# Successful International Retail Strategy

Name

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Global business is a common practice among modern enterprises as they realize that there is tremendous potential in a country such as China. However, most businesses fail upon entry to these markets because of a lack of understanding of the consumer behaviors of the people. This essay shall focus on the entry strategies that were used by Walmart in China with a focus on the entry strategy process in International Marketing 16th Edition.

## Strategies used and their Effectiveness

### *Preliminary Analysis and Screening*

The challenges that Walmart has experienced in entering the Chinese market provided it with a preliminary analysis and screening of the market that helped the company to match the business and country needs (Cateora, 2016). Walmart struggled to establish the proper product mix to provide to in the 25 provinces and 117 cities it was present rendering it difficult to sell a chief variety of products nationwide. Consumers in China were diverse in their needs from city to city.

Moreover, the firm was having tumultuous relations with national and local politicians. There is an instance where the company was fined because it was in violation of national and local regulations leading to the temporary closing of its stores. Although Walmart alleged that the fines were unsubstantiated, it paid the fines. These experiences were useful in assisting the enterprise to devise a better marketing plan, and this paid off in the long-term because the company is currently enjoying huge success in China.

### *Adapting Marketing Mix to Target Markets*

With regards to ensuring low prices for its products, Walmart was thorough, and this goes against the conventional theory that first-class quality implies higher prices. A primary strategy

that the company used in guaranteeing low prices in entering the market was to circumvent intermediaries and buy directly from the manufacturers. Supplied goods were moved to its distribution center where they underwent upgrading and repacking in alignment with the stipulations of each sub-branch. This method is similar to that applied by online retailers, and it effectively resulted in Walmart saving millions of dollars in annual warehouse costs. Furthermore, the firm compressed the cost of products with distribution costs and regulating marketing costs (Xu, Xu, & Liu, 2014).

Moreover, the company made the effective decision of ensuring that it targeted at high-income consumers in China. Walmart established most of its stores in the outskirts of cities with the intention of stimulating high-income clients to drive to buy goods. Even though the business was targeted middle and high-income groups in the localities, the positioning of its supermarkets had an impact on the consumers (Xu, Xu, & Liu, 2014). This is because of the inclination that Chinese consumers have of shopping close to their homes.

Another essential entry strategy for Walmart was in the way it conducted its distribution. The company understood that the characteristics of an effective merchandise distribution include low inventory costs and significant sales volumes. Establishing their personal logistics distribution system was the only effective method the firm could have cost efficiency and guarantees of reliable delivery (Xu, Xu, & Liu, 2014). However, Walmart realized that it cannot have an adequate share of the global logistics distribution system and decided to have two centers: one in Tian Jin and one in Shen Zhen.

*Developing the Marketing Plan: Entry Mode*

Walmart applied the offshore sourcing strategy and the acquisition strategy in the Chinese market. Offshore sourcing was their approach as the firm viewed China as a critical

assembly source nation for their merchandise in the U.S. As of 2003, Walmart was the largest export channel from Chinese production to the U.S, with almost 4% of China's foreign sales (Mun, 2012). Remarkably, the enterprise does not possess direct control of its Chinese supplier's manufacturing process. In its place, the Chinese suppliers are those with the accountability and oversight to satisfy particular levels of requirements such as delivery and quality. Additionally, Walmart employed its strong bargaining position while ensuring a high degree of ownership. The company's selling approach included buying goods cheaply from China, and reselling them in the U.S and globally at a higher price (Mun, 2012). As a result, the company sustained its high ownership level and preserved low management control.

*Implementation and Control*

Through emphasizing on market research, Walmart enhanced its responsiveness to market opportunities and performed planned assessments of competition. Again, the firm evaluated product pricing, promotion activities, sales volume, goods display, product range, recommendations on store placement, follow-up sales performance, and market share Yanrong, L. (2013). Moreover, Walmart resolved to review the buying habits and needs of Chinese customers and decided to offer an improved shopping experience.

**Ethical Implications**

After operating in the Chinese market for 18 years, Walmart only has 405 stores. This is because of the struggles the retailer has had in comprehending perceptive Chinese customers since their purchase preferences are not based on price. Chinese consumers prefer a local setting of the shopping environment and custom-made goods (Forbes, 2014).

**Future E-Commerce Offerings.** Walmart can concentrate on its grocery e-commerce venture in China to lure new consumers. Almost 46% of Chinese customers purchase their groceries online, and the company should effectively exploit this opportunity (Meola, 2016).

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