Walmart Expansion in Africa Case Study

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The given case study is about Walmart's entry into Africa. It also covers the issues and challenges it faced in its establishment in Africa. Walmart adopted a strategy to expand its business in different countries for its growth because the financial crisis of 2008 greatly impacted the domestic market. This strategy is not always helpful, as we know from its failure in the markets of Germany and South Korea. Many other countries, like India, offer good growth opportunities, but they are still not open to foreign trade. So, Walmart started to focus on Africa. Though it didn't provide such an opportunity, it is good for MNCs like Walmart (Deresky, H. 2017).

Issues Faced By Walmart In Africa:

Retailing in Africa is not a piece of cake. If a person thinks that he will succeed there in a year, then that year is probably equal to twenty years. Walmart acted wisely by starting with the acquisition of a local retailer. Walmart made an offer to Massmart to buy a 51% stake, and it started operating there.

Business environment:

The biggest mistake Walmart made in Germany and South Korea was that it didn't make a new strategy for these countries. It applied the same model to the markets of those countries without knowing the actual needs of these two countries. Now, in Africa, it first faced the cold behaviour of retailers. Because the economic conditions of the country were really unstable, political changes were icing on the cake. Entering a new market always presents some challenges. The value of the dollar impacts its activity in Africa. People had high prices at Walmart in mind, so they did not welcome it and stuck to their old shops.

Cultural differences:

When starting a business in a new country, getting complete information about its culture and needs is foremost. In Africa, Walmart faced this cultural difference, too. African workers feared that the American differences could cause retailers not to respect the labour unions and ongoing contracts (Moran, Abramson & Moran, 2014). For this purpose, Mr. Bond emphasized respect for local laws and regulations. He suggested that existing contracts wouldn't be cancelled. Walmart works hard to develop an environment that is open, friendly, and respectful to local associates. The difference was

addressed by:

1. No staff would be dismissed.
2. Existing contracts would be retained.

The primary challenges that Walmart faced in Africa are as follows. However, according to some analysts, Walmart's low-cost model would succeed in Africa. The main aspects of this model are:

Basic Strategy Of Walmart:

Low price strategy in Africa:

Walmart is expanding its name day by day in the world by offering low prices to its customers (Özer & Zheng, 2015). This is possible because of the following main factors:

The volume of sales:

Walmart occupies a major position in the market because it supplies almost everything. It has a wide customer base due to the spread of its operations in every corner. It gives customers the opportunity to buy everything under one roof. It mainly runs four kinds of stores, and it strongly attracts customers.

Supply chain management:

It has the most advanced electronic system. Everything is readily available to the management, including when and where the products are required and how much is required. This maximizes efficiency and minimizes the outlays. It deals directly with its manufacturers. It results in a more cost-effective process. When costs decrease, it ultimately leads to low pricing.

Minimization of overheads:

Walmart prefers to keep its overheads low. It offers low-cost health care to its employees. Though this is protested, Walmart knows really well how to please its employees and retain them.

Bargaining power:

Walmart is number one in the market for many goods. It is the basic supplier of many goods. Many famous companies rely on Walmart for their revenue. It adds value to Walmart's business. Observing the above strategy of Walmart, we can conclude that though Africa is not a piece of cake for Walmart,

keeping its low-price strategy would benefit its business in Africa. Because the poverty level is so high in Africa, people would appreciate it if they had to pay less. In a survey conducted in Africa, most people mentioned that they were disappointed because Walmart was offering the same prices that other superstores offer. In this way, Walmart could lose its customers. People of Africa would appreciate lower prices. Walmart should offer discounts and other different offers to customers. It should be in its policy. The price model should be applied to Africa. This will help generate profit for Walmart in Africa (Bamiatzi & Kirchmaier, 2014).

Unions working in Africa are another reason that people are not that welcoming of Walmart. Because unions like UNICEF and UNCWF are doing great work for the people of Africa. These unions provide them with food and clothes and fulfil their basic needs. So, Walmart has no other choice but to lower its prices. It might be a loss for Walmart at the start, but it will be helpful in the coming years. By applying this policy, it would become popular among the people of Africa and would have a wide customer base. Then, it could gradually increase prices for the goods.

Lessons For Walmart From The Failure Of Germany:

Walmart failed in Germany because it applied the same business model it applied in the US. The low-price policy failed badly in Germany because the local markets easily competed with Walmart in this. The other issues were labour and unions.

Walmart should learn from its failure, and before expanding its business to other countries, it should consider:

- The culture of that country
- Market strategy
- Competitors
- Political situations
- Economic stability

These are the basic things to learn before expanding a business. Though other countries give growth opportunities, they also give bad experiences and losses. Walmart is a multi-dollar company. It can do what it wants to do. But it should remember its failures.

Precautions To Avoid Future Failures:

The foremost thing Walmart should do to avoid failure is eliminate racial discrimination. People of Africa would be more pleased if it did so. It should stop comparing Chinese and African labour. Chinese workers are working on low and cheap payrolls because of immense manpower. Africa has

that, too, but offering low wages at once would cause downsizing and maybe strikes in Africa, which would worsen the conditions for Walmart.

Walmart also needs to observe the bureaucratic issues and try hard to lessen them. The other issue is transport. Walmart is using its own transport in the US, but in Africa, it is facing difficulties in the delivery of goods. It should address that issue, too.

Views On Walmart's Entry To Africa:

Johnson said that it is not that market that adds so much to Walmart. Van Zyl explains that Walmart can bring prices down to the next level, and it would give tough competition to other running superstores. Mike Abraham said, "It would be difficult to have Walmart in Africa because we are trying to improve our local procurement while Walmart is totally opposite to it". Walmart is going to have a really tough time in Africa.

References

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