

Wal-mart: not turning japanese anytime soon

[Business](#), [Company](#)



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Introduction:

The current recession in the United States means that low-priced retail outlets such as Wal-Mart are flourishing while specialty stores like Circuit City are going under. In the United States, families on a budget seek out quality merchandise sold at bargain prices in order to get by, and Wal-Mart is a large part of how families stretch their ever-shrinking budgets. Wal-Mart's official beginning took place in 1962 when Sam Walton and his wife put up 95 percent of the capital needed to open the first store in Rogers, Arkansas. Before long, Wal-Mart went public and became one of the most successful retailers in the world. Its success, however, has not fully translated to several other countries, such as Germany and most recently, Japan. Wal-Mart was given the green light to partner with Seiyu, Ltd., a popular Japanese grocery store in order to bring its own style of retailing to Japan. After six years, it is clear that this overseas venture has been an abject failure, though not necessarily a terminal one.

It is reasonable to assume that consumers throughout the world seek quality merchandise at low prices. It is irresponsible, however, to enter a country without first understanding the nature of its consumers. Wal-Mart's failure to truly comprehend the nature of Japanese consumers is only one of the reasons for its monumental failure. While American youth are hung up on trends and tend to wear what their friends are wearing, the Japanese are much different. First of all, the young people tend to drive the fashion market. According to Yoshiyuki Okamoto, a Hosei University economics professor, consumers between the ages of 25 and 35 want to be original - <https://assignbuster.com/wal-mart-not-turning-japanese-anytime-soon/>

they want to find unique items and they aren't concerned about price (Johnson, 2003). Wal-Mart, however, is all about mass-produced items that can be found as easily in Arkansas as it can in California. This is the first reason for Wal-Mart's failure in Japan - they simply don't understand the average Japanese consumer.

The Problem:

Japan is a country where its citizens are flourishing and eager to spend their money. The standard for products in Japan is much different than in the United States - consumers seek out the highest quality items and they aren't afraid to pay for them.

In Japan, shoppers associate low prices with low quality and are suspicious when a retailer offers jeans for \$10. " In the Japanese consumer mind, they're seen as selling cheap stuff at cheap prices -- and that can be a problem," says David Marra, a principal at management consultancy A. T. Kearney Inc. in Tokyo. (Rowley, 2005)

This cognitive dissonance is in response to the flyers which advertise low prices on special items. While prices are relatively high due to the high operating costs of running such a retail outlet in Japan, the discount flyers do not entice the customers to shop - they merely assume that something must be wrong with the advertised items in order to be sold so cheaply. In addition, Wal-Mart is introducing products from China that simply do not address Japanese taste preferences or their standards of quality. In other words, the Japanese Wal-Mart is all about Wal-Mart, not the customers. This has been the approach that Wal-Mart has taken in its expansion throughout

the world. There are many countries in which the Wal-Mart vision would work well, such as China or India. Japan, however, is a unique market that requires a unique vision. 5

In addition to misgauging consumer buying habits, Wal-Mart has also miscalculated Japanese management style. When Wal-Mart's interest in Seiyu was still less than a controlling share, they succeeded in convincing Seiyu's management to dismiss 25 percent of headquarters staff, which resulted in more than 1, 500 employees and managers losing their jobs. Japanese business has always relied on three important pillars: lifetime employment; the seniority wage and promotion system; and enterprise-based unions (Dore, 2004). This means that there were individuals who spent their entire lives working for Seiyu and expected to be able to retire from the company. According to William Holstein of Fortune Magazine, it is part of Japanese culture to place "...a premium on social harmony. And when the firing is done at the behest of foreigners, it takes on added negative connotations." (Holstein, 2007) Mass firings are commonplace in the United States, but not so much in Japan. Not only does it disrupt the aforementioned social harmony, but the Japanese simply aren't accustomed to layoffs in such a fruitful financial environment. These disgruntled former employees haven't been media-shy, either. They are constantly being quoted complaining about the American management style that simply doesn't work in Japan.

In addition to the mass firings, Wal-Mart has installed new management, a "team of outsiders" which includes Brits, Canadians, but excludes the Japanese (Holstein, 2007). The chief operating officer is Ed Kolodzieski, a seasoned veteran of Kash ' N Karry, who speaks no Japanese and has proven

to know little or nothing about Japanese culture. The vice chairman, Michael Duke, runs the Japanese territory from Bentonville, Arkansas. One must wonder how Duke is able to keep his finger on the pulse of Japan from the other side of the world.

This is not to say that other American businesses cannot succeed in Japan. They have succeeded and they continue to do so. When McDonald's entered Japan, they installed Japanese management at the top levels and customized their menu to meet Japanese needs. Their restaurants offer a free wi-fi hotspot in addition to Nintendo games (Fautska, 2008). In addition, customers can pay for meals using their mobile phones. McDonalds' recognition of Japanese tastes is what has made the move to Japan so successful. On the contrary, Wal-Mart's Japanese failure was caused by their lack of research into Japanese culture, management style, buying habits, and trends.

Possible Solutions:

Wal-Mart's failure to thrive in Japan might be irreversible if bold measures aren't taken soon. Three suggestions for the flailing sector are: a change of management, relocating operations management to Japan, and requiring all Wal-Mart employees who engage in business with the Japanese branch to learn Japanese and to spend time in Japan in order to learn their culture and to predict Japanese trends.

In order for Kolodzieski and Duke to implement immediate damage control, they must start with a change of management. The Japanese aren't accustomed to, nor are they comfortable with, foreign management. Former

employees of Seiyu are speaking out against Wal-Mart because their livelihood was stolen due to bad planning. Duke must employ Japanese managers at the top levels in order to gain favor. The first benefit of this change is that Japanese managers can open doors in Japan in regard to merchandise and customer relations. A public relations campaign in which Kolodzieski and Duke admit fault in incorrectly assessing the Japanese market would go a long way towards restoring good will. The drawback, however, is that such a move would require them to give up autonomy in regard to Wal-Mart operations, and they may have to implement an entirely different type of retail store than they are used to.

The next step would be to develop an operations center in Japan. It is unrealistic and naïve to think that business can be conducted in Japan from Arkansas. Management should not have to call the United States, for example, in order to request that they supply goods for upcoming inclement weather, nor should merchandising be arranged from anywhere but Japan. The Japanese prefer unique items which can easily be found, manufactured, and put on the shelves in Japan. In addition, the Japanese aren't happy with cheaply made products from China. If products were also manufactured in Japan, this would reduce the costs of importing from other countries. In addition, top management in charge of Japanese operations need to move to Japan and set up offices there. This would include Michael Duke, who is in charge of Japanese operations. If he is not willing to relocate, he should be replaced with an executive who will. Such a move will renew faith in Wal-Mart with the Japanese people and show them that Wal-Mart is not trying to fit them into an arbitrary business mold.

In addition to relocating Duke to Japan, he and Kolodzieski must be willing to learn the Japanese language and culture. The United States is the one country where its citizens are not encouraged to learn other languages. It is instead assumed that English will translate to any country in the world. If Kolodzieski and Duke were to learn the Japanese language, they could avoid errors in translation that might prevent them from understanding what the Japanese truly want in a retail store. It isn't enough for these executives to learn the language, however. Any first-year business student knows that it is essential to understand the culture of another country in order to conduct business there. In doing so, they can avoid making any further strategic errors. Had they conducted research in the first place, they never would have entered Japan. Decent products at low prices is not an enticing offer for the Japanese people, they are more interested in the newest, most unique product, regardless of whether it has a short life p. In Japan, " Small is beautiful, and profitable," (Johnson, 2003). This suggestion has its own pros and cons. The first problem is that the Japanese might consider such changes to be too little, too late. They have already lost trust in Wal-Mart and it will be very difficult to get it back. On a more positive note, acquiescence to Japanese culture might endear the American company to the Japanese, and thus build a bridge upon which a new management system can be constructed. Every American employee who works for the Japanese division should be required to learn Japanese language and culture. In fact, those employees could be transferred to other divisions in exchange for employees who are already familiar with Japanese culture and who already speak the language.

Suggestion for Success:

The three alternatives that might save Wal-Mart's Japanese venture are a change of management, an operations center move to Japan, and a show of goodwill in which top executives and employees will learn Japanese language and culture. Out of these three alternatives, Wal-Mart will have the best chance for success if they institute an immediate change of management. A management team should be hand-picked in order to tackle the problem of endearing Wal-Mart to resistant Japanese consumers. This team should be required to live and work in Japan, and should be made up of a combination of seasoned Wal-Mart veterans and Japanese executives who have experience in bringing American businesses to Japan. Immediate change is going to be necessary in order to keep the stores from going under anytime soon. Kolodziecki and Duke would benefit from enticing McDonald's management on to their team - McDonald's has been a hit in Japan, and they know how to customize their restaurant, menu and services to meet Japanese tastes.

Conclusion:

Wal-Mart's failure in Japan is due primarily to ignorance of Japanese culture. Had Duke or Kolodziecki researched Japanese buying habits, they would have found that Wal-Mart is not the right fit for Japanese consumers. It has potential to work, however, with the right management and the right attitude. Executives need to let go of the idea that one Wal-Mart fits all. If they were to fully investigate every country before setting up shop, and customizing each store to the country's needs, Wal-Mart could be a success in any country, in any part of the world.

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