

The global retailer's recession-resistant strategy

-A case study of Wal-mart China-

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1. Introduction

The unprecedented recession since the World War II, which was caused by the financial crisis, hits the world economy seriously. Development of most economies all over the world stagnated and many companies bankrupted. But even in such severe economic climate, there are still some companies having got rapid growth. Wal-mart Inc.(WMT) China is a representative one.

After the breakout of economic crisis, the growth speed of Chinese economy dropped from two-digit number, which has been lasting for over a decade, to one-digit number (9%), but even under such background, WMT China has achieved an outstanding performance with its annual sales swelling to CNY44.2 billion (about \$6.47 billion) and its store number reaching 227 in 2008.

Meanwhile, compared with its main rivals such as foreign retailer Carrefour and domestic retailer Lianhua, WMT's performance was also better. As Figure 1 shows, in 2007 when Carrefour and Lianhua's sales growth greatly fell down, WMT enjoyed a rocketing developing speed that was 42% higher than that of the previous year. Since then, WMT took the place of Carrefour and became the largest foreign retailer in China.

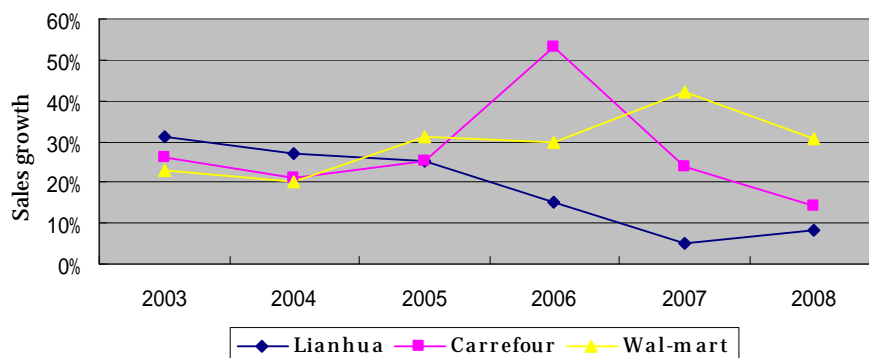


Figure 1 The comparison of annual sales growth of WMT, Carrefour and Lianhua

Sources: Top 100 Chinese retailers 2003-2008, China Chain Store & Franchise Association.

Furthermore, compared with its homeland the U.S. and WMT international, WMT China's performance is also outstanding. As the market matured, the growth of WMT USA is slowing down, and the overseas business has consequently become WMT's new engine to drive its growth. Among the overseas markets, WMT China's high-speed development has made China more and more important¹, despite the fact that its current share in WMT's whole profit is not so high.

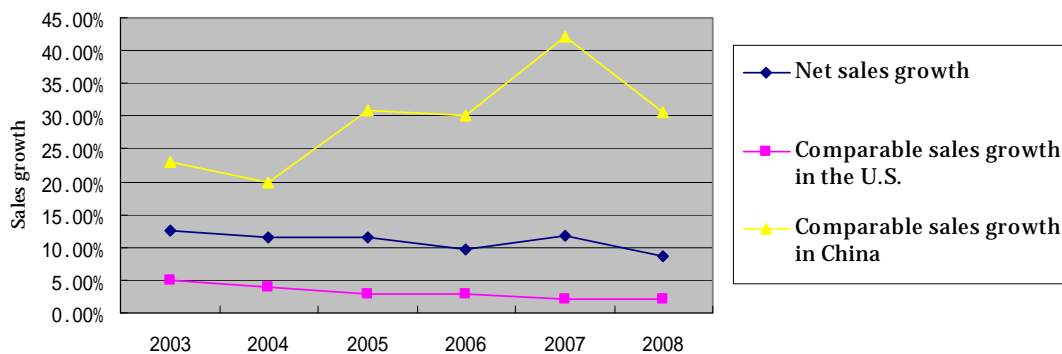


Figure 2 The comparison of sales growth of WMT, WMT U.S.A. and WMT China.

Source: WMT annual report 2008.

Therefore, in this paper, we will explore why WMT China could keep a rapid growth in the current recession and perform better compared with its rivals. As well known, WMT's China strategy was once considered unsuccessful because it had lagged behind other foreign retailers. But with its strategy shifting from standardization to localization in 2007, WMT has made rapid progress in its Chinese business development. Statistics has clearly demonstrated that its appropriate strategy greatly contributed to the efficiency of its business system and the speed of its growth. Therefore, in the following, we will discuss its strategy in details, analyze its secret of high-speed development and summarize what can be learned from this case.

¹ As David Glass, the former WMT CEO announced, "China is the one place in the world where you could replicate Wal-mart's success in the U.S.".