td>
<td>1989</td>
<td>Owner operated</td>
<td>-</td>
<td>Isetan</td>
</tr>
<tr>
<td>Family Mart (Japan)</td>
<td>1992</td>
<td>Joint venture</td>
<td>Central Retail</td>
<td>Family Mart</td>
</tr>
<tr>
<td>Royal Ahold (Netherlands)</td>
<td>1994-2004</td>
<td>Joint venture</td>
<td>Central Retail</td>
<td>Tops</td>
</tr>
<tr>
<td>Carrefour (France)</td>
<td>1996-2010</td>
<td>Joint venture</td>
<td>Central Retail</td>
<td>CenCar</td>
</tr>
<tr>
<td>Auchan (France)</td>
<td>1997-2002</td>
<td>Owner operated</td>
<td>-</td>
<td>Auchan</td>
</tr>
<tr>
<td>Delhaize (Belgium)</td>
<td>1997-2005</td>
<td>Joint venture</td>
<td>CP ALL</td>
<td>Food Lion</td>
</tr>
<tr>
<td>Tesco (United Kingdom)</td>
<td>1998</td>
<td>Joint venture</td>
<td>CP ALL</td>
<td>Tesco Lotus</td>
</tr>
<tr>
<td>Casino (France)</td>
<td>1999</td>
<td>Joint venture</td>
<td>Central Retail</td>
<td>Big C</td>
</tr>
<tr>
<td>Dairy Farm International (Hong Kong)</td>
<td>2005</td>
<td>Owner operated</td>
<td>-</td>
<td>Guardian</td>
</tr>
</tbody>
</table>


Of the transnational firms, Tesco Lotus has been the most prolific international investor in Thailand followed by Casino, then SHV Makro. For example, between 1998 and 2007, Tesco opened 96 outlets, more than 10 a year, and 84 of the stores were new developments following the renovation of the twelve CP ALL Lotus superstores. By 2015 Tesco Lotus had 163 hypermarkets, 209 Talad Lotus
supermarkets and 1,788 Tesco Express stores (Planet Retail Database, 2015). To fund its continued expansion Tesco transferred its Thai real estate into a shareholding property fund in 2012 to generate £379 million (approximately USD$591 million) capital (City A.M., 21 February 2012). It is thought to be the largest property fund in Thailand and includes seventeen shopping malls – each anchored by a Tesco Lotus hypermarket – all of which Tesco Lotus has subsequently leased from the fund (Planet Retail, 2015b). Consolidation of the urban grocery market (primarily in Bangkok) by large-format transnational firms and Central Retail increased during the early 2000s as several international retailers exited the market. Royal Ahold divested its Thai business and returned its outlets to Central Retail in 1999 (Planet Retail 2010b; Shannon, 2014). Casino purchased Auchan’s hypermarkets in 2002 and Delhaize sold its Food Lion stores in 2005 to Central Retail who subsequently reopened them as Tops supermarkets (Feeney et al., 1996; Shannon, 2009).

In terms of the non-grocery retail trade, domestic department store operators (rather than shopping mall property developers as in Malaysia) have led the way in expanding specialist and branded retailing in Thailand. Central Retail and The Mall Group each created leading shopping mall brands during the late 1990s and 2000s. In 1990 Central Retail opened its first department store outside of Bangkok in Chiang Mai and, following its amalgamation with the Robinson department store group in 1995, the firm pursued a strategy of incorporating leading provincial department stores into its operations (Endo, 2013). As of 2015, Central Retail had thirty-nine Robinson and nineteen Central department stores with a number located in large shopping complexes operated by Central Pattana (Central Pattana, 2012). Transnational retailers Casino and Tesco Lotus also entered the neighbourhood shopping mall market in the mid-2000s to capture the growing popularity of smaller, locally based shopping complexes within town centres in Thailand (The Nation, 28 January 2010). Shopping mall and large-format grocery outlets also provided internationalising specialist retailers, and their franchisee operators, with retail space when they expanded into Thailand (Central Retail, 2015).
Thailand has a consumer structure with distinct consumption patterns across different demographic, social and economic groups as well as between provincial areas and between urban, semi-urban and rural areas (Endo, 2013; Euromonitor International Database, 2014). Large-format hypermarkets have become popular amongst low-income rural consumers due to the availability of lower prices, one-stop shopping, and leisure and entertainment facilities available in these stores (Oxford Business Group, 2011). In contrast, the preference for convenience shopping in urban areas has promoted the growth of multiple convenience retail chains operated by both domestic and transnational retailers in Thailand’s cities (Euromonitor International, 2014a). Since 2000, Thai consumers have become increasingly sophisticated and educated about the quality, choice and cost of products (Euromonitor International, 2014a). Consequently, retail store environments are continually updated to match and reinforce consumer trends towards convenience, comfort, increased product variety, leisure and entertainment (Oxford Business Group, 2011). Similarly, e-commerce and online shopping via smart phones, social media and retailer websites have gradually increased in Thailand since 2010 (Cotton Incorporated, 2011, 2013, 2014).

In terms of changes to the traditional retail sector in Thailand, the market share of this type of trade is thought to have fallen from 75% to 50% across the national retail market since the arrival of foreign firms (Shannon, 2014). However, estimates vary depending upon how the data is compiled and the sources used (Endo, 2013). In terms of grocery store-based operations, traditional retailers have continued to provide a substantial share of grocery retail provision, particularly in rural areas. Figure 7.3 shows that in the early 2000s traditional outlets comprised around 81% of all store-based grocery retailing in Thailand (Planet Retail Database, 2014) and despite the gradual decline in this type of traditional retail during the 2000s and 2010s, it still remains a substantial part of the grocery retail segment.
Participants from the Thai Retailers Association and Development of Thai Capital Retailers Association as well as modern domestic and transnational retailers suggested that the decline in small-scale grocery retailing was not just associated with the expansion of transnational and modern domestic grocery formats. The change reflected younger generations (of families operating independent shops) moving away from operating this type of business, and in some cases small ‘mom and pop’ shops were redeveloped into 7-Eleven franchises under CP ALL.

In summary, transnational and domestic retail firms have played an equal, albeit differing, role in the transformation of Thailand’s national retail market. The large-scale entry of retail TNCs into Thailand generated an array of host economy impacts. Central Retail and CP ALL facilitated the process of TNC market entry by divesting their grocery retail operations to foreign retailers as part of the financial retrenchment undertaken as a result of the 1997-8 AFC. Rather than resisting the entry of transnational firms, Central Retail and CP All sought to gain advantage from their investment. Tesco and Casino not only benefitted from the existing store infrastructures developed by Central Retail and CP ALL, but from the expertise these firms could provide about the domestic market. Furthermore, the subsequent period of competitive shakeout (Wrigley et al., 2005) and market divestment amongst European supermarket operators in the early 2000s reinforced the market positions of the remaining transnational retailers as well as Central Retail and CP ALL.

Source: Planet Retail Database (2013). * Estimated value for 2014
increased the consolidation of modern grocery retailing under these operators. In comparison to Malaysia, almost twice the number of retail TNCs entered Thailand between the late 1980s and mid-2000s. At the time of writing, three of the original market entrants remain in Malaysia (AEON, Dairy Farm International, and Tesco) and six remain in Thailand (AEON, Casino, Dairy Farm International, Family Mart under Central Retail, Isetan, and Tesco). The strength of modern indigenous retail and the higher proportion of transnational retail firms in Thailand had significant implications for the way in which the national retail market would evolve. The next section explores the initial impacts of transnational retail and examines how the responses of traditional retail and domestic supplier-producers were mediated by Thailand’s institutional and political-economic environment.

7.3 Fair competition and regulatory compromise

Fair competition became the key issue in Thailand’s national retail market in the years following the entry of transnational retailers. Domestic resistance to transnational retail during the late 1990s and early 2000s occurred at a time when the social impact of the 1997-8 AFC was deepening and discontent over the influence of foreign capital in the economy surfaced as widespread popular protest (Baker and Pongpaichit, 2009). The new 1999 Foreign Business Act was felt to have exacerbated this process as it increased foreign retailer access to the market (The Nation, 30 August 2001). However, in contrast to Malaysia, specific incidents of conflict did not produce instant regulatory intervention by the Thai government. In Subsection 7.3.1, the period of contestation and disjuncture in the national retail market during the early 2000’s (phases three and four, combining dimensions two and three of Figure 7.1) is examined along with the political and bureaucratic mediation of domestic resistance to the competitive impacts of transnational retail firms. It also explores how domestic market actors behaved in order to ensure their strategic interests were reflected in government decision-making about the retail market. Subsection 7.3.2 outlines in detail the town planning regulations that were introduced in 2003-2004 and reflects on why another regulatory measure, the Retail
or Wholesale Business Operations Act (indicated in phases four and five of Figure 7.1) was not introduced.

7.3.1 Market disjuncture and the political and bureaucratic mediation of market change

Up until 1999, the 1972 National Executive Council Decree No. 281, or ‘Alien Business Law’ governed foreign investment (Thailand Law Forum Database, 2015). Under this law foreign firms could operate wholesale businesses, but overseas retailers wanting to open stores were subject to review by Thailand’s Board of Investment, which had managed foreign direct investment since 1959. After the 1997-8 AFC, the 1999 Foreign Business Act (FBA) replaced the Alien Business Law and the conditions for market entry changed. The FBA emerged as part of an International Monetary Fund driven liberalisation of the Thai economy and under this law wholesale and retailing were listed as an activity “in which foreign participation may be prohibited or restricted [and a] business which Thai nationals are not yet ready to compete with foreigners” (Thai Board of Investment Online, 2012). Despite these categorisations, the FBA increased the accessibility of the national retail market to transnational retailers. Under the Act, if a foreign company held a minimum paid up capital of TBH100 million or TBH20 million (approximately USD$2.7 million or USD$540 thousand) for each new store, it would not require an operating license from the BOI or Foreign Business Registrar at the Ministry of Commerce. Correspondingly, 100% foreign ownership became permissible if the minimum capital requirements were met; if not, then ownership was restricted to a maximum of 49% (Thai Board of Investment Online, 2012; Planet Retail, 2013b). The new equity arrangements enabled transnational retailers who had already entered Thailand prior to 1999 – including Tesco, Carrefour, Casino and Makro – to take full ownership control of their operations. Furthermore, the Foreign Business Act’s equity share, minimum capital, and licensing requirements were not viewed as excessively restrictive for internationalising retailers able to absorb the costs involved in market entry and store network expansion. Although the FBA arrived after the entry of transnational retailers into Thailand, the equity arrangements it
introduced intensified competitive changes in the grocery retail market and subsequent domestic actor resistance to foreign investors (Williams, 2004).

Liberalisation under the FBA increased existing market actors’ exposure to transnational retailers. Suppliers complained of unfair pricing practices and higher charging arrangements as hypermarket operators introduced new commercial fees and merchandise requirements (Shannon, 2009). Retail TNCs also built new commercial relationships with manufacturers and consolidated sourcing and procurement systems. In the late 1990s and early 2000s, mid-channel distributors were often by-passed in areas where retail TNCs opened stores and located their distribution centers (DCs). One respondent summarised the common structure of traditional distributive systems:

“[Traditional distribution systems] often work in three or four tiers, manufacturers would sell to big wholesalers, big wholesalers sell to medium wholesalers, medium wholesalers sell to small wholesalers [and the] small wholesaler has an area of 20 stores in his neighbourhood that he visits [and supplies] everyday” (Retail Economist, December 2011, Telephone).

Transnational retailers began to disrupt this operational structure in the market. For example, one European retailer arranged for manufacturers and agricultural producers to supply goods directly to their DC so that goods adhered to the firm’s product standards and quality assessment (QA) processes. In the early stages of market expansion, the DC was designed to address the limited capabilities of the local suppliers and used to support subsequent delivery of the correct product type, range and quantity necessary for hypermarket stores. As one respondent explained:

“There would be QA checks, sorting, rejections, labeling, bar-coding. None of the things the small suppliers can do, that was done in the DC. It was then sorted by store and from the other end big articulated trucks would come out full of packed, sorted, labeled, bar-coded retail products for the stores” (Former Senior Manager for Transnational Retailer, March 2012, Thailand).

This type of change became the basis for subsequent market resistance by supplier-producers and demands for new market regulations to reflect the new conditions in the market.

Another change to Thailand’s distributive system has been associated with how traditional retailers sourced products. Casino and Tesco Lotus hypermarkets, and
Makro cash-and-carry outlets offered an alternative source of competitively priced products from which small-scale and traditional retail outlets could purchase their stock. Hypermarkets provided small retailers an opportunity to purchase new and familiar products at lower prices and in quantities of their choice. This altered established distribution practices within the domestic wholesale and supply system in Thailand as one participant explained:

“Normally suppliers have what we call a ‘catchment sale’ and go to the small retailer and sell all their produce to the small retailer, mom and pop shops, now they [small traders] have the Makro’s, they have the Big C” (Trade Association Representative, March 2012, Thailand).

In terms of traditional retailer resistance to retail TNCs, the Thai government began to receive petitions from small traders to restrict the expansion of hypermarket stores in protest against the low prices that large-format stores offered and the store closures and job losses this led to (The Nation, 7 August 2002). The reaction of Thai consumers to the development of modern retail formats compounded the competitive impacts of retail TNCs for traditional retailers as consumers were enticed by the convenience and low prices modern formats provided (The Nation, 6 August 2002). As in Malaysia, traditional domestic market actors sought to change existing institutional and regulatory conditions in the market by drawing on business relationships and their knowledge of the political environment. In the late 1990s, complaints from the traditional retail and distributive trade initially spurred Prime Minister Chuan Leepai, of the Democratic Party administration from 1997 to 2001, to begin the drafting of a ‘Retail or Wholesale Business Operations Law’ (hereafter the Retail Trade Act). The Retail Trade Act proposed that all new outlets be monitored under a national Committee on Retail or Wholesale Business Operators, which would implement and enforce the law; the Office of Retail and Wholesale Supervision would fall under the remit of the Department of Trade at the Ministry of Commerce (MOC) (Thailand, 2007; Endo, 2013). Chaired by the Minister of Commerce, the committee would prescribe measures for retailer outlets according to format type and size. It would assess application and approval measures, impact study requirements and penalties for non-compliance. Provincial Supervision Committees would implement existing regulations and administer measures arising
from the central committee under the Retail Trade Act. Under the law, branded retailers and firms with annual sales of TBH1 billion (approximately USD$27.9 million) or a sales area of 1000 sq.m. or above (the size of a small supermarket) would have to apply for a license to operate retail stores. These licenses would be obtained and approved by the national or provincial authority (Frost, 2010). However, despite the drafting of this law the arrival of Prime Minister Thaksin’s administration in 2001 stalled this first attempt at market regulation.

Interviewed participants from domestic and international trade associations, consultative groups and leading retailers shared the view that the objections raised by traditional retailers and distributive traders and some nationalistic politicians in the early 2000s were the driving force behind regulations introduced by the Thaksin administration. Similarly, participants remarked on the pivotal role of news reporting on perceptions of traditional retailer vulnerability. Public commentary came from both Thai and English newspapers and reporting highlighted the “besieged” traditional sector as hypermarket growth across Thailand “swept mom and pop shops out to sea” (The Nation, 25 September 2006). Commenting on criticism directed at a leading transnational retailer in the early 2000s, one respondent stated:

“The newspapers attack us and then the [Thai] chamber of commerce say ‘you guys, you are big and corporate, you kill all the mom and pop shops everywhere’. We started to have difficulty to get the locations for stores. The worst thing was being attacked by the government opposition party” (Former Marketing Director for Transnational Retailer, October 2011, Thailand).

Between 2001 and 2002 traditional retail and distributive traders organised a series of petitions and events that demanded restrictions on further hypermarket growth. Communication between the protesters and the government primarily occurred through organisations representing businesses at both national and provincial levels. After the 1997-8 AFC, numerous organisations representing medium-sized businesses emerged in response to the social and economic impacts of the IMF recovery strategy and liberalization package introduced by the Chuan government (Baker, 2005). The retail trade was no exception, and in the early 2000s a number of trade organisations challenged the government to take action over the competitive
impacts of large-format retailers. For example, the Thai Salvation and Solidarity Club (TSSC) joined with Thai manufacturers in mid-2001 to press the Thaksin administration to protect manufacturer-producers (Endo, 2013). In late 2002 the TSSC again sought to promote domestic trade, this time collaborating with small to medium sized retailers to campaign against new large-format store openings in northeastern and eastern Thailand (Endo, 2013). Similarly, in August 2002 the newly formed Thai Retail and Wholesale Association (TRWA) sought to reduce the price competition caused by the foreign firms and protect small-scale manufacturers by constructing a distribution channel based on cooperation between association members and small-scale grocery stores (Endo, 2013).

Throughout 2001 and 2002 representatives from the Ministry of Commerce were communicating with individual organisations and the prominent national Thai Chamber of Commerce (TCC) in response to the issues raised by domestic actors. In early August 2002 TCC members representing provincial chambers “urged the government to act immediately to freeze the development of large-scale retail stores” (The Nation, 6 August 2002) and revoke the 1999 Foreign Business Act. Shortly afterwards, executive members of seventy-four provincial offices of the TCC gathered at the University of the Thai Chamber of Commerce in Bangkok to meet the newly appointed Deputy Commerce Minister Newin Chidchob to discuss how to strengthen the competitive position of domestic retail traders in Thailand (The Nation, 7 August 2002). At this time, Newin stated that the government would need to act to resolve the conflict whilst the Retail Trade Act was legislated, announcing that regulations to deal with unfair competition and large-format retailer bargaining power would be introduced in the meantime (The Nation, 6 August 2002).

In an environment sensitive to the strengthening role of foreign capital after the 1997-8 AFC, the period of market disjuncture and contestation that arose in 2002 revealed how a range of domestic market actors could galvanize a political response to the impacts of transnational retail firms. There existed a regulatory vacuum in Thailand’s national retail market and the key issue of fair competition needed to be resolved. Traditional retailers and distributive businesses expressed their discontent
by forming new business alliances and used established institutions – the provincial and national chambers of commerce – and by raising their concerns with government representatives at public events and forums. Unlike Malaysia, business associations played a greater role in these early protests. Similarly, the connections between market actors were not characterised by ethnicity, but based on shared interest at a local, provincial and national level. Transnational and modern domestic retailers were not passive during 2001 and 2002 and firms lobbied against new restrictive legislation both individually, collectively (through the Thai Retailers Association) and via foreign chambers of commerce (The Nation, 6 August, 2002). In seeking a regulatory compromise between the competing interests of the traditional distributive trade and modern domestic and foreign retail firms, the Thaksin administration turned to existing legislation. However, the regulations introduced were not those promised by Deputy Commerce Minister Newin or hoped for by the traditional distributive trade (Williams, 2004).

Prime Minister Thaksin Shinawatra and the Thai Rak Thai Party (defined Thai Love Thai, hereafter TRT) entered parliament on a populist manifesto that included campaign promises to limit the growth of hypermarket operators (The Nation, 30 August 2001). Consequently, domestic actors held the expectation that new protective regulations would be implemented. However, Thaksin did not fulfill the TRT party’s promises, rather, regulatory decisions revealed Thaksin’s underlying preference for private enterprise and Thailand’s growing business elite. The 1999 Competition Act, used to investigate unfair retail practices by large-format retailers in 2002, is a useful example of how political leadership and weak bureaucratic systems mediated and influenced the sectoral regulation that was ultimately implemented in 2003 and 2004.

The International Monetary Fund expected Thailand to modernise its economic regulatory environment to bring the economy into accordance with the country’s IMF lending package (arranged in 1997) and to address the monitoring inadequacies that had contributed to the financial crisis (Williams, 2004). The Price-fixing and Anti-monopoly Law of 1979 was deemed insufficient to manage the rapidly changing
circumstances of Thailand’s economy and in 1999, the Chuan government introduced Thailand’s Competition Act. The main purpose of this law was to promote fair competition, regulate mergers and acquisitions, monopolies and anti-competitive conduct, and set out the parameters of the Competition Commission, which would draft and enforce the necessary definitions and guidelines for market activity (Frost, 2007). The Competition Commission operated under the purview of the MOC, with the Minister of Commerce acting as Chairman, and the Secretary-General of the Department of Internal Trade as Secretary to the Commission.

By 2002 more than thirty complaints relating to the retail and wholesale trades had been lodged with the Competition Commission (Williams, 2004). Claims of unfair trade practices by foreign retail firms led to the creation of the Examining Subcommittee for Unfair Trade Practices in September 2002 with Deputy Minister of Commerce Newin as Chair (Endo, 2013). After seven months the subcommittee concluded that four foreign retailers – Big C, Carrefour, Makro, and Tesco Lotus – and domestic firm Central Retail had breached the 1999 Competition Act (Williams, 2004). Unfair trade practices included unfairly low prices, unequal treatment of suppliers, use of superior economic strength to take advantage of other business operators, and the imposition of unfair costs on producers and suppliers (The Nation, 24 September 2002; Williams, 2004). The subcommittee recommended that the Competition Commission proceed with criminal legal action against the offending retailers. However, in November 2002 the government announced it would neither introduce new legislation – the earlier Retail Trade Act – to restrict large-format retail stores or act to punish named retailers identified by the Competition Commission (Williams, 2004). Instead, existing town-planning laws were updated to control the spread of hypermarket outlets.

Why did this shift in regulatory policy occur? Both institutional and political factors undermined the regulatory decision-making process. Firstly, there existed institutional weaknesses within the 1999 Competition Act that hindered the Competition Commission’s regulatory powers and therefore its ability to implement recommendations from the Examining Subcommittee for Unfair Trade Practices. The
Commission was not independent of the government as members of the Commission were drawn from the Cabinet. This exposed deliberations within the Commission to the vacillating political interests of the Cabinet and political leadership (Williams, 2004). Moreover, in 2002 the Commission was “unduly large” (Williams, 2004: 469) at sixteen members. Six members of the Commission were selected from the private sector, which again, introduced a potential conflict of interest as Commission decisions may limit or hinder the business interests of appointees. These complications were compounded by a second institutional factor; the weak institutional capacity of the bureaucratic organisation assigned to implementing the Act. Ministry of Commerce civil servants lacked the necessary education and expertise to implement the new competition legislation (Williams, 2004). The Act’s promotion of fair competition, as opposed to the control of prices, challenged the existing institutional know-how and business culture within the MOC’s civil administration (Williams, 2004). Thus, the legislation designed to ensure order in the market institution was undermined by institutional and bureaucratic inadequacies. This example reveals how low levels of institutional trust are perpetuated in Thailand, particularly in relation to the Thai bureaucracy over forms of legislative implementation.

The third factor that challenged the decision-making process for new retail market regulation arose as a result of Thailand’s political environment at the time. The actions of the dominant political and business elite combined to undermine the institutional capacity of the Competition Act and the campaigns of traditional retail and distributive market actors. The recommendations of the Subcommittee for Unfair Trade Practices and the proposed Retail Trade Act challenged the business interests of domestic and foreign retailers and each group lobbied the Thaksin administration against new legislation (The Nation, 6 August 2002). Whilst Thaksin and the TRT party came to power on the basis of a populist manifesto, it also prioritised economic recovery through private enterprise and the promotion of a powerful and growing business elite in Thailand (Baker and Pongpaichit, 2009). As already highlighted in Chapter Five, Thaksin sought to replace the strength of the military and conservative bureaucracy with Thailand’s growing business elite to form
a new dominant political-business linked coalition. In sum, the political interests of Thaksin and his administration, combined with the institutional weaknesses present in the formation and implementation of the Competition Act, facilitated the reversal of electoral promises in 2002 for increased control of modern retail formats. The town-planning and building code regulations that were introduced in 2003-4 were therefore a political compromise between the interests of domestic and foreign modern retail and the protesting traditional market actors. The next section outlines these regulations in more detail and examines why the Retail Trade Act remains unlegislated in Thailand.

7.3.2 Regulations applied to Thailand’s national retail market

Two types of building control and town-planning land-use regulations were introduced by the Thaksin administration in 2003 and 2004. The Notice of the Public Works and Town and Country Planning Department, B.E. 2546 (hereafter Public Works Notices) was based on the 1975 Urban Planning Act, was gazetted on 10 September 2003 (Endo, 2013). The Public Works Notices (PWN) introduced town-planning rules for provincial areas that did not have urban planning in place and they remain in force at the time of writing. These guidelines regulated any store type – both domestic and foreign owned – with a floor space above 300 sq.m. The majority of traditional and independent traders were therefore excluded from this regulation, as 300 sq.m reflects a small retail outlet space, usually the size of a convenience format. The PWN controlled the coverage of buildings within plots of land used for retail stores, the proportion of green space, the distance stores were set back from roads, the number of parking lots, waste disposal, and vehicle entrances. For example, hypermarket stores had to include 30% green space within the overall site area, be set back seventy metres from roads at the front, twenty metres at the side and five hundred metres from road intersections. Importantly for hypermarket operators, the PWN included rules for the location of stores. Outlets above the size of 1000 sq.m. had to be located 15 kms away from a city or town centre (Endo, 2013).
The Notice of the Ministry of Interior Ordinance, B.E. 2546 based on the 1979 Building Control Act, was gazetted on 12 September 2003 and revalidated a year later as the Interior Ministry Ordinance on Commercial Buildings B.E. 2547 (hereafter Interior Ministry Ordinance) (Endo, 2013). In contrast to the Notice of Public Works, these regulations applied to provinces outside of Bangkok in which urban planning rules already existed. In 2004 a further Interior Ministry Ordinance was introduced specifically for the Bangkok Municipal area and Nonthaburi, Samut Prakan and Phuket provinces (Endo, 2013). The Interior Ministry Ordinances (IMO) included the regulations detailed in the Public Works Notices as well as new requirements for building construction and store size across four zones in towns and cities. Hence, the closer to provincial city centres retailers sought to locate stores, the tighter regulations became on store location, size, construction and renovation. Again, stores with a sales area above 1000 sq.m. could not be built within 15 kms. of a city centre (Thai Law Forum, 2015). Both the PWN and IMO rules included clauses that stated grocery and general merchandise stores could not be located within 200 metres of government offices, historical buildings or religious and educational facilities (Endo, 2013).

Non-legislative market controls comprised changes to the hours of operation for stores and advanced notification requirements. In September 2004, the Thai government reduced the opening hours for hypermarkets from 100–115 to 77 hours per week (Planet Retail, 2013b). However, this control was lifted one month later as hypermarket and department store operators complained of losses in sales volume due to the restriction (Thai Visa Forum, 13 October 2004). Representatives from the Thai Retailers Association, Central Retail as well as other domestic firms and transnational retailers suggested new opening hours similar to those in Malaysia and promised to pursue green energy conservation programs to support government initiatives over reducing energy consumption (Planet Retail, 2013b; Thai Visa Forum, 13 October 2004). In 2006 requirements for advanced applications for all new modern retail outlets were formalised and expansion plans had to be submitted to the Ministry of Commerce. In addition, retailers had to seek prior approval from provincial planning committees and conduct public hearings to garner local
perspectives and feedback regarding the establishment of a new store (Planet Retail, 2011). Advanced application requirements that included environmental assessment surveys were also required for stores of more than 10,000 sq.m. or twenty-three metres in height (Frost, 2010; Thai Law Forum, 2015). Table 7.2 summarises the regulatory measures described.

Table 7.2 Regulatory measures implemented to constrain retail FDI and create fair competition in Thailand’s national retail market

<table>
<thead>
<tr>
<th>Regulatory measure</th>
<th>Years introduced</th>
<th>Large-format retail TNC</th>
<th>Domestic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Entry Cost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FDI Laws – Alien Business Act</td>
<td>1972/1999</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Foreign Business Act</td>
<td>1999</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Shareholder equity requirements</td>
<td>1999</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Minimum capital requirements</td>
<td>1999</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>Market Operational Cost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer Protection Act</td>
<td>1979</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Environmental impact studies</td>
<td>1992</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Trade Competition Act</td>
<td>1999</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>PWN and IMO Rules</td>
<td>2003-4</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Land-use zoning</td>
<td>2003-4</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Building and outlet sized codes</td>
<td>2003-4</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Advance applications for new outlets</td>
<td>2003-4</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Hours of operation</td>
<td>2004</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Advanced socio-economic impact studies</td>
<td>2006</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Serviced population requirements</td>
<td>2006</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Land and property laws</td>
<td>2008</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>


Before moving to examine the implications of PWN and IMO regulations, a brief assessment of another area of possible sectoral regulation – the Retail Trade Act – provides further insight into the institutional conditions that affect the devising and implementation of market rules. The sidelining of the Retail or Wholesale Business Operations Law by the Thaksin administration in the early 2000s did not mean its consignment to history. Rather, the continued complaints of suppliers and traditional retailers led to continued political engagement with the Act. Table 7.3 outlines events associated with the repeated legislative reviews and consultations of the Retail Trade Act undertaken by different governments between 1999 and 2012.
Table 7.3 Legislative progression of the Retail or Wholesale Business Operations Act

<table>
<thead>
<tr>
<th>Year</th>
<th>Stage of legislative progression</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>- Chuan government introduces first version of Retail and Wholesale Business Operations Act.</td>
</tr>
<tr>
<td>2003</td>
<td><strong>September</strong> - Thaksin administration introduces Public Works Notices and Interior Ministry Ordinances in place of Retail Trade Act.</td>
</tr>
<tr>
<td>2005</td>
<td>- Under Thaksin administration a revised (second) version of the Act is submitted to Cabinet, but subsequently rejected and returned for redrafting.</td>
</tr>
<tr>
<td>2006</td>
<td><strong>August</strong> - Thai Chamber of Commerce asks National Economic and Social Development Board to support its request for reinstatement of the revised bill.</td>
</tr>
<tr>
<td>2007</td>
<td><strong>Early 2007</strong> - Ministry of Commerce announced it would revive the revised Retail Trade Act. <strong>October</strong> - Cabinet approves third version of the Act and it is passed to National Legislative Assembly for consideration. <strong>Act fails to appear before the Parliamentary term expired.</strong></td>
</tr>
<tr>
<td>2008</td>
<td><strong>August</strong> - Thai Retailers Association appointed to four subcommittees tasked with developing a fourth revised Retail Trade Act. <strong>November</strong> - Thai Retailers Association withdraw from the drafting process as the Act is sent to Cabinet without prior notification or completion of the consultative period. **British Ambassador urges government to continue with private sector consultation of Act and warns against negatively impacting the countries investment climate. **Cabinet rejects (fourth) re-drafted version of Act on the basis that the law did not ensure efficient operation of retail businesses.</td>
</tr>
<tr>
<td>2009</td>
<td><strong>September-November</strong> - Public hearings held nationwide on fifth re-drafted Act to garner further feedback and public/private sector approval. <strong>December</strong> - Following input from the Thai Trade Representative Office the Act is transferred from the Council of State and submitted again to Cabinet for approval.</td>
</tr>
<tr>
<td>2010</td>
<td><strong>April</strong> - Revised Act languishes with Council of State, which has reviewed 10 of the 60 articles listed. <strong>Retail Trade Act is not categorised as a priority item by the government.</strong></td>
</tr>
<tr>
<td>2011</td>
<td><strong>May</strong> - Parliamentary deadline for submitting Act to the Cabinet (prior to the dissolution of House of Representatives for elections) is missed. <strong>August</strong> - Yingluck Shinawatra’s Pheu Thai Party led government does not proceed with legislative process and Act returns to Ministry of Commerce.</td>
</tr>
<tr>
<td>2012</td>
<td><strong>April</strong> - Ministry of Commerce announces intent to reinstate the Retail Trade Act for legislative review and approval.</td>
</tr>
</tbody>
</table>


Table 7.3 shows that the Retail Trade Act repeatedly reached the latter stages of the legislative process, but failed to be passed into law. From 1999 to 2012 there were eleven changes in government and a period of prolonged political upheaval and
crisis in 2008 (Thailand, 2015). Such uncertainty combined with slow progress of the Act reinforced institutional stalemate in the legislative process. In 2007 and 2011 the Act missed the parliamentary deadline for submission to Cabinet. Similarly, on two of the three occasions the Act reached the Cabinet for approval (in 2005 and 2008) it was rejected and returned for further review. Beyond institutional delays, reasons for the Act’s rejection were associated with concerns that the Retail Trade Act would negatively affect the economy by deterring future retail foreign direct investment (The Nation, 6 November 2008) and lobbying by both domestic and foreign retailers reinforced this view (Frost, 2010; The Nation, 10 April 2012). Participants representing retail firms argued that additional laws were unnecessary given the stipulations of the Foreign Business Act, Competition Act and town-planning regulations. Although the Retail Trade Act was originally designed to restrict the rapid expansion of hypermarkets, by the early 2010s this expansion had already taken place, with both leading Thai and foreign retailers dominating the modern retail market. As one participant explained:

“The market has moved on and I think that piece of information [the Retail Trade Act] is no longer valid any more. The market has changed a lot in the past few years so I don’t think what is written there is valid” (Transnational Retailer Corporate Affairs Representative, November 2012, Thailand).

Ultimately, the Retail Trade Act has continued to suffer from a lack of political will and an institutional environment subject to rapid political change. At the time of writing it has not been legislated, and it appears unlikely to be, as no significant action has been taken since 2012.

Compared to the guidelines set out by the Ministry of Domestic Trade, Co-operatives and Consumerism in Malaysia, the regulations introduced by Thailand’s Ministry of Commerce in 2003-4 were not as prohibitive to transnational firms. Retail TNCs could operate stores in all grocery retail format channels and rather than being restricted to one format type, only the locations for hypermarkets were constrained. The opportunity to access different consumer groups and behaviours through strategic diversification and localisation of store networks remained open to retail TNCs. Crucially, domestic retailers were also affected by the town planning and building code rules and this issue created common concerns amongst both Thai and
foreign retailers. These combined factors created a critical difference in how the Malaysian and Thai national retail markets went on to develop and the market outcomes of regulation in Thailand. The next section explores the implications of the town planning rules for the national retail market and highlights the diverse outcomes that arose from provincial level implementation of the regulations.

7.4 Market outcomes of regulation and inter-firm competition

In contrast to Malaysia’s guidelines for foreign participation in the distributive services, which were centrally implemented by the MDTCC, provincial level institutions primarily implemented the Public Works Notices and Interior Ministry Ordinance regulations. The decentralisation of regulatory implementation to provincial authorities created flexibility in the institutional management of retail market activity as well as a degree of uncertainty for retailers. In addition, limitations in the design of the regulations created unexpected points of contestation and negotiation between market actors and regulating authorities. For example, transnational retailers in receipt of construction permits prior to the gazetting of the PWN and IMO were not subject to these regulations. This led large-format retailers to pre-empt potential restrictions by submitting planning applications before September 2003. As regulations were primarily left to the discretion of each provincial and municipal authority, a mosaic structure of regulatory execution was created in Thailand. Divergent approaches to regulatory implementation of the PWN and IMO rules across Thailand are revealed in the adaptations and diverse responses of transnational and domestic retailers. This section examines how both transnational and modern domestic retailers strategically responded to the regulations (representing phase five of Figure 7.1, which intersects all three conceptualised causal dimensions of change) and identifies key trends and areas of transformation in the national retail market since the implementation of the town planning rules in 2003 and 2004.

The uniform design of the town-planning rules across Thailand meant there was little acknowledgement of the differences that existed between provinces. Consequently, the regulations received a mixed response from authorities across Thailand’s
seventy-two provinces. For example, Southern Krabi Province opposed the rules as its local authority favoured foreign retailer investment to encourage greater competition, tax revenue and a lowering of prices for the local population. Similarly, the Provincial Chamber of Commerce in Chiang Mai in northern Thailand complained that the regulations came too late because four large-format outlets were already present in the city (Endo, 2013). In contrast, one retail trade association representative described how the local authority in Amphawa district, eighty kilometers southwest of Bangkok, excluded all foreign retailers from opening stores. As another respondent highlighted:

“There is one [province] where you can’t open any stores, there is another one where you can open a department store, almost open any store provided the food was smaller than 1000 square meters [...] and then if you want a hypermarket you’ve got to go very far from the town centre” (Senior Manager for Transnational Retailer, October 2011, Thailand).

There was also uncertainty over which format types the regulations were to be applied to. For example, in 2004 Central Retail argued that its planned department store in Pattaya in eastern Thailand was not under the scope of regulation, as it did not supply food and non-food daily essentials (Endo, 2013). On the basis of this argument the Pattaya Central Department Store was approved.

Participants explained that flexibility in the application of the rules led transnational firms to adapt their formats. In some provinces, larger outlets were allowed within 15 kms. of a town centre as long as stores had less than 1000 sq.m. sales space allocated to food. Tesco subsequently adjusted to provincial authority rules in the Mueang Khon Kaen District in northeastern Thailand to create an atypical hypermarket concept called the Tesco Lotus Department Store, which had a food sales area of just 1000 sq.m. Tesco Lotus Department Stores can now be found in second and third tier towns throughout Thailand (Tesco Lotus, 2015). Similarly, participants explained that a number of transnational and domestic retailers split their operations into two buildings with food and non-food products sold in separate outlets on the same site. Should the regulations change, such outlet combinations within a large site could become a hypermarket mall development, as one respondent explained:
“They [retailers] will have extra land for development in the future [...] if the town [...] has enough potential for a bigger store, or the regulation has been changed, then they will have a chance to upgrade their store” (Property Manager for an International Franchise Operator, March 2012, Thailand).

In sum, the PWN and IMO regulations created unintended outcomes across the national retail market. The rules also combined to protect existing hypermarket stores by limiting new large-format development within towns and nearby locations and increase diversification amongst grocery retailers.

The diversification generated by the PWN and IMO regulations reinforced broad changes occurring in the national retail market. For example, Tesco Lotus went on to develop different regional variations of its Tesco Lotus Extra hypermarkets in addition to its Talad Lotus supermarkets. The latter of which are often located in rented premises in regional shopping malls or Tesco’s own neighbourhood malls (an activity barred to TNCs in Malaysia by the MDTCC regulations) (Tesco Lotus, 2013). In the convenience channel, Tesco Lotus’s Express Stores and Casino’s Mini Big C tend to be closer to smaller supermarkets in design, operating with a larger footprint, and a wider range of fresh foods than other convenience formats in the market. This is in addition to the forecourt outlets each firm developed through partnerships with petroleum firms. For example, Casino operates Big C mini marts in Bangchak Petroleum petrol stations, CP ALL operates 7-Eleven outlets with Thai petroleum firm PTT, and Tesco Lotus works with Esso (Bangkok Post, 3 March 2012, 9 August 2012).

Consumption patterns among Thai consumers have also played a role in market transformation. Across Bangkok and in second and third tier cities and rural areas consumers vary according to income, demographics and lifestyle (Endo, 2013). Consequently, the varying consumption patterns have meant retail TNC grocery formats have been adapted to the needs of consumers in different locations. For example, one respondent explained that hypermarkets in Thailand are “a department store for upcountry people; in Bangkok a hypermarket is more [about] convenience” (Business Development Manager for Transnational Retailer, October 2011, Thailand). Moreover, hypermarkets for low-income areas included “a smaller Aldi, Lidl, Quick Save type format” (Former Director of Transnational Retailer, March
2012, Thailand) and one leading transnational retailer in Thailand saw the opportunity to:

“Strip down the hyper and open a smaller footprint store to serve conurbations that were never going to have a full blown hypermarket [...] we opened supermarkets, which were hypers with the reduced non-food element” (Former Director of Transnational Retailer, March 2012, Thailand).

This action reflects the firm’s opportunistic strategy; a retailer may establish a new format that keeps only a few of the original home format elements to accommodate the local market (Goldman, 2001). Different formats therefore reflect the prevailing societal, economic and political institutions as well as a firm’s intention to develop territorial embeddedness within host markets (Wrigley et al., 2005; Tacconelli and Wrigley, 2009; Dawson and Mukoyama, 2014b). The 2003 town-planning regulations reinforced the strategic interests of retailers seeking to access different segments of the consumer market. As one transnational retail representative explained:

“We were able to move to be multi-format, which is something we would usually want to try and do for customers because [...] the same customers or different sets of customers will have different requirements, so we want to try and be available for their needs” (Global Property Manager for Transnational Retailer, December 2012, Telephone).

Diversification also supported continued market share growth for retailers as well as preventing the risk of declining returns, as another participant suggested:

“Although the market is not saturated, the returns on opening a new hypermarket are less because there is a certain degree of cannibalisation” (Former Senior Manager for Transnational Retailer, March 2012, Thailand).

Participants explained that large-format retailers operated convenience outlets at ‘in-fill’ locations to access consumers with different shopping patterns. This meant retailers could “open the smaller scale to fill in the weekdays shopping and more frequency, to penetrate the market” (Global Property Manager for International Franchise Operator, March 2012, Thailand). At the other end of the scale, when Carrefour exited Thailand in 2011 Casino purchased most of its stores, rebranding them large-format Big C Supercenter malls or Big C Extra hypermarkets in addition to opening a new Bangkok based cash-and-carry format Big C Jumbo in 2012 to attract the HoReCa market (Euromonitor International, 2012l). Table 7.4 demonstrates the trend of market diversification in Thailand. Other than Central Retail and CP ALL,
domestic firms primarily operate in one or two grocery market channels, whilst transnational store networks include all format categories.

**Table 7.4 Distribution of grocery retail formats by ownership in Thailand in 2015**

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Wholesale Cash-and-carry</th>
<th>Hypermarket</th>
<th>Supermarket</th>
<th>Convenience</th>
<th>Forecourt</th>
<th>Department Store – Shopping Mall</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Domestic Retailers</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Central Retail</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CP ALL</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>FamilyMart</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Fresh Mart</td>
<td></td>
<td>X</td>
<td></td>
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<tr>
<td>Foodland</td>
<td></td>
<td>X</td>
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<tr>
<td>Jiffy</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
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<tr>
<td>Mall Group</td>
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<td></td>
</tr>
<tr>
<td>Villa</td>
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<tr>
<td>PTT</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
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<tr>
<td>108 Shop</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>International Retailers</strong></td>
<td></td>
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<td></td>
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<tr>
<td>AEON</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Casino</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Tesco Lotus</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
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<td></td>
</tr>
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As stores below 300 sq.m. do not undergo the same regulatory scrutiny as larger mixed-use stores, the expansion of modern convenience outlets has been rapid across Thailand. Adaptation has been key to the success of some domestic firms. For example, leading Thai supermarket operators Foodland and Villa serve the niche expatriate market in Bangkok (Oxford Business Group, 2011) and each has updated product ranges and in-store services to retain customers and compete against new entrants in the market (The Nation, 25 September 2006). The Mall Group’s Gourmet Food Market has captured a small market share, but like Central Retail’s Food Halls, its operations are predominantly mall based and designed to attract higher-income consumer groups. Thailand’s other domestic retailers have adapted so successfully that they now lead the convenience food market and Table 7.5 shows that, overall, in 2014 Thai retailers dominated the modern grocery retail market.
Table 7.5 Market share growth and ranking for leading grocery retailers in Thailand

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<td>2</td>
<td>1</td>
<td>CP ALL (7-Eleven)</td>
<td>Thailand</td>
<td>1431.4</td>
<td>8025.4</td>
<td>5.6</td>
<td>14.9</td>
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<td>1</td>
<td>2</td>
<td>Tesco Lotus**</td>
<td>UK</td>
<td>1757.4</td>
<td>6608.6</td>
<td>6.9</td>
<td>12.3</td>
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<td>3</td>
<td>3</td>
<td>Casino (Big C)</td>
<td>France</td>
<td>1178.3</td>
<td>3737.9</td>
<td>4.6</td>
<td>6.9</td>
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<td>5</td>
<td>4</td>
<td>Central Retail</td>
<td>Thailand</td>
<td>428.7</td>
<td>1552.4</td>
<td>1.7</td>
<td>2.9</td>
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<td>-</td>
<td>5</td>
<td>CP ALL (Fresh Mart)</td>
<td>Thailand</td>
<td>8.0</td>
<td>206.2</td>
<td>-</td>
<td>0.4</td>
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<td>9</td>
<td>6</td>
<td>Foodland</td>
<td>Thailand</td>
<td>74.8</td>
<td>171.0</td>
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<td>13</td>
<td>7</td>
<td>Mall Group</td>
<td>Thailand</td>
<td>37.5</td>
<td>160.9</td>
<td>0.1</td>
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<td>-</td>
<td>8</td>
<td>AEON Group</td>
<td>Japan</td>
<td>74.5</td>
<td>159.9</td>
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<td>-</td>
<td>9</td>
<td>PTT</td>
<td>Thailand</td>
<td>-</td>
<td>140.1</td>
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<td>14</td>
<td>10</td>
<td>Villa Mart</td>
<td>Thailand</td>
<td>37.1</td>
<td>119.0</td>
<td>0.1</td>
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<td>11</td>
<td>Fresh Mart International</td>
<td>Thailand</td>
<td>70.8</td>
<td>110.0</td>
<td>0.3</td>
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<td>Sahapat (Sun 108 Shop)</td>
<td>Thailand</td>
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<td>103.1</td>
<td>-</td>
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<td>-</td>
<td>13</td>
<td>Sahapat Lawson</td>
<td>Thailand</td>
<td>-</td>
<td>70.5</td>
<td>-</td>
<td>0.1</td>
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<td>-</td>
<td>Carrefour**</td>
<td>France</td>
<td>498.4</td>
<td>-</td>
<td>2.0</td>
<td>-</td>
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<tr>
<td>7</td>
<td>-</td>
<td>Family Mart</td>
<td>Japan</td>
<td>137.6</td>
<td>-</td>
<td>0.5</td>
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Source: Euromonitor International Database (2014) *Company shares by national brand owner, retail value according to RSP excluding sales tax and year-on-year exchange rates. **In Thailand Tesco Lotus is registered as Ek Chai Distribution. *** Carrefour exited in the market in 2011 and Family Mart was became a subsidiary of Central Retail in 2012.

The top five grocery retailers captured 37.4% share of total grocery sales in 2014 (Euromonitor International Database, 2014) and of that total, Tesco Lotus and Casino held 19.2% of grocery market share whilst the leading convenience retailer, CP ALL, held a substantial 15.3% of this category with a total of USD$8231.6 million in retail sales. The remaining leading convenience chains – Central Retail Top’s Daily and its subsidiary Family Mart, Fresh Mart, 108 Shops (Sahapat Lawson) and PPT group – held 3.7% of the grocery retail market. Thai retail firms have become more successful and performed better within their home market than Malaysia’s domestic retailers. For example, Central Retail and CP ALL are among Asia Pacific’s most successful retailers and in 2014 were ranked 90 and 148 respectively amongst the top 250 global retailers (Deloitte, 2016).

Since the early 2010s Central Retail and CP ALL have progressively consolidated their market share through organic expansion and the acquisition of foreign store networks. In 2009, CP ALL became the leading grocery market retailer through its network of 7-Eleven convenience stores, of which approximately half of 8,507 listed in 2015 were located in Bangkok (Planet Retail, 2015a). CP ALL intends to increase its store network to 10,000 in the next few years, an achievable target as it opens an
average of 500 company owned, franchised or licensee operated 7-Eleven stores annually (The Nation, 14 May 2013). This is in addition to CP ALL’s other format, CP Fresh Mart – which focuses on ready-to-eat and frozen foods – and the recently acquired Makro store network. In an asset swap that reunited CP ALL with a part of the firm sold off during the 1997-8 AFC, SHV Makro sold its cash-and-carry operations to CP ALL for USD$ 6.1 billion in 2013 (Bloomberg, 12 June 2013). Since 2004 Central Retail has expanded its Tops supermarkets, increasing store numbers from 78 to 92 in 2015, and it has opened twenty-five Top’s Daily convenience formats and forty-four discount and superstore outlets since 2010 (Planet Retail Database, 2015). In 2012 Central Retail acquired a further 746 convenience outlets as Japanese retailer Family Mart became a subsidiary of the firm (Family Mart, 24 September 2012; Euromonitor International Database, 2014; Planet Retail, 2015a). Central Retail’s grocery retail operations are in addition to its much larger share of the mixed-brand retail sector derived from its range of electronics, books, sports and home furnishing specialist outlets and Central, Robinson and Zen department stores (Euromonitor International, 2012f). Central Retail also sought to acquire 58.56% of Casino’s Big C retail operations, but in a deal announced in February 2016 it was revealed that Casino had sold its Big C operations for USD$3.46 billion to Thai conglomerate TCC, owned by Thailand’s second richest man, billionaire Charoen Sirivadhanabhakdi (Bangkok Post, 9 February 2016; Fruitnet, 16 February 2016; Forbes, 2015). If this transfer goes through, domestic firms will own the majority of modern retail market share and Tesco will be the last large-format retail TNC in Thailand.

Other domestic joint ventures and asset swaps have reinforced the market positions of smaller Thai convenience retailers. In 2013, 108 stores run by the Sahapat Group joined with Japan’s Lawson Inc. to launch ‘Lawson’s 108 Shops’ that included a wider range of Japanese ready to eat food (Shannon, 2014). Retail TNCs have not been insensitive to the popularity of convenience retail in Thailand. In 2014 Tesco Lotus introduced its smallest format called ‘365’ to compete with CP ALL 7-Eleven outlets and it announced its intention to open 10,000 365 stores in the next three years (Planet Retail, 2014c). However, this move has not been thought to pose a
significant challenge to CP ALL’s position as market leader in the convenience segment (Planet Retail, 2015c). Overall, competition in the convenience retailing is likely to increase, particularly in Bangkok due to the close proximity and density of chained outlets. As one respondent explained:

“You’ve now got a really long line up of good retail players all trying to have a part of the convenience neighbourhood food sector and [in] more and more locations you’ll find two, three, four of those brands all coexisting in the same location. So it will be interesting to see just how many of the different formats the market can support and if everyone can be successful” (Global Property Manager for Transnational Retailer, November 2012, Telephone).

Intense competition between numerous modern retailers characterises Thailand’s grocery retail market and despite the significant role of retail TNCs in the market, they operate alongside a strongly competitive and sizeable group of domestic retail firms. This stands in contrast to the Malaysian retail economy in which domestic retailers continue to develop under protective regulations.

In terms of grocery retail market modernisation and transformation in provincial areas of Thailand, traditional distributive systems continue to be important. Although Tesco Lotus and Casino’s Big C are the leading large-format retailers, this position belies the continued role of traditional wholesalers. Transnational retail firms have by no means replaced existing marketing channels operated by domestic and foreign owned distributive companies such as Thai Unilever, Saha Pat, or Procter and Gamble (Endo, 2013). In response to the changing market conditions, several provincial wholesalers have expanded or converted existing warehouses into large supermarkets or cash-and-carry outlets to cater to urban and rural consumers. For example, Tang Ngee Soon Thani was established in 1960 and converted its operations to cash-and-carry outlets in 1990 before subsequently opening two supermarkets in Udon Thani in northeastern Thailand under the name Ngee Soon Supermarket (Endo 2013; Udon Map, 2015). Wholesaler operated stores such as these are competitive due to their lower overhead costs. Stores are not always air-conditioned, products are often stacked high on pallets and limited to non-perishable goods, purchases are primarily made though cash payments and product delivery is not necessarily a service available to customers (Endo, 2013). Similar to Tang Ngee Soon, local wholesaler Super Cheap opened a large warehouse type store
in the southern town of Phuket. Since the original outlet burnt down on 16 October 2013 the store has been refurbished and at 12,000 sq.m., it now has air conditioning, improved cleanliness, and a layout which includes a pharmacy, a large variety of food and non-food products organised by product category (Phuket Magazine, 2015).

One participant explained that provincial wholesalers “mostly represent all the suppliers [...] they are not the independent wholesalers [...] they are what we call a distributor for the supplier” (Senior Consultant for a Trade Association, November 2012, Thailand). This tradition shapes the pricing strategies of those wholesalers opening supermarkets. Whereas larger sourcing agencies and distributors may supply international products and act as sales agents for big name brands, the retail outlets developed by provincial wholesalers stock products from suppliers and manufacturers of all sizes and are therefore an important outlet for small to medium manufacturers unable to meet the expectations of transnational retail firms. For example, Than Ngee Soon purchases goods directly from manufacturers, rather than a sourcing agent, which helps keep prices low (Endo, 2013). Furthermore, several participants explained that a number of provincial wholesalers had begun to open their own convenience chains – often previously traditional retail outlets – supported by their existing distribution system, thus generating a new source of competition for small format retailers in the provincial areas.

In summary, the impact of sectoral regulation and the activities of retail TNCs and domestic firms has led to increased diversification and inter-firm competition in the grocery sector. The 2003 Public Works Notices and Interior Ministry Ordinances did not substantially hinder the growth of transnational retailers, nor domestic firms seeking to expand their store networks across Thailand. Whilst hypermarket expansion was challenged by the exclusion of these stores to 15 kms. outside city centres, uneven provincial implementation of the rules resulted in increased format diversification, which undermined the intention of the 2003 rules. Moreover, the gradual consolidation of the modern retail trade by domestic market actors has emerged as a new trend within Thailand during the 2010s. At the time of writing, the
TCC Group’s impending purchase of Casino’s Big C operations in March 2016 may lead to the reduced presence of large-format transnational retailers in Thailand’s national retail market. Lastly, provincial systems of wholesale and distribution have adapted to the competitive market and continue to play a prominent role particularly in areas where modern retail has a limited presence. In contrast with Malaysia, Thailand’s institutional environment, combined with partial state intervention, has reinforced intense competition across the grocery retail market. The following section looks more closely at how domestic and transnational retailers sought to resolve regulatory challenges associated with the town planning regulations and the implications of their strategic interactions for the national retail market.

7.5 Negotiating market regulation at a provincial scale

In terms of governmental involvement in negotiating the implementation of regulation and resolving points of contestation or uncertainty in the national retail market, there are several key actor groups. These include the Department for Business Development and Department of Internal Trade in the Ministry of Commerce, the Ministry of Agriculture and Co-operatives (MOAC), as well as provincial level authorities and town-planning committees in Bangkok and Thailand’s seventy-two provinces. The variety of institutions involved in the implementation of town planning policy, particularly at the provincial level, has created a mosaic structure in regulatory conditions within Thailand’s retail market. The following discussion focuses on the perspectives of interviewed participants on the impact of the Public Works Notices and Interior Ministry Ordinance town-planning regulations on retail TNCs and indigenous retailer activities across Thailand. It addresses phase six of Figure 7.1, which is associated with dimension three (government regulation and institutional, political-economic mediation of the market), and explores the contradictions of town planning regulation applied to the retail market and the process through which retail TNCs have deepened their territorial embeddedness, particularly in real-estate and land-use systems within the country (Wrigley et al., 2005).
Modern domestic and transnational retailers will interact independently with regulating institutions, but as indicated in Section 7.3 trade organisations also play an important role. For the modern retail trade, the Thai Retailer Association is the largest of the retail trade associations and it represents nearly all the leading modern retailers in Thailand, including Casino, Central Retail, CP ALL, Makro (until its transfer to CP ALL), The Mall Group, and Tesco. The association meets on a monthly basis to discuss issues facing members within the market and the elected association Chairmen and Presidents are often representatives from Central Retail and CP ALL (TRA, 2015). These firms have a long-standing presence in the TRA and state-business interactions over the market. The Development of Thai Capital Retailers Association (DTCRA) has been running since 2009. It is a relatively small trade association that represents domestic operators of all types and primarily small to medium sized retailers. The DTCRA seeks to support these retailers in overcoming the obstacles they face, including providing help in negotiations with suppliers and providing training sessions for in-store marketing and display layout, as well as representing members’ interests to the government. Both associations lobby the government and leading regulatory bodies on behalf of their members to either resolve issues they face (arising from new store developments for example) or campaign for improvements in the institutional management of the retail economy.

Participants explained that domestic and transnational retailers experienced a number of contrasting challenges associated with the implementation of Public Work Notices and Interior Ministry Ordinances, particularly over the opening of new stores. For example, the provincial and district level adjudication and implementation of the PWN and IMO regulations generated significant operational costs for both domestic and transnational retailers. Respondents representing Thai and international retailers pointed to the necessity of large administrative teams to manage different aspects of store planning applications, a process that could take several years for large-formats. All new stores require permits from local authorities regardless of format type or ownership and several respondents estimated that up to forty-two separate licenses were required for each new development. Licenses were necessary for value added tax, building construction and for many of the goods
and services provided, including in-store pharmacies and bakery ovens, and certifications were required from MOAC for all alcohol and fresh foods sold. Whilst many licenses were received from Ministry of Interior provincial offices, others had to be sought from departments in central government. National trade associations would not necessarily act on behalf of their members in these situations, but instead focus on issues facing retailers at a national level. For example, participants explained that the issue of multiple licenses had led the TRA and DTCRA to lobby for a central ‘one-stop’ office through which all retailers could apply for the necessary licenses, applications and permissions. As of early 2016 this arrangement has yet to be introduced.

A further constraint for all supermarket and hypermarket operators concerned the provincial administrative process itself. Representatives from the TRA as well as large-format operators reported that local officials within provincial authorities were not always familiar with regulatory processes for the entry and operation of modern and large-format outlets. Due to problems of limited market knowledge, local district authorities could be cautious, slow in processing applications, and did not always support store applications approved by the Ministry of Interior. Where such problems occurred, participants explained that provincial and district authorities would be lobbied in a variety of ways. One transnational firm invited provincial decision-makers to attend other successful store locations in other provinces to demonstrate the process from set-up to store operation. Similarly, retailer representatives would present local officials with examples of successful applications in other provinces in order to provide a framework for the application process.

Whilst the IMO rules were intended to ensure store development was not chaotic or inappropriate, respondents criticised provincial authorities for not understanding how the retail business operated or the requirements of local consumers. Both retailers and trade association representatives argued that the boundaries of planning zones used by city authorities undermined successful and fair development of the retail industry. Participants explained that whilst planning zones underwent periodic review, local authority proposals sent to the Ministry of Interior for approval
often replicated existing urban zones with little review or re-evaluation. This led to a further layer of bureaucratic abstraction from realistic analysis of urban planning for each local context. In addition, the PWN and IMO included clauses that stated grocery and general merchandise stores could not be located within 200 metres of government offices, historical buildings or religious or educational facilities (Endo, 2013). Participants explained that these clauses created further uncertainties as “when zoning law is not so clear, it leaves a huge grey area where we are squeezed unjustly” (Government Representative for Transnational Retailer, November 2012, Thailand).

Participants also commented that retail firms hoped to avoid postponements and administrative delays by creating good relationships with provincial and district authorities. The incentive for transnational retailers to reduce uncertainties over the timeframe for new stores openings remained a key motivation throughout discussions. Each delay increased the costs involved in the apparatus of store operation, from engaging building contractors, staff recruitment, employment and training, marketing plans, the logistics of product sourcing and delivery, to the completion of in-store fitting and product selection. Consequently, new store applications involved negotiations with landowners, provincial governors, town mayors and local chambers of commerce to garner support for new developments and assess potential difficulties or local needs within the area. If an outlet such as a hypermarket exceeded 10,000 sq.m., environmental impact studies and public hearings were required. One participant explained “if everyone is happy then you submit the application to the provincial authority to agree and after that you start building” (Corporate Representative for Transnational Retailer, November 2012, Thailand). However, competition from local retail businesses, resistance from wet market operators, lack of support amongst local politicians or a perceived oversupply of foreign retail in an area would lead to delays and the application process becoming open to further negotiation. Provincial and district authorities also used their leverage in negotiations to promote activities that supported local communities. As one participant explained:
“Every single authority is different and they expect different things, they want service for their community. For example, some want to help their community by asking us to have a special area to sell what they call ‘all top products’ [...] locally made products from that local community they want that to be sold in our stores” (Corporate Representative for Transnational Retailer, November 2012, Thailand).

However, one respondent considered provincial implementation to be preferable to a single national model:

“The same blue print from the central government, that is not flexible, with this [provincial implementation] you still have some kind of flexibility, but we have to study and understand what the authority needs to then know what kind of format to use” (Government Representative for Transnational Retailer, November 2012, Thailand).

As in Malaysia, the relationship between retailers and national governments was considered pivotal to the success of business operations. This view was no less apparent in Thailand as this respondent explains:

“If you want to get something done its important to talk to policy makers, to the decision maker who can give it a go or make a decision on it” (Government Representative for Transnational Retailer, March 2013, Thailand).

Like in Malaysia, seeking solutions to regulatory challenges required a degree of local knowledge and sensitivity as well as access to established domestic business networks. Rather than seeking new regulations, market actor negotiations focused on the process of implementation itself. As one trade organisation representative explained:

“It is much easier to change regulation, or even simplify its interpretation, those are the sort of issues we lobby on, you can make meaningful change without having to push and push and push for a change in the law” (European Business Association Representative, October 2011, Thailand).

Developing personal relationships through direct meetings between retail representatives and members of government would occur across a gradient of political influence and power. Respondents explained that depending on the severity of the issue, CEO’s and COOs, along with government liaison officers would meet prime ministers and key ministers to lobby, provide reassurance or demonstrate the positive intent behind the retail firm’s actions within the market. Another arena of negotiation occurred with leading figures in the bureaucracy, such as Director Generals and Permanent Secretaries. Successful lobbying therefore involved “not
just being polite anymore, it’s about understanding, getting engaged, maybe being a part of the change in the landscape” (Government Representative for Transnational Retailer, November 2013, Thailand). Retailers also sought to develop relationships across the spectrum of regulatory institutions, engaging not just with provincial governors and local level officials such as town mayors, but also national institutions. Negotiating solutions to regulatory challenges was carried out through state-business collaborative institutions such as the Joint Public-Private Consultative Committee whose members include the Thai Chamber of Commerce, Thai Industry Association, Thai Bank Association and the Thai Retailers Association.

Thai personnel familiar with Thai institutions and society were often those representing transnational retailers in discussions with national governments and provincial authorities as one respondent explained:

“Most of all retailers tend to rely on people from the diplomatic corps, you know, those in the Ministry of Foreign Affairs to do government affairs and corporate affairs work” (Government Representative for Transnational Retailer, November 2013, Thailand).

Similarly, participants explained how retail TNC leadership teams would seek to strengthen their lobbying power and political relationships by creating advisory committees comprised of prominent figures in Thai society, often drawn from local business and industry, politics, and the military. Home country embassies – through their international business and investment promotion arms – also played a part in the lobbying process for transnational retailers. Business events created opportunities to meet and discuss the issues involved as “they help us show the government, how modern retailers like us benefit the country in terms of exports and investment” (Corporate Representative for Transnational Retailer, November 2012, Thailand). The territorial embeddedness of transnational retailers was deepened through these extra-firm network relationships. As one transnational retail representative explained, it was a process that did not always have an end result or immediate outcome:

“Sometimes the result you are looking for is not as important as the processes you are driving [...] you are doing embedding right? Having that event successfully executed doesn’t help you get embedded, but the process of
making sure all the stakeholders are happy [does]” (Government Representative for Transnational Retailer, November 2013, Thailand).

In summary, the town planning regulations introduced in 2003 and 2004 have led to a deepening of retail TNC network embeddedness (the composition and structure of firm relations) and territorial embeddedness (the extent to which a firms’ strategic behaviour is influenced by the institutional characteristics of the host market) within Thailand (Wrigley et al., 2005; Tacconelli and Wrigley, 2009). As in Malaysia, transnational retailers have employed a range of strategies to resolve the challenges associated with opening new stores across Thailand, wherein provincial level implementation of the town planning regulations has been diverse and at times inconsistent. Key to success has been relationship building at different scales of regulatory implementation and with bureaucratic decision-makers with varying levels of experience and expertise. In contrast to the new, centrally implemented guidelines under the Ministry of Domestic Trade Cooperatives and Consumerism in Malaysia, the Thai government mediated the impacts of transnational retail firms by adjusting existing town planning regulations. Although the PWN and IMO rules were devised centrally, the decentralization of their implementation to provincial level created significant flexibility over how the rules were interpreted by bureaucrats and civil institutions across Thailand’s seventy-two provinces. Despite the challenges associated with this variability, transnational and domestic retailers adapted to the regulatory conditions and found new opportunities for growth. The following section looks at subsequent areas of state-business collaboration in Thailand post-2010 – including further examples of deepening retail TNC territorial embeddedness – and contrasts these activities with those in Malaysia since that time.

### 7.6 Market progression through private enterprise post 2010

In Malaysia, state involvement in the national retail market increased after 2010 under the Entry Point Projects devised for the nation wide Economic Transformation Programme in 2011. State intervention in Thailand’s national retail market has not been as significant or as widespread. Overall, the market has experienced relative freedom in its operation beyond the conditions of the 2003 and 2004 town planning
regulations. This section focuses on areas of national retail market activity common to both Malaysia and Thailand since 2010 and relates to phase seven of Figure 7.1. Four areas of state-business interaction are contrasted: the role of state initiatives in improving domestic small and medium enterprise suppliers; state management of product prices to support low income groups; the upgrading of traditional small scale retail outlets; and the promotion of shopping mall developments linked to the start of the Association of Southeast Asian Nations Economic Community in 2015.

In terms of areas of state-business collaboration, retail TNCs have been involved in government programmes to support the development of SME suppliers and producers. Transnational firms have pursued direct purchasing strategies in conjunction with quality assurance standards in Thailand. For example, in 2014 Tesco Lotus extended its direct sourcing network by introducing a scheme called ‘from farm to fork’ to promote and improve the quality of fresh fruit and vegetables stocked in its stores (The Nation, 12 October 2014). This practice was reinforced by long standing government policy under the National Economic and Social Development Plans (NESDP) to support food production in Thailand. Under the ninth NESDP, running from 2002 to 2006, the Ministry of Agriculture and Cooperatives introduced the Good Agricultural Practice (GAP) initiative to encourage farmers to standardize and improve their operations. Those farmers who met GAP standards could label their produces with a ‘Q’ (quality) Mark Logo for consumers (Srimanee and Rourtray, 2012). In September 2006 MOAC awarded Tesco Lotus (along with Casino) the ‘Q Mark’ certification, in addition to an earlier Good Food Safety standard it had received from the Public Health Ministry (The Nation, 1 September 2006). Transnational retailers in Thailand have also worked throughout the 2000s with small and medium enterprises to improve access to overseas markets by collaborating with government promotional schemes. For example, the MOC’s Department for International Trade Promotion (DITP) has provided institutional support to TNCs for export of Thai products (Thailand, 2015c). For example, TBH3.2 billion (approximately USD$89 million) worth of products – ranging from fruit, pet food and toys to stationery – were exported via Tesco Lotus’ global sourcing
structures in 2014 to stores in the UK, Central Europe and elsewhere in Asia, including Malaysia (The Nation, 8 July 2008).

Successive Thai governments have also sought to protect rural communities as well as consumers experiencing rising living costs. Similar to the COOP1 goods program and 250 Kedai Rakyat 1Malaysia products (Malaysia, 2015b), the Thai government operated a ‘Blue Flag’ scheme to reduce the cost of living for low-income consumers. Between October 2012 and September 2013 the MOC spent TBH606.39 million (approximately USD$169.6 million) on 2003 low price fairs around Thailand in addition to setting up 5009 low-price Blue Flag shops or stalls nationally to sell twenty low-priced essential items (The Nation, 19 March 2009, 7 January 2014). The MOC has also protected the price of controlled produce such as pork, cooking oil and chicken, particularly during periods of oversupply at peak agricultural production times (Thailand, 2011a). Participants representing the MOC, trade associations and the modern retailers explained that agreements between the Department of Internal Trade and retailers – including Casino, Central Retail, CP ALL, Makro, and Tesco Lotus – were often used to manage prices and the oversupply of agricultural products in order to protect the incomes of farmers and producers. In 2013 Casino, Makro and Tesco Lotus agreed a Memorandum of Understanding (MOU) with the Ministry of Commerce to sell up to 2000 products at a 10% to 15% discount or via promotion until the end of the year (The Nation, 28 September 2013). Tesco Lotus also launched a ‘cheap as wholesale’ scheme and up to 50% reductions were made on over one hundred products in fresh-food categories (The Nation, 20 March 2015). As in Malaysia, collaboration over specific government policies meant retail TNCs could demonstrate their commitment and contribution to the national economy and potentially reinforce their organisational legitimacy within the market. However, the use of MOUs on food prices was also thought to reflect reactive and weak institutional planning by Thai governments. As this respondent explained:

“This is a typical problem of Thai administration [...] every year the Ministry of Commerce must solve the problem of oversupply and sign the MOU with the hypermarkets. The root cause of the problem is because there is no planning of the cultivating and harvesting and that is the responsibility of the Ministry of Agriculture” (Ministry of Commerce Representative, March 2012, Thailand).
Thus far, discussion has shown that the Thai state undertook similar policy initiatives as those seen in Malaysia. However, there is significant difference between Malaysia and Thailand in terms of the degree of state involvement in the sector, particularly in relation to the domestic retail trade. The Thai government has not operated or funded policies to improve the competitiveness of traditional retail outlets such as the TUKAR program in Malaysia. The traditional retail market has been left largely exposed to competition with small-scale traditional retailers experiencing increasing pressure from domestic convenience retailers (The Establishment Post, 5 July 2013).

Private investment rather than state initiatives has largely driven retail sector modernisation in Thailand since the 2000s and CP ALL’s expansion of its 7-Eleven network is one example. To be a 7-Eleven franchisee, prospective individuals must attend one CP ALL franchise seminar – these occur every three months and include presentations by successful franchise operators – receive store management training, and be able to secure credit or have sufficient start-up capital. CP ALL organises support for new franchises by supplying knowledge, expertise and training on all areas of store management, from product selection to financial systems, as well as opportunities for progression with the firm (CP ALL, 2015). One participant explained that CP ALL is never short of franchise applicants and they are often traditional retail operators:

“We set the standard, how we look, how we service, so the shop house can follow and they can learn the system when they come to our store” (Senior Director for Thai Retailer, November 2012, Thailand)

The private investment activities of CP ALL under its franchise scheme match the promises and goals of the MDTCC’s TUKAR program, but arguably with greater potential revenue success for CP ALL, its franchisees and the national retail market.

Lastly, and in contrast to the state-led initiative to develop 1Malaysia Malls in Vietnam and in China, leading Thai retail conglomerates including Central Retail and the Mall Group are driving the modernisation and expansion of Thailand’s retail market (HKTDC, 13 May 2015). Supported by state infrastructure projects, billions of Thai baht are being spent to develop malls and large-format stores in the ‘upcountry’ north and northeast border regions with Laos, Myanmar and Cambodia to attract cross-border trade and consumer spending as part of integration across
the AEC (Nikkei Asian Review, 14 October 2014). Home to 68 million people and the fastest growing consumer market in the country, Thailand’s upcountry region has become a target for further retail TNC penetration and a new area of accelerated market transformation (HKTDC, 13 May 2015; Nikkei Asian Review, 24 February 2015). For example, CP ALL has actively strengthened its presence in the region by opening six new Makro megastores since 2013 (HKTDC, 13 May 2015), and by 2015 Tesco Lotus operated forty-two stores on the Thai-Laotian border (Tesco Lotus, 2015).

In sum, despite (or perhaps because of) limited state intervention in the national retail market in Thailand, market actors have experienced relative freedom across the sector as well as exposure to intense competition. State-business collaboration is apparent where there is mutual interest, such as in the nurturing of suppliers and producers and sourcing of quality products or where retailer support for the government is expedient for a firm wishing to maintain organisational legitimacy and secure their strategic interests. In contrast to Malaysia, the Thai government has not sought to significantly mediate or direct the development of the national retail market. This reflects longer-term patterns of limited state involvement in the sector. The following section draws together the themes and issues that have been discussed in this chapter and reflects on the core institutional and political-economic influences on Thailand’s national retail market.

7.7 Summary

This chapter began by highlighting the size of the modern retail trade across Thailand in 2015 and new, emerging features of this rapidly evolving part of the national retail market. It then looked at each of the major changes experienced in the retail market since the arrival of transnational retail firms and a number of trends initially identified in Chapter Five have remained apparent, including the pivotal role played by domestic firms. By the 1990s, Central Retail and CP ALL had introduced versions of modern supermarkets, with the latter operating the international brand 7-Eleven. An initial phase of accelerated market transformation (represented by dimension one and phase two of Figure 7.1) occurred after the
1997-8 Asian Financial Crisis with the arrival of transnational retail firms. Central Retail and CP ALL were not passive in their involvement with retail TNCs entering the national retail market. Divesting their supermarkets networks (that were relatively small parts of their wider businesses) reduced their exposure to debt in the aftermath of the 1997-8 AFC (Endo, 2013) and both have subsequently bought back these operations and returned to expanding their grocery retail operations (Bloomberg Business, 12 June, 2013). A second phase of accelerated transformation occurred (phase five and six of Figure 7.1) as provincial implementation of the Public Works Notices and Interior Ministry Ordinances reinforced the strategic diversification of large-format TNCs. Competition has intensified since the 2000s across all areas of the market. Domestic firms continued to consolidate their share of the market whether through the expansion of department store and mall operations or through the acquisition of divested foreign owned store networks. In addition, CP ALL has begun to encroach upon the small-scale operations of traditional retailers through its 7-Eleven franchise and owner operated outlets.

The continued success of Thai businesses such as Central Retail and CP ALL alongside transnational retail firms can be linked to the relative freedom private capital has experienced in the economy and the stability of the medium to large business community in Thailand during periods of political upheaval (Suehiro and Wailerdsak, 2014). As phases three and four of Figure 7.1 highlighted, and Sections 7.3 and 7.4 discussed, political change reinforced the centralised, top-down direction of bureaucratic and governmental decision-making (Kanchoochat, 2008). In the case of the reregulation of the national retail market following the competitive impacts of retail TNCs, political sensitivity towards the interests of foreign retail capital under the Thaksin administration undermined the implementation of the more restrictive market regulation – the proposed Retail Trade Act – and it diluted the already insecure institutional implementation of the Competition Act under the Competition Commission (Williams, 2004). The political compromise that arose under Thaksin through the implementation of the adjusted town planning rules meant the conditions guiding the operation of the national retail market were only marginally altered. Despite the significance of retail TNC investment in the market since the
1990s indigenous modern retailers have gone on to play an important, if not stronger role than international market actors in leading the transformation of the national retail market. The combined impact of successful modern retail, well established and strongly embedded retail TNCs, and limited regulatory control has contributed to creating a highly competitive and diverse market. The next and final chapter draws together the themes developed across Chapters Five, Six and Seven to provide a comparative assessment of the Malaysian and Thai national retail markets. Here key lessons from the study are discussed and related back to the theoretical ideas discussed in Chapters Two and Three.
CHAPTER EIGHT CONCLUSION

Transformation and regulation in the national retail markets of Malaysia and Thailand

8.1 Introduction

“Qualitative researchers [...] embark on a journey in which they hope to discover previously unknown attitudes, norms, beliefs, social rules and practices” (Kelle, 2014: 555).

This research has contributed to the current lacuna within the retail globalisation literature surrounding the long-term effects of retail TNC entry into national retail markets, the strategies of resistance and competition by domestic market actors and the mediation of those changes by national governments through the application of sectoral regulation. Regulatory tightening in Malaysia and Thailand formed a key part of the process through which each country’s national retail market adjusted and transformed following the arrival of transnational retail firms in the 1990s. By investigating regulatory change it has been possible to explore a range of retail system transformations that were experienced differentially in Malaysia and Thailand. This chapter draws together the findings of this study and contrasts the evolution of Malaysia and Thailand’s national retail markets. It discusses the empirical, theoretical and methodological contributions of this research, recommends potential avenues of future research, and is organised as follows. Section 8.2 addresses the empirical implications emerging from Chapters Five, Six and Seven and provides a comparison of the changes experienced in Malaysia and Thailand’s national retail markets. Next, Section 8.3 considers the theoretical contribution of the thesis. Each aspect of the conceptual framework devised for this study is considered along with how the work relates to the retail globalisation literature. This is followed by Section 8.4, which discusses methodological lessons arising from the study and recommendations for areas of future research. Section 8.5 concludes the chapter.
8.2 Contrasting national retail market transformation

This section draws together the empirical contribution of this thesis and demonstrates how the conceptual framework designed for the analysis of national retail market transformation can provide a structure through which to develop concrete, in-depth empirical knowledge about a distinct social phenomenon in contrasting settings. Figure 8.1 illustrates this study’s conceptualisation of national retail market transformation and the different phases of market change that can occur following retail TNC investment. As empirical analysis in Chapters Six and Seven revealed, Malaysia and Thailand experienced each transitional phase differently. Common events, which took place in both national retail markets, occurred at slightly different times and in different ways (e.g. sectoral regulation was introduced earlier in Malaysia than in Thailand). This section assesses the contrasts between Malaysia and Thailand. The empirical issues examined combine to offer summative answers to the thesis research questions, which are reiterated below.

1. How have the activities of transnational retail firms transformed Malaysia and Thailand’s national retail markets?

2. To what extent have domestic market actors shaped the transformation of Malaysia and Thailand’s national retail markets?

3. How have sectoral regulations, implemented in response to the competitive impacts of transnational retail investment, altered Malaysia and Thailand’s national retail markets?

4. To what extent have the institutional and political-economic conditions within Malaysia and Thailand mediated and shaped the evolution and transformation of each country’s national retail market?
Figure 8.1 The transformation of host economy national retail markets following investment by large-format transnational retailers

1. The national retail market primarily contains traditional and modern domestic market actors. Relatively few foreign retail firms are present.

2. Market conditions begin to change as large-format food and general merchandise transnational retail firms enter the market and begin to expand their operations.

3. The competitive impacts of retail TNC investment interrupts established patterns of market operation and leads domestic market actors to resist market changes and seek government support and protection through regulation of the market.

4. National governments introduce sector-specific regulatory measures to resolve market actor disagreements and manage the market changes taking place. The new rules alter the institutional conditions of the market.

5. Retail transnational firms and modern domestic market actors alter their behaviour in response to the new regulations.

6. Market conditions continue to be altered by the competitive interactions of domestic and transnational retail firms and their mutual responses to the new sectoral regulations applied to the market.

7. Intensification of market competition as the share of modern retail expands and processes of modernisation continue. State involvement in the market continues.

Dimension 1 Phases of accelerated market transformation

Dimension 2 Phases of market actor contestation, adaptation and strategic action

Dimension 3 Phases of government regulation and institutional, political-economic mediation of market transformation

Source: Author’s compilation.
Transnational retail firm investment during the 1990s and early 2000s ignited a period of intense change in Malaysia and Thailand’s retail systems. Table 8.1 uses Coe and Wrigley’s (2007) exposition of Coe’s (2004) seven-dimension typology of host economy impacts to indicate the range of retail system transitions created by transnational retail firms.

Table 8.1 The impacts of transnational retail investment in Malaysia and Thailand

<table>
<thead>
<tr>
<th>Market transformation initiated by retail TNC entry and expansion</th>
<th>Malaysia</th>
<th>Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dimension 1 – Impacts on indigenous retailers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitive impacts on indigenous retailers</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Indigenous (modern) retailer resistance</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Small-scale retailer resistance</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Retail TNC partnerships and joint ventures with indigenous retailers</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Dimension 2 – Impacts of competition between retail TNCs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitive shake out</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Asset swaps between TNCs</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Asset redeployment to domestic retail or joint venture partner</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Learning and emulation between retail TNCs</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Dimension 3 – Local supply chain impacts from retail purchasing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shift to preferred supplier systems and dedicated agents</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Supply chain transformation impacts on traditional/informal channels</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Adoption of centralised distribution systems</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Imposition of private safety and quality assurance standards</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Food processing industry impacts</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Dimension 4 – Local supply chain impacts of global sourcing by retail TNCs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TNCs as export gateways</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Regional sourcing systems</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Dimension 5 – Socio-cultural impacts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New quality standards</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>New customer service practices</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Emergent consumer society</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Dimension 6 – Responses of retail TNCs to regulatory tightening</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-emptive site acquisition</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Format adaptation (diversification)</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Deepening of the embedding process</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Regulatory tightening slows the diffusion of transnational retail</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td><strong>Dimension 7 – Reciprocal impacts on retail TNCs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organisational learning and knowledge transfers</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Reputational and profitability impacts on retail TNCs</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: Author’s compilation based on Coe (2004) and Coe and Wrigley (2007).

As Table 8.1 shows, Malaysia and Thailand experienced the wide-ranging consequences of retail TNC investment. Empirical analysis in Chapters Six and Seven highlighted that not all of the retail TNC host economy impacts took place simultaneously as some occurred gradually, or became more significant at a later
date. Early host economy retail TNC impacts sufficiently disrupted established market practices to cause domestic traditional retail and distributive traders to complain to political representatives and to demand regulatory change. This resistance arose from the competitive impacts of retail TNCs on indigenous retailers (dimension one) and local supply chain impacts from retail purchasing (dimension three) during the late 1990s and early 2000s.

Retail TNC impacts that occurred at a later stage in Malaysia and Thailand have been associated with dimension four and five. For example, it was not until the late 2000s and early 2010s that there was significant development of, or evidence for, TNCs acting as export gateways for Malaysian and Thai products (Malaysia, 2015c; Thailand, 2015c). In both retail systems local supply chains have become increasingly integrated into the regional and global sourcing structures of transnational retail GPNs. In terms of socio-cultural impacts retail TNCs implemented private standards and quality assurance systems as they developed distribution systems during the 1990s and 2000s. Transnational retailers in both countries have been involved in policy initiatives introduced by the Malaysian and Thai governments to promote the adoption of food quality standards, and goods produced by SMEs and co-operative organisations. However, in contrast to Thailand, initiatives in Malaysia tended to occur on a larger-scale and include policies of affirmative action to encourage SME bumiputera interests.

In terms of host economy impacts that occurred intermittently, both markets experienced the consequence of inter-firm competition between retail TNCs, and periods of competitive shake out (dimension two and seven). In the early to mid-2000s and again in the early 2010s transnational retail firms have divested assets and exited both economies. In Malaysia divested assets were consistently transferred to other transnational retail firms operating in the market. This is in contrast to Thailand, where domestic firms, including Central Retail and CP ALL, have successfully acquired the assets of retail TNCs and increased domestic ownership consolidation of modern retail provision in the market. By assessing the host economy impacts of transnational retailers and activities associated with retail
globalisation, this study has illustrated the wide array of processes that have led to the modernisation and transformation of Malaysia and Thailand’s national retail markets.

This research has explored the different and frequently contested processes through which the retail systems evolve. More specifically, distinct phases of market actor contestation, adaptation and strategic action were examined. Periods of market disjuncture and contestation prior to the implementation of regulations were replaced by ongoing extra-firm network negotiations and market adjustment associated with the sectoral rules implemented by national governments. The strategic responses and market actor adaptations undertaken by domestic and transnational retailers after the implementation of sectoral rules served to accelerate market transformation. These transitional processes were shown to occur in different ways in Malaysia and Thailand.

During the late 1990s and early 2000s Malaysian and Thai traditional retail and distributive traders displayed similar concerns over the competitive impacts of retail TNCs. Traditional market actors in both countries sought the introduction of rules that would protect their interests and ensure fair competition. However, these groups mobilised in different ways to communicate their strategic interests to their respective national governments. In Malaysia, the trade and business associations tended to represent the specific interests of particular ethnic groups and traditional traders and suppliers/producers would frequently lobby political representatives on an individual basis to express their concerns about the impact of retail TNC store-based operations. During the early 2000s market actors would also contact Prime Minister Mahathir directly to complain about the effects of retail TNC operations. In Thailand, business representation was not organised along lines of ethnicity. Collective representation tended to either reflect the location of market actors (e.g. provincial chambers of commerce or provincial level JPPCCs), or according to the type of business operation (e.g. the Thai Retail and Wholesale Association). Malaysia and Thailand’s political leadership exhibited differing levels of sensitivity towards the protection of the traditional retail and distributive market actors. In Malaysia, state
intervention to protect small traders and supplier/producers was almost instantaneous whereas in Thailand it was a more protracted process. In 2001, an initial short-term ban – initiated by Prime Minister Mahathir – was put in place in Malaysia to stop further retail TNC store developments while the MDTCC could devise appropriate regulatory controls for the market. Although the initial ban on hypermarket developments ended a few months after it was introduced, the action signified to transnational retail firms the willingness of the UMNO led coalition and Barisan Nasional government to protect domestic business interests. In Thailand political leaders demonstrated differing levels of concern for the domestic retail trade during the 1990s and early 2000s. The restrictive Retail Trade Act, initiated by the Chuan administration (1997-2001), was subsequently set aside by Prime Minister Thaksin (2001-2006) in favour of rules that would not deter continued inflows of foreign retail capital.

In this research, negotiations over the implementation of sectoral regulations have been conceptualised as the culmination of market actor disagreements. Regulatory negotiations not only reflect the different interests of market actors, but also the wider institutional and political-economic conditions in which they are devised. In terms of how the sectoral regulations were formulated, regulatory decision-making largely occurred at a centralised, national level in both Malaysia and Thailand. However, beyond this feature there are few commonalities in the process through which sectoral rules were devised. The speed with which the regulatory framework was introduced in Malaysia reflected Prime Minister Mahathir’s interest in the retail sector, and the leading UMNO party’s political sensitivity towards the interests of domestic business (and the bumiputera business community in particular). The regulatory framework reflected the long-established statewide institutional infrastructure that had been devised to execute rules and political decisions across the country. In Thailand, both institutional and political factors undermined the implementation of more restrictive legislation for the national retail market. The interests of the dominant political and business elite within the Thaksin administration combined to weaken the implementation of the 1999 Competition Act and the campaigns of the traditional retail and distributive market actors. Prime
Minister Thaksin’s prioritisation of economic recovery through private enterprise was linked to wider concerns about ensuring continued economic growth after the 1997-8 AFC, and maintaining political power (Kanchoochat, 2008). In direct contrast with the Malaysian government, the Thai administration prioritised foreign capital inflows in order to protect the interests of extant dominant political-economic coalitions in Thailand, which were supportive of Thaksin’s administration. The 2003 Public Works Notices and 2004 Interior Ministry Ordinance town planning rules were therefore a political compromise between Thailand’s political elite, the interests of domestic and foreign retail capital, and traditional retail and distributive market actors.

Up until the implementation of sectoral regulations, Malaysia and Thailand’s national retail markets demonstrated areas of commonality and shared experience, including the continued predominance of traditional retail structures, the development of large shopping mall complexes and department store retailing, the emergence of dynamic consumer markets and, of course, the increasing role of large-format retail TNC store networks. The introduction of sector-specific rules in the early to mid-2000s marked an important crossroads in each retail system, particularly in terms of the trajectory and intensity of indigenous and transnational grocery retailing. Sectoral regulations were introduced between 2001 and 2005, and again in 2010, in Malaysia and during 2003-4 in Thailand. In Malaysia, sectoral rules limited the diffusion of transnational retail. As a consequence the domestic market was more protected than in Thailand. The MDTCC limited retail TNC operations to large-scale supermarket and hypermarket formats and centrally managed the development of all new retail TNC hypermarkets. In contrast, sectoral rules implemented in Thailand were found to intensify retail TNC store network diversification. Limitations placed on the location of large-format stores (e.g. 15 kms away from town centres) incentivised transnational retailers to develop smaller-formats in the market. This led to an intensification of transnational retail store network expansion in Thailand. Furthermore, inconsistent provincial level implementation of market regulations led to the introduction of formats that were specific to the local Thai market and adjusted to the requirements of the town planning rules. Table 8.2 summarises
features of Malaysia and Thailand’s national retail markets after sectoral regulations were implemented.

Table 8.2 Features of Malaysia and Thailand’s national retail markets after regulatory intervention during the early 2000s

<table>
<thead>
<tr>
<th>Changes to the national retail market</th>
<th>Malaysia</th>
<th>Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulatory impacts on retail TNCs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant constraint on retail TNC strategic diversification</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Regulation slowed the diffusion of transnational retail</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Degree of protection for domestic businesses</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Degree of uncertainty in the regulatory process for firms</td>
<td>Medium/</td>
<td>Medium/</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Intense competition between large-format retailers</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Diversification of in-store services and development of e-commerce</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Strategic format and store network diversification by retail TNCs</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Regulatory impacts on domestic retail trade</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased regulatory protection of modern domestic trade</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Increased format diversification by domestic grocery retailers</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Intensified competitive impacts on traditional retail</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Diversification of wholesalers into store-based retailing</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>Evolving features of the national retail market post 2004</strong></td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Expansion of modern convenience retailing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expansion of large-format retail provision</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Market exit and divestment by retail TNCs</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Asset swaps between retail TNCs</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Indigenous firm acquisition of retail TNC operations</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Market entry of international specialist retailers</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Continued development of large shopping mall complexes</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: Author’s compilation.

Following the implementation of sectoral regulations in the early to mid-2000s, Malaysia and Thailand national retail markets underwent a further phase of accelerated market transformation. The growth of transnational retail store networks intensified in both markets, but their development occurred in different ways. In Malaysia retail TNCs continued to invest heavily in expanding hypermarket and large supermarket outlets, but opportunities to diversify store networks were all but removed by the MDTCC guidelines on foreign participation in the sector. If transnational retailers had been allowed to diversify their store-based operations, market transformation would likely have been more intense. Malaysian retail firms (and traditional retail traders) benefitted from the format restriction placed on retail TNCs and the former gradually gained market share. The development of modern retail channels was not consistent across every grocery format channel and the growth of convenience retailing occurred at slower pace in Malaysia when compared
to Thailand. The town planning regulations in Thailand neither substantially hindered the expansion of retail TNCs, nor their diversification into smaller format channels. The entrance of retail TNCs and the introduction of westernised convenience outlets and smaller supermarkets led to increased competition within the smaller format segments of the national retail market.

In terms of the geographical scope of modern grocery formats and large-store developments in Malaysia and Thailand, modern retailing tended to develop more quickly in central regions close to Kuala Lumpur and Bangkok than in peripheral and rural areas. Contrasts exist between Malaysia and Thailand in relation to the distribution of transnational retail operations. As retail TNCs were not able to operate smaller stores in Malaysia, the large-format supermarkets and hypermarkets were primarily located in more highly populated areas. In Thailand, retail TNC access to forecourt convenience retailing, and smaller supermarket and convenience format channels, enabled firms such as Tesco Lotus to enter smaller towns in peripheral and less populated regions, particularly along transport routes throughout the country (Tesco Lotus, 2015).

A key difference between Malaysia and Thailand’s national retail markets during the 2000s and 2010s has been the extent to which, and the manner in which, indigenous modern retailers have driven the modernisation of each national retail market. Leading domestic food and general merchandise retailers Mydin and EconSave have performed strongly since the arrival of transnational retailers, and each has shaped Malaysia’s national retail market by increasing their store networks, and by developing distinct brand identities and store-based innovations. However, Mydin and EconSave’s market share has remained smaller than that of their transnational competitors and they have not achieved the same degree of success as leading Thai retailers. Since the 1990s Central Retail and CP ALL have been actively involved in guiding the development of the national retail market. By entering into joint venture partnerships with retail TNC firms before and during the 1997-8 Asian Financial Crisis, Central Retail and CP ALL were able to sustain their involvement in the grocery retail market as it modernised. In contrast to indigenous retailers in Malaysia,
Central Retail and CP ALL’s involvement with retail TNC operations led to their lobbying against the imposition of more restrictive legislation to limit modern retail trade operations. Any rules that were implemented by the Thai government would have also limited their store-based operations. During the later 2000s to mid-2010s Central Retail and CP ALL have continued to consolidate their share of Thailand’s national retail market through organic store network growth, and through the acquisition of divested retail TNC store networks, which in a number of cases had been developed by joint venture partners. Domestic retailers have also significantly expanded convenience retailing in Thailand. More specifically, CP ALL – through its network of 7-Eleven convenience stores – has placed increasing competitive pressure on traditional small-scale retailers.

In addition to providing an account of the market changes created by sectoral regulation, this research has contributed to empirical knowledge about how sectoral rules were implemented across Malaysia and Thailand. In contrast to the guidelines for foreign participation in the distributive services, which were centrally implemented by the MDTCC in Malaysia, provincial level institutions primarily implemented the Public Works Notices and Interior Ministry Ordinance regulations across Thailand. In both Malaysia and Thailand state and provincial level authorities demonstrated varying levels of enthusiasm towards the development of large-format stores. However, provincial and local level authorities in Thailand had greater discretionary power over how rules were implemented than equivalent institutions in Malaysia. Retail TNCs also experienced uncertainty in the regulatory process in both Malaysia and Thailand, but for different reasons. In Malaysia, uncertainty was created by the arbitrariness of MDTCC decisions, particularly over the rejection of new store application, and a lack of communication between MDTCC representatives and retail TNCs over the approval process. In Thailand, the decentralisation of regulatory implementation to provincial authorities created flexibility over how sectoral rules were applied. Retail TNCs would experience different decision-making processes in different provinces across Thailand. At times this was compounded by a lack of expertise on the part of representatives within implementing institutions.
In both countries the implementation of regulations generated a wide range of collaborative extra-firm network relationships between transnational retailers, government institutions and domestic market actors. For example, in both markets local businesses close to new store developments were able to express their strategic interests through advanced social-economic and environmental impact studies. Similarly, in each setting transnational firms were frequently expected to incorporate locally produced SME goods, or local business activities within new store developments. Correspondingly, transnational firms were found to have employed a range of strategies to meet the expectations of the communities in which they opened new stores, and to resolve the irregular or inconsistent execution of regulatory policy at both national and local levels. Table 8.3 outlines the range of strategies retail TNCs were shown to have employed in Malaysia and Thailand during negotiations with regulatory authorities over large-store developments.

**Table 8.3 Strategies employed by retail TNCs to resolve regulatory challenges**

<table>
<thead>
<tr>
<th>Retail TNC strategies</th>
<th>Malaysia</th>
<th>Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of interpersonal trust between regulators and firms</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Negotiations with senior political representatives</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Incorporation of local expertise by retail TNCs</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Development of large administrative departments</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Use of political and business based forums for lobbying</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Engagement with government initiatives to gain organisational legitimacy</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Use of public engagement strategies with local businesses</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Inclusion of local SME products and businesses within large-format stores</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Knowledge sharing and relationship building at the local level</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

Source: Author’s compilation.

Despite the presence of similarities in terms of the strategies used in each market, the contexts in which they were undertaken varied significantly. Negotiations for new store approvals occurred at different institutional scales in Malaysia and Thailand. In Malaysia regulatory negotiations occurred at the national level. Securing the support of officials in the MDTCC, government ministers and elected politicians was particularly important for retail TNCs in terms of attaining new store approvals. This led to the development of interpersonal trust between senior retail TNC managers and government representatives. In Thailand, developing relationships and interpersonal trust with decision-makers at the provincial level was important for ensuring store network growth. Interpersonal relationships at the national scale were also important for retail TNCs in Thailand, but at this level negotiations tended
to relate to policy initiatives and wider market activities rather than the negotiation of new store approvals. In both countries, transnational retailers strengthened their ability to resolve regulatory challenges by utilising local expertise (often from the domestic civil service), sharing knowledge with regulatory decision-makers about the store development process, and engaging with industry initiatives that were important to national governments. However, the institutional scale at which these extra-firm network interactions took place was the key difference between Malaysia and Thailand as well as the type of policy initiatives that retail TNCs engaged in. By examining this process, this research has deepened empirical understanding of the extra-firm network interactions through which retail TNCs attain organisational legitimacy and the complex processes through which retail TNCs increased their territorial embeddedness within Malaysia and Thailand.

This research has also contributed to empirical knowledge about the role of the state in emerging economy national retail markets. Malaysia and Thailand’s retail systems contain demonstrable path-dependent characteristics and state intervention has been an important part of that dynamic. In terms of state-business collaboration over the management and development of each market, this has remained relatively weak during the 2000s and 2010s in Malaysia and Thailand and reflective of causal processes identified in Chapter Five. In Malaysia, weak co-governance of the sector can be associated with the dominant role of the state and the tradition of centrally devised industrial and economic policy. Successive national development plans, rather than state-business co-governance, provided the institutional structure through which significant regulatory management and monitoring of the national retail market took place. Despite the involvement of provincial and national level JPPCCs and the Thai Chamber of Commerce, Thailand’s national retail market continued to evolve through competition and private enterprise. Where state intervention occurred it largely remained focused on single issues or specific policy-based initiatives.

During the late-2000s to mid-2010s the intensity of state involvement in each retail sector contrasted significantly between Malaysia and Thailand. Through the
Economic Transformation Programme and Entry Point Projects, the Malaysian government sought to deepen its support for the domestic retail trade. To an extent, the MDTCC’s encouragement of the traditional retail and distributive sector through TUKAR and KOJARIS programmes and other initiatives (Malaysia, 2010b) were reflective of the slower development of the small-store grocery segment created by the 2004 MDTCC rules. As in other industries in Malaysia, bumiputera business interests were promoted under the ETP and ambitious flagship projects – such as the international development of 1Malaysia mega malls in China and Vietnam – were outlined (Malaysia, 2010b). However, the projects that were most successful were those that tapped into the existing interests of domestic and international firms, especially Entry Point Project 1, the development of large-format stores.

In contrast to Malaysia, governmental initiatives in Thailand were primarily focused on resolving concerns about the cost of living and agricultural production. New areas of development in the national retail market, including the rapid expansion of modern retail in Thailand’s northern and northeastern cities, have not been associated with large-scale state-led projects. In fact, the Thai governments involvement in the retail market has been far more limited. The ongoing success of domestic and transnational retail firms can be associated with the relative freedom foreign and domestic retail capital has experienced in the economy since the early 2000s and the overall stability of Thailand’s business community (Suehiro and Wailerdsak, 2014). Moreover, Thailand’s national retail market has provided an example of how domestic retail firms can grow strongly through, and alongside, transnational retail investment in a national retail market.

In summary, this research has shown how and why national retail markets transform differentially over time. The empirical findings reinforce the conceptualisation of national retail markets as distinct, path-dependent, contested multi-actor sectoral systems that evolve and change in different ways. Although Malaysia and Thailand’s national retail markets were both altered by similar causal processes, and processes of retail globalisation through the activities of retail TNCs in particular, the nature of market transformation, and the developmental trajectories of each retail system
were significantly shaped by the institutional, socio-cultural and political-economic landscapes in which they were embedded and the actions of specific groups of market actors. Furthermore, despite the existence of a number of commonalities (e.g. the concerns of traditional market actors), the findings summarised in this section highlight how market actor strategies contribute to creating distinct national retail market in different nation states. On a broader level, the integration of the Variegated Capitalism perspective with comparative capitalism approaches and relational economic geography theorisation has proved both analytically and empirically productive. It has been possible to identify how globalised processes and institutional and political-economic arrangements within nation states have combined to shape the transformation of two distinct sectoral economic systems. The empirical findings were derived from the application of an investigatory analytical framework. The next section explores in more detail the theoretical outcomes of the conceptual approach developed for this thesis.

8.3 Conceptualising national retail market transformation

The principal theoretical contribution of this study has been to conceptualise national retail markets as dynamic, path-dependent and contested multi-actor sectoral systems that are continually shaped by the institutional and political-economic landscape in which they are embedded. Examining the formation and implementation of formal sectoral regulation formed the central analytical lens through which national retail markets were explored. A conceptual framework was developed to explain how and why national retail markets are dynamic sectoral systems. The investigatory approach devised for this study mobilised the Variegated Capitalism perspective and Peck and Theodore’s (2007; Peck and Zhang, 2013; Zhang and Peck, 2014) approach towards the analysis of contemporary capitalism. It brought together comparative capitalism and relational economic geography theorisation in order to deepen knowledge and understanding of two distinct sectoral economic systems. This integrative approach has formed an important part of the theoretical contribution of this research.
In Chapter Three a heuristic analytical tool was introduced and it was used to visualise the ongoing evolutionary and path-dependent trajectory of Malaysia and Thailand’s national retail markets in Chapters Six and Seven. It demonstrated that no single phase of development in each country’s retail system was returned to, as each transitional phase informed the next. This analytical and visual approach supported the study’s conceptualisation of national retail markets as dynamic, path-dependent, contested multi-actor sectoral systems. Seven transitional phases illustrated the types of changes that could occur in emerging economy national retail markets following transnational retail investment. The market changes illustrated by the seven phases included: the arrival of transnational retailers, domestic market actor resistance to the competitive impacts of retail TNCs, the implementation of sectoral regulations by national governments, the market impacts of sectoral regulations, market actor adaptations to market rules, the extra-firm relationships that emerged as regulations were introduced, the ongoing development of the national retail market, including the consequences of continued state intervention. Through analysis of these changes in Malaysia and Thailand the interdependencies between causal processes were revealed. Three causal dimensions were used to conceptualise the different processes driving change in Malaysia and Thailand’s retail systems. Taken together, these dimensions helped to explain the reasons behind the market changes observed, including the long-term impact of processes of retail globalisation in Malaysia and Thailand’s national retail markets.

Dimension one conceptualised phases of accelerated market transformation associated with the arrival of retail TNCs and the subsequent re-regulation of market processes by national governments. This dimension was crucial for building a long-term developmental picture of each national retail market and formed an important part of the comparative process. Dimension one highlighted the multiple processes (often activated by market actors) that shaped the transformation of national retail markets over time. Through dimension one, institutional changes were shown to occur as a result of both exogenous processes (retail globalisation) and endogenous activities (strategic adaptations undertaken by market actors to regulatory constraints) within the national retail market. Together these processes were shown
to be interdependent and mutually constitutive of retail system change. By conceptualising market transformation in this way, this research has contributed to conceptualisations of institutional change as a dynamic, path-dependent and multidimensional process.

This study has emphasized the importance of recognising the institutionally mediated and socially embedded nature of economic actors (Peck and Theodore, 2007). Dimension two conceptualised phases of market actor contestation, adaptation and strategic action. Under this dimension, extant theories about the nature of economic agents, institutions and processes of institutional change were integrated to conceptualise how and why market actors produced and reproduced national retail markets. More specifically, Gidden’s (1984) conceptualisation of the structuration process was employed to deepen understanding of the process through which actors and institutions shaped economic action within national retail markets. In so doing, this research has developed a dynamic reading of processes of institutional change within sectoral economic systems. It has highlighted the need to incorporate assessments of market actor agency in producing economic systems and the social institutions that constrain their behaviour. Furthermore, an important part of the overall analytical process was to identify the impact of retail globalisation on national retail markets. By conceptualising points of market actor contestation and disjuncture arising from the competitive effects of retail TNCs, this thesis has refined theoretical understanding of the role of domestic market actors in negotiating and mediating the crosscutting impacts of retail TNCs and processes of retail globalisation in distinct sectoral systems. In addition to this, dimension two supported the analysis of the strategic interests and market adaptations of different market actors as national retail markets moved beyond the initial impacts of transnational retail firm investment.

Throughout the research process the concept of embeddedness (Hess, 2004) has been central to building an effective conceptualisation of national retail market transformation. Dimension three conceptualised phases of government regulation and the institutional political-economic mediation of national retail markets. There
were different reasons for focusing on this aspect of national retail market operation. On the one hand, this study’s cross-national mode of analysis meant it was important to consider theories that explained national economic systems and the features of distinct nation states. On the other hand, the analysis of regulatory change involved understanding the impact of institutional, socio-cultural and political-economic factors influencing economic action at a sectoral level. In this research it was possible to identify the different points at which Malaysia and Thailand’s national retail markets were mediated and shaped by national governments and the institutional structures within each country. A critical theoretical contribution of this research, therefore, has been to apply concepts and theories devised for national level comparison to processes at a sectoral level. Five institutional features conceptualised within comparative capitalism research were employed: state planning and intervention in the retail sector, the role of political leaders, the impact of dominant political-economic coalitions, the role of political instability and the strength of state-business linkages (Tipton, 2009; Zhang and Whitley, 2013; Witt and Redding, 2014b). Investigation into these features ensured analytical sensitivity to the range of extra-firm processes that shaped the developmental trajectory of national retail markets. Table 8.4 summarises the contrasting impacts of Malaysia and Thailand’s institutional and political-economic conditions on their respective national retail markets.

Table 8.4 Institutional and political-economic features of Malaysia and Thailand’s national retail markets

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<th>Institutional and political-economic features</th>
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<tr>
<td><strong>Impact of the state on the national retail market</strong></td>
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<tr>
<td>Ability of the government to achieve its goals</td>
<td>High</td>
<td>Medium</td>
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<tr>
<td>Strength and consistency of state planning</td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>Consistency of state intervention</td>
<td>High</td>
<td>Medium/Low</td>
</tr>
<tr>
<td>Consistency of regulatory implementation</td>
<td>High</td>
<td>Medium/Low</td>
</tr>
<tr>
<td><strong>Role of political leadership</strong></td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td><strong>Impact of dominant political-economic coalitions</strong></td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td><strong>Impact of political instability</strong></td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td><strong>State-business linkages</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strength of state-business coordination of the market</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>State-business policy collaboration</td>
<td>Medium/High</td>
<td>Medium</td>
</tr>
<tr>
<td>Importance of interpersonal trust (social capital)</td>
<td>High</td>
<td>High</td>
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</tbody>
</table>

Source: Author’s compilation.
By employing comparative capitalism perspectives to assess national retail markets, this study has expanded theoretical understanding of the institutional and political-economic configurations that produce national retail markets. Moreover, through the analysis of institutional features in Malaysia and Thailand, Chapters Five, Six and Seven examined the evolving nature of the institutional and political-economic conditions, which influenced both sectoral regulatory frameworks and market conditions. As a consequence, this study has refined theoretical understanding of how institutional and political-economic conditions are configured within and through sectoral economic systems.

On a broader level this thesis has strengthened theoretical understanding of the dynamic and multi-scalar causal processes that produce variegated forms of capitalism. It employed the VC perspective to examine how sectoral economic systems were shaped by processes operating at different scales, by the institutional landscapes in which they were embedded, and by the actions of economic agents. Sectoral level analysis should be a part of any multi-scalar assessment of contemporary capitalism. In their explanation of the Variegated Capitalism perspective, Peck and Theodore (2007) advocate greater analytical integration between varieties of capitalisms literatures and theories that explained unevenly developed, plural forms of capitalism and processes of globalisation within national economies. By integrating comparative capitalism approaches with relational economic geography perspectives, this research moved beyond the simple downscaling of national modes of analysis for a sectoral level investigation (Zhang and Peck, 2014). Assessing the processes through which sectoral regulations were formulated and implemented by national governments reinforced this approach. Furthermore, through the analysis of formal regulation and market actor strategies of resistance, contestation and adaptation, this study has refined understanding of how processes of contradiction and disjuncture can shape contemporary capitalism at a sectoral level (Zhang and Peck, 2014). The heuristic conceptual framework developed for the study also facilitated analysis of processes of path dependency in economic action and the mutual interdependencies that exist between globalised,
crosscutting and connective processes and distinct, locally produced sectoral systems (Peck and Theodore, 2007; Peck and Zhang, 2013).

This thesis has also provided a structure through which to explore how non-firm actors (national governments, regulatory authorities, trade and business associations and traditional retail, and distributive trade groups) within nation states influenced the global production networks of retail TNCs (Coe and Yeung, 2015; Yeung and Coe, 2015). Analysis of the extra-firm network interactions between transnational firms and regulatory authorities in Malaysia and Thailand demonstrated how nationally specific institutional conditions (operating at local, provincial and national scales) could differentially constrain retail TNC operations. More specifically, by placing formal regulation at the heart of the national retail market concept, this research emphasized the importance of considering market-based sector-specific regulations in any assessment of the institutional processes influencing retail TNC global production networks. Correspondingly, this research has reinforced extant theoretical understanding of the socio-cultural nature of economic organisation and the role of state organisations and institutions in shaping processes of globalisation operated through transnational firm global production networks (Henderson et al., 2002; Coe and Hess, 2011; Coe and Yeung, 2015; Yeung and Coe, 2015).

In terms of conceptualisation of the retail TNC, theoretical explanations for the processes through which these firms become territorially embedded and differentially influenced by national contexts have been established for some time (Wrigley, 2000; Coe, 2004; Wrigley et al., 2005). However, by identifying the range of strategies employed by transnational retailers to resolve regulatory challenges, this study has refined theoretical understanding of the processes through which retail TNCs become territorially embedded and attain organisational legitimacy within distinct national settings (Bianchi and Arnold, 2004; Wrigley et al., 2005; Tacconelli and Wrigley, 2009). Retail TNC store-network expansion was influenced by a range of extra-firm network interactions with regulatory institutions at both local and national levels. Similarly, the inclusion of comparative capitalism concepts has shown
that a variety of institutional processes influence TNC operations in host economy retail markets.

This research has extended theoretical understanding of sectoral regulation in national retail markets. By conceptualising regulation as the medium through which market actors negotiate the institutional rules that guide economic action, this approach supports deeper conceptual interpretation of the regulatory measures applied to large-format retailers in host markets (Mutebi, 2007; Wrigley and Lowe, 2010). Furthermore, through comparison of the processes through which sectoral rules were devised and implemented the study has improved understanding of the role of market actors in the complex and dynamic institutional and political-economic processes that produce regulatory frameworks within emerging economies.

In summary, this thesis has responded to calls for comparative investigation into the transformation of host economy national retail markets arising from processes of retail globalisation (Coe and Wrigley, 2007, 2009). In terms of theory development, a conceptual framework and heuristic analytical tool were devised to examine and compare the long-term effects of retail TNC entry in two national retail markets, the strategies of resistance and competition by domestic market actors, and the mediation of those changes by national governments through the application of sectoral regulation. The conceptual framework devised for this study also supported the analysis of the temporal evolution of national retail markets, points of market disjuncture and contestation between market actors, and the interdependencies between processes of retail globalisation and domestic retail systems. The next section considers the methodological implications of this study and opportunities for future research.

8.4 Methodological implications and recommendations for future research

International comparative research has been the methodological *modus operandi* of comparative capitalism research, but it remains relatively infrequent in economic geography (Peck and Theodore, 2007). Single case analysis is common across the
retail globalisation literature and the advantages of this analytical approach are evident in the wide range of highly informative, in-depth studies that consistently contribute to both empirical and theoretical knowledge (Coe and Bok, 2014). This research, however, illustrates the analytical benefits of conducting a country-to-country comparison of the retail transformations associated with the diverse globalised activities of retail TNCs. Through comparison, the contrasting outcomes of transnational retail investment in Malaysia and Thailand have been revealed along with the role of domestic market actors and institutional, political-economic factors in shaping this process. By developing a relational approach to investigating economic transformation at a sectoral level – that is sensitive to the different scales at which economic processes operate both within and beyond national states – this study has contributed to resolving the challenges associated with methodological nationalism in assessments of national economic systems (Peck and Theodore, 2007).

Other methodological implications arising from this research are associated with its focus on food and general merchandise retailing in two Southeast Asian countries within a particular timeframe. This research examined two highly dynamic retail markets over a twenty-five year period and whilst specific events and processes driving change were explored and assessed, not all aspects of each market between the 1990s and mid-2010s could be examined in equal depth. Moreover, the timeframe during which national retail markets in Malaysia and Thailand experienced retail TNC investment and market expansion would not necessarily be the same in other nation states in East and Southeast Asia that have experienced processes of retail globalisation. Furthermore, transnational retailers have been present in Latin American, Central and Eastern Europe and South Africa since the late 1980s and early 1990s (Coe, 2004). Countries that experienced early and later waves of retail globalisation between the 1990s and the mid-2000s in these regions would have been transformed at different rates and depths by transnational retail firms and domestic market actors (Reardon et al., 2003, 2007, 2009; Humphrey, 2007). This has implications for the transferability of the findings of this study and it remains important to be sensitive to the empirical challenges that can arise when
contrasting retail system transformation in different settings, and during different timeframes.

In terms of cross-national comparative research this thesis has avoided the potential methodological limitations associated with single case analysis. The case countries that were selected for investigation were rapidly industrialising economies that demonstrated similar patterns of national retail market transformation following the arrival of retail TNCs. However, the causal processes leading to market transformation that have been identified, whilst differentially experienced in Malaysia and Thailand, may not be present in other nation states exposed to processes of retail globalisation as other factors may come into play. It is therefore important to recognise that other causal processes shaping national retail markets are likely to exist. This highlights potential limitations in the transferability of the theoretical conclusions established in this study. Overall, this research was not designed to produce empirical generalisations that could be directly replicated in other cases and only further investigation would reveal the degree of commonality between empirical cases. Further research would no doubt also assess how well the conceptual interpretations and conclusions derived from the analysis of Malaysia and Thailand’s national retail markets could be applied to other settings.

The methodological implications of this research offer a guide to potential areas of future research and investigation. A first step would be to broaden the geographical scope of the research by examining the longer-term outcomes of retail globalisation in neighbouring Southeast Asian economies. There exist varying levels of transnational retail investment across the region, and more can be discovered about the role of domestic firms in transforming retail markets over time. The varied regulatory limitations placed on foreign retail capital have been well documented within country specific assessments of national retail market change in Indonesia, the Philippines, Singapore and Vietnam (Coe and Bok, 2014). Consequently, it would be both interesting and empirically productive to undertake a regional assessment of the regulatory responses of national governments to the competitive impacts of transnational retailers and the market outcomes of this process. This type of inquiry
would also broaden comparative assessment of how states, and institutional and political-economic arrangements, differentially mediate economic activity at a sectoral level in Southeast Asia. Another possible avenue of research is the comparative analysis of national retail market evolution in other parts of the global economy, particularly Latin America, Central and Eastern Europe and South Africa. Investigation into these diverse regions could reveal the differential and long-term trajectories of retail market transformation associated with diverse transnational and domestic retailer strategies, and the political-economic conditions, regulatory frameworks, consumer cultures, and sourcing and supply network structures which combine to produce different national retail markets.

There also remains an opportunity to investigate further the competitive processes operating in other segments of Malaysia and Thailand’s national retail markets, particularly in non-food and shopping mall-based retail. Domestic retail firms and property developers have played a pivotal role in transforming retail space in Malaysia and Thailand and it would be fruitful to explore the degree to which non-food and mall-based retailers in each market have been shaped by the development of mall infrastructure and the presence of international specialist retailers.

In terms of geographical variegation both within and between national retail markets, the conceptual approach developed for this thesis could potentially offer a framework through which to explore other sectoral systems affected by processes of globalisation and transnational firm global production networks. Further research could reveal the role of distinct sectoral level economic activity, and locally embedded domestic market actors, in shaping the intra-, inter- and extra-firm network relationships that comprise global production networks. Furthermore, by extrapolating and exploring the impact of states, regulatory authorities, trade and business organisations, and consumers during processes of extra-firm regulatory bargaining in other sectoral systems (Coe and Yeung, 2015; Yeung and Coe, 2015), the conceptual approach presented in this research may contribute to refining theoretical understanding of how GPNs interact with other institutionally mediated sectoral systems.
8.5 Conclusion

This thesis has explored two Southeast Asian retail systems in order to examine market transformations initiated by transnational retail firms and to further theoretical understanding of, and empirical research on, the retail globalisation process. Critical analysis of the national retail markets in Malaysia and Thailand has revealed distinct retail systems driven by, and comprised of, an array of market actors and contrasting institutional and political-economic conditions. Central to this study was the examination of regulatory frameworks devised in response to the disruption caused to national retail markets by processes of retail globalisation. The theoretical argument that institutions matter in reproducing differential economic systems has been reinforced through analysis of the market transitions and outcomes of regulatory change. In addition, the importance of state institutions and regulatory frameworks in shaping national retail markets over the longer-term, largely absent from extant discussions of emerging retail systems, has been emphasized. Correspondingly, the differential market outcomes revealed through cross-national analysis reiterated the need for further comparative investigation in the retail globalisation literature. Ultimately, this thesis has demonstrated the importance of considering national retail markets in a holistic manner through analytical strategies that are sensitive to the contingent, institutional and market-based processes that produce geographically diverse economic systems.
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<td>European Transnational Retailer</td>
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*Group Interview