

European Business Culture

ESCE Paris

WAL★MART®



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Introduction

The following research paper aims to analyze the US American business culture in general as well as Wal-Mart's company culture in particular. In addition to that, the objective of this paper is to find out whether the American business culture and furthermore Wal-Mart's company culture would be applicable in Europe namely in France.

To give an example our group has taken Germany as a role model of a non-successful introduction of Wal-Mart into the European retail market. Wal-Mart entered Europe in December 1997, acquiring 21 "Wertkauf" stores in Germany. It followed a year later with the purchase of 74 German "Interspar" stores. 16'500 employees work in their 95 stores in Germany.

The attempt of combining the American way of doing business with the German mentality of treating customers did not work out as expected. Wal-Mart tried to rule German retailing like they do it in the United States. Instead of researching the potential markets they wanted to appeal to and adapt to the culture, they chose to impose the American ways on a country which resisted. And even after realizing the differences in culture, Wal-Mart chose to continue business as usual. One could assume they ignored what the customer wanted and in doing so they have suffered great consequences.

In order to answer to the above question whether Wal-Mart could be successful in France we are going to analyze in depth the US business culture, the retail sector in general as well as Wal-Mart's company culture in particular.

The United States of America – PEST Analysis

To understand the macro-supermarket industry we analysis. The PEST-external factors that affect operate in the US.



environment of the we have carried out a PEST-analysis identifies all the way Wal-Mart can

Political Analysis

Supermarkets have to abide to several acts of legislation that the government has created. These acts include the Sales of Goods Act 1979, Fair Trading Act 1973 and the Competition Act 1998, and they can very much affect the way that supermarkets can operate. More recently, further rules and regulations are being imposed on supermarkets by the CC (Competition Commission). This means that supermarkets must be very careful about acting in an anti-competitive manner as they risk being fined up to 10% of their annual turnover.

Another force that greatly affects supermarkets is the difficulty in obtaining planning permission for new stores. That is why there is a general trend that big supermarkets are on the outskirts of towns and cities. Also due to these restrictions within the US supermarkets such as Wal-Mart look for other ways to achieve expansion by opening stores overseas.

Many supermarkets including Wal-Mart hold data concerning their customers, and this means they must adhere to the rules and regulations set out by the Data Protection Act 1998. Any invasion of privacy could be considered an offence according to article 8 of the Human Rights Act 1998.

In many areas there is a pressure from declining agriculture industry for supermarkets to increase prices and/or to sell more locally produced food.

Economic Analysis

We have yet to wait to see the aftermaths of the war with Iraq and how this will affect the supermarket industry, especially for the supermarkets supplying petrol to their customers. They are currently able to offer extremely competitive prices however, could the war with Iraq result in a significant price increase?

Here are some facts about the retail environment in general:

- Always the borrowing rates, rates of interest and rates of unemployment are of particular interest to supermarkets.
- Increased competition within the industry. They build more stores to chase a bigger share of the slow-growing food sales market. There is an increasing competition from discount stores as well as the constant competition from independent shops, small chain and specialists stores.
- Looking at the Product Life Cycle, supermarkets are a saturated industry and is not growing anymore.
- Non-price / Brand Competition such as reward points and advertising.
- Fall in return on net assets/profits across industry – compounded by price promotions.

Social Analysis

Research shows that American families do not prepare dinner at home almost 50% of the time. Furthermore, forecasts indicate that if current trends continue, commercial foodservice operators will gain up to 80% more food sales through 2005. This will mainly affect supermarkets such as Wal-Mart.

The number of households affects the supermarket industry greatly. The American population has increased drastically during the 20th century, whilst the number of households even more so. Trends towards smaller families and more people living alone contribute to this increase. Also most households now own more than one car. Owners of cars have significantly easier access to out of town superstores.

- Increased out of town locations implies a change in customers because you need a car to get to them.
- People seem to have less leisure time and therefore supermarkets offer convenience to busy people that need to get everything at one place and do not have time to shop around.
- Supermarkets are major employer, especially for female and part time workers.
- Change in consumer taste such as increased demand for organic produce and ban of GM foods forces supermarkets to react and answer the demands.

It is important to remember the effect that the September 11th atrocity had on consumer spending. As a result of the events of September 11th many people felt compelled to stay inside rather than go out and spend. A repeat attack is a growing possibility and should not be ignored, especially if it leads to a loss of trade.

Technological Analysis

Many supermarket chains now operate a web site, but this relies on customers having Internet access. In coming years the number of homes with Internet access is set to increase. However, with the expected rise in Internet users could come a rise in computer crime. A survey by the Computer Security Institute and the Federal Bureau of Investigation in the US found that 85% of respondents had detected security breaches of their computer systems last year. Some 90% of organizations said they had been victims of web-site defacements in 2001, a rise from 64 % in the previous year. This proves a growing worry for supermarkets that trade online, such as for example:

- Online shopping
- Quicker shopping
- Personal shopping with a trolley gun

Storage systems are constantly being updated as new technology allows it.

Supermarkets currently lose a great deal of money due to credit card fraud. Credit card fraud is increasing at a rate of 30% a year. However, in future people may no longer have to worry about their lost or stolen cards being used by others thanks to biometric systems i.e. fingerprint scanning. Such systems are already in use in the US supermarkets like Thriftway store West Seattle.

The development of neural networks for predicting consumer behavior will also be of particular importance in future. Neural networks are computer applications designed to

approach problems the way the human brain does: by trying to recognize patterns that underlie a complex set of data. Neural nets, like people can be trained. It is rumored such technology is already in use by Wal-Mart who is using it to keep predict the behavior of its customers.

The layout of stores is now more thought through. To get customers to see more products many supermarkets put the most popular product towards the back of the store.

Also important to mention is the quicker building time of supermarkets nowadays.

Furthermore, many supermarkets offer petrol to their customers, but many environmentally aware customers are unhappy that there exists few greener alternatives to petrol. However, this could be set to change since a US company named Kwik Power has developed a system that converts household rubbish and agricultural waste into cleaner-burning petrol.

US American Business Culture

American business people have the reputation of being the toughest in the world, but they are, in many respects, the easiest to deal with. That is because their business philosophy is uncomplicated. Their aim is to make as much money as they can as quickly as they can, using hard work, speed, opportunism, power (also of money itself) as the means towards this end. This single-minded pursuit of profit consequently results in describing very often the American business people as ruthless.¹



Axes Analysis

Monochronic business culture

US Americans have a monochronic business culture. They treat time as a tangible asset which can be saved, spent, lost, found, invested and wasted. It becomes clear that they are obsessed with time. Americans expect from their business partner punctuality and they regard people who keep them waiting for longer than ten minutes as either hopelessly undisciplined, intolerably rude, or both. When doing business with polychronic cultures they become easily upset when meetings are interrupted.²

Being monochronic, especially in business, means that, for Americans time is scheduled and compartmentalised so that people can concentrate on one thing at a time. Schedules are sacred and time commitments are taken very seriously. Keeping to deadlines is crucial to them.³

Informal business culture

In the United States, personal achievement is generally regarded as more important than one's social class, family background or gender. Women and young men face relatively few obstacles to doing business in the US. Hence, egalitarianism is a key American value. Americans want to get on a first-name basis quickly, even with people they have just met. This is meant to show warmth and friendliness. Business partners from other business cultures should always bear in mind that this easy familiarity is not intended to show disrespect to high-status persons.⁴

However, it strongly depends on the company whether you call your business partner or colleague with the first name or not. In business you might stay with Mr. or Ms. Do

¹ Brealey, p. 167

² Gesteland, p. 273

³ Hall, p. 140 – 141

⁴ Gesteland, p. 273

not assume that it is always the case that you can get on a first-name basis right away.⁵

Even though Americans are very informal, they do value good manners and proper social behaviour. They say “please” and “thank you” frequently.⁶

Deal-focused business culture

Americans tend to regard extended small talk and preliminaries as a waste of precious time; therefore, they are usually ready to get down to brass tacks shortly after meeting a potential business partner for the first time. It is not that American negotiators are unaware of the importance of getting to know their business partners and of building a relationship with them. It is simply that the deal-focused American prefers to build a relationship while the business discussions and the negotiations are proceeding.⁷

Expressive business culture

Compared with northern Europeans and East Asians, Americans appear more expressive and more extroverted. Yet when compared with southern Europeans and Latin Americans those same Americans seem to be more reserved and introverted.⁸

As regards the American communication style, US negotiators show great variation in the way they communicate. The American English is irrevocably tough, clever and tending towards the exaggerated and sensational. Here are some examples of the American way to express things translated into proper British English:⁹

American English	British English
You're talking bullshit	I'm not quite with you on that one
You gotta be kidding	Hm, that's an interesting idea (expressing disagreement)
You're going to get hurt	I'm not sure this is advantageous for you
Bean-counters drive me mad	Accountants can be frustrating

Individualistic business culture

Americans are considered to be very individualistic people. They like to go it alone without checking with the head office; anything goes unless it has been restricted. Americans tend to be much more concerned about their own careers and their personal success than about the welfare of the organisation or group. For Americans, it is “every man for himself”. Their strong bent towards individualism is directly tied to the value Americans place on freedom in all things. Americans expect freedom of choice in virtually everything.¹⁰

Somewhat paradoxically, teamwork has become essential in American business culture. In addition to that, there is also strong pressure on Americans to be team

⁵ Simeral, Annexe, p. 2 – 3

⁶ Hall, p. 151

⁷ Gesteland, p. 272

⁸ Gesteland, p. 273

⁹ Brealey, p. 171

¹⁰ Brealey, p. 167; Hall, p. 147

players, to go along with the majority. The pressure to get along well with others means individualism is less appreciated than conformity on the job.¹¹

Americans see their relationship to the company in a symbiotic sense, which means that the company and employees use each other. In fact, you use the company for your own goals and the company uses you. Nevertheless, as already mentioned above, teamwork is essential in the US. You have to bear in mind that a team still consists of individuals. Furthermore, Americans believe in sports and competition attitudes. The team spirit which comes originally from sports has been transferred to the business world. The vocabulary they use in sports is the same as in teamwork.¹²

Masculine values culture

Today many American women hold positions of responsibility and authority in business which is the result of the women's rights movement. However, there are still problems for American women in business. One of the critical problems women face is that they do not have access to many of the crucial power networks within their own companies. Moreover, women are blocked from promotion to top corporate jobs, firstly because many top male executives (especially older males) are uncomfortable with female executives and deliberately keep them out of the boardroom. Secondly, women with children must often interrupt their careers temporarily, and this break in work is held against them. Finally, most American women are forced to hold two full-time jobs: one in the office and one at home.

The most important problem for American women still is the salary. The majority of American women still earn much less money than men do in exactly the same or comparable positions.¹³

The American business world is what you call the "Good Old Boys Network". There is still a glass-ceiling for women. This has surely something to do with sports. As competition in sports and competition in business are tied together, it is difficult for women to be successful in this men's world, as they do not share the same competitiveness. Moreover, they do not do the same sports, for instance football, rugby etc.¹⁴

Low-context business culture

Americans are very direct and therefore low-context, as they tend to say things as they are. They appreciate a straightforward and frank exchange of information and are often unaware of the fact that business partners from other business cultures might be offended by this American directness. Sometimes, they may even be suspicious of business partners who prefer to be indirect or oblique as a way of communication.¹⁵

Intercultural Behaviour : Business Practices

Appointments

As mentioned above, the American business culture is monochronic. Therefore punctuality is highly emphasized as regards business appointments. If someone

¹¹ Hall, p. 152

¹² Simeral, Annexe, p. 2

¹³ Hall, p. 165 – 166

¹⁴ Simeral, Annexe, p. 2

¹⁵ Gesteland, p. 273

might be delayed, he or she should call in order to let the American business contact know.¹⁶

Negotiating

US executives begin talking about business after a very brief exchange of small talk. Business is done at lightning speed in comparison to many other business cultures. US salespeople might bring final contracts to their first meeting with prospective clients. In general, heavy emphasis on the legal aspects and the fine points of the written agreement is made.

When doing business with US Americans, one should be prepared for some hard bargaining. Each concession should be made with great reluctance and something of equivalent value in return should always be demanded. US negotiators who are very experienced in international business are used to a wide variation in bargaining ranges. They tend to test the flexibility of their counterpart's opening offer.

As regards decision making, one should bear in mind that American negotiators are probably the fastest in the world. An American executive can show signs of impatience when discussions and the decision-making process takes too long. American negotiators regard negotiating as problem solving through give and take based on respective strengths. They do not appreciate that the other side may have only one position.

Most business people have business cards, but these cards are not exchanged unless a further contact is desired. Americans may not initiate the exchange of business cards; sometimes they offer their card at the end of the meeting rather than at the beginning.¹⁷

Business Entertaining

Generally speaking, many American business people prefer to maintain a separation between their professional and private lives as well as between business and pleasure. Business meetings are very often held over lunch which is usually relatively light, as work continues directly afterwards.¹⁸

Intercultural Behaviour : Protocol

Greetings

In business situation a firm handshake is used. Weak handshakes are taken as a sign of weakness. Men usually wait for women to offer their hand before shaking. Also expect from Americans direct eye contact. A lack of a direct gaze indicates unreliability or dishonesty. The greeting "How are you?" is not an inquiry about your health. The best response is a short one, such as "Fine, thanks".¹⁹

Titles/Forms of Address

On the occasion of the first business meeting, start out with Mr., Mrs., Miss or Ms., but do not be surprised if your counterpart suggests switching to a first name basis soon after meeting you. In return, you should make it quite clear how you wish to be addressed. Titles are likely to be ignored except in formal meetings (unless you are a

¹⁶ Morrison, p. 407

¹⁷ Morrison, p. 408; Gesteland, p. 275 – 276; Brealey, p. 167 et seq.

¹⁸ Morrison, p. 408 – 409; Gesteland, p. 275

¹⁹ Morrison, p. 409; Gesteland, p. 274

medical doctor or high government official). Most Americans are uncomfortable using honorifics and titles.²⁰

Gestures

The normal spacing in a business context is about an arm's length. Most US executives will be uncomfortable standing closer than about two feet. Direct eye contact shows that you are sincere, although it should not be too intense. In business situation a good posture and a less casual pose should be maintained. To point, the index finger can be used, although it is not polite to point at a person. To show approval, there are two typical gestures: One is the "ok" sign, done by making a circle of the thumb and index finger; the other is the "thumbs up" sign, done by making a fist and pointing the thumb upward.²¹

Paraverbal and Nonverbal Communication

Many US negotiators speak louder at the bargaining table than people from more reserved cultures. Americans tend to be uncomfortable with silence which means that they often feel compelled to quickly fill in any gaps that might occur in the conversation. Although Americans know that it is rude to interrupt others in the middle of a sentence, they might do this anyway in the course of a lively discussion which is in this case not meant to be offensive.²²

Gifts

The US business world is not a gift-giving culture. It is interesting to know that business gifts are discouraged by law which allows only a \$25 tax deduction on gifts in a business context. Many American business people feel uncomfortable if presented with an expensive gift, but you still might bring something small like an item your country is famous for. These kinds of business gifts are usually given after the closure of the deal. It is the American custom that gifts are unwrapped immediately.²³

Dress Code

The dress code varies somewhat according to location and type of business. Visitors are well advised to wear a suit and a tie to the first meeting with a new contact.²⁴ A special thing in the US is TGIF (Thank God It's Friday). The Casual Friday is very popular in the US.²⁵

²⁰ Morrison, p. 410; Gesteland, p. 275

²¹ Morrison, p. 410

²² Gesteland, p. 274

²³ Morrison, p. 411; Gesteland, p. 275

²⁴ Gesteland, p. 411

²⁵ Simeral, Annexe, p. 3

Dos and Don'ts in American Business

Dos	Don'ts
<ul style="list-style-type: none"> • Americans appreciate directness and frankness. In comparison, French people are more indirect than American, especially in business letters. Americans might misunderstand this indirectness. • Another thing is that Americans do dealings on a handshake. • They appreciate honesty. A man's word counts as an agreement. It is a kind of oral contract. • Furthermore, American people prefer to do the business first and then relax. In France, it is exactly the other way round.²⁶ 	<ul style="list-style-type: none"> • Americans are in general very intimidated by Europeans in terms of culture. For example, if you go on a business lunch with Americans in the US, they would let you chose the wine, even if there were only Californian wines on the menu. • But you have to be discreet about your culture. • Americans are also prudish, so you should avoid topics like sex. • Religion and politics are also very sensitive topics. • They are discrete about their party affiliation. In turn, money is not such a sensitive topic. • Americans would talk openly to strangers about their salaries, as the accumulation of wealth is a proof of success.²⁷

After having given a closer inside to the US American business culture we now are going to briefly analyze the retail sector in general before focusing in depth on Wal-Mart as company and its culture.

²⁶ Simeral, p. 2

²⁷ Simeral, p. 2

Sector of activity – Retail market

Description of the sector²⁸

In order to establish why Wal-Mart is so successful in the USA, it must be mentioned that they adopt different backgrounds and different beliefs. Hence, it is necessary to highlight the American culture and its values and beliefs and how Wal-Mart integrates this culture into their business.

The sector in which Wal-Mart falls under would be the retail sector. Retail sector can be purely described as one that includes:

- Clothing retailers
- Discount and variety stores
- Supermarkets convenience stores
- Consumer electronics
- Home furnishing retailers

This type of sector is affected by environmental factors which can be segmented into both: the internal and external environment.

Many large scale retailers such as Wal-Mart are traditional general stores, which appeal to a specific segment of the market.

Major competitors of the sector²⁹

In discussing this specific sector it can be identified that it has a huge number of competitors, it can also be mentioned that supermarkets are not even comparable in size to Wal-Mart. Competition can be said to spiral from the fact that retailing has to follow population. As people move from suburban life or countryside to the city, retailing must be able to follow population. Hence, a certain culture of life is involved.

It should be included that the culture of an organization is a collection of values held by its members.

It has already been what Wal-Mart's beliefs and values are, and it can be safe to say that for Wal-Mart, it has been well-integrated into the American culture. They adopt a policy where smiling to customers at all times is necessary, and policies which are very full on, positive and gets the message across.

Wal-Mart's main competitors in this sector include

- Albertsons Inc
- The Kroger Co.
- Safeway Inc

Albertsons Inc operate throughout the US with the determination to "make a difference." They are an industry leader and were among the first to join the World-wide Retail Exchange, an Internet-based business-to-business designed to facilitate and simplify trading between retailers and over 100,000 suppliers, partners and distributors worldwide. They have more than 2,300 stores in more than 31 states.

²⁸ Omar, p. 76 et seq., Trompenaars / Hampden-Turner, p. 22 et seq.

²⁹ Omar, p. 76 et seq., Trompenaars / Hampden-Turner, p. 22 et seq.

They operate food stores, drug stores and combination food and drug stores. They have a commitment to “give customers the merchandise they want, at a price they can afford...”.

Another big competitor, The Kroger Co. is one of the nation’s largest grocery retailers, with fiscal 2002 sales of \$51.8 billion. The Kroger Company spans many states with store formats that include grocery and multi-department stores, convenience stores and mall jewellery stores.

Kroger’s fundamental operating strategy is:

“To achieve the responsiveness of decentralised merchandising and operations combined with the economies of scale available from co-ordinating volume-based activities and from consolidating support systems.”

They operate under nearly two dozen banners, all of which share the same belief in “building strong local ties and brand loyalty with customers.”

Safeway Inc, another strong competitor is one of North America’s largest food retailers, with around 1,800 stores located mostly in mid-western and mid-atlantic regions of the US as well as western Canada.

However, other companies in this industry include Sainsburys, Tesco and Auchan and these companies do not operate within the US. Reasons as to why they do not expand to there are not relevant, but it can be safe to assume that maybe they simply do not agree or are not able to adjust to American culture and their values within a business.

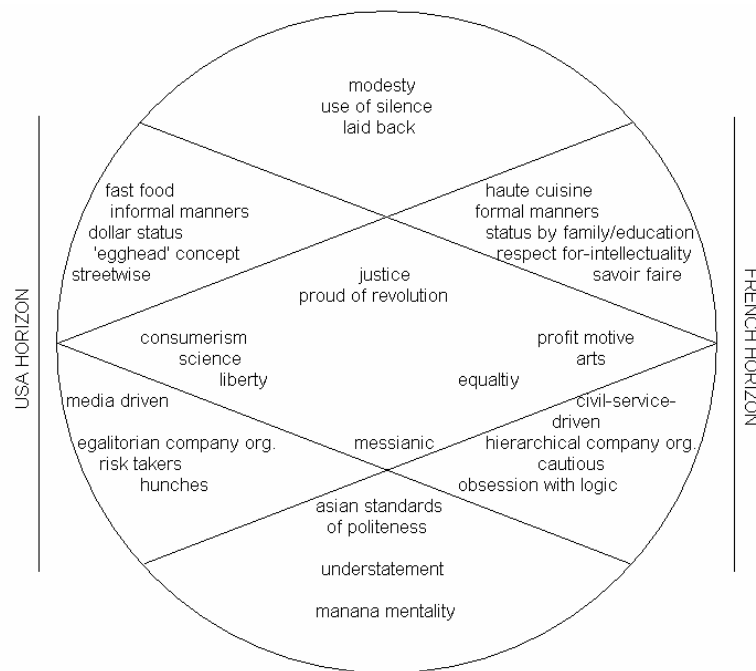
Competition can also be seen in Schnuk Markets Inc in Germany, they recently faced a decrease in growth of sales because of Wal-Mart.

These grocery chains Kroger, Alberstons and Safeway are among the largest in US however they struggle to show comparable store growth.

As already outlined in the last part, the American culture is indeed very different to Europeans and Orientals. Americans need constant feedback, encouragement and praise from their senior. Young Americans’ need for appraisal means that they are constantly supervised. However, in European countries like Germany, although company staff is regularly monitored, their German seniors do not hover. Americans can be quickly hired and just as quickly fired (often without compensation). There is precious little sentimentality in American business. The deal comes before personal feeling. It can thus be shown in contrast and maybe consider why European retail stores would not operate in a country like America.

Europeans by contrast are often annoyed by American informality and have differences to their material goals.

The figure shown here illustrates how Americans and French people look at the world from different standpoints; see some things in a similar light while other concepts are visible only to one nationality.



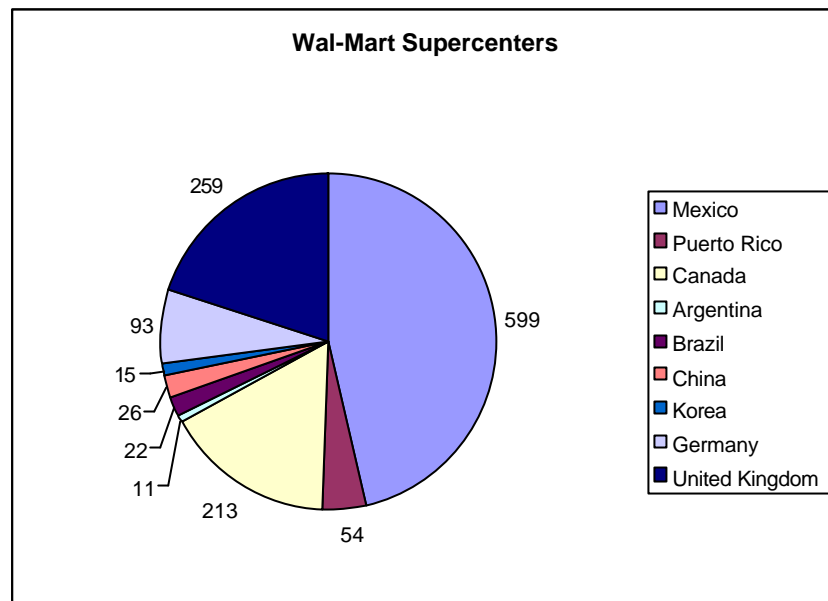
Trompenaars, Fons / HampdenTurner, Charles, Riding the Waves of Culture

It must be mentioned that as business is increasingly internationalized and globalised, the problem of co-ordinated individual or groups who hold different views is constantly highlighted. Moreover, cultural differences affect the process of doing business, it is not about how to understand people of different languages, and it is a belief that you can never understand other cultures.

Culture of the sector

The retail sector is a growing market. In former times there were only stores offering general merchandise like clothes stores or groceries. Nowadays there are discount stores offering a variety of quality, value-priced general merchandise and a pleasant, convenient shopping experience. The stores feature wide, clean, brightly lit aisles and shelves stocked with quality items including: family apparel, automotive products, health and beauty aids, home furnishings, electronics, hardware, toys, sporting goods, lawn and garden items, pet supplies, jewelry, and housewares.

In the 90th the discount stores grew in size and product ranges, the big Superstores were developed. Supercenters are open 24 hours a day for the ultimate in convenience and save customers time and money by combining full grocery lines and general merchandise under one roof. In addition to general merchandise, Supercenters feature bakery goods, deli foods, frozen foods, meat and dairy products, and fresh produce. Supercenters also are home to many specialty shops such as vision centers, Tire & Lube Expresses, Radio Grill restaurants, portrait studios and one-hour photo centers, hair salons, banks, and employment agencies. Supercenters has their own products as well, they place them beside the shelves with the brands to give the customer the opportunity to decide between a bigger range of products with different prizes.



www.walmart.com

More and more discount and superstores guarantee the lowest price for brands in the area or even in the city. If you find the same product in another store cheaper (i.e. it must be exactly the same product), you can get the same price or your money back. In addition to regular promotional prices many retail stores offer for a period of one week a selection of products even more inexpensive. Every week you can find different promotional prices for different products, so you can save even up to 50% at the additional promotional price of the item indicated in the prospectus.

Most of the retail stores offer an online shop on their website. Usually you don't have all products, but enough to find all you need. The online shops provide a classified product search; you go through catalogues and put products in a cart. After you have finished your shopping tour you can check and set your order. You can also find additional services like newsletter, shopfinder, etc. As a customer you can log into a safety area where you can change, cancel, track and view your current order. The shipping costs for most items are based on each item's size, weight, shipping method and delivery address. If a determined purchasing value is passed the charge might be free.

Some retail stores offer special after-sale services like guarantee extension or service contract, delivery or even installation of the product at the destination. If you are not satisfied with a non-food product you can change it or get your money back. The service department is usually situated in the entrance area to accelerate the customer treatment.

More and more retail stores offer a loyalty card or in combination with a credit card. They are different types of loyalty cards depending on the store: You can have a plastic card to accumulate discounts or points to use for the next purchase. You can't pay with these cards. The second type is like a credit card you must recharge your card and you have a PIN for your card. You pay with your card and get a direct discount; about 3%. If you choose a combined Visa and loyalty card you don't need to recharge these cards; the same account can be used.

Wal-Mart

History³⁰

Wal-Mart was founded in 1962 by Sam Walton with the opening of the first Wal-Mart store in Rogers, Arkansas. Within only 40 years Sam Walton's business developed into the world's biggest retail company with stores on many continents and a hundred million customers each week. Wal-Mart has achieved its present success because of a history of never being satisfied with the way things are. The company learns from and cherishes its past, but does not live in it.

Sam Walton was the shrewd businessman behind the world's largest retailer. Specializing in name brands at low prices, the chain of Wal-Mart stores sprang up across rural America. Inspired by workers he saw in a tennis ball factory in Korea, Walton introduced the famous "Wal-Mart Cheer" to employees, whom the company refers to as associates:

"Give me a W! Give me an A! Give me an L! Give me a Squiggly! Give me an M! Give me an A! Give me an R! Give me a T! What's that spell? Wal-Mart! Who's number one? The Customer! Always!"

"As Wal-Mart Associates, we know it is not good enough to simply be grateful to our customers for shopping our stores - we want to demonstrate our gratitude in every way we can! We believe that doing so is what keeps our customers coming back to Wal-Mart again and again."³¹

Sales grew to \$26 billion by 1989, compared to \$1 billion in 1980. By 1990, Wal-Mart was the largest U.S. retailer, with 1,700 stores. One year later Wal-Mart entered the international market for the first time with the opening of a unit in Mexico City. Within five years, Wal-Mart would enter Puerto Rico, Argentina, Brazil and China. Since then, Wal-Mart has built stores in Canada, Germany, Korea and the United Kingdom. Sam Walton remained active in managing the company as C.E.O. and president until 1988, and chairman until his death at the age of 74 in 1992.

Wal-Mart currently opens a new megastore every two business days and has expanded, on average, into one new country each year. In 2000, Wal-Mart launched a revamped ecommerce site. Some analysts think that the aggressive strategy to place large stores in underserved areas that has served Wal-Mart so well may not translate to the online world. The world's biggest retailer entered the European market in December 1997, but operations aren't yet reaching the levels of growth needed to make the company's investment pay off.

Size

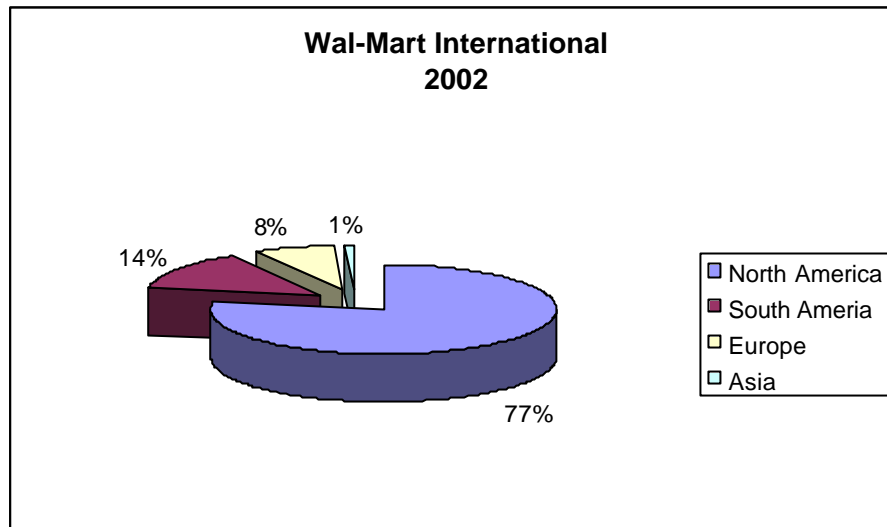
With an annual turnover of 217,8 billion US-Dollars Wal-Mart is the biggest retailer in the world. Wal-Mart has achieved what other retailers continue to strive for in a competitive market. With over 1,400,000 employees all over the world and 77 distribution centers, Wal-Mart is the superpower of retail, almost three times bigger than its largest competitor Carrefour.³²

³⁰ www.walmart.com

³¹ Sam Walton

³² www.economist.com

Food retailing is where Wal-Mart is growing fastest. The company will have over 2,000 supercenters in the United States by 2006. The Arkansas-based giant will account for one third of the total increase of money spent on food.



www.walmart.com

Customers at more than 1,000 stores in nine international locations prove Wal-Mart's "Every Day Low Price" promise, a message clearly understood in any language. The division currently operates stores and clubs employing more than 282,000 Associates in Argentina, Brazil, Canada, China, Germany, Korea, Mexico, Puerto Rico and the United Kingdom.³³

Structure of the company (brands and products)

*Retail Divisions*³⁴

Wal-Mart is divided into retail and specialty divisions. The Wal-Mart stores are the flagship of the retail divisions. Wal-Mart stores offer shopping in 36 departments including family apparel, health and beauty aids, household needs, electronics, toys, fabrics and crafts, lawn and garden, jewelry and shoes. In addition, some Wal-Mart stores offer a Pharmacy Department, Tire and Lube Express (TLE), garden center, snack bar or restaurant, Vision Center and One-Hour Photo Processing for customer convenience.

The growing demand for one-stop shopping led to Wal-Mart's decision to build full-line grocery department into many of its new stores. Referred to as Supercenters, Wal-Mart stores with grocery departments offer the ultimate in convenience - grocery shopping and 36 departments of discount general merchandise under one roof. Wal-Mart Supercenters are designed to save customers time and money, while providing a unique shopping experience. Supercenters average between 100,000 and 210,000 square feet of retail space. Depending on size and customer needs, they employ between 200 and 550 Associates, each dedicated to exceptional customer service.

*Specialty Divisions*³⁵

The Tire and Lube Express Division (TLE) is one of the fastest growing divisions within Wal-Mart. The Tire and Lube Express Division prides itself on providing

³³ www.businessweek.com

³⁴ www.walmart.com

³⁵ www.walmart.com

superior customer service and offers fast, accurate and dependable tire and lube service. Currently, there are more than 1,300 locations in more than 40 states.

The Wal-Mart Optical Department as well as the Wal-Mart Pharmacy provide customers with superior goods and services at low prices.

Wal-Mart Vacations offers "Always Low Prices" on cruises, vacation packages, car rental and hotel discounts, select theme park tickets and resorts.

Whenever Wal-Mart cannot reuse their fixtures or equipment because of outdated or excess supply, auctions are held to sell the remaining items (Wal-Mart's used fixture program). All auctions are open to the public and held at that Wal-Mart location.

*Why is Wal-Mart successful?*³⁶



Wal-Mart stores operate on an "Every Day Low Price" philosophy and are able to maintain their low price structure through conscientious expense control. The margin is made on the quantity of goods they sell and not on high prices. Furthermore, Wal-Mart is successful in real estate. Not only do they invest in the store they open, but in the land that surrounds it. They buy the property around it and sell it off to non-competitors (fast-food chains, high quality furniture stores, tanning studios...).

Later on, they sell it off at a higher price and get most of their margin and profits of this business.

In the United States, most of the Wal-Mart superstores are situated outside of big cities, near highways. This has major advantages: the land is less expensive and there is room for expansion and plenty of space for parking, as well as the property that surrounds the actual retail store, which is sold off to non-competitors.

Always situated next to Wal-Mart is the sister company SAM's. A warehouse atmosphere that customers pay a yearly membership fee of \$25. The company sells in mass quantity at an even greater discount price and only those with membership are allowed to enter the store.

It is impossible to compete with Wal-Mart on price. A competitor can either specialize on a certain good or item or compete on quality, style or customer service. Employees are pushed to strive for excellence and give 100% of themselves. Because Wal-Mart is a 24 hour, 7 day a week, 364 day a year business, the job is extremely demanding, but they are well rewarded for a job well done.

Values, heroes and rituals³⁷

Years ago, Sam Walton challenged all Wal-Mart associates to practice what he called "aggressive hospitality." He said:

"Let's be the most friendly - offer a smile of welcome and assistance to all who do us a favor by entering our stores. Give better service - over and beyond what our customers expect. Why not? You wonderful, caring associates can do it and do it better than any other retailing company in the world . . . exceed your customers' expectations. If you do, they'll come back over and over again."

³⁶ James Hicks, District Manager of Walmart, Mississippi

³⁷ www.walmart.com

Wal-Mart's success will always be attributed to their culture. Every customer can be assured to get low prices, the genuine customer service and the feeling of being at home in any department of any store. Here is a collection of values and benefits held by the members of Wal-Mart:

Three Basic Beliefs

Sam Walton built Wal-Mart on the revolutionary philosophies of excellence in the workplace, customer service and always having the lowest prices. The company has always stayed true to the Three Basic Beliefs established in 1962.

"Our people make the difference" is not a meaningless slogan. *Respect the individual* is the first basic belief at Wal-Mart, a group of dedicated, hardworking, ordinary people who have teamed together to accomplish extraordinary things. Employees have different backgrounds, different colors and different beliefs, but it's a company value to treat every individual with the same respect and dignity.

Wal-Mart's culture has always stressed the importance of *customer service*. Therefore, they want their customers to trust in their pricing philosophy and to always be able to find the lowest prices with the best possible service.

Wal-Mart is never satisfied that prices were as low as they needed to be. The *strive for excellence* has been an obsession from the very beginning. Wal-Mart tries to find new and innovative ways to push their boundaries and constantly improve them.

Today's Wal-Mart facilities are still driven by the Three Basic Beliefs that drove already the very first store. Although Sam Walton is no longer with them, his ideas and ethics provide a timeless recipe for success.

The Sundown Rule

"Why put off until tomorrow what you can do today". It is still an important part of the Wal-Mart culture and is one reason the associates are known for their customer service. The observation of the Sundown Rule means to strive to answer requests by sundown on the day they receive them. It supports the three basic beliefs of Sam Walton: respect for the individual, customer service and striving for excellence.

"Ten Foot Rule"

One of Wal-Mart's secrets to customer service is the "10-foot rule" implemented by Sam Walton, the founder. Whenever an employee comes within 10 feet of a customer he or she is obligated to look in the customer's eyes, to greet the customer and ask whether he or she needs any help.

This philosophy can cause problems when practicing it in Wal-Mart stores around the world, which means outside the United States.

Pricing Philosophy

The basic economical rule "by cutting your price, you can boost your sales", which means you can earn more by selling cheap retail than selling an item at a higher price, is the way Wal-Mart does business. No matter what they paid for a certain item, they pass it on to their customers at the cheapest possible price.

The philosophy of "Every Day Low Price (EDLP)" is the basis of their advertising strategy. If Wal-Mart can roll back their costs, prices get even lower.

Conclusion

Why can Wal-Mart not keep its business culture in Europe?³⁸

Wal-Mart entered Europe in December 1997, acquiring 21 “Wertkauf” stores in Germany. It followed a year later with the purchase of 74 German “Interspar” stores. 16’500 employees work in their 95 stores in Germany. However, Wal-Mart has gone to great lengths and invested millions of dollars to conform to the German markets while still keeping the American way of doing business. Wal-Mart has tried everything from remodeling the retail stores to promotions and many other attempts to compete in the German retail market, but still the superpower retailer of the US cannot seem to find its place in the German market. There are many considerations that Wal-Mart did not take into account when they chose to move into the European market, but we feel that their biggest mistake was not understanding the German mentality and way of life.

Not only have, brand-conscious German consumers been slow to warm to Wal-Mart’s bargain-basement approach, the Americans ways of greeting customers in the aisles do not appeal to the German shoppers. Customers resist when cashiers try to pack their purchases in free plastic bags and greatly oppose when someone walks next to them carrying their merchandise. They feel as if they had to tip the employee. The German mentality and way of life is in complete contradiction with the strategies of American retailers.

One of the typical behaviors Germans are known for is their directness. The “10 foot attitude” rule is just one of several store policies implemented that did not work because the Germans feel their space is being invaded and if they need help, they ask for it.

For an American it is quite common to work up to 60 or 70 hours per week. The work mentality in the US is quite contrary to the way of working in Germany. Germans are very family oriented and although they give 100% of themselves while at work, when the work day is over it is over.

These are just a few of the many considerations that Wal-Mart did not take into account and therefore has not been a success.

³⁸ Telephon interview with James Hicks, District Manager of Wal-Mart, Mississippi, US

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Annex 1

“At Wal-Mart, you know what you shop there for ...”

Bettina and Maike have met the American Ron Simeral, English teacher at ESCE, in St-Germain-en-Laye on April 25th, 2003 and asked him to give us his opinion on American business culture in general and to tell us his experience about Wal-Mart as a customer.

* * *

B&M: Mr. Simeral, thanks for coming. As you are a native American, we would like to take the opportunity to verify a couple of statements we have taken out of books regarding to American business culture.

Simeral: With pleasure.

B&M: We came across a contradiction as regards the individualistic business culture of US Americans. Americans are considered to be very individualistic people. Somewhat paradoxically, teamwork, that is nowadays vital in business, also comes from the US. How can Americans be individualists and good team players at the same time?

Simeral: It is true that Americans are very individualistic kind of people. They see their relationship to the company in a symbiotic sense, which means that the company and employees use each other. In fact, you use the company for your own goals and the company uses you. Nevertheless, teamwork is essential in the US. You have to bear in mind that a team still consists of individuals. Furthermore, Americans believe in sports and competition attitudes. The team spirit which comes originally from sports has been transferred to the business world. The vocabulary they use in sports is the same as in teamwork.

B&M: Is it true that the US still have a masculine business culture?

Simeral: Business and society in the US are still male-dominated. It is changing, but slowly. Hilary Clinton has been the only woman who has been seriously taken into consideration to become the first female president of the US. The American business world is what you call the “Good Old Boys Network”. There is still a glass-ceiling for women. This has surely something to do with sports. As competition in sports and competition in business are tied together, it is difficult for women to be successful in this men’s world, as they do not share the same competitiveness. Moreover, they do not do the same sports, for instance football, rugby etc.

B&M: Let’s talk about informality. Do Americans always get on a first-name basis quickly?

Simeral: I think this is a misappreciation. It strongly depends on the company whether you call your business partner or colleague with the first name or not. In business you stay very often with Mr. or Ms. Do not assume that it is always the case that you can get on a first-name basis right away. It is a stereotype.

B&M: Is there a specific dress code in the US?

Simeral: A special thing in the US is TGIF (Thank God It's Friday). The Casual Friday is very popular in the US.

B&M: When doing business with Americans, what would be the “dos and don'ts”?

Simeral: Americans appreciate directness and frankness. In comparison, French people are more indirect than American, especially in business letters. Americans might misunderstand this indirectness. Another thing is that Americans do dealings on a handshake. They appreciate honesty. A man's word counts as an agreement. It is a kind of oral contract. Furthermore, American people prefer to do the business first and then relax. In France, it is exactly the other way round.

B&M: And what would be the things to avoid?

Simeral: Americans are in general very intimidated by Europeans in terms of culture. For example, if you go on a business lunch with Americans in the US, they would let you choose the wine, even if there were only Californian wines on the menu. But you have to be discrete about your culture. Americans are also prudish, so you should avoid topics like sex. Religion and politics are also very sensitive topics. They are discrete about their party affiliation. In turn, money is not such a sensitive topic. Americans would talk openly to strangers about their salaries, as the accumulation of wealth is a proof of success.

B&M: Let's talk about Wal-Mart! Have you ever shopped at Wal-Mart?

Simeral: Yes, I love to shop at Wal-Mart!

B&M: Why?

Simeral: It is the price. At Wal-Mart they sell the products at the lowest price, even quality brands. Ok, they sell basic goods, no fancy modes, but still, the quality is good. I would not go for high-quality things, e.g. the material I would need to do refurbishment works.

B&M: So your motivation to shop there is the price. Do you think that the reason why Wal-Mart is able to sell at such low level is that they exploit economies of scale?

Simeral: Exactly. They buy in bulk and can therefore offer such good prices. Selling at such low prices is called being a loss leader. It seems to be a good strategy as Wal-Mart's turnover is fantastic.

B&M: Wal-Mart is famous for its company values. Do you notice these values when shopping at Wal-Mart? What do you think about the service?

Simeral: The service is good. The salesforce is nice and tells always hello. But it varies according to the Wal-Mart. There are some regions where the level of service is less. But in general, the staff knows the products and they walk with the customer to find a product. There is a supermarket called Sears that cut back in personnel and is now encountering some problems regarding customer satisfaction. I appreciate the values of Wal-Mart, they surely exist. Shopping at Wal-Mart is a simplified shopping experience: you know what you shop there for.

B&M: Would you like to work for Wal-Mart?

Simeral: Not as a salesperson, that is for sure, but maybe in management. I think the salary is ok.

B&M: Mr. Simeral, thank you very much for the interview!

Simeral: You're welcome!

Annex 2

Extract from the 2003 Annual Report

Report of the first quarter