Case study

1) What are reasons why Walmart has been so successful in expanding internationally in the past? Sam Walton started in Arkansas and expanded all overAmerica in just a few decades. Now, nearly two decades after his death, the company has taken on the world-wide retail market. Yet Wal-Mart still uses the same strategy that Walton used in Arkansas when he started building his empire: it bought an established store first then gradually penetrated the local market.

Wal-Mart began expanding internationally in 1991, a year prior to the death of Sam Walton. It started in Mexico where it acquired shares from local retail giant Cifra. Since then, Wal-Mart expanded to other countries by buying shares from local retailers first before establishing its own stores. Integrating with another company allowed Wal-Mart to gain retail facilities and employees quickly, which saved time and prevented lost profit. Additionally, it eliminated competition by doing business first with its competitors. This brought Wal-Mart time to gain excellent position in the market while avoiding tough competition with established retailers, which could result in huge losses for the “ newcomer.” Once Wal-Mart opens its own stores, it employs its classic “ pile ‘ em high, sell ‘ em cheap” strategy, which has a universal appeal to consumers. This strategy worked best at times of recession and in emerging markets since it is when and where buyers want to make the most out of their money.

2) What challenges does it face in growing even further?

Because of its extensive reach and strong customer patronage, Wal-Mart virtually controls what goes into the households in the areas it dominates. Fears that Wal-Mart is becoming “ too powerful” have been roared by activists and sufficiently echoed by the media. Many companies, producers,

and buyers are afraid that Wal-Mart will soon be monopolizing the global retail market. Hence, activists and the media, backed by producers and retailers, are strengthening their opposition to Wal-Mart. Also, some retailers in Mexico, who were previously competitors, have begun collaborating to match the giant retailer. Yet the greatest challenge for Wal-Mart is the possibility that consumers may share the fears for a “ too powerful” retailer. This fear could easily spread as many shops have already shut down as a result of Wal-Mart’s presence.

3) What other options might it consider?

In 2001, Wal-Mart earned more than three times that of its strongest competitor. However, the figures are not indicative of global performance since much of its revenue comes from North America. Considering its U. S. performance, it has fared badly internationally, particularly in countries which are drastically different from America such as Germany and South Korea. The main problem of Wal-Mart is that it tries to use American formulas in Asian or German markets. As far as its performance indicates, Wal-Mart can only do well in areas near “ home.” Wal-Mart’s management, logistics, and operations are very tightly-knit that devising new ones for international markets mean overhauling the whole Wal-Mart system. This can be a problem since it is the system which made the retailer what it is in the first place. This leaves the company two options: focusing solely in North America or creating an independent division for the international market. The latter is a more likely option since Wal-Mart always strives toward expansion. Hence, they might need to create division will focus solely on international research and sales and use strategies that are unique to their target market.