

THE REVELATION OF WAL-MART'S FAILURE IN CHINA

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ABSTRACT

Wal-Mart--the world's largest retail corporation-- had ambitious hopes to create 100 billion U.S. dollars sales miracle in China. However, since Wal-Mart entered China in 1996, after a decade of development, its operating conditions are unsatisfactory. This retail giant is still suffering losses in the Chinese market. As compared to its growth in the United States, what awkward situations has Wal-Mart's low-cost path encountered in China these years?

The purpose of this paper is to analyze the Wal-Mart situation in China and find out the real causes behind the Chinese market failure, then make some recommendations.

In this paper, after analyzing three examples of Wal-Mart's failure in China, the author points out four real causes which led to Wal-Mart's failure: Rough Low-Cost Strategy (Logistics Systems, Information Systems), Repeated Negligence of Localization, Different Purchasing Habits of Chinese Customers, and Policy Restrictions in China. Logistics Systems and Information Systems are the most powerful hands of Wal-Mart, however, the scattered layout and small-scale size of stores in Chinese market can not make Wal-Mart find room for its development. In addition, Chinese policy limits the size of its stores, so without enough numbers of stores, Wal-Mart's advanced systems cannot play its scale advantage. Furthermore, due to the lack of localization and the realization of the difference purchasing habits between Chinese customers and American local customers, Wal-Mart is still suffering losses in Chinese market.

At the end of the paper it is deciphered that five factors can contribute to Wal-Mart's success in China: Improved Logistics Systems, Upgraded Vendor Information Systems, Attaching Importance to Localization, More Understanding of Chinese Customers' Purchasing Habits, and Better Policy Support from Chinese Government.

References Available on Request.