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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

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

**What is Institutional Environment?**

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 meeting itself during institutionalization.
- They failed to meet standards or norms of the country they're entering the marketplace.
- For example, Wal-Mart entered the Chinese market with the strategy of providing highly quality customer service. The Chinese market did not view highly quality customer service as its highest need.
- Customer preferences in China for its small profit margins and its other values dominated market.
- With all of this being said, these are the reasons for the failure of Wal-Mart in a cross-cultural 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

**Successful Localization Strategies**

- An organization must find a optimal entry point.
- Organizations must formal adaptation to much more market environments.
- Organizations must collaborate with local business partners to obtain property in a desired market.

**Costco Localization Strategy in Taiwan**

- Join venture with Taoyuan Investment Group
- Stocking leading domestic brands and products
- Low price strategy with paid membership
- Careful 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"

**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
- Discrimination Buying
  - ex. Cross 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

**Barriers facing Wal-Mart**

**Legitimacy**

- Government and bribery on all levels
- Workers are treated as what is low during negotiations
- If employees feel workers do not meet their needs, they are easily able to find a employer. This causes an "inward" approach to doing business with Wal-Mart.

**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 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!



# Legal Aspects of Mergers & Acquisitions in Canada

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MHR 451 Section 2

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# Additional benefits of low cost suppliers

International Success - Taiwan

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# 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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Wal-Mart not meeting  
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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.