AN EVOLUTIONARY OUTLOOK OF WAL-MART'S GROWTH IN A GLOBAL SCENARIO

HEMALATHA JEYACHANDRAN
ASST. PROFESSOR
CRESCENT BUSINESS SCHOOL
B.S. ABDUR RAHMAN UNIVERSITY
CHENNAI – 48

DR. HAIDER YASMEEN
ASSOCIATE PROFESSOR
CRESCENT BUSINESS SCHOOL
B.S. ABDUR RAHMAN UNIVERSITY
CHENNAI – 48

ABSTRACT

Retail Internationalization has become a trend in the recent years as many foreign retail players are looking for opportunities in the developing countries due to the already saturated markets in their home country. Wal-Mart, the dominant retailer in the United States has also emerged as the largest retailer of the world. Wal-Mart has been ranked number one among the Fortune 500 companies. The retailer started its international operations in early 1990's and has established itself in almost 15 countries today. The retailer's expansion across the United States and other countries has suffered extensive criticism in different perspective. Many researches were conducted in the United States to understand the overall impact of Wal-Mart across different segments. Initial studies (Stone, 1988; Peterson and McGee, 2000; Artz and McConnon, 2001) proved that Wal-Mart's retail expansion had affected the revenue generation of the local retailers offering the same merchandise as Wal-Mart. On the contrary, it has also paved way for an increase in customer foot traffic in the trade area which increased the sales volume of other local businesses selling complimentary products. However, Wal-Mart's experience in the international market was never the same as that of the domestic market. Wal-Mart's international operations have seen mixed results in terms of performance. Wal-Mart was able to replicate its business model in few countries, while in other countries the retailer faced huge competition from the domestic organized retailers. Wal-Mart has been successful in countries which were influenced by American culture. Some of them include Canada, Mexico, United Kingdom, Brazil, Puerto Rico and China. The main reason behind success in these countries was the acceptance of Wal-Mart's traditional retail format, while in Germany and South Korea the same format did not make much of an impact. As a result, Wal-Mart had to pull out its operations from these two countries. The primary purpose of the current research is to review studies aimed at exploring Wal-Mart's experience as an international retailer. An attempt to study Wal-Mart's impact on local businesses is also initiated. The study has also highlighted the challenges that Wal-Mart would face in India. This study would provide insight and direction for future research in the area of international retailing.

KEYWORDS
Impact, Retail Format, Retail Internationalization, Traditional Retailers, Wal-Mart.

INTRODUCTION
Wal-Mart Stores Inc. ("Wal-Mart") is the largest retail store in the United States and is larger than any other retail chain in the world. It has been ranked number one on the Fortune 500 Index by Fortune Magazine. Wal-Mart operates retail stores in different formats around the world. Wal-Mart reported sales of $405 billion for the fiscal year ending January 2010 and employs more than two million associates worldwide. Wal-Mart is committed to provide wide range of quality merchandise and services at every day low prices ("EDLP") to customers. Wal-Mart provides general merchandise: family apparel, health & beauty aids, household needs, electronics, toys, fabrics, crafts, lawn & garden, jewelry and shoes. Also, the company runs a pharmacy department, Tire & Lube Express, and Photo processing center as well (www.walmart.com).

The first Wal-Mart discount store was opened by the founder Sam Walton in the year 1962, in the city of Rogers, Arkansas. In the first year of its operations, the store registered sales of over $1.0 million. At the initial phase, Sam Walton opened the Wal-Mart stores in small towns and introduced various innovative concepts such as self-service. By the year 1967, Wal-Mart had opened 24 stores and registered a sales turnover of $12.6 million. In 1972, Wal-Mart was listed on the New York Stock Exchange. Wal-Mart continued to grow in the 1970s, because of its highly automated distribution network and its cross docking system, which apparently reduced the transportation costs and time. Wal-Mart's growth has also been attributed to its computerized inventory system, which speeded up the checkout and reordering of stocks. The use of information technology and the cross docking system led to the replenishment of the shelves of Wal-Mart stores within twenty four hours. In the 1980s, an increase in the consumer base and strong customer demand in small towns led to the rapid growth of Wal-Mart (www.wal-martstores.com).

Wal-Mart's business model involves selling high quality and brand name products at the lowest price. In order to give low prices to its customers, the company reduces costs by the use of advanced information technology and cross docking system. Wal-Mart has also a strong supplier base across countries and negotiates deals for procuring merchandise directly from manufacturers, eliminating the middleman. The reason for the huge success of Wal-Mart in smaller towns was that it offered low prices and catered to the specific needs of small towns. It offered the kinds of products that customers most needed, and maintained working hours according to the customers' convenience. This allowed Wal-Mart to become more popular than many local stores which offered limited selection of goods and had high mark-ups in terms of pricing. All these strategies have positioned Wal-Mart as the largest retailer in the world. Today, Wal-Mart has its presence in three business segments namely Wal-Mart U.S., Wal-Mart International and Sam's Club. Wal-Mart operates 711 discount stores, 2,898 Supercenters, 181 Neighborhood Markets and 4 Marketside stores in the United States. In addition, Sam's club is in 608 locations across the United States (www.wal-martstores.com).

INTERNATIONAL EXPANSION
The need for retail internationalization was realized in the mid 1980's when many of the retail formats had reached saturation point in countries like United States. Alexander (2000) claimed that the saturation of domestic markets precipitated the internationalization of retailing and the major retailers were able to finance international expansion with profits from domestic markets. Wal-Mart's international expansion began as an attempt to generate sales growth outside the United States. Its expansion strategy internationally has been very aggressive and powerful. Wal-Mart's global expansion has been achieved through a combination of green-field investments, acquisitions of existing stores, and joint-ventures. These strategies have contributed to market penetration and effectively positioned the company for future growth (Gandolfi & Strach, 2009).

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

CONTENTS

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the area of Computer, Business, Finance, Marketing, Human Resource Management, General Management, Banking, Insurance, Corporate Governance and emerging paradigms in allied subjects like Accounting Education; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Monetary Policy; Portfolio & Security Analysis; Public Policy Economics; Real Estate; Regional Economics; Tax Accounting; Advertising & Promotion Management; Business Education; Business Information Systems (MIS); Business Law, Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labor Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; Public Administration; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism, Hospitality & Leisure; Transportation/Physical Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Digital Logic; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Multimedia; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic; Web Design. The above mentioned tracks are only indicative, and not exhaustive.

Anybody can submit the soft copy of his/her manuscript **anytime** in M.S. Word format after preparing the same as per our submission guidelines duly available on our website under the heading guidelines for submission, at the email addresses, infoijrcm@gmail.com or info@ijrcm.org.in.

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION**:

DATED: ____________

THE EDITOR

IJRCM

Subject: **SUBMISSION OF MANUSCRIPT IN THE AREA OF** ____.

(e.g. Computer/IT/Finance/Marketing/HRM/General Management/other, please specify).

DEAR SIR/MADAM

Please find my submission of manuscript titled '____' for possible publication in your journal.

I hereby affirm that the contents of this manuscript are original. Furthermore it has neither been published elsewhere in any language fully or partly, nor is it under review for publication anywhere.

I affirm that all author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name (s) as co-author (s).

Also, if our/my manuscript is accepted, I/We agree to comply with the formalities as given on the website of journal & you are free to publish our contribution to any of your journals.

NAME OF CORRESPONDING AUTHOR:

Designation:

Affiliation with full address & Pin Code:

Residential address with Pin Code:

Mobile Number (s):

Landline Number (s):

E-mail Address:

Alternate E-mail Address:

2. **INTRODUCTION**: Manuscript must be in British English prepared on a standard A4 size paper setting. It must be prepared on a single space and single column with 1" margin set for top, bottom, left and right. It should be typed in 8 point Calibri Font with page numbers at the bottom and centre of the every page.
3. **MANUSCRIPT TITLE**: The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.
4. **AUTHOR NAME(S) & AFFILIATIONS**: The author (s) full name, designation, affiliation (s), address, mobile/landline numbers, and email/alternate email address should be in italic & 11-point Calibri Font. It must be centered underneath the title.
5. **ABSTRACT**: Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain the background, aims, methods, results & conclusion in a single para.
6. **KEYWORDS**: Abstract must be followed by list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.
7. **HEADINGS**: All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.
8. **SUB-HEADINGS**: All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.
9. **MAIN TEXT**: The main text should be in a 8 point Calibri Font, single spaced and justified.
10. **FIGURES &TABLES**: These should be simple, centered, separately numbered & self explained, and titles must be above the tables/figures. Sources of data should be mentioned below the table/figure. It should be ensured that the tables/figures are referred to from the main text.
11. **EQUATIONS**: These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.
12. **REFERENCES**: The list of all references should be alphabetically arranged. It must be single spaced, and at the end of the manuscript. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow **Harvard Style of Referencing**. The author (s) are supposed to follow the references as per following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parentheses.
- The location of endnotes within the text should be indicated by superscript numbers.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio," Ohio State University.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITE

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Economic and Political Weekly, Viewed on July 05, 2011 http://epw.in/user/viewabstract.jsp

Wal-Mart became an international company in the year 1991, when it opened a Sam's Club near Mexico City. Currently Wal-Mart has its presence across 15 countries. Wal-Mart's international segment consists of wholly-owned subsidiaries in Argentina, Brazil, Canada, Japan, Puerto Rico and the United Kingdom, majority-owned subsidiaries operating in five countries in Central America, and in Chile and Mexico, joint ventures in India and China and other controlled subsidiaries in China (Wal-Mart's Annual report, 2010).

WAL-MART IN MEXICO & CANADA

Wal-Mart's international venture began in Mexico in the year 1991, through a joint venture with Cifra, the leading chain of self-service stores in the country. Wal-Mart opened the Sam's club warehouse stores in Mexico which was a huge success in the Mexican market. In 1997, Wal-Mart purchased a majority stake in Cifra and established itself as a dominant retailer thereafter. Wal-Mart operates as Walmex in Mexico and currently has 1,606 stores all over Mexico.

After its successful retail venture in Mexico, Wal-Mart expanded into the Canadian market by acquiring 122 stores of the local retailer, Woolco, in 1994. Wal-Mart converted all the 122 Woolco stores to its own format and renovated them. Currently, Wal-Mart operates 323 retail stores in two formats namely: Discount stores and Supercenters. Wal-Mart's retail expansion was very successful and has retained a dominant position in these two countries (www.wal-martstores.com).

A study was conducted by Tilly (2005) to highlight the secrets of success and limits to the growth of Wal-Mart in Mexico. The study found that the introduction of EDLP policy in Mexico and different formats of retail outlets appealed to various classes of consumers, especially lower income consumers in Mexico. Wal-Mart also had an advantage of its connection with the automated distribution network from its parent company in the United States due to its proximity from Mexico. The study indicated that the price leadership strategy, technology enabled distribution network and extensive negotiation with its suppliers worldwide for discounts are the major factors for the huge success of Wal-Mart in Mexico. In addition, Wal-Mart also had a first-mover advantage as a foreign retailer in Mexico which was under-stored in the 1990's.

On the other hand, the study also highlighted some of the limiting factors to the success of Wal-Mart in Mexico. The major domestic retail players competing with Wal-Mart have started offering some modified version of EDLP formula and introduced wide range of retail formats to face competition. These retailers have also imitated the highly automated distribution and tracking systems of Wal-Mart and started demanding huge discounts from their suppliers. Thus, by adopting the best practices from Wal-Mart, these retailers were able to sustain their business and contain Wal-Mart's growth in Mexico. The study has also identified other reasons that impose limits to Wal-Mart's growth in Mexico which include unbalanced income structure of the Mexican consumers, and the economic crisis and stagnation in the region which is driving many consumers back to traditional retail stores.

WAL-MART IN BRAZIL

Prior to Wal-Mart, Carrefour, the French retailer and the pioneer in hypermarket concept started its operation in 1975 by acquiring Ultracenter. Later, the hypermarket formats were imitated by many other large local retailers in Brazil. During Wal-Mart's entry, the Brazilian retail market had already many large retailers competing with each other. Wal-Mart entered into the Brazilian market in the year 1995 through a joint-venture with Lojas Americanas, the largest discount chain store in the country. Wal-Mart's entry into the Brazilian market was made easy due to the personal rapport Sam Walton, the founder of Wal-Mart had with Jorge Lemann, one of the major shareholders of Lojas Americanas. Initially, Wal-Mart opened two Supercenters and three Sam's Clubs in Brazil. Wal-Mart also introduced Todo Dia stores, which is a neighborhood format designed for the Brazilian customers. Wal-Mart expanded in Brazil by acquiring 118 Bompreço stores in 2004 and acquired 140 Sonae stores in 2005. Wal-Mart currently operates 461 stores across Brazil.

Da Rocha and Dib (2002) studied the impact of the entry of Wal-Mart in Brazil and in turn the competitive responses from the local retailers. In their study, the authors highlighted many operational problems faced by Wal-Mart in Brazil such as large number of visitors to the store, door delivery of white goods, credit facility to Brazilian working class in terms of post dated cheques and its relationship with the suppliers.

However, the authors indicated that despite of all these problems, Wal-Mart was able to bring in many structural changes in the Brazilian retail market. These structural changes were due to the competitive reactions in the Brazilian market. The authors explained four different competitive responses in the Brazilian retail market that include balancing competitor's actions, building competitive advantage, redefining market boundaries and changing the ownership structure. The local retailers made major efforts to neutralize Wal-Mart's actions in terms of exerting pressure on suppliers, trying to impose legal sanctions by charging the new entrant with dumping and self regulating the oligopolistic nature of the Brazilian retail industry. The study found out that the competitor's responses were very strong in Brazil retail market and almost all their actions were directed towards building competitive advantage which in turn contributed to modernization of Brazilian retailing.

WAL-MART IN ARGENTINA

Wal-Mart started its operations in Argentina in the year 1995 with a Sam's Club in Avellaneda, near Buenos Aires. In 2007, Wal-Mart acquired three of the Auchan stores in Argentina. Similar to its experience in Brazil, it was not easy for Wal-Mart to establish its operations in the Argentinean retail market. In an article published by Stats (2007), the author indicated that it was a great struggle for Wal-Mart in Argentina as the nature of supermarket industry in the region was totally different from the United States. Wal-Mart used its approach of offering low prices to Argentinean consumers. However, the competitors in Argentina reacted immediately by opening new stores and adopting Wal-Mart's discounts and advertising campaign. Also, Wal-Mart did not take into account the cultural differences between the U.S. market and Argentinean which had resulted in a negative effect on Wal-Mart's operations in Argentina.

The author also highlighted that, the Argentinean consumers spend one close to one third of their incomes on food items. At the beginning, Wal-Mart controlled 2.5% of food market in Argentina compared to 16.5% of non-food products. It was a very weak point of Wal-Mart because there was a small chance that consumers that just went out shopping for food would go to Wal-Mart to buy non-food products. However, the retailer managed to overcome the difficulty and tried to gain some market share and currently operates 53 stores across Argentina.

WAL-MART IN CHINA

Wal-Mart's operation in the Chinese retail market started in the year 1996 when it opened its first Supercenter and Sam's Club in Shenzhen. Currently, Wal-Mart operates a variety of store formats in China including Supercenters, Sam's Clubs, and Neighborhood Markets (www.wal-martchina.com). Although, Wal-Mart entered the Chinese retail market way back in 1996, it had adopted a slow expansion strategy in the country. Wal-Mart began to expand rapidly in the Chinese market, when the Chinese Government eased restrictions on foreign retailers in the year 2004. Wal-Mart established itself as a successful retailer in China and currently operates 311 units in China. In addition to Wal-Mart, many other foreign retailers also started their operations in the Chinese retail market. The entry of these foreign retailers brought many structural changes in the Chinese retail industry.

In an article published in a Chinese local daily (Heng Li, 2001), it was reported that the Chinese retailers experienced huge pressure due to massive inflow of foreign capital into China's retail market. It was reported that, the traditional department stores were unable to sustain in the market and were gradually elbowed out by colorful foreign forms such as supermarkets, round-the-clock stores, shopping centers and chains, stockroom-style supermarkets, etc. The report also explained that the less competitive businesses were weeded out from the market and at the same time due to increased competition from the foreign hypermarkets, the domestic retailers were forced to improve their performance.

WAL-MART IN GERMANY

Wal-Mart made its foray into the German market in December 1997 by acquiring 21 hypermarket stores from Wertkauf, a local retailer. One year later, the company acquired 74 stores from the German retail group Spar Handels AG. Wal-Mart's strategy for Germany was to improve in-store appearance and ambience in addition to applying its conventional strategies of price leadership. Wal-Mart's attempt to apply the company's success formula in an unmodified manner to the German market, turned out to be a disaster (Knorr and Arndt, 2003). As a result, Wal-Mart disposed off its operations to Metro AG, in Germany in July 2006 with a loss of around $918 million (Wal-Mart's Annual report, 2007).

Fernie and Arnold (2002) conducted a study to assess the opportunities for Wal-Mart in the European market that revealed the impact of Wal-Mart in Germany. The research paper highlighted the background of Wal-Mart's failure in Germany. According to the authors, German retail market is a complex, competitive and highly regulated market in Europe. Wal-Mart tried to attract the German customers by introducing various customer service features. It also attempted to break customer perceptions away from their narrow focus on price as the attribute for store patronage. The supply chain systems were also revamped. Wal-Mart created a fiercest price war in the German retail market. In spite of all its efforts it was very difficult for Wal-Mart to achieve success in the German market. The reduced prices by Wal-Mart prompted similar actions from the hypermarket chains of the competition such as Metro, Globus and Kaufland. These are national players in Germany and have greater geographical penetration in Germany. They adopted "zone pricing" tactics (different prices in different zones) to match Wal-Mart prices in areas where they are a key competitor. In addition to these the legal environment and the nature of ownership of the targeted companies for acquisition also restricted the growth of Wal-Mart in Germany.

The above findings were further confirmed by Knorr and Arndt (2003). The researchers tried to explore the facts behind Wal-Mart's failure in Germany. The study revealed that in addition to the factors such as flawed entry-by-acquisition strategy, management by "hubris and clash of cultures" and repeated infringements of German laws and regulations, the local competition by its first and foremost competitor Aldi, inhibited the growth of Wal-Mart in the German retail market. Aldi, the domestic retailer, defended its position throughout as German's undisputed cost and price leader. Other domestic retailers such as Lidl, Rewe and Edeka were also able to match the pricing strategy of Wal-Mart. It was also observed that the assortment provided by Wal-Mart was not even cheaper than the traditional retailers' offerings. All these factors led to the fall of Wal-Mart in Germany, confirming the fact that Wal-Mart's conventional strategies may not work well in all the countries.

WAL-MART IN SOUTH KOREA

Wal-Mart's experience in Germany did not stop there. Wal-Mart had similar experiences even in the Asian countries. Wal-Mart was not able to capture the South Korean retail market as it expected and had to take back its operations from South Korea. Wal-Mart entered South Korea in 1998 when the South Korean Government opened up retail markets to foreign investments (Ramstad, 2006b). Wal-Mart acquired four stores from Macro, a Netherlands-based membership club and six undeveloped sites in South Korea. South Korean retail market witnessed the entry of five major foreign retailers in 1998 along with numerous domestic rivals. Wal-Mart was not able to compete with the domestic South Korean retailers as they were already well established in the minds of people for their quality and low price. As a result, Wal-Mart disposed off its operations to Shinsegae Co., Ltd., in South Korea in October 2006.

Gandolfi and Strach (2009) analyzed the causes and antecedents of Wal-Mart's failure in South Korea. In their research paper titled Retail Internationalization: Gaining Insights from the Wal-Mart Experience in South Korea, the authors have described the entry of Wal-Mart in South Korea and its successive withdrawal from the country. The study highlighted that Wal-Mart was unable to effectively apply its U.S. business model in South Korea. The study has also pointed out Wal-Mart's inability to understand and respond to the common South Korean consumer. The authors claimed that Wal-Mart is only one among a growing number of firms that have underestimated the role of conducting proper consumer due diligence prior to entry into a foreign country.

The study also revealed various other reasons for Wal-Mart's failure in the South Korean market. As in the United States, most of the Wal-Mart outlets in South Korea were placed outside instead of in the cities. South Koreans, however, were used to easily accessible shopping facilities without the need to travel. South Korean consumers expect to see local products presented in a localized fashion. E-Mart, an established discounter in South Korea, has a different, more localized approach to selling products, with a more local feel to their stores. Wal-Mart, the world's largest retailer was not able to compete with the established discounter E-Mart in South Korea.

In yet another direction, Kim (2008) analyzed the challenges that Wal-Mart had faced in the South Korean market. The study claimed that Wal-Mart had chosen a wrong time to enter into the South Korean market. Wal-Mart was not able to capture logistically efficient locations since these locations were already occupied by Korean retailers. The study highlighted that, when the foreign retailers were allowed to enter the Korean market in 1997, the Korean retail market was already saturated. The study also revealed the consumer's response to Wal-Mart's EDLP strategy. Wal-Mart's EDLP was perceived to be insufficient "value" in the minds of Korean consumers. Korean consumers were quality conscious and tend to be more brand-loyal, less likely to switch to less expensive products. Korean consumers were unwilling to compromise the customer service and the quality for the low price, and expected to see sales people in each aisle of the retail stores and aggressive promotion in the value of service and products offered by the retailers (Ramstad, 2006b).

WAL-MART IN UK

Wal-Mart entered the UK market in 1999 with the acquisition of ASDA, the third largest grocery chain store in the country. ASDA was the pioneer of superstores in the UK. It was easy for Wal-Mart to penetrate into the UK market due to its acquisition of ALDA, which had already incorporated Wal-Mart's principles into their own organizational culture.

In their study to assess the opportunities for Wal-Mart in the European market, Fernie and Arnold (2002) highlighted that Wal-Mart had made an impact on the British market and had changed the nature of retail competition. Wal-Mart's EDLP strategy changed the store choice attributes in the UK to a greater price focus. Though, the market leader in UK, Tesco was able to match the EDLP strategy, other key players in the grocery market had to revise their strategies. Among the top five retailers, J. Sainsbury and Safeway tried to come out with strategies to compete with ASDA and Tesco. However, the last retailer among the top five, Somerfield, had dropped out of the superstore race. This picture clearly shows that Wal-Mart has made an impact on the existing retail stores in the UK.

The above study has also raised some concerns for Wal-Mart's growth in Europe. The study explained that the large retailers in the European region have met the challenge of Wal-Mart by reducing their net margins. Though, the change in the retailers has been incremental rather than radical, they were able to survive the competition. The authors concluded that Wal-Mart only has a toehold in the European market.

WAL-MART IN JAPAN

Wal-Mart entered the Japanese retail market in 2005 by acquiring Seiyu. Immediately after, it built a 145,000 square foot, two-level store next to a main commuter train station for Tokyo. In an article published by Holstein (2007), it was stated that despite of locating its store in a prominent location in Tokyo, Wal-Mart continued to struggle in the Japanese market. The author reported that Wal-Mart made some poor early decisions that put a bad taste in many Japanese mouths. It fired 25 percent of headquarters staff, including 1,500 employees and managers, when it took over Seiyu. Mass firings were not normal occurrences in Japan, and the country as a whole took great offense. In the same vein, many Japanese believe that Wal-Mart was trying to force American values on them, such as mandating that stores stay open 24 hours per day. Consequently, Wal-Mart received a lot of bad press, causing the retailer to lose customers. Also, the author claimed that the low price model would not be the best fit for the Japanese market as the Japanese consumers are quality conscious and are willing to pay for the quality.

WAL-MART IN CHILE

Bianchi and Mena (2004) described the actions taken by Chilean retailers to defend themselves effectively against the attempts of foreign retailers to operate in their market. Many of the foreign retail firms like Carrefour, Sears, J.C Penney and Home Depot withdrew their operations from the Chilean retail market. The study highlighted that the Chilean market is different from other South American Countries. The study found that the largest retailers in Chile are local family businesses that have established themselves as legitimate organizations. The study explored the overall Chilean retailing industry's reaction towards threats from foreign firms. The study exposed the defensive strategies of the local retailers which include increased level of consolidation, concentration, improved retail offer for consumers, and incorporation of best retail practices from foreign retailers. It was also claimed that local retailers from all sectors have taken advantage of their knowledge of the local consumer by implementing strategies and using the tools developed by international retailers. The local retailers also learnt new concepts like logistics, consumer service, technology, and merchandising, among others related to the industry.

Wal-Mart entered into the Chilean market, by acquiring a majority stake in Distribucion y Servicio D&S S.A., Chile's leading grocery retailer in January 2009. Wal-Mart owns 267 stores across Chile. Though the foreign retailers had already exited from the Chilean retail market, Wal-Mart waited for years make the right entry by acquiring the leading retailer D&S. An article published in the Business Chile (March 2009), explained that overseas retailers experienced difficulties in the Chilean market due to large number of already existing local supermarkets. It was very difficult for the new entrants to get into this market due to higher market penetration and deeply ingrained shopping habits of the Chilean customers. Though, Wal-Mart is not starting from scratch and Wal-Mart is operating the stores under the D&S brand name, the Chilean retail market would be a real challenge for Wal-Mart.

WAL-MART IN INDIA

The Indian retail industry is also facing the heat of retail internationalization with the entry of Wal-Mart, Carrefour and other single brand retail outlets. Though the government has taken firm steps to protect the domestic retailers in terms of FDI regulation, it still gets more pressure from the foreign retailers to open up more avenues for them to establish their presence in India. The Indian retail market might look very attractive for the foreign retailers due to an increase in disposable income and consumer spending; however, there are many challenges that need to be addressed by these companies in general. A study conducted to reveal the major challenges faced by retailers in general indicate that there are five major challenges that constitute strategic choice for the future of retailers and each have specific operational consequences. These challenges include the branding issue, the people issue, the growth issue, the customer issue and the performance issue (Knee, 2002).

In addition to the general challenges faced by the foreign retailers in the Indian soil, there are other major country specific challenges that would hinder their growth. In fact these challenges are seen as a threat to the growth of Indian Economy. These challenges include, poor infrastructure and power supply, high wastages in transit and high cost logistics, differential and high taxes, inconsistency in government policies, soaring cost of real estate and restrictions on foreign direct investment (FDI) and, therefore, on investment in the sector (CUTS International, 2008).

As the Indian retail economy remains protected from foreign competition by rules that mostly prohibit direct investment by foreigners, foreign retailers like Wal-Mart entered the retail market with international retail joint ventures. In case of Wal-Mart, the joint venture between Wal-Mart and Bharti will manage the supply chain together while Bharti Enterprises will be franchised to run the retail portion. These joint ventures have a synergy of already experimented retail formats of a foreign retailer and the experience of a local retailer in its own soil. However, we cannot always say that a successful format in one country will be successful in other country. Also, when developing a format, there are dangers in over-formalizing the format development process. Winning formats emerge from an opportunistic and incremental process, sometimes based more on intuition than rational analysis. In addition, success often comes from "capturing the moment" rather than detailed planning (Reynolds, J. et al, 2007).

To supplement the above concept, Kishore Biyani, CEO of the Futuregroup explained that there isn't a single formula for success in the Indian retail market. He also added that the businesses that succeed are those with the biggest ideas and the right tools to execute them. The retailer has continually adapted new business models at each stage of the industry's development. In doing so, the retailer demonstrated an uncanny instinct for the retail business, business models, and alternative formats, as well as an unwavering belief in IT as an enabler of change.

The international retail joint ventures might have problems related to coordination between both the parties. A recent study conducted to investigate the problems encountered in international retail joint ventures indicated that in a market-driven joint venture activity, retailers appear to have a shorter and intensive adjustment period to effectively co-ordinate operational activity and bridge the corporate and behavioral differences between themselves and the partner (Owens and Quinn, 2007).

In 2008, Halepete, et al. explored the challenges that Wal-Mart may face as it expands into the Indian retail market. The study discussed the failure stories of Wal-Mart in Germany and South Korea. The study explained that to be successful in India, Wal-Mart will have to learn from their German and South Korean experiences, and make suitable changes to meet the need of the Indian consumer. The study also highlighted the recent growth of organized retailing in India and the entry of Indian Business majors into the retail industry. In addition, the study revealed that Wal-Mart would face many ownership as well as location disadvantages in India. These significant challenges need to be well-understood and suitably addressed for its success in the Indian market. If Wal-Mart is successful in managing the issues related to ownership and location disadvantages, it is definitely going to have a great impact on the Indian Economy.

CONCLUSION

The above study is intended to provide the experience of Wal-Mart as an international retailer in a single snapshot. The study has reviewed various journal articles and articles from reputed local newspapers in order to give an idea of Wal-Mart's successes and failures in the international market and the reasons behind. It is very clear from the above study that though at the beginning, Wal-Mart's entry was feared from different angles in all the countries where it tried to enter, it was not true always. It is to be understood that Wal-Mart was successful in countries like Mexico, Canada and the UK, as these countries have culture similar to the American culture. In countries like Brazil, Argentina, Chile and China where there is an influence of the American culture, Wal-Mart was able to achieve only a moderate success. However, in countries like Germany, South Korea and Japan, Wal-Mart was not able to sustain due to its imposition of the US model. In fact, Wal-Mart was forced to pull out its operations in Germany and South Korea.

It is also to be noted that, though the retailer was successful in many countries, the initial competition by the local retailers such as in Brazil, Chile and China were enormous. In addition, the domestic retailers were able to compete with Wal-Mart by adopting their strategies to the strategies of Wal-Mart. Therefore, when we analyze the Indian retail scenario, Wal-Mart will have to face many challenges in the Indian soil. At the same time, we couldn't neglect the impact that Wal-Mart would have on the Indian retail market, if the Indian Government opens up the restriction on Foreign Direct Investment in the retail sector. The major reason behind this is that the Indian culture is being influenced by the American culture. However, the Indian retailers are capable of adopting the best practices and reading the minds of an ordinary Indian consumer. The Indian retailers should come out with different formats and try to establish their presence in almost all parts of the country before Wal-Mart establishes itself in the Indian sub-continent. Lessons are to be learnt from the Korean retail industry where E-Mart, the local retailer established itself as the retailer of the soil by the time the Korean Government opened up foreign direct investment in retailing.

REFERENCES

Alexander, N. (1990). Retailers and international markets: motives for expansion. *International Marketing Review, 7(4),* pp.75-85.

Artz, G. M. and McConnon, Jr. (2001). *The impact of Wal-mart on host towns and surrounding communities in Maine.* Retrieved from http://www.seta.iastate.edu/retail/publications/artz_narea_paper.pdf

Bianchi, C. and Mena, J. (2004). Defending the local market against foreign competitors: the example of Chilean retailers. *International Journal of Retail and Distribution Management, 32(10)*, pp.495-504.

Cuts International. (2008). Competition and regulation in Indian retail sector. Parliamentarians' Forum on Economic Policy Issues (PARFORE).

Da Rocha, A. and Dib, A.L. (2002). The entry of Wal-Mart in Brazil and the competitive responses of multinational and domestic firms. *International Journal of Retail and Distribution Management, 30(1),* pp.61-73.

Fernie, J. and Arnold, J.S. (2002). Wal-Mart in Europe: prospects for Germany, the UK and France. *International Journal of Retail and Distribution Management, 30(2)*, pp.92-102.

Gandolfi, F & Strach, P. (2009). Retail Internationalization: Gaining Insights from the Wal-Mart Experience in South Korea. *Review of International Comparative Management,* 10(1), pp.187-199.

Halepete, J., Iyer, S.K.V and Park, C.S. (2008). Wal-Mart in India: a success or failure? *International Journal of Retail and Distribution Management, 30 (9)*, pp.701-713.
Heng, Li. (2001). China's retail market profoundly changed. People's daily.
Retrieved from http://english.peopledaily.com.cn/200103/05/eng20010305_64102.html
Holstein, J.W. (2007). *Why Wal-Mart Can't Find Happiness in Japan.* Fortune, July 27.
Knorr, A. and Arndt, A. (2003). Why did Wal-Mart fail in Germany? *Materialien des Wissenschaftsschwerpunktes „Globalisierung der Weltwirtschaft"* Bd. 24.
Kim, Renee B. (2008). Wal-Mart Korea: Challenges of Entering a Foreign Market. *Journal of Asia-Pacific Business, 9 (4),* pp.344-357.
Knee, C. (2002). Learning from experience: five challenges for retailers. *International Journal of Retail and Distribution Management, 30 (11)*, pp.518-529.
Owens, M and Quinn, B. (2007). Problems encountered within international retail joint ventures: UK retailer case study evidence. *International Journal of Retail and Distribution Management, 35(10),* pp. 758-780
Peterson, M. and McGee, J.E. (2000). Survivors of "W-day": An assessment of Wal-Mart's invasion of small town retailing communities. *International Journal of Retail and Distribution Management, 28(4/5),* pp.170-180.
Ramstad Evan (2006b). South Korea's E-Mart is no Wal-Mart, which is precisely why locals love it. *Wall Street Journal.* (Eastern Edition). New York, NY. Aug, 10, 2006. pp. 1.
Reynolds, J., Howard, E., Cuthbertson, C and Hristov, L. (2007). Perspectives on retail format innovation: relating theory and practice. *International Journal of Retail and Distribution Management, 35 (8)*, pp.647-660.
Stats, J. (2007, March 15). *Wal-mart Argentina.* Retrieved from http://www.articlesbase.com/college-and-university-articles/Wal-Mart-argentina-116672.html
Stone, K. E. (1988). The effects of Wal-mart stores on businesses in host towns and surrounding towns in Iowa. Unpublished paper, Iowa State University. Retrieved from http://www.econ.iastate.edu/faculty/stone/Effecr%20of%20Wal-Mart%20-%201988%20paper%20scanned.pdf
Tilly, C. (2005). Wal-Mart in Mexico: The limits of growth. In Nelson Lichtenstein, (Eds.), *Wal-Mart:* Template for 21st Century Capitalism? New York: New Press.
Wal-Mart's Annual report, (2007). Retrieved from http://investors.walmartstores.com/phoenix.zhtml?c=112761&p=irol-reportsannual
Wal-Mart's Annual report, (2010). Retrieved from http://investors.walmartstores.com/phoenix.zhtml?c=112761&p=irol-reportsannual

INTERNET SOURCES
www.wal-mart.com
www.wal-martstores.com
www.wal-martchina.com

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce and Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you to supply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mails i.e. **infoijrcm@gmail.com** or **info@ijrcm.org.in** for further improvements in the interest of research.

If you have any queries please feel free to contact us on our E-mail **infoijrcm@gmail.com**.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator