

Carrefour entry into india essay sample

[Countries](#), [India](#)



Carrefour in the French translation of Greek word means plaza, or the marketplace. In the year of 1959, Carrefour was established in France of a town called Annecy by Marcel Fournier and Louis Defforey. Both of the founders are come from successful, enterprising families, who want to develop their own business by building large supermarkets. Marvel Fournier has set up a department store Grand Magasin de Nouveautés Fournier d'Annecy and have close relation with the Casino supermarket company, whereas, Louis Defforey was the president of Badin-Defforey in Lagnieu(worldretailcongress. com, 2002). The first Carrefour store concept in 1959 was aim to build a convenient market place for the citizen, the building was construct with the ground floor as the supermarket, while the floor above containing apartments, were to be sold to help financing the business. The expansion for Carrefour continue increasing in 1960's, the business has increase 45% between 1961 and 1962 which is after the main department store was establish. The success came from its decentralization of power, low prices and equipment cost, and the speed rotation of stocks.

The company have a strong impact on small businesses due to the high inflation rate in 1960's affected the consumer buying power and benefits Carrefour with low price strategy. Carrefour international growth in the 1970s to 1980s was cooperate with other companies in Europe, in this international expansion, Carrefour marketing the local product in the local store instead of import product from French. Carrefour localisation initially develops new stores through joint venture and partnership with the local retailer, this action consequently lead over the competitors in the following years and has established more hypermarkets in France. Besides that,

Carrefour continue its successful policy of decentralisation by providing autonomy to each department head and continued to focus on long-term results rather than immediate successes.

For example, Carrefour introduced its own brands as a low-cost alternative but still focus on its quality. Carrefour knows that only quality and price could build the long-term relationship with consumer. In the early 1990s the member of founding families has leaved the company's active direction and has formed an advisory council. The company continue to expand in foreign markets and partnership with other local company, in the mid of 1990s Asia region has provided another good opportunity for Carrefour's international expansion. In 1996, the company first established store in Asia was Seoul, South Korea, and it has also open more stores in different part of Asia in 1997 and 1998 With the discount strategy has helps Carrefour to fight over recession and partnership with the local retailer has help Carrefour to overcome some government regulations and continue expanding the company internationally.

2. 0 Carrefour recent expansions

In these few years, Carrefour has expanded the company internationally to aim for better opportunity and profitable option. The recent expansion in the past few years was in the Europe and Asia region, Carrefour open more hypermarkets and supermarkets on these region to maintain their growth and attain their goal in each region. Throughout the expansion, there are successful and failed international expansions. Successful expansion like Europe China and etc, are due to the careful planning and how Carrefour

adapt into the country whereas the failed expansion may some due to the cultural different and different environment like Japan. 2. 1 Successful Expansions in Europe and China

2. 1. 1 Europe

Amongst the most successful expansions conducted by Carrefour was Europe and China. Carrefour emphasized on its self-service concept with “everything under one roof” as a main attractive feature for a large scale hypermarket combined together with a variety of grocery store formats which include supermarkets, hard discounts and convenience stores. According to a recent article featured on the Carrefour Group’s homepage on its main website, it reveals that Europe represents the largest market which accounts for over 83% of the company’s annual sales at 68. 4 billion euros inclusive of France along with other European countries (Carrefour Cyprus, 2009). The backbone or foundation that resulted in this successful expansion undertaken was due to two drivers of growth which are mature countries and growth countries. The group’s four mature markets are France, Spain, Belgium and Italy. Carrefour made its impact in these countries through establishing its brand deep enough to become the most popular and recognized hypermarket brand in the European market. Not only that, alongside mature markets, the growth of the countries is shown through the high purchasing power of the customers and Carrefour makes full use of their ability to offer value buys to the European customer base.

*figures are in millions of Euros

Source: <http://www.carrefour.com/cdc/finance/publications-and-presentations/annual-reports/>

With reference to the table above, the impact to the European market have steady earnings in terms of net sales. The net sales represented in the table shows that Europe and France accounts for the majority of Carrefour Group's sales and has managed to maintain a consistent figure at an average of 36024 million euros net sales from the year 2007 till 2011 for France however for the rest of Europe, an average of 27355 million euros net sales is reported. From here it can be analysed that Carrefour has successfully created and maintained a steady stream of sales through its expansion in Europe. Despite the downward trend of the Euro currency and the economic situations in Europe, it has managed to maintain a steady average of net sales. Furthermore, the main concern is that the majority of sales still come from the European countries and its home based nation France. 2. 1. 2 China

The other side of the world was deemed a rich market for Carrefour to tap into. The Carrefour group executed an expansion plan by entering the Chinese market in 1995. According to a news report by China Daily, Carrefour expanded into China quietly without any grand openings but has managed to reap a successful expansion growth by opening 116 stores on the mainland with a total floor area of nearly 1 million square and is employing almost 50, 000 people (Tuo, 2008). Not only that, Carrefour is also featured in another article by eChinacities.com as the most successful foreign retailer in China and has cemented itself through built stores in 15

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Chinese cities which amongst the more notable ones include Shanghai, Beijing and Guangzhou (Scarlatelli, 2010). According to the table of Carrefour Group's Net Sales by operating segments, Asia has shown an upward trend from the year 2007 till 201 in terms of net sales. This is a positive result and it shows that Asia is a booming market that can benefit Carrefour. Following the net sales average, Carrefour Group's Asia counterparts have a net sales average of 6326 million euros. The impact on China shows a promising market for Carrefour as it seeks to expand its hypermarket influence across the globe.

2. 2 Failed Expansions and the Learning Experience

2. 2. 1 Japan Culture Impact

With reference to the case study, it was mentioned that despite the huge successes of expansions done by Carrefour, there was a disappointing expansion failure in Japan. The case study mentions that the total sales for Carrefour's eight Japanese stores for the fiscal year ending March 2004 had resulted in a loss of 32. 3 billion yen (235. 9 million euros). The main reason for Carrefour's failure in Japan's market is the failure to meet expectations of the Japanese retail culture, its inability to expand its business and lack of consumer trust. It is reported in a news report by the New York Times, Masayoshi Saotome, research director at Mitsubishi Research Institute Inc. who studies retail and distribution industries stated that retailers from overseas meaning hypermarket giants introduced their business formats to Japan without making prior adjustments for Japanese culture (Tanikawa, 2001). In addition to that, it is also stated that Mr. Saotome confirmed that the culture difference in between France and Japan contributed to the failure of Carrefour's establishment in Japan mainly due to storage spaces.

The Japanese have limited storage spaces at home and are more inclined to their daily shopping regularly unlike the norm of other countries which people performs bulk shopping towards the weekend in order gain a week's supply of groceries for the household. Therefore Carrefour's ideology of "Every Day Low Prices" cannot be implemented appropriately into the Japanese society.

2.2.2 No Joint Venture activity and the misevaluation of Trust

The importance of choosing a local partner is vital in order to ensure the success of the expansion in a certain market. According to the case study, it was notable that Carrefour failed to expand its business in Japan because it did not choose a local partner. Thus it supports the reason for the outcome of failure for expansion due to not being able to adjust accordingly to the Japanese shopping culture.

In comparison to its competitor, Wal-Mart was able to secure a partnership with a local company to ensure a successful impact of its store outlet launch and quick adaptation to the Japanese market and its cultural society Trust plays a vital role in determining the success of an expansion outlet in Japan. It was noted in the case that the company was exposed mislabelling substandard Japanese pork as higher quality American produce. In addition to that, Carrefour was caught selling date expired products which were ham products. Carrefour was unable to resolve the incidents and continued to fall behind competitors such as Wal-Mart and Tesco and was bought over by Aeon. The buying over of Carrefour by Aeon signals the exit strategy taken by Carrefour in order to avoid further losses in Japan