

Marketing Plan

Re-entering the German Market

Eric White
Bellevue University

Walmart 

Mission Statement:

To save people money so they can live better.

Menschen Geld sparen, damit sie besser leben können.

Contents

Executive Summary	1
Walmart: A Brief History	2
A Failure in Germany	2
Poor Locations.....	2
Struggles with Labor Unions	3
Cultural Differences.....	3
Unexpected Price Comparisons	3
Target Market	4
Unique Selling Proposition	6
Pricing & Positioning Strategy	6
Strategic Changes With Cultural Clarity	6
Buildings and Locations	6
Closer Relationships with Unions.....	6
Cultural Clarity	7
Resources	8

Executive Summary

Walmart entered the German market in 1997 and immediately found themselves losing money. They tried course correcting but by 2006 they had thrown in the towel and gotten out at a loss of over a billion dollars. There were many reasons why their attempt failed, most of which were due to expecting the Germans to respond to the Walmart message in the same way that Americans did. They didn't understand the German culture and how it effects their buying habits. Upon reentering the market, Walmart is ready to listen, learn and adjust their strategy for success.

Walmart: A Brief History

Sam Walton opened his first store, Walton's 5&10, in the downtown square of Bentonville, Arkansas in 1950. The store was a great success and led to the opening of the first Walmart store in 1962. The store immediately surpassed Walton's expectations and by 1970 he took the company public. That influx of cash spurred a rapid growth which Walton used as a chance to innovate and opened Walmart's first distribution center at Bentonville headquarters. By owning and operating their own distribution center, Walton had a greater ability to negotiate pricing with the manufactures and order goods in much higher quantities, thus pushing prices down for their customers. 1980 saw the company with 276 store nationwide, 21,000 associates and the first year of \$1 billion in sales. Then, in 1991 they became the worlds largest retailer (Jui, 2011).



The first Walmart store in Rogers, Arkansas in 1962.

Sadly, Sam Walton died in 1992, just a month after being honored with the Presidential Medal of Freedom, the highest civilian honor possible in the United States. The Walton family continued Sam's legacy and the company continued to grow into unfathomable heights. 2019 saw \$514 billion in revenue, over 11,500 retail locations, and over 2.2 million employees worldwide.

A Failure in Germany

Walmart's first expansion into a market outside of the United States was Mexico City in 1991. It was a huge success and quickly led to further investment in other countries. By 1997, when the first locations opened in Germany, the international side held 10% of the total retail locations worldwide. While other countries thrived, the German stores encountered a myriad of reasons including legal, competitive and cultural issues. In 2006 Walmart announced it would be divesting from the German market at a loss of \$1 billion. In order to know what to avoid if Walmart is to return to the German market its important to understand how they misstepped the first time around. (Macaray, 2017)

Poor Locations

In the 70s, Germany passed very specific zoning laws prohibiting retail space of a certain size in areas not specifically zoned for retail. This was surmountable but obtaining the proper construction permits through local and federal German government could take a retailer anywhere from one to four years. Walmart had no interest in that extended timeline so their move into Germany was accomplished by purchasing an existing chain of 24 stores called Wertkauf and another 74 stores called Interspar. These chain stores were unprofitable with locations in less populated areas. Additionally, the Interspar stores were largely in disrepair. The German government was resistant to Walmart moving out of the run-down locations and so the plan was to fix up the existing sites as much as possible. The stores opened in very undesirable locations.

Struggles with Labor Unions

The word Union carries about as much negative connotation in the American business landscape as does the word Communist. For this reason Walmart chose to avoid the labor unions when they moved into Germany. Hans-Martin Poschmann of the Ver.di labor Union in Germany said of Walmart at the time, "They didn't understand that in Germany, companies and unions are closely connected. Bentonville didn't want to have anything to do with unions" (Landler, Barbaro, 2006). This avoidance led to Ver.di suing Walmart for not releasing year-end financial records required for negotiating wages. The suit resulted in a wage increase for union workers 0.5% higher than originally negotiated (Jui, 2011). By 2002 Walmart had incorporated, as part of its strategy in Germany, of not hiring union workers for its stores. Walmart consumers in Germany found this highly distasteful.



A modern Walmart in-store signage.

Cultural Differences

The success formula for Walmart in America and other markets around the world has always based on the highest level of customer service paired with the lowest prices. To Walmart's surprise in the German stores none of those strategies seemed to work. Walmart didn't grasp the differences between the culture of American shoppers and German shoppers. The German people are a pragmatic, stoic people. They are thrifty and no-nonsense people (Hofstede, 2011) so when they would enter the store and be greeted by a smiling employee and instead of feeling welcome they felt annoyed. They wondered how much that greeter's pay is adding to the cost of the products they were about to shop for. The same goes for the smiling faces at checkout. Instead of a friendly gesture it made Germans feel uncomfortable.

Unexpected Price Comparisons

Walmart has always prided itself on its low pricing. It's the cornerstone of their entire marketing. However, in a 2001 consumer survey it was found that Walmart's prices were 11-25% higher than their German counterparts (Jui, 2011). This can be attributed to Walmart's extensive overhead with high-tech checkout and inventory control computers as well as the quantity of employees needed for the high level of customer service promised by Walmart. Their competitors, in the 1990s, maintained a limited amount of employees and didn't use any high-tech computers.

One note here, since Walmart introduced the high-tech equipment into the retail shops most German retailers have also begun using them (Jui, 2011).



The newly designed, less-flashy Walmart store fronts used in countries like Germany.

Target Market

Because Walmart is such a huge corporation that offers a vast array of products and services, the target market isn't as simple as a group with a certain income or a certain age range. They utilize segmentation, targeting and position as the core focus of their strategic marketing (Dudovskiy, 2016).

Segmentation refers to how populations are divided into groups according to certain characteristics such as geography, demographics, behavior, etc. Each segment is broken down further, such as within the segment of demographics you would have segments for age, gender and life-cycle stage.

Targeting refers to choosing specific groups from the segmentation to market specific products or services. If we continue our example of the segmentation of demographics, which we further segmented down to life-cycle stage, we could target a family with 1 child under 6 years old in the home to market a product like childrens' bike helmets.

The position is using marketing tools which are best suited for targeted segment for purposes of selling a specified product. So for our bike helmet the marketing would show a young mother or father with a child wearing the helmet, learning to ride a bike (that could also be bought at Walmart). This ad would be much different than an ad for a bike helmet that is being marketed for an older child.

Globally, Walmart's marketing point-of-view is geared toward a customer segment that places a high value on the price of products compared to other products in the same area. The German market much the same as the global market with individuals and families looking for a cost advantage on the every day products they buy. The real difference, however, is the cultural differences in *how* they prefer to be marketed to.

Table 1. Walmart’s Segmentation, Targeting and Position (Dudovsky, 2016)

Type of Segmentation	Segmentation Criteria	Target
Geography	Region	Domestic and international
	Density	Urban and rural
Demographic	Age	All age categories
	Gender	Females and males
	Life-cycle stage	Bachelor Stage young, single people not living at home Newly Married Couples young, no children Full Nest I youngest child under six Full Nest II youngest child six or over Full Nest III older married couples with dependent children Empty Nest I older married couples, no children living with them Empty Nest II older married couples, retired, no children living at home Solitary Survivor I in labor force Solitary Survivor II retired
	Income	Individuals and households with low incomes and middle class
	Occupation	Students, manual workers, floor level employees and middle level managers in public and private sector
Behavioral	Degree of loyalty	“Hard core loyals’, i.e. individuals who always purchase product / brand in question ‘Switchers’, i.e. individuals who do not specifically seek out a particular brand, but rather purchase the brand available to them at the time of need, or that which is on sale.
	Benefits sought	Cost advantage
	Personality	Reserved and cost-conscious individuals
	User status	Non-users, potential users, first-time users, regular users, or ex-users of a product or service
Psychographic	Social class	Lower class, working and middle class
	Lifestyle	Resigned, struggler and mainstreamer individuals according to Cross Culture Consumer Characterization by Young & Rubican

Unique Selling Proposition

Walmart's unique selling proposition is their vast distribution network, which they control completely, and their aggressive negotiations with manufacturers to push prices down as low as possible (Bhasin, 2017). In many instances the price Walmart's customers pay for products is lower than the price other retailers pay to just to stock their shelves. This culminates annually on "Black Friday" when Walmart offers products at "throw away" prices. These events are so popular with consumers that other retailers around the world have begun emulating it. Additionally, Walmart's e-commerce has exploded over the last five years culminating in 41% growth in the third quarter of 2019 (Levy, 2020). This even in the face of intense competition in the space by retailers like Amazon. This robust e-commerce apparatus provides Walmart with a strong tool to supplement their brick-and-mortar store sales.

Germans, being a pragmatic and thrifty people, are excellent potential consumers for this low price focus. The previous attempt at these low prices in Germany was a failure but with new-found insight into what it takes to keep prices down in Germany.

Pricing & Positioning Strategy

Since the early days, Walmart has leveraged its strategy of offering products at "Every day low prices" to become wildly successful in the retail space. They are known for being a seller whose prices are extremely low. In many cases those regular prices are lower than their competitors' sale prices. In their previous run at the German market they were surprised to find in many cases their prices were higher. Since then, Walmart's procurement and distribution infrastructure has matured and goods can be sold at an even lower price. Additionally, they learned from the past and will have less employees in the store, driving down overhead and lowering costs even more.

Strategic Changes With Cultural Clarity

From 1997 through 2006 Walmart attempted to implement a marketing strategy that simply didn't resonate with their German customers. There were many things you could point to as being at fault, none of which alone was the problem but together they led to disaster. Upon being re-introduced to the German retail market, Walmart has a lot of changes that need to be made if they are to be successful.

Buildings and Locations

In an effort to dive right into the German market Walmart bought out existing low-cost retailers. These stores were, for the most part, in undesirable locations and many were in various states of disrepair. The German consumer responded negatively to this and avoided the stores.

The reintroduction of Walmart stores into Germany will include new store or the acquisition of existing store. Both options will have to be in very strategic locations, selected specifically to help put the retail space in easy to access, high-traffic areas.

Closer Relationships with Unions

The German people have a very close relationship with the labor unions. The people trust and support them at almost every level. This time around, rather than avoiding these unions Walmart will work closely with them at all levels from recruitment to engagement and wage/benefit negotiations. Walmart wants its employees to feel comfortable with their jobs and in the German market a big part of that is the unions.

Cultural Clarity

Walmart defines its own corporate culture as “Our values in Action” (How Walmart Builds Its Corporate Culture, 2019). These core values are expressed in four areas which each employee from top down is expected to follow:

- Service to the Customer
- Respect for the Individual
- Strive for Excellence, and
- Act with Integrity

Walmart directs these core values externally (toward customers) but also internally toward their employees. Walmart now has a much better understanding now of German culture and how it effects not only the consumer but also the employee. Policies of the past like having a greeter at the door, requiring a smile by cashiers and a high amount of customer service workers throughout the stores have all been phased out. Walmart’s existing design style is a clean layout with very concise verbiage. Communications will kept even more clean and concise than is normal globally, as Germans prefer as little “fluff” as possible.

Resources

Bhasin, H. (2017, December 17). Marketing Strategy of Walmart - Walmart Marketing Strategy. Retrieved March 25, 2020, from <https://www.marketing91.com/marketing-strategy-walmart>

Dudovskiy, J. (2016, March 30). Walmart Segmentation, Targeting and Positioning - Research-Methodology. Retrieved March 25, 2020, from <https://research-methodology.net/walmart-segmentation-targeting-and-positioning>

Hofstede. (2011, August 22). Country Comparison: Germany. Retrieved March 24, 2020, from <https://www.hofstede-insights.com/country-comparison/gerhttps://www.hofstede-insights.com/country-comparison/germany/many>

How Walmart Builds Its Corporate Culture. (2019, June 21). Retrieved March 24, 2020, from <https://www.glassdoor.com/employers/blog/learn-best-walmart-builds-corporate-culture>

Jui, P. (2011). Walmart's Downfall in Germany: A Case Study. Journal of International Management. Retrieved from <https://journalofinternationalmanagement.wordpress.com/2011/05/16/walmarts-downfall-in-germany-a-case-study>

Landler, M., & Barbaro, M. (2006, August 2). Wal-Mart Finds That Its Formula Doesn't Fit Every Culture. Retrieved March 24, 2020, from https://www.nytimes.com/2006/08/02/business/worldbusiness/02walmart.html?pagewanted=all&_r=1&

Levy, N. (2019, November 14). Walmart's surging e-commerce division grows 41% in Q3, amid online retail battle with Amazon. Retrieved March 25, 2020, from <https://www.geekwire.com/2019/walmarts-surging-e-commerce-division-grows-41-q3-amid-online-retail-battle-amazon>

Macaray, D. (2017, July 14). Why Did Walmart Leave Germany? Retrieved March 25, 2020, from https://www.huffpost.com/entry/why-did-walmart-leave-ger_b_940542