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International Expansion Strategies Focusing on Costco and Sam's Club

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Research Questions

- How does Wal-Mart and Costco leverage their supply-chain internationally in a multicultural environment?
- How does Wal-Mart and Costco manage development across cultures?
- What barriers of the Wal-Mart and Costco overcome to become a successful multinational corporation?

MHR 451, Section 2
Teamster 7
 Will Howard
 Haig Khdiryan
 George Owaki
 Shirley Sugiyama
 Jacob Vega
 Wendy Wu

What is Institutional Environment?

The combination of cultural and government elements. Success in foreign market is dependent on the task of adhering to the institution environment.

Example: A company moving into a new country. Having to follow Government regulations and meeting all cultural standards.

Successful Localization Strategies

- Amalgamation mass and a special entry point
- Organization total formal adaptation to multiple market environments
- Organizations must collaborate with locally business partners to obtain property in a desired market

Costco Localization Strategy in Taiwan

- Join versus Go Tong (Resident Group)
- Stocking leading domestic brands and products
- Low price strategy with paid membership
- Carpet select international products

Additional benefits of low cost suppliers
 International Success - Taiwan

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- "Costco's strategies in Taiwan include providing low prices to customers and emphasizing the leading domestic brands and select international products to achieve higher sales and a more effective inventory"

1. How does Wal-Mart and Costco leverage their supply-chain internationally in a multicultural environment?

Lowest Cost for Goods Sold

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- Source inventories directly from manufacturers
- Eliminates cost associated with multiple-step distribution channels
- Successful leveraging of supply chain allowed for significant expansion into:
 - Asia
 - India
 - Europe

Strategic Advantage - Taiwan

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Beating the competition:

"Thirty-five percent of the products Costco carries are imported, which is comparatively higher than the percentage of imports carries"

Challenges

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- Negatively Impact their Images
 - Product Quality and Consistency
- Diversify Buying
 - ex. Cross Stores does not sell their products to Costco nor has it authorized any of its customers to sell to Costco in order to protect its brand name and price structure

Wal-Mart not meeting expectations in a cross cultural environment

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- Wal-Mart failed at meeting local during implementation
- They failed to meet standards or norms of the country in which they are operating
- For example, Wal-Mart entered the Chinese market with the strategy of "highly priced, highly customer service. This customer service did not view to properly customer service in the highest need.
- Customer service is more for its small profit margins and to better serve domestic market.
- With all of this being said, these are the reasons for the failure of Wal-Mart in a cross-cultural market.

3. What barriers of the Wal-Mart and Costco overcome to become a successful multinational corporation?

Barriers Facing Wal-Mart

Logistics and Distribution

- The roads and ports are sub standard to the U.S. on its transportation infrastructure and the standard implementation on its parts.
- China is not large enough for this burden, but may be up for this in the next 10 years.

Labor Issues

- Government runs the Unions
- Dispute between the organization and the union could cause a diplomatic dispute.

Barriers facing Wal-Mart

Legitimacy

- Government and bribery on all levels
- Workers are treated in what is low during negotiations
- It requires local workers do not meet their needs. They are easily about a workforce. This makes it "difficult" approach to doing business with Wal-Mart.

Barriers facing Costco

Political/Legal Barrier

- Different political issues in countries Costco operates in
- Different infrastructure and business laws in different countries

Barriers facing Costco

Cultural/Sociocultural Barrier

- Language, cultural views, and values

Economic Barriers

- Transferring price of multinational corporations
- Cost of producing consumer products tends to fall because of manufacturing costs
- Intense price competition

Recommendations

1. Have a dynamic institutionalization plan
2. Have a cost efficient supply chain

Conclusion

Findings

- International expansion should not be taken lightly
- Cultural standards and government policies must be taken into consideration
- Organize and manage the institutional process and supply chain management

Thank you for listening!

Midwest Electronics' Asian Expansion

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Wal-Mart not meeting expectations in a cross cultural environment

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- Wal-Mart failed at mediating itself during institutionalization
- They failed to meet standards or norms of the German market in doing this the company failed.
- For example, Wal-Mart entered the German market with the strategy that focused on high quality customer service. The German market did not view high quality customer service as its highest need.
 - German market is known for its small profit margins and its price driven domestic market.
 - With all of this being said, these are the reasons for the failure of Wal-Mart in an international market.