Wal-mart case study

Education

Q1

The first global location that Walmart entered was Mexico. In Mexico Walmart joined hands with aMexicancompany named Cifra and spent $20million on a joint venture. Wal-Mart also opened foreign trade zone in Arizona where it built a huge distribution centre. Cifra was later acquired by Wal-Mart

Shortly after Mexico, Walmart entered into Puerto Rico where a number of other big players were already operating in Mexico. By the end of expansion Walmart had around 190 operating stores in Puerto Rico. Puerto Rico did not only attracted tourist but also the upper middle or the strong class where a Puerto Rican shopping trip is more like afamilyouting with long to do or in other words to buy lists.

Soon after, in 1993 Walmart also expanded its operations to Canada where it bought 120 Canadian Woolworth’s stores. By 2002, Walmart held 40% market share of all the department stores in Canada alone. These Canadian stores were more profitable then the US stores.

A year later Walmart entered Brazil by partnering with the Brazilian retailer Lojas Americana with a controlling stake of 60-40. The company got mixed results from. The reason for mixed results was the competitiveenvironmentdue to deep market penetration of Carrefour (Mead, 2003).

Again in a year’s time after entering into Brazil the company entered into Argentina where it started with its wholly owned subsidiary. Walmart managed to sell stocks amounting to $1million on the very first day and still more and more people flocked the newly opened store rather then the old ones.

In 1996 Walmart entered into china in a mainland and populated city of Shenzhen. Walmart opened 22 super centre stores in china by the end of 2002. In 2002 it also joined hands with CITIC group in order to overcome the competitor Carrefour which had deep presence in china as well. It is expected that 2002’s 22 Chinese stores can become 3000 in 2028 if the growth accelerates at the current rate. 2008 sales are expected to hit a mark of $579. 5 billion (Mead, 2003).

Walmart also entered in Germany which was quite a difficult market then the previous ones. Although Walmart opened a number of stores without looking at the gross margins, still it did have to close two of its stores for the first time in international expansion history.

It took four years of planning for Walmart to enter into Mexico when it purchased four sites from Makro. Walmart was successful in Korea because it complied with the tight family structure facilities that other competitors did not provide. Moreover it was expected that the company would open 50 more stores by the end of 2007.

By 2002 Walmart was thriving in great Britain after its entrance in 1999 by striking a deal of $10. 7 billion by acquiring major players in the market. The stores that were taken over by Walmart operated on the same lines as Walmart for example low pricing and employee involvement in business (Mead, 2003).

With an initial investment of $46 million and having a 6% share in ownership interest Walmart joined hands with Seiyu limited a Japanese chain of 400 stores. Walmart faced a lot of difficulties in Japan and had many problems in competing with the notorious competitors (Mead, 2003).

Walmart entered in Russia in 2002 with its first ever visit under the strategic planning department head. The representatives of the company visited departmental stores namely Ram store and seventh continent and it was evident that Walmart was planning to start its operation there as well.

Q2.

Walmart faced a number of threats in all of the geographical locations where it expanded its operations. Starting from Mexico, Walmart violated a code that all the labels must be in Spanish. Then when we look at Puerto Rico, Walmart was suited due to the fact that it was trying to take over a local department store chain which was against the anti monopoly laws. In Canada, Walmart earned criticism when it distributed only English flyers rather then both English and French. Also extra un-paid working hours also generated bad publicity for the company. In brazil the two challenges that the company faced was the Carrefour which had deep roots in the market and the second one being congestion and traffic in the densely populated country where distribution was not easy because the company depended on local distributors as it did not had its own by then. Refusing to take post dated cheques, book keeping differences in computer systems rising inflation were also some of the other challenges that the company faced in Brazil (Mead, 2003). Coming on to Argentina, the major problem that Walmart faced in the country was that it couldn’t practice its low price methodology where it bared loss on one item to be competitive and same happened in the case of a beer company which refused to supply to Walmart. In Germany, Metro was the biggest threat to Walmart because it had deep roots in one of the most developed and competitive markets as compared to the rest of the markets on the globe. Harsh German regulation prevented price wars from their roots and also it prevented the store to remain open 24 hours a day along with Sundays. The company could not offer bags to customers because it was against the regulation of least use of plastic. Although the company tried to compete with Metro AG, it is still struggling. In Korea, the ongoing tension between the north and south did not allow the retail giant to use its name in the market initially. When the company first entered Japan in 1992, it was rejected by the consumers by grading its quality of products as inferior. After its entrance in 2002, the notorious competitors were aggressive in fighting and eschewed Walmart’s tradition of bypassing wholesalers because of old relationships. Financial slump in Japan led to complex distribution.

Q3

The implementation strategy of Walmart is quite simple as it is designed withrespectto specific market characteristics. The company does not believe in an overall strategic plan, but it solely emphasizes on opportunities and getting the most out of them whenever they are discovered. This is what we saw in every market where the company penetrated with its operations and every time the company penetrated with a different policy. At times it took over market leaders, at times it took over weaker players and it also opened its own subsidiaries whenever needed. Although the company faced losses at many geographical locations, still it did not stop its operations and invested more and more in the country in order to first weaken the competitor or get to the level of the competitor and then compete (Mead, 2003).

The strategy adopted by Walmart would not justify the quality test for many analysts because it seems a lot more inconsistent and can lead to uncertainties, however in my analysis, the strategy adopted by Walmart is justified because of the fact that not every market has the same characteristics and different strategies need to implemented in order to penetrate into a new international market. The challenges that the company faced in each of the markets was different thus the strategy did seem to work otherwise the company would not have any scope in the international arena.

Reference

Mead, J (2003). Wal-Mart in the 21st Century: A Global Perspective. University of Virginia