

Walmart's marketing strategy in china



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WAL-MART STORES WITH CHINESE CHARACTERISTICS

Past success will be the future failure. – Ali Farhoomand, Director, Asia Case Research Centre It seems ironical the president of Wal-Mart China, Cassian Chueng resigned just at the beginning when China's government fully opened its retail market to foreign retailers in 2005; which was considered to be a declaration of failure to fulfill the retail giant's expectation in China of Chueng.

After one decade of operation in China, Wal-Mart has provided continuous negative returns to the headquarter in the US and was ranked only 20 in the top 25 chain stores in China at the end of 2004 according to China Chain Store Association. The rise of this retail giant of US has proved the success of its unique Wal-Mart Way. The core idea of "Every Day Low Prices" combined with a set of beliefs like providing great customer service, showing respect for the individual and striving for excellence contributed the success of Wal-Mart.

These managing philosophies are transported from one store to another, one state to another and one county to another until China where Wal-Mart has met strong adversaries of keeping their ends meet. With the NO. 1 world's population of 1.3 billion, China is the apple in Wal-Mart's eye. However, opportunities along with challenges have given Wal-Mart a serious hit on the

head and there are lessons to draw from if Wal-Mart wants to replicate its triumph in China.

Understanding the Chinese Consumers

Wal-Mart's strategy to enter into Chinese market is surely a wise one. While how to do business in China is another, and trying to implement the same operation strategies in the US to China would be hazardous. People tend to rely on past successful experiences for future actions guidelines. But applying which shall accord to the time, place and people involved. Although the giant number of population 1.3 billion sounds tantalizing, not all of them are the target consumers less compared them the same with the US.

One of the key mistakes Wal-Mart made is that they take the consumers in China as in the States. Just to the contrary of the Wal-Mart's fantasy—not every Chinese washes his or her hair every day. Taking the government into serious consideration It is both the invisible and visible hands are controlling the society of China. The invisible is market itself while the visible being the government. The local protectionism is quite fierce fueled by the GDP competition among provinces and cities, which shall greatly influence Wal-Mart centralized control style.

And while the central government may open to foreign retailers to enter into China freely, the local government may provide numerous counter-policies to make it impossible for foreign companies to survive. One country, several markets It must sound peculiar although China has a history of over 5000 years, yet people under the same nationality may not share the same culture as a whole. Trying to stereotype Chinese in a single version is surely biased.

And one of the hardest points to understand is the market changes dramatically even the persons involved may not understand themselves.

There is a city called Erdos in Inner Mongolia once a small and poor city one decade ago now becomes one of the richest in the country with a nickname of Little Hong Kong. The vast distribution of land, people, and the gap between different social income classes, there are several markets deserve tailored strategies to tack on other than one uniformed type. Given above problems we have come to following suggested modifications of Wal-Mart's strategies in China: Who doesn't want a lowered price and good service?

Continued focus on the value drivers of price and service is a sensible competitive advantage for Wal-Mart to establish China given the importance of value to the Chinese consumer, and their growing demand for quality and service. However, given the unique consumer behavior of the Chinese consumer such as many trips, little purchase, tendency for impulsive purchases and easily swayed by promotional campaigns, it could consider to offer more frequent promotional campaigns while offering reasonable prices across the board not necessarily the lowest price for all its products compared to its competitors.

Wal-Mart could build a competitive advantage by offering frequent and good value promotional campaigns compared to its competitors. This would attract customers to visit Wal-Mart frequently as opposed to other supermarkets. This could encourage higher frequency of visits to Wal-Mart, and encourage higher spend per visit. Don't try to invade the whole Chinese market Wal-Mart should locate in higher density cities targeting middle class

and larger population base. Wal-Mart's US model of serving relatively small populations would be too costly in China (average spend per customer too low).

Also, lower income populations tend to purchase more basic necessities. A hypermarket operating model with a broad assortment of products would be too costly to maintain in terms of inventory costs. Therefore, it would be more suitable for Wal-Mart to serve a larger, middle income population base. A wide assortment of products (standard for a hypermarket) would be more attractive to middle income consumers. Even the giants need new knowledge and get ready for new challenges.

Like the domestic competitors did, Wal-Mart may consider opening smaller scale supermarkets in lower income / rural cities with reasonably large populations which offer basic necessities at good value and good service. The smaller variety of goods would suffice to meet the needs of the rural cities and alleviate the cost of holding a wide inventory. China for recent 30 are constantly undergoing dramatic changes, the so called Xiao Kang society is in general hard to specify which leaves a great space for decoding. Wal-Mart needs to be alert and ready to change whatever proved to be successful in the past for better fit the future.