

Wal-Mart: a Glocalised company

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David Towers

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2 A Brief Account

2.1 Wal-Mart the Great

Historical Overview

Wal-Mart was founded in 1962 by Mr Sam Walton, and at its core is a chain of hypermarkets offering '*low prices always*'. The first store 'Sam' opened in Rodgers, Ark, (United States of America), was the beginning of something which would take the world (literally) by force. Richard Willing (2001) comments that the growth of Wal-mart has been nothing less than '*explosive*'. However, some boycotters prefer to use the word '*horrific*' to describe the growth of Wal-Mart rather than the more gentle term of '*explosive*'. Never-the-less, wording aside, Wal-Marts growth has been phenomenal. Wal-mart grew from having an impressive 874 stores in 1985 to around 5,000 worldwide today. Not surprisingly, Wal-mart is the world's largest retailer. In 2003, it sold \$244.5 billion worth of goods.

Wal-Mart is not just the world's largest retailer. It's also the world's largest company. The scale of Wal-Mart is difficult to comprehend. One interesting statistic provided by Owen Thomas (2002) gives a small indicator of the selling capability of Wal-Mart; he explains that annually Wal-Mart worldwide sells so much baby food that it could fill the equivalent to the number of 58 Olympic-size swimming pools.

2.2 Wal-Mart worldwide

Wal-Mart, because of its scale and intensity is an interesting organisation to look at, particularly with regards to its overseas development. Wal-Mart became an international company in 1991 after a 'SAM'S Club' opened near Mexico City. Since 1991, Wal-Marts international growth has been aggressive and rapid. Today, in 2004, Wal-Mart has over 1,500 stores overseas (Wal-Mart.com) in 10 different countries.

Wal-Marts entry strategy within these countries has varied, however it has entered both through a series of acquisition (such as seen in

Germany, Argentina and Canada) and from merely starting the Wal-Mart hypermarkets from 'scratch' within the country (such as was the case in Mexico and China).

This paper will look in depth at the most interesting part of these developments overseas; the question of **the need for cultural adaptation**. This paper will investigate in particular how Wal-Mart tackled this issue within Germany and China, the problems it faced, and the solutions it found. Interestingly, essential to Wal-Mart's image has been its corporate culture, however even this, the '*gold dust*' to Wal-Mart's success has had to be adapted to the countries that Wal-Mart has found itself in. Thus even Wal-Mart, the epitome of a globalised company offering universal global products has had to have shown local understanding.

2.3

Where Wal-Mart currently operates

As previously mentioned, Wal-Mart is now operating in 10 countries outside of the United States of America. These countries cover a good proportion of the world. Wal-Mart has become increasingly interested in Asia, and sees what itself has to offer, as being what the inhabitants of these countries will be looking for in the not so distant future. Hence, Wal-Mart has begun operations in China, Korea and Japan. In Europe, Wal-Mart has successfully entered the British and German market. Wal-Mart has operations in the whole of North America; Mexico, United States, Canada and even Puerto Rico. South America was where Wal-Mart made its first moves, and currently has successful operations in Mexico and Argentina.

3 Wal-Mart's practises

3.1 What Wal-Mart is famous for

Products Wal-Mart became famous through advertising and selling gallon (approximately 3.79 litres) sized jars of whole pickles. This peculiar item, 'Vlasic's gallon jar of pickles' was the size of a small aquarium, and weighed 12 pounds (approximately 5.5 kilograms), too large to carry in one hand. According to Fishman this is the item that Wal-Mart *'fell in love with'*. Incredibly, Wal-Mart priced this product, a year's supply of pickles, for less than \$3. Pat Hunn, the man who was responsible for the gallon jars, commented that Wal-Mart used this product by; *"putting it before consumers, saying, this represents what Wal-Mart's about, you can even buy a stinkin' gallon of pickles for \$2.97. And it's the nation's number-one brand."* This fascinating case gives a clear demonstration of Wal-Mart and what it is about. But further more, this case brings with itself questions, how can this sort of American retailer, famous for 'Vlasic's gallon jar of pickles', be a relevant company to take abroad? Surely no other country would be interested in a gallon of pickles?

'Wal-Mart greeters' In actual fact, this point in question is not alone; Wal-Mart has many quirky facets that one would presume should make it very difficult to have successful operations abroad. Another example is something Wal-Mart is renown for, 'Wal-Mart greeters'. At every Wal-Mart store, when customers enter the store, they are greeted *'with a sweet face, a huge smile and a shopping cart'* (Burbano, 2004). The idea behind this is that the welcome creates a more personal feel to the customers' hypermarket shopping experience. Again, with this example, the questions automatically comes to mind, could a company like this, which insists upon maintaining it's friendly corporate culture operate successfully abroad?

'SAM'S CLUB' In addition to the 'Wal-Mart greeters', and gallon jar of pickles, Wal-Mart is different to other hypermarkets because of how it chooses to do its retail. Unlike other chain stores, Wal-Mart has four retail categories;

'Wal-Mart Supercenters', 'Discount Stores', 'Neighbourhoods Markets' and 'SAM'S CLUB warehouses'. These four separate divisions exist because this is a way that Wal-Mart can determine what type of store would be relevant for each similar location. Thus, each of these retail divisions are attuned to a general type of location and a common customer profile. Of particular interest however is the 'SAM'S CLUB warehouses', because customers are required to have membership to enter these stores. These stores are huge warehouses typically between 110,000 and 130,000 square feet (33,500 and 40,000 squared meters), and present a very basic approach to retailing, no time and effort is given to presentation. Customers entering these stores are solely interested in low prices. When seeing this, the question arises, would this method of retailing be relevant in other countries of the world?

3.2

Wal-Mart's policy abroad: localisation

With the question posed; -how could Wal-Mart be so successful overseas by merely offering the same portfolio that it offers in the United States but abroad- the simple answer is, it couldn't. Even Wal-Mart, the biggest retailer in the world has had to be flexible and adapt, and show local understanding.

But Wal-Mart's overseas development has not been without error. It would certainly be true to say that it has been a steep learning curve for Wal-Mart. Wal-Mart is probably one of the most typical American stores that exists, as such; it has had to change in many ways in order to reach the suspicious German consumer and reserved British consumer alike.

Products

In order for customers to buy a product, they need to be happy with the product and comfortable with the environment in which the products are purchased. Wal-Mart needed to provide the customer what he wanted in a way the customer was comfortable with. It would have been no good for Wal-Mart to have entered the Mexican market selling exactly the same products that it sold in its stores in the United States, and selling the products in exactly the same way. This would have

been a sure way for Wal-Mart to have seen failure within the market it entered. Although there is one 'centralised global' buying agency for Wal-Mart, which has huge power over suppliers, not all products can be purchased through this because, it is necessary for different products to be supplied to the relevant markets depending which country they are in. Fundamentally, this is really a basic concept of marketing, consumer tastes and preferences will depend upon the country they are in. Thus the products provided in Wal-Mart stores worldwide is one example of how Wal-Mart has adapted in order to meet customer needs.

Wal-Mart boasts that it has a global strategy, but is locally focused. In actual fact, this has been the only way that Wal-Mart has been able to survive overseas. According to Wal-Mart, it has experienced success abroad '*because of its ability to transport the company's unique culture and effective retailing concepts to each new country*'. Effectively, when Wal-Mart chose to go overseas, it made substantial efforts to adapt to local cultures and become involved in the local community.

Culture With respect to culture, some of the countries that Wal-Mart operates in have not reacted positively to all aspects of the American way of doing things. One visible example is that of the 'Wal-Mart Greeters' who approach shoppers on entrance to the store. Understandably, in some countries this 'in your face' welcome has been received with content within some countries and Wal-Mart has thus had to react to this. Wal-Mart has had to get a balance of maintaining its culture whilst not alienating its customers.

4 Actual issues faced by Wal-Mart in countries

4.1 Wal-Mart in China

Need for adaptation Managers within Wal-Mart saw great potential within the Chinese market; 170 cities each with over one million inhabitants. If any nation could sustain a Wal-Mart with success as seen in the States, China could be it. Consequently in 1996, Wal-Mart made a decision to attempt to penetrate the Chinese market. It was an extremely ambitious decision because of the vast cultural differences between Wal-Mart's country of origin in respect to China. However the potential gains were high, so Wal-Mart in true American style 'jumped in'.

Products Wal-Mart's move to China was not without problems, or need for cultural adaptation and refinement. As the development went ahead, Wal-Mart discovered that Chinese tastes were very different to anywhere else in the world. It was certain that the 'gallon jar of pickles' that Wal-Mart had become famous for in America, would not go down well with the Chinese consumers. With regards to products, the Chinese customers above all wanted leafy vegetables, and these could only be purchased locally, complicating Wal-Mart's normal strategy of 'global centralised' purchasing. The vegetable section in Chinese Wal-Mart's is double that within American Wal-Mart's and the products offered in Wal-Mart in China in Shenzhen, range from chicken feet, to Ma-Ling branded stewed pork ribs, and Gulong brand pickled lettuce. A considerably different portfolio to that offered in the United States.

Sourcing The different product portfolio has had an impact upon the power of the 'global centralised' purchasing of Wal-Mart China, as many products could only be purchased locally. Furthermore, many of Wal-Mart China's products were sourced locally because of the poor transport systems in China and governmental regulations that meant some products such as alcohol and tobacco had to be purchased locally. All in all, what can be seen in Wal-Mart's operations in China is that sourcing had to be made locally for a number of reasons; geographical, political and because of consumer tastes. In total, in

2004, a massive 85% of products sold at Wal-Mart China came from 14,000 Chinese suppliers (Tiplady).

Structure Although products and sourcing methods changed, the practical way in which Wal-Mart traded, remained the same. Wal-Mart's first store in China was 'SAM'S CLUB' in Shenzhen, and 'SAM'S CLUB' is also open in Beijing with an area of 18,000 meters, costing \$18 to join. This member's only division of Wal-Mart was an ambitious move by Wal-Mart China because other retailers had failed in this area of the Chinese market. However, Wal-Mart China was successful, according to Tom McLaughlin, vice president of merchandising and marketing for Wal-Mart China because of 'high quality and low prices'. As well as 'SAM'S CLUB', Wal-Mart China has also used the neighbourhood markets and Supercenters market models as used in America to meet customer needs.

Success The result in China for Wal-Mart was an organisation different to the model in the United States. Although Wal-Mart have held onto the 'SAM'S CLUB' warehouses, the 'centralised buying' in Wal-Mart China is less powerful than in the States for the simple reason that so many items have to be sourced locally. Additionally, what is sold within the stores is largely completely different to that of the United States. Nevertheless, operations within China, although very different to U.S. stores have proved profitable with profits of \$670 million in 2004.

4.2

Wal-Mart in Germany

Wal-Marts development in Germany is perhaps the most interesting case of how Wal-Mart has had to change and adapt its American methods in order to satisfy its Germanic customers. Wal-Mart entered this country in the year of 1998, and did so optimistic that it could satisfy customer demands.

Customer service One of the ways it was sure it could fulfil customer needs was through customer service, something which Wal-Mart prided itself on in America. Wal-Mart became sure that service was going to be an important issue following a report published, prior to Wal-Marts entry into the market, by Arthur Anderson consulting. This report revealed

that retailers in Germany were the least accommodating of all European countries in terms of customer service (Troy, Mike). Germany was already well equipped with discount retailers such as Aldi and Lidl, thus customer service became one of the ways in which Wal-Mart wanted to distinguish itself from its competitors.

Wal-Mart decided to enter the German market using a takeover strategy; it acquired nearly 100 hypermarkets in less than 1 year. Wal-Mart took over two companies; Wertkauf and Interspar. In order for their commitment to customer service to be successful, Wal-Mart decided to re-name these stores, something it was reluctant to do in countries where the name of the previous of company has good connotations (such as with Asda in the United Kingdom). But Wal-Mart Germany was eager to build up its brand image, to be able to offer something to the German consumer that he had never seen before.

Differentiation Wal-Mart in Germany intended its brand image to be very positive, putting the customer first, and motivating its employees to share in the enthusiastic culture of Wal-Mart. Unfortunately for Wal-Mart, this was a timely process. It took a great amount of time and effort to transform that culture within the two firms that it took over Wertkauf and Interspar. Although to the customer the name of the companies had changed, the culture within the organisations remained the same. Cultures within organisations cannot be quickly changed and manipulated, they must gradually develop over time, and this is what is to be seen in Wal-Mart Germany. Some employees from Wal-Mart in the United States went to Germany to do training sessions, to show employees of the new Wal-Mart what the Wal-Mart of treating customers is.

Misunderstanding Actually, following the re-branding of the stores, the Wal-Mart way of doing things was introduced in many ways, this even included 'Wal-Mart greeters'. It appears however that the German population were not ready for the 'Wal-Mart greeters', a good example of cultural misunderstanding on Wal-Mart's part. Even though this was successful in the U.S. and to some extent in other countries also, customers in Germany found the 'Wal-Mart greeters' too superficial, consequently some Wal-Mart stores removed this role altogether.

Organisational culture However, it hasn't all been sorrowful for Wal-Mart Germany. Management within Wal-Mart were able to create an organisational culture where employees felt they were listened to and respected, a culture where employee ideas are valued and suggested new ways to meet the customer needs are implemented. This part of the organisational culture is something that Wal-Mart prides itself on in America. And it was because of these changes that Wal-Mart was able to offer flexibility and listen to customers needs through employees on the shop floor. There is an interesting example of this in action; it is the development of 'singles shopping night', every Friday night in many Wal-Mart stores in Germany.

Singles shopping The 'singles shopping night' was started in the Wal-Mart store in Dortmund, Germany because two Wal-Mart shop floor workers thought it might be a good way for people to find partners, for those who were 'too old for discos and too proud for Internet dating' (Zimmerman and Schoenfeld). Because of the nature of this development this story has been well documented, and all the reports indicate that the 'singles night' has gone down well. In fact, Wal-Mart officials say that following the implementation of singles shopping night, profits on Friday nights have increased by 25%. Although a rather comical story in kind, this has been a success, attracting customers that normally wouldn't shop in Wal-Mart. In fact it seems to have been a success for people too; German Wal-Mart officials say they know of at least 30 couples who have got together through the shopping night.

This remarkable case of singles shopping reveals an interesting aspect of Wal-Mart Germany; it was able to form an organisation culture, in keeping with that of its home-base, whereby employees were able to share their ideas with their superiors, and thus, put customer needs as the priority. In fact the case of the singles shopping was actually developed further by Wal-Mart Germany, and through staff participation, the nights were made even more successful by having 'flirt points'; tables where free chocolate samples are offered. The 'singles shopping' night was implemented nationwide in Germany for February the 13th, and has been recognised by Wal-Mart internationally as being successful, with Wal-Mart Korea and Wal-Mart

Canada contacting Wal-Mart Germany for operational information. According to Bill Wertz, the spokesman for Wal-Mart's international division, the 'singles shopping' night has been a way in which Wal-Mart Germany has been able to distinguish itself from its competitors, commenting "we found a little personality doesn't hurt".

5 Globalised or Localised?

5.1 What can be taken from these cases?

Germany The two cases actually show something quite different. In Germany, the case demonstrates how Wal-Mart Germany has had to differentiate itself from fierce competition. Although initially this was difficult, and it took time for the right internal culture to be formed whereby the employees could share their initiatives and ideas, this happened eventually. Thus the outcome for Wal-Mart Germany has been successful. Wal-Mart Germany faced cultural barriers in terms of too much 'Americanism' in some parts of the Wal-Mart formula, such as the 'Wal-Mart greeters', however after fine tuning had been made, it was able to function respectably, and offer the customer what he needed.

China In China, the case demonstrates that problems came up because Wal-Mart wasn't able to function as it normally does in many other countries, due to external demands on the company in terms of products and sourcing. Consequently Wal-Mart had to react to these demands and be flexible in its operations in China in order to give the customer what he wanted. The reason one finds whole pigs hanging from hooks in Wal-Mart's store in China is that it wants to give the customer what he wants.

5.2 Glocalisation: a new word, an old method

Readjustment Wal-Mart prides itself on striving to put the customer first all the time, offering the customer good service, and the products he wants at the lowest prices. This paper has looked into two cases of Wal-Mart's operations, and it can be seen that in actual fact Wal-Mart has succeeded in fulfilling its objectives. These cases show one thing; even though Wal-Mart prides itself on its methodology within the United States of America, the country where it has been most successful, it has had to readjust its strategy whilst operating abroad. In Germany

this has meant no 'Wal-Mart greeter' in some stores, and in China this has meant the limited use of the 'global centralised' buying system. However at its core, Wal-Mart's operations abroad have still been truly Wal-Mart in nature, it has just meant that certain aspects of its operations have needed to have been tweaked. Wal-Mart still manages to sell the same Nestle and Heinz products world-wide, however it has had to give attention to local tastes.

The definition The way that Wal-Mart operates, a global company with a local strategy, but adapting locally, has become known as 'glocalisation'. Richard Tiplady has given the following definition of glocalisation; *'the way in which ideas and structures that circulate globally are adapted and changed by local realities'* ('World of Difference', 2003). Management Today, in February 2004 reported that *'Glocalisation means running an international business that tailors its output and organisation to local tastes'*.

Localisation It is clear that world tastes are not the same, they are not homogeneous, consequently rarely does a company, not even McDonalds offer a product without some sort of adaptation to the people its targeted to (for example the McBurrito in Mexico). This is what's known as *'localisation'*, adapting a product to meet the cultural and linguistic requirements of a market. The whole purpose of marketing is to give the customer what he desires; one can't simply try and sell a potential customer a product which has no relevance to him what so ever, well one can try, but its very unlikely one would be successful. In April of 2003, Mr David Wright, the head of corporate marketing at the Chartered Institute of Marketing, explained to the British Overseas Trade Magazine how companies must ensure that products, promotions and delivery channels are appropriately tailored to local markets. This is because, *'social and cultural factors can be one of the biggest barriers to success across borders'*. It is only after the sociocultural factors have been discovered and dealt with that organisations can be successful, and this is explicitly shown in the example of Wal-Mart.

Misunderstanding Wal-Mart Germany using the typical 'Wal-Mart greeters' is an example of a mistake, Wal-Mart took something typical to the Wal-Mart

philosophy, and put it in a country where it wasn't welcome. Plain and simply it was a regrettable mistake, which fortunately didn't do too much damage. There are numerous accounts of similar such mistakes, Mr Wright refers to McDonalds error in taking the white faced Ronald McDonald to Japan, where in Japan white signifies death. An unfortunate miscalculation.

The French writer, Antoine de Saint-Exupéry, said: "*Language is the source of all misunderstandings*". At the heart of what he was saying is true, language often represents a difference in culture, and language and culture often result in misunderstanding. For this reason it is important for organisations such as Wal-Mart and other truly global companies to align their offerings to fit in with local tastes and requirements.

Glocalisation is answer The term 'glocalisation' does explain the solution to Wal-Mart's success overseas. Wal-Mart has been able to run an international business, maintaining the advantages of huge economies scale and buying power, whilst at the same time being flexible on the local level.

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