Danya Radhi

Wal-Mart Transformations Case Brief

Problem Statement:

Wal-Mart, the world's largest retailer in sales, has been handed the task of modifying its original business model to better account for international differences as they undergo global expansion. Through the acquisition of existing retail chains in other countries, Wal-Mart was exposed to an abundance of new challenges never been faced before. Navigating international corporate cultures and operating procedures is just one of the multiple threats posed, as others include supply chain adjustments, government restrictions and unwelcoming labor unions.

Situational Analysis:

It is undeniable that domestically, Wal-Mart has achieved the unthinkable. By 2011, the retailer had become, in the extreme, a dominant figure in the industry with its market share climbing as near as 25 per cent. The symbiotic relationship created with suppliers allowed for both parties to play an active role in areas such as product innovation, cost-cutting and keeping shelves stocked. This allowed the retailer to maintain low wage levels and ensure that its merchandise could all be sold at very low prices. In the 1990s, however, Wal-Mart had set in motion its attempts at investing outside of the United States where it was soon bombarded with what can be seen as more or less, a culture shock. The approach taken was to purchase existing retail chains in other countries and implement the traditional Wal-Mart system. This, however, resulted to be much more difficult than expected as these existing retail chains were rooted with their own corporate cultures and many times, consumers were not keen to budge.

A prime example of Wal-Mart's unsuccessful globalization attempts can be seen in Germany where the retailer fell short to local, existing retail chains and what seemed to be their inviolable customer base. In an effort to sustain its presence within Germany, Wal-Mart sent over U.S. managers to oversee the enactment of its traditional corporate culture, only to be impeded by the local culture set in place. In 2006, Wal-Mart terminated its endeavors in Germany. In the countries of South Korea and Japan, Wal-Mart took part in both mergers and acquisitions with hopes of more success. These two examples were also unsuccessful as the business struggled with supply chain adjustments and differences in building structures, ultimately obstructing its traditional model to operate effectively. Both of these international operations were terminated and deemed unsuccessful.

Despite various misfired international ventures, Wal-Mart did find prosperous business in both Latin America and Africa due to their less competitive markets, as well as Wal-Mart's attention to low, affordable prices being valued among consumers in these areas. Utilizing previous experiences that were deemed to be ineffective, Wal-Mart devised a new implementation plan which entailed scrapping the traditional model, a concept that took years for the retailer to become comfortable with. This new system displayed mini-supercenters throughout these two regions which were smaller and geared towards the local ethnic groups and their long instilled cultures. Wal-Mart has gone on to develop an e-commerce presence in 14 different countries and is also pressing for more “green” practices throughout their business to create an even greater competitive advantage.

Recommendations and Implementations:

I think it is quite clear that Wal-Mart has had its fair share of failed globalization attempts and from these attempts it has experienced a hefty learning curve. My greatest recommendation for the retailer would honestly be to learn from their mistakes, adjust and reattempt. It is clear from Wal-Mart’s presence in Latin America and Africa that triumphant globalization is attainable. However, they must analyze what changes allowed for these cases to prosper and then utilize those changes when moving into other countries and markets. Creating smaller, more culturally relevant storefronts will appeal to consumers and integrate more easily into different cultures. The retailer seems adamant about sustaining its traditional system that has been victorious in the United States, though this cannot be forced into other countries and therefore, this mindset must be tossed. Following through with their e-commerce attempts could also lead to many open doors as this allows for less of a physical presence while still maintaining market expansion. Finally, by compelling the retailer’s suppliers to take part in more environmentally conscious practices and creating a greener image, a wider consumer base may be reached ultimately leading to growth in sales.

As mentioned previously, to truly move forward and show growth, the retailer must conduct an analysis of its previous attempts. This, in turn, will aid in successfully implementing new and improved practices. Rather than jump first and then think, Wal-Mart should focus more on perfecting their game plan and then introducing it internationally. As we discussed in class, sourcing globally comes with an abundance of advantages with the biggest one being cost savings. That being said, globalizing production and shifting to a more global supply chain will support their low price efforts and introduce ease into their international endeavors. To appeal to more eco-conscious consumers, the retailer can provide evidence of sustainable practices and its ongoing efforts towards helping the environment.