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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

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a more effective

• with all of this being said, these are the reasons for the failure of Wal-Mart in an international market.

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

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"

Strategic Advantage - Taiwan

Beating the competition:

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"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
- Diversion Buying
 - ex. Crocs Shoes 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


2. How does Wal-Mart and Costco manage development across cultures?

What is Institutional Environment?

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- The combination of cultural and government elements. Success in a 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.



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.