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## **Abstract**

The American multinational company Walmart has been very successful in its country of origin as well as in other international markets for many years. However, in the late 1990's, the retailer decided to conquer overseas markets in order to also set foot in Europe by firstly targeting Germany and then the United Kingdom. In 1997, Walmart acquired 21 Wertkauf stores and in the following year 74 Interspar supermarkets.

Without much research and, therefore, knowledge about the German market, Walmart used the same revolutionary strategy, which had proven to be so successful in its own and other markets, without much modification to enter this particular country.

Once Walmart entered Germany, it was not able to attract and satisfy the customers, as it was doing in the United States of America and other markets like Mexico and China. German consumers would rather stay loyal to and continue purchasing at local chains like Aldi, Lidl, and Edeka before experiencing something completely different to their habits at Walmart. As a consequence, the corporation announced its withdrawal from the German market in 2006, having suffered heavy losses of approximately \$1 billion.

Research has shown that the reason for Walmart's failure to successfully establish itself in its first European market is mostly due to an essentially faulty internationalization strategy. Furthermore, Walmart's ignorance of the particular features of the highly competitive German retail market also contributed to this withdrawal.



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## List of Abbreviations

EBIT	Earnings Before Interest and Taxes
EDLP	Every Day Low Prices
FCO	Federal Cartel Office
FEM	Feminism
GDP	Gross Domestic Product
IDV	Individualism
IGA	Independent Grocers Alliance Inc.
JV	Joint Venture
LTO	Long-Term Orientation
MAS	Masculinity
PD	Power Distance
STO	Short-Term Orientation
UA	Uncertainty Avoidance
USA	United States of America
WOS	Wholly Owned Subsidiaries



## 1. Introduction

### 1.1. Research Question

The multinational corporation Walmart was founded and opened its first store in Rogers, Arkansas (USA) in 1962 (Walmart 2015a). The retailer expanded rapidly in the Midwest and since the 1970's throughout the whole United States of America (Bergmann 2000). The founder Samuel Walton based the slogan *The Lowest Prices Anytime, Anywhere* on his business model by offering products at the lowest possible price. Since the 1980's, Walmart had become one of the biggest retail corporations worldwide, operating as a chain of discount department stores, hypermarkets, and warehouse stores (Walmart 2015a).

Based on Walmart's fast growth throughout the USA and its enormous national success, it decided to expand globally by firstly entering Mexico in 1991, followed by Canada in 1994, and China in 1996 (Walmart 2015a). One year later, the American retailer also entered the European market through Germany. Even though this particular market has always been seen as a more complex, demanding, and competitive market (Hirn 2002), it did not stop Walmart from entering it by acquiring 21 *Wertkauf* supermarkets in 1997 (Pioch et al. 2008) and by taking over 74 *Interspar* stores in 1999 (Hertmanni 2006).

Only eleven years later, Walmart Germany sold its operation to the local retailer Metro Group after suffering heavy losses (Hertmanni 2006). The company failed to profitably operate in the country and to adapt to its market's needs and requirements (Hirn 2002). Remarkably, Germany is the third market after Indonesia (entry in 1996, exit in 1998) and South Korea (entry in 1998, exit in 2006), which Walmart entered and left again (Hertmanni 2006). Without going into details just yet, one can assume that Walmart was not able to adjust its internationalization strategy to at least these target markets. The market exit in Germany is seen by experts as one of the most notable exits and, therefore, has also captured my attention.

The aim of this master thesis is to identify the reasons contributing to Walmart's failure in Germany. To put these into a logical order, I created four main categories of differences between the USA and Germany, and formulated the research question as follows:

**Which cultural, economical, legal, and managerial differences between the USA and Germany had an impact on Walmart's withdrawal from the German market?**

### 1.2. Structure of the Thesis

As the world progressively internationalizes and even globalizes, businesses need to adapt to their new target markets, and perhaps even to different preferences and demands of their new customers in order to be competitive and profitable.

In section 2. *Preliminary Considerations*, I would like to start with some major definitions like internationalization and globalization before discussing potential motives and risks businesses face when expanding in foreign markets (section 2.1.). Afterwards, I will continue with the global retail industry (section 2.2.1.), the retail industry in Europe (section 2.2.2.), and finally with the retailing sector in Germany (section 2.2.3.). Reasons for businesses to choose Germany as a target market will be reviewed in section 2.2.4. *Macro-Environmental Factors*.

Obviously as the American market differs culturally from the German one, it is essential to discuss the meaning, complexity, and effect of *culture* in regard to the everyday and professional lives of Americans and Germans. The two scientists, Geert Hofstede and Edward T. Halls, have published groundbreaking research results and are still the key references when interpreting cultural differences between countries (section 3. *The Importance of Culture for Global Enterprises*).

Finally, the history of the parent company Walmart will be discussed (section 4. *Walmart*), concentrating on its entry and the causes for failure in its first European market (section 5. *Walmart Germany*). Section 6. will shortly describe *Metro Group's Acquisition of Walmart Germany* before summarizing the main points of this master thesis in section 7. *Conclusion*.

## **2. Preliminary Considerations**

### **2.1. Internationalization and Globalization**

The progress towards building a European Union with a single currency and the concurrent growing international liberalization of trade, services, and capital flows with simultaneous communication opportunities, lead to a progressively broadening competition worldwide (Emrich 2007, p. 1). This is why for quite some time, the terms internationalization and globalization have been in everyone's mouth (Peng & Meyer 2011, p. 13).

Peng and Meyer (2011, p. 634) define *internationalization* as “the replacement of cross-border markets (such as exporting and importing) with one firm (the MNE).” In other words, it is the process for a business that participates in international economic activities as well as the action of doing business abroad (Peng & Meyer 2011, p. 6).

*Globalization* identifies “a process leading to greater interdependence and mutual awareness among economic, political and social units in the world, and among actors in general” (Peng & Meyer 2011, p. 15). Moreover, Hollensen (2011, p. 6) expresses it as the process in which global economic activities are functionally integrated. It can also be said that globalization is the increasing integration of economies around the world, particularly through trade and financial flows by treating the world as borderless.

### **2.2. Global and Local Retail Industry**

Businesses with a distinct and successful business model often see opportunities in expanding internationally. Once a business feels like there is less to gain from the local or national market due to a high market share, strong competition, or a saturated target market, it may consider expanding internationally to neighboring countries or even globally to other continents. Hereby, the degree of preparedness for globalization depends on the firm's capability to implement strategies in their global marketplace including personal skills, financial resources, and the manager's international experience (Hollensen 2011, p. 18-19).

Expansion is a requirement for every large company to keep up and to remain competitive (Peng & Meyer 2011, p. 21). The global exchange of goods and services is benefiting from

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innovative and less expensive communication technologies, additional and more efficient transportation infrastructures, widely unrestricted circulation of capital, removed trade barriers, or even free trade among countries like in the European Union (Hooley et al. 2012, p. 59).

In general, motives can be defined as the causes that move something or someone to induce a certain action. In respect to expansion, motives are reasons that encourage businesses to pursue an accomplishment, which, for example, can be the entry into a new target market. Normally, multiple motives will support such a decision. Therefore, when many motives for globalization appear and are acknowledged as reasonable, the business should expand its research and development, production, selling, and other activities related to the business into other markets to broaden its opportunities and to strengthen its competitiveness (Hollensen 2011, p. 50-51).

Motives for internationalization can be divided into *proactive motives* outlining the firm's aim to use unique competences and/or competitive advantages, and *reactive motives* representing the firm's awareness of threats in home or foreign markets (please refer to Table 1). The overall goals of internationalization and globalization are to establish new applications, to attract new customers, to increase use frequency, and to create new products and services (Hooley et al. 2012, p. 40-41).

**Table 1: Proactive and Reactive Motives**

<b>Proactive Motives</b>	<b>Reactive Motives</b>
Profit and growth goals	Competitive pressure
Technology competences	A small and saturated home market
Unique products	Overproduction
A superior business model	Psychological distance
Foreign market opportunities	
Economies of scale	
Low entry barriers	
Tax benefits	

(Representation based on Hollensen 2011, p. 50-51)

## Preliminary Considerations

Barriers and risks companies may face before and during the internationalization process are listed in Table 2. They are divided into barriers hindering internationalization initiation, market risks, and commercial risks (Hollensen 2011, p. 61-64).

**Table 2: Barriers and Risks**

<b>Barriers Hindering Internationalization Initiation</b>	<b>Market Risks</b>	<b>Commercial Risks</b>
Inadequate finances	Competition from other firms in foreign markets*	Foreign government restrictions*
Insufficient knowledge*	Differences in product usage in foreign markets*	National export policy
Lack of foreign market connections*	Language and cultural differences*	Lack of governmental assistance in overcoming export barriers
Lack of export commitment	Difficulties in finding the right distributor in the foreign market*	Lack of tax incentives
Lack of capital to finance expansion into foreign markets	Differences in product specifications in foreign markets*	A strong domestic currency
Lack of productive capacity to dedicate to foreign markets	Complexity of shipping services to overseas buyers	High foreign tariffs on imported products
Lack of foreign channels of distribution*		Cumbersome foreign import regulations and procedures
Lack of management emphasis on developing domestic markets*		Complexity of trade documentation

(Representation based on Hollensen 2011, p. 61-64).

While these listed expansion motives, and barriers and risks were collected on a general basis, the most significant barriers and risks Walmart faced in Germany (marked with \*) will be discussed in more depth later in this master thesis.

### 2.2.1. Retail Internationalization

In general, retail internationalization is a “process of increasing involvement of retail companies in international operations, which can be inward and outward, and market seeking (selling of goods) and efficiency seeking (international sourcing)” (Hanf & Pall 2009, p. 8).

*Inward internationalization* refers to foreign sourcing and the importing of managerial ideas, whereas *outward internationalization* includes the exporting of products, the building of foreign production facilities, and the offering of licensing and franchising contracts. Internationalization can also be expressed as the transfer of a company’s physical and organizational technologies across borders (Hanf & Pall 2009, p. 8).

Pioch et al. (2008, p. 206) stated that, so far, the literature on retail internationalization focused on who internationalizes, the motives for expansion, the direction of growth, the market entry mechanisms, the adaptation/standardization of retail offers, the post-entry strategies, the market exit strategies, and the corporate culture, but missed to focus on the behavior of the consumer and its link to retailer performance across markets. It is of great importance to closely analyze demands and needs of consumers as they differ from country to country. Walmart Germany is a very good example for a business that missed to analyze the customers of its new target market, which will be elaborated on later in this master thesis.

### Characteristics of Retailers

Retailers are businesses, which do not produce or process goods (Nitt-Drießelmann 2013), but buy them from other companies in order to sell them to customers (Hanf & Pall 2009). They can be seen as distribution intermediaries, who work closely together with manufacturers and end consumers. Knorr and Arndt (2003) characterize these end consumers as:

*Small* referring to the fact that each of their purchases usually amounts to only a minor share of their total household expenditure and to their chosen retailer’s revenues [...] *immobile* referring to their inability or, due to high translocation costs, unwillingness to travel far for their routine (small) purchases [...] and *uninformed* referring to their lack of detailed information about the availability, quality and prices – including special offers – of specific items and about the size and coverage of the assortments of all (local) retailers.



Hanf and Pall (2009) claimed that retailers like Walmart stabilize *the place differences between production and consumption*, where products are immediately available to the customers without any “time wasting” even if they come from foreign countries. They control *the quantity differences*, where they can react to the quantities sold to consumers and to the ones produced by manufacturers. Retailers also match *the production and consumption pattern* as they are aware of the needs and preferences of customers and, therefore, have the ability to pass this information on to producers. Moreover, they promote *the products* with discounts or advertisements to attract and keep customers.

Retailers can achieve competitive advantages by offering products or services at lower prices, by having better locations, by being more easily reachable, by having a broader product range, and by providing excellent customer service (Knorr & Arndt 2003). For example, Walmart focused on lower prices (Pioch et al. 2008), a broader range of products (Hayden et al. 2002), and a superior customer service, but its stores were badly located and difficult to reach by German customers (Knorr & Arndt 2003).

### **2.2.2. Retail Industry in Europe**

Companies working in the retail industry only began to globalize in the 1970's (Emrich 2007, p. 247), and thus, started later than businesses operating in other industries (Knorr & Arndt 2003). Likely reasons for this late globalization process within the retail industry can be linked to the regional or national differences of markets. Hence, the retailer has to constantly evaluate customer behavior and preferences, influence customer perceptions (Pioch et al. 2008), interpret sales trends, and make informed buying decisions to keep customers satisfied (Emrich 2007, p. 247).

Given the comparatively small size of their home markets, it is not overly surprising that European retail companies such as the discounter Aldi and the hypermarket chain Carrefour were the first ones to globalize (Knorr & Arndt 2003).

*Aldi* was founded in Essen, Germany in 1913. Their internationalization started in Austria with the acquisition of Hofer in 1967, and continued in the USA in 1976, in Great Britain in 1990, in Ireland in 1999, and in Australia in 2001 (Aldi Süd 2015a).

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*Carrefour* was founded in Annecy, France in 1959. They built their first stores abroad in Spain in 1973, in Brazil in 1975, and in Argentina in 1982 (Carrefour 2015).

In the 1980's and 1990's, other retailers such as Metro, Lidl, and Tesco followed suit as globalization in this industry showed great potential (Emrich 2007, p. 247).

*Metro AG* was founded in Düsseldorf, Germany in 1963, and resulted from a merger of several German companies. Its first global markets were Rumania and China in 1996, and the Czech Republic and Poland in 1997 (Metro Group 2015).

*Lidl* started in Neckarsulm, Germany in 1973. Until the late 1980's, it expanded nationally before it started to grow into almost all European markets. Today, Lidl has entered more European countries than any of its competitors (Lidl 2015a). It also aims to enter the USA market with more than 100 stores by the end of 2015 (Spiegel Online 2015). Lidl's main competitor Aldi already successfully entered the USA in 1976, in order to compete with Walmart (Handelsblatt 2014). It has more than 1,400 stores in the States (Aldi Süd 2015b) with the aim of increasing this number to 2,000 stores by 2018 (Handelsblatt 2014). Aldi had managed to open a store in New York City in 2008 (Wirtschaftswoche 2009), which its rival Walmart had tried to do for many decades (Wolff 2011).

*Tesco* was founded in London in 1919 and quickly expanded nationally before deciding to enter its first international markets in Hungary in 1995, Thailand in 1998, and Malaysia in 2002 (Tesco 2015).

Retailers have many different options for internationalization. They can choose from joint ventures (JV), wholly owned subsidiary (WOS), strategic alliances, organic growth, franchising, minority or majority shareholdings in established local retailers, mergers, and acquisitions. The retailing industry was and still is affected by strict zoning regulations (German: Bauordnungsbestimmungen), which limit the scope of expansion, especially for larger retailers. Lower risk strategies like organic growth are tough challenges in the particularly densely populated European markets. Therefore, retailers have often chosen higher risk strategies like mergers and acquisitions to enter these countries (Knorr & Arndt 2003). For example, Walmart had chosen acquisition, JV, WOS, and greenfield as its entry modes (Ghauri & Cateora 2010, p. 574-575). For further information on Walmart's entry modes, please see Table 7.

## Preliminary Considerations

Since the 1990's, as the prices for housing, electricity, gas, and water have increased, the spending of consumers has decreased in the retailing sector, especially for grocery, furniture, and clothing. This scenario can be particularly seen in Germany as also the decreasing number of inhabitants and the increasingly aging society negatively influenced the spending on retailing. Cities in the south and north tended to grow, whereas those in the east and the center shrunk. The eastern part also became older, while the metropolitan cities like Berlin, Düsseldorf, Hamburg, and Munich became younger (Nitt-Drießelmann 2013).

This is why traditional grocery retailers have been struggling, whereas grocery discounters such as Aldi and Lidl have been growing. Discounters focus on selling products at the lowest possible prices. They achieve this by producing high volumes of sales and by keeping their expenses low on, for example, store design, customer service, and advertising campaigns. Most of the times, these discounters are located outside a town or a city, where rental fees are low. Advertising campaigns are mostly published on flyers or in newspapers instead of TV advertisements due to very high expenses (Ghauri & Cateora 2010, p. 566-567).

Since the early 2000's, the top 200 retailers like Tesco, Carrefour, and Metro started to globalize and have successfully expanded their business position (Hanf & Pall 2009). Many firms earn an enormous share of their revenue due to their presence in foreign markets: for example, more than 80% of the sales of the Dutch retailer Ahold were from its 24 operations abroad in 2000 (Hanf & Pall 2009). Other examples were IGA with 62% from its stores in 41 foreign countries, Otto Versand with 55% from its 23 foreign destinations, Carrefour with 48% from its 27 markets, and Metro with 42% from 22 countries. To that time, Walmart was a rather small player in the overseas markets as the retailer did not appear in the top 10 global retailers by its foreign sales nor by foreign countries served in 2000 (Knorr & Arndt 2003).

Being one of the major industries in the world, the grocery retailing industry made global annual sales of €3,7 trillion in 2007 and experienced an increase in average annual sales of 2.7% from 1997 to 2007 (Ghauri & Cateora 2010, p. 566). Over the past decades, Aldi and Lidl have strengthened their position in the European retailing industry, especially in Germany. With their approach, they have led to significant changes in the overall sector by also challenging many companies with other store formats like supermarkets (grocery store) or hypermarkets (combination of a supermarket and a department store). The format of discount stores has been mainly disruptive to Europe's grocery retail industry and has driven retailers to examine cross-border markets (Ghauri & Cateora 2010, p. 566).

Also in 2007, half of the listed retailers in the top European grocery retailers ranking originated from Germany, namely Metro, Schwarz, Rewe, Aldi, and Edeka with a total German sales volume of €245,5 billion. This demonstrates the strength of the German retail industry. Notably, the total European sales volume amounted to €499 billion from the top 10 European grocery retailers, listed in Table 3 (Ghauri & Cateora 2010, p. 566).

**Table 3: Top 10 European Grocery Retailers (2007)**

Ranking	Company	Home Country	European Sales Volume (billion €)
1	Carrefour	France	83,4
2	Metro	Germany	67,4
3	Tesco	UK	66,1
4	Schwarz	Germany	51,9
5	Rewe	Germany	48,4
6	Auchan	France	39,3
7	Aldi	Germany	39,0
8	Edeka	Germany	38,8
9	E. Leclerc	France	33,7
10	ITM	France	31,0

(Representation based on Ghauri & Cateora 2010, p. 566)

Furthermore, the internationalization of retailing was and still is caused on one side by the rising purchasing power of Eastern European and Asian customers and the immature retail sector within these markets, and on the other side by the saturated markets in Western Europe and the United States. By entering foreign markets and taking business concepts along, retailers highly influence the whole food chain (Hanf & Pall 2009).

Within the past ten years, there have been many changes in the structure of retailing in Europe. With real increases in sales being rather low, the consolidation process continued. Many retailers had to close down their operations, especially the non-chain sector lost market share while discounters and specialist chain retailers gained (Nitt-Drießelmann 2013). Reasons for this are many factors such as the number of inhabitants, the available income, the propensity to consume, and the customers' preferences, which indicate the spending habits of consumers on products and services (Nitt-Drießelmann 2013).

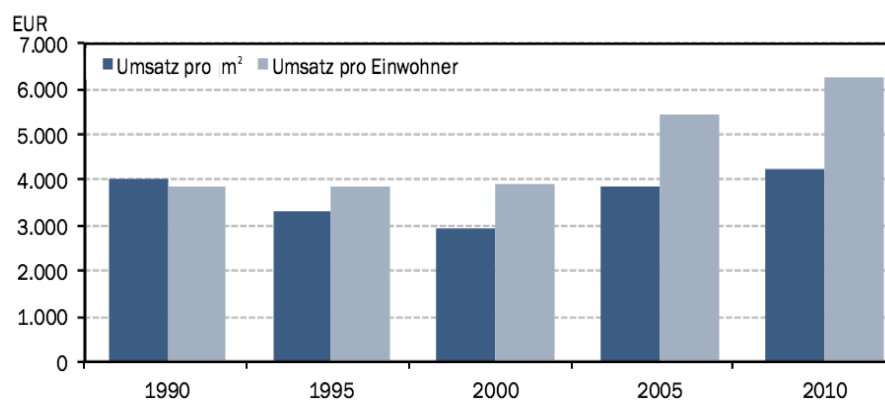
### 2.2.3. Retailing Industry in Germany

There are two types of retailers in Germany: the first type handles short-term demands with a high frequency of consumption and a lower value of goods like grocery, and the second type deals with long-term demands, which have a low frequency of consumption, and a higher value of goods such as furniture. Retailers can be specialized on particular branches, while others offer a full assortment (Nitt-Drießelmann 2013). There are exceptions like Walmart, as grocery (Hayden et al. 2002) and furniture belong to its assortment (Dowideit 2006).

Also the retailer's sales areas are different, while some might only possess a few square meters, others operate shopping centers or hypermarkets. From 1990 to 2010, the sales areas increased by almost 60%: from 78 million square meters in 1990, to 96 million square meters in 1995, to 108 million square meters in 2000, to 117 million square meters in 2005, and to 123 million square meters in 2010, which shows how competitive this particular sector was during the time of Walmart's presence in Germany (Nitt-Drießelmann 2013).

Graph 1 shows the retail sales per square meters (blue bar) and per German citizen (grey bar) from 1990 to 2010. There is a slight increase in sales per citizen from 1990 to 2000, while afterwards this number grew enormously. The sales per square meters fell within the first ten years but then also increased. Two possible reasons for the increase from 2000 to 2010 could be the declining number of citizens and the gradually aging society in Germany, which was described in section 2.2.2. It must have been difficult for Walmart to enter Germany, when the sales per square meters decreased and the sales per citizen remained constant for many years (Nitt-Drießelmann 2013).

**Graph 1: Retail Sales per Square Meter and German Citizen (1990 – 2010)**



(Nitt-Drießelmann 2013)

## Preliminary Considerations

Until the mid 1990's, German discount stores only offered food and other grocery items. This strategy shifted towards also providing non-food items in the later 1990's (Handelsverband Deutschland 2013). For example, Aldi started to sell personal computers (Aldi Süd 2015a), and also Walmart offered clothing, household hardware and other items (Hayden et al. 2002). Focusing on discounters, the Albrecht brothers were its primary founders after taking over their parent's bakeries and traditional grocery stores, and changing them into Aldi discounters in 1962. The format of a discounter includes a small number of products presented from boxes on pallets in a salesroom resembling a warehouse (Aldi Süd 2015a).

Many analysts questioned this type of concept, as the discounter-style was undeveloped and seemed to be unlikeable in Germany. However, it turned out to be very successful (Ghauri & Cateora 2010, p. 567), as only five years later, Aldi had already opened 145 stores in the southern part of Germany (Aldi Süd 2015a). "Based on the national and international success of Aldi, the German grocery discount industry became an important segment within the worldwide grocery retailing industry" (Ghauri & Cateora 2010, p. 567).

In the early 2000's, the German retail industry was oligopolistic and the top ten retailers accounted for 84% of total sales. Approximately 64% of the total market was in the hands of the top five retailers Metro with 19.7%, Rewe with 13.6%, Edeka with 12.7%, Aldi with 10.1%, and Tengelmann with 7.6% (Ghauri & Cateora 2010, p. 576; Knorr & Arndt 2003). Notably, Walmart was never ranked in the top 10 while it competed in Germany (Knorr & Arndt 2003).

Value and price were more important to Germans than the service the retailers provided. No wonder that Germany is seen as a very price-sensitive market (Ghauri & Cateora 2010, p. 576). With the slowdown in the German economy in the early 2000's (Ghauri & Cateora 2010, p. 576), the retailing industry faced the weakest profit levels of all the developed countries (Knorr & Arndt 2003). In order to raise consumer expenditures and to stimulate retail sales, the German government introduced tax reforms in 2001. Even though these political decisions boosted consumer spending, it was not really beneficial to the retail industry as spending took mostly place in the housing, tourism, and communications industries (Ghauri & Cateora 2010, p. 576).

The German profit margin in grocery retailing was only 1.1% in 2002, and in the food segment it was just 0.5%. The year of 2002 was seen as being the worst year ever for the sector contributing to an even worse result in 2003 (Knorr & Arndt 2003). Within the last

twenty years, the low margins have intimidated foreign investors or forced main players to exit the country (Kalish & Planer 2013). “The result was a competitive low-volatility environment mostly dominated by domestic, family-owned retail groups,” which “saw their sales foundation eroded slowly but continuously – not least as a result of Germany’s transformation from a full-employment welfare state to a more liberal economy burdened by high reunification costs” (Kalish & Planer 2013). Furthermore, sales were harmed by the fast expansion of discounters and private labels (Kalish & Planer 2013).

Foreign retailers faced discount giants like Aldi and Lidl but still managed to increase market share from 9% in the 1960’s, to 33% in 2000, and to 43% in 2013, based on heavy price competition. “The obsession with price – on the part of retailers and consumers alike – was clearly underestimated by several foreign market entrants, as well as the private and co-operative ownership common to many retail operators, which is a constant obstacle to merger and acquisition activity” (Kalish & Planer 2013).

Throughout 2003, the German retailing industry estimated slower growth rates caused by macro-economic conditions, as the increasing unemployment rate also influenced the food retailing industry (Ghauri & Cateora 2010, p. 576). The unemployment rate increased from 9.4% in 2001, to 10.5% in 2003, and to 11.7% in 2005 (Statista Wirtschaftsuniversität Wien 2015). Germany accounted for 15% of Europe’s \$2 trillion retail market at the end of 2003 (Ghauri & Cateora 2010, p. 576). Being the world’s third largest retail market after the US and Japan (Knorr & Arndt 2003), Germany had attracted global retailers like ToysRUs for many years (Ghauri & Cateora 2010, p. 576). As a result, Germany was the home country of six retailers, which achieved in 2007 an annual sales volume of more than €50 billion domestically and around €136,2 billion globally (Ghauri & Cateora 2010, p. 567-568). Notably, the sales volume in the German retailing industry was distributed amongst supermarkets, hypermarkets, and discounters. Supermarkets had the highest share with 43.2%, closely followed by discounters with 40.5%. There was a big gap of 24.2% between supermarkets and grocery discounters (Ghauri & Cateora 2010, p. 567-568).

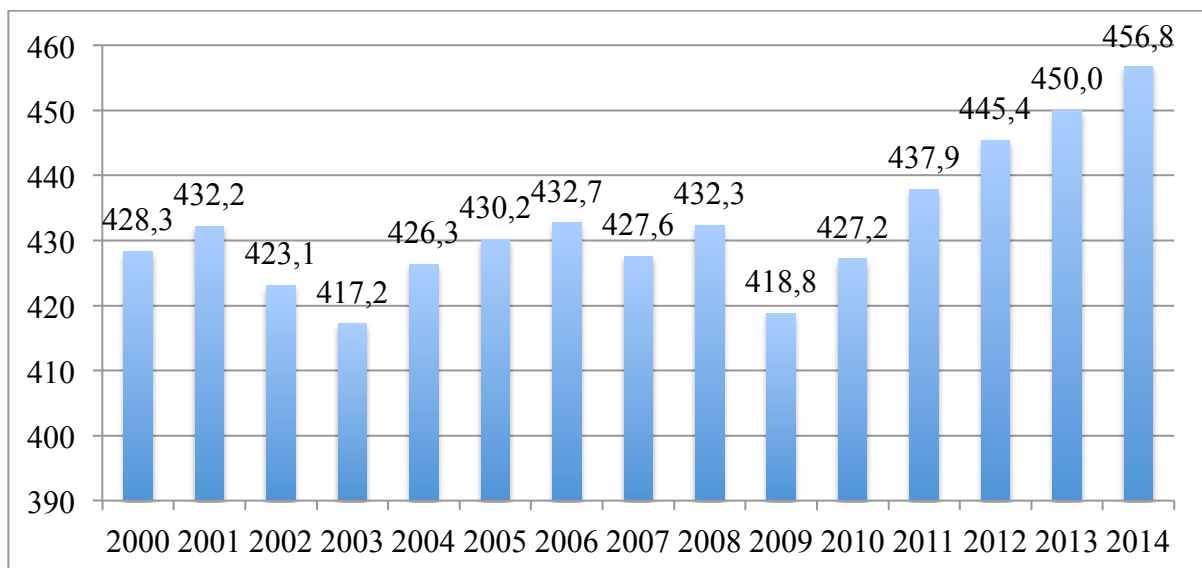
While major discounters were able to expand throughout Germany, they faced signs of market saturation and a lack of growth. Experts warned retailers, especially discounters, and recommended them to adapt their concepts to pursue development. They could mature either by identifying and targeting new customer segments or by expanding into foreign markets (Ghauri & Cateora 2010, p. 567).

## Preliminary Considerations

As can be seen in Graph 2, the development of the retailing sector experienced a very difficult time from 2000 to 2009 with sales of \$428,3 billion in 2000, \$417,2 billion in 2003, and \$432,7 in 2006. The year 2009 was another hard year for the retailing sector, with sales of \$418,8 billion in 2009; afterwards, the sales gradually increased to \$456,8 billion in 2014. (Handelsverband Deutschland 2015).

Looking at these results in billion dollars, Walmart entered and operated in Germany during particularly difficult times. As of 2009, one can assume that Walmart would have also benefited from the increase in sales in the German retailing sector like its competitors, if it would have stayed and competed in Germany for a longer period of time.

**Graph 2: Sales in the German Retailing Sector (2000 – 2014)**



(Representation based on Handelsverband Deutschland 2015)

The distribution forms (please also see Appendix 6) have also experienced a change in market share from 2000 to 2013, which is shown in Table 4. For example, the non-chain specialized stores have lost 11% market share to other distribution forms, while the winners – discounters – have gained 4.8% (Nitt-Drießelmann 2013).

As more and more new luxury shopping centers are opened in the centers of major cities, traditional centers located outside these cities are progressively suffering. Smaller and traditional stores also fight for their existence while international and global competitors enter the German market with the aim to increase sales, to create loyalty, to build recognition, and to attract new consumers with regional offers and retailing initiatives (Kalish & Planer 2013; Nitt-Drießelmann 2013).



**Table 4: Change in Market Share According to Sales (2000 – 2013)**

German Word	English Translation	Change in Market Share (%)
Nicht-filialisierter Fachhandel	Non-chain specialized stores	-11.0
Kauf- und Warenhäuser	Department stores	-1.4
Traditioneller Lebensmitteleinzelhandel	Traditional food retailers and supermarkets	-1.2
Versender	Mail order shops	-1.0
Discounter	Discounters	+4.8
Fachmärkte	Specialized supermarkets	+3.8
Online-Handel	Online retailers	+2.0
Filialisten des Fachhandels	Specialized retail chain stores	+1.9
SB-Warenhäuser und Verbrauchermärkte	Self-service department stores and hypermarkets	+1.8

(Representation based on Nitt-Drießelmann 2013)

The noteworthy German failures of the once leading European drugstore giant *Schlecker* in 2012 and the insolvency of the “do-it-yourself” discounter *Praktiker* in 2013 can be seen as further examples that a low-price strategy does not satisfy German customers anymore by itself, as low prices are taken for granted at least in basic everyday products (Kalish & Planer 2013).

“This is where opportunities arise, not least for retailers from foreign countries with a more service-oriented approach and an operating model more pleasing to the eye. Ahold, with its launch of convenience stores in the western parts of Germany, has been an early mover to exploit such opportunities” (Kalish & Planer 2013). Walmart Germany is another example, where price itself did not lead to success. It wanted to score points with customer service in form of greeters at the entrances (Emrich 2007, p. 251) and baggers at the checkouts (Döcke 2006), which induced more irritation than satisfaction among the German customers (Bloomberg Business 1999).

Low prices are a standard requirement a mass retailer cannot avoid when aiming to effectively and efficiently operate in Europe’s biggest economy. “But after all the price wars have been fought and the smoke has cleared, those retailers left standing (including the discounters)

have finally found that sustainable growth in an aging, saturated, and consolidated market can only be generated through added value” (Kalish & Planer 2013).

### **2.3. Macro-Environmental Factors**

The knowledge of the country and the particular sector are vitally important for successfully entering and operating in a market. The factors influencing a company’s ability to operate effectively are economical, political and legal, ecological, social and cultural, and technological factors (Hollensen 2011, p. 204-259), which will be discussed in the following regarding the German market.

#### **Economical Factors**

Economical factors like the GDP, economic growth and unemployment rates, interest and exchange rates, and income per capita are of great importance (Hollensen 2011, p. 213-219).

Germany was and still is an interesting target market for many national and international businesses due to its location in central Europe, its population of more than 80 million people, its rising GDP from \$1,8 trillion in 1990, to \$2,0 trillion in 2000, to \$3,4 trillion in 2010, to \$3,7 trillion in 2014 (The World Bank 2015a), its increasing income per capita from \$22,219 in 1990, to \$23,685 in 2000, and to \$41,726 in 2010 (The World Bank 2015b), and its low inflation rates (The World Bank 2015c).

Furthermore, Germany is ranked among the top 5 largest economies and accounted for approximately 21% of the European Unions total GDP of around €18,46 trillion in 2014 (The World Bank 2015a, 2015d). It is also the US’ 6<sup>th</sup> biggest importer and main European trading partner. No wonder, America sees Germany as an interesting economy to do business with as it offers high levels of productivity, a highly skilled workforce, quality engineering, and an excellent infrastructure (Export Government 2015). Germany also serves as a stepping-stone enabling businesses to expand to any other European country (Ghauri & Cateora 2010, p. 574).

### **Technical Factors**

Technical factors involve research and development, information and data management, power supply, communication channels, and infrastructure (Emrich 2007, p. 7). With regard to these aspects, Germany is an attractive destination for foreign businesses, as the excellent infrastructure and superior technological innovations provide them with attractive technology (Export Government 2015).

### **Political and Legal Factors**

Political and legal factors include political stability, legal system, labor law, tax policy, consumer law, tariffs, and trade restrictions. Of particular importance for international retailers are the labor law and trade restrictions (Emrich 2007, p. 7-8).

In the last decades, the labor market in the western part of Germany has suffered from growing structural uncertainty. Reasons for this uncertainty are globalization, the rising number of international competitors, and the reunification with the Eastern part of Germany (Gebel 2009). As a consequence, the government deregulated elements of the labor market. An example was the introduction of fixed-term contracts with a limited duration, which reduced the employers' labor input adjustment costs and therefore, firing costs. On the other hand, "the partial labor market reform in Germany, with its strict protection of regular jobs and deregulation of temporary jobs, increased inequalities in job security" (Gebel 2009). However, these fixed-term contracts are associated with poorer working conditions, and worse career options causing unstable employment or even unemployment (Kogan 2011). The German labor law enables employees to have the right of co-determination (German: Mitbestimmungsrecht). Through this right, employees at lower levels have a more active role in making certain decisions (Hofstede 1999, p. 268). Before the deregulation in the labor market, Germany used to have the shortest store hours in all of Europe. This changed significantly in the last decade (Grünhagen & Mittelstaedt 2011).

Germany also has some formal barriers to US trade or investment. It has discussed the need for regulatory reform, but its regulatory system and bureaucratic procedures may be complicated. "While not directly discriminatory, government regulation by virtue of its complexity may offer a degree of protection to established local suppliers. Safety or

environmental standards, not inherently discriminatory but sometimes zealously applied, can complicate access to the market for U.S. products” (Export Government 2015). Therefore, when American businesses aim to export to Germany, they should make sure that they are aware of the standards of their products and attain timely testing. The standards in Germany are particularly important to US exports, as European standards are mostly based on German ones (Export Government 2015).

### **Social and Cultural factors**

Social and cultural factors comprise population growth, age distribution, language, education, religion, household structure, and cultural forces like traditions, values, and attitudes (Emrich 2007, p. 7), which tremendously influence the retailing sector as they clarify the differences in the consumers’ preferences from a national but also a global perspective (Hall & Hall 1990, p. 45-48).

With its large population, Germany is the most populous state in Europe. In 1996, around 68% of Germans were aged 15 to 64 years (The World Bank 2015e), and they had a life expectancy of 77 years for men and 82 years for women (The World Bank 2015d). Germany was and still is known and awarded for its outstanding standard of living due to its provision of security, health, and education (Miles 2014).

The age structure plays an important role for the retailing sector, as its target group of the retailing sector is aged 15 to 49. The generation 50+ emphasizes more on quality than on price and possesses a higher affinity for services such as deliveries, installations, and repairs. They are also willing to pay higher prices for products and the corresponding services, when the buyers are unable to work with the newly purchased products on their own. For example, elderly people tend to have difficulties with new technological inventions so they may ask for additional assistance from the distributor. They might also see purchasing groceries as a leisure time activity to gain a daily experience but also to possibly get into contact with other people. They also stay loyal to traditional stores and to stores they have known for years. Here it is important for groceries to offer products in smaller portions, and to print the labeling larger and to make them easily readable (Nitt-Drießelmann 2013).

## Preliminary Considerations

Germans are value-conscious and insist on getting something that is worth their money. As a result, the strong concern with quality and upkeep has influenced American businesses, which aimed to enter the German market (Hall & Hall 1990, p. 46). “Don’t ever try to sell goods that are less than high quality on the German market. The Germans appreciate – in fact, demand – fine workmanship, excellent design, and high-quality materials. They expect things to wear well” (Hall & Hall 1990, p. 46-47). For example, automobiles like BMW, Audi, and Mercedes stand for premium car brands. When purchasing such a car, customers know that the money they spent is worth their cents, since they receive a high quality and long-lasting product (Hall & Hall 1990, p. 46-47; Hofstede & Hofstede 2011e).

In general, all of these macro-environmental factors are of great importance as they include the characteristics and preferences of consumers, which vary from country to country. For example, since German consumers are sensitive towards prices, businesses have to convince with other advantages. They need to be aware that standardized concepts cannot be used in heterogeneous markets. A German customer could be described in the following way: they demand high quality and long-lasting products and services for a reasonable price. They dislike waste, have high standards considering recycling laws, and avoid high usage of energy (Hall & Hall 1990, p. 45-48).

### 3. The Importance of Culture for Global Enterprises

It is difficult to give a precise definition of the concept of culture (Emrich 2007, p. 10-11), as the term indicates a multitude of concepts and, therefore, most authors use their own definitions (Audebert 2014). Hollensen (2011, p. 234) describes the concept of culture as:

Broad and extremely complex. It encompasses virtually every part of a person's life. Religion, education, family, and reference groups affect the way people live together in a society. It is also influenced by legal, economic, political and technological forces.

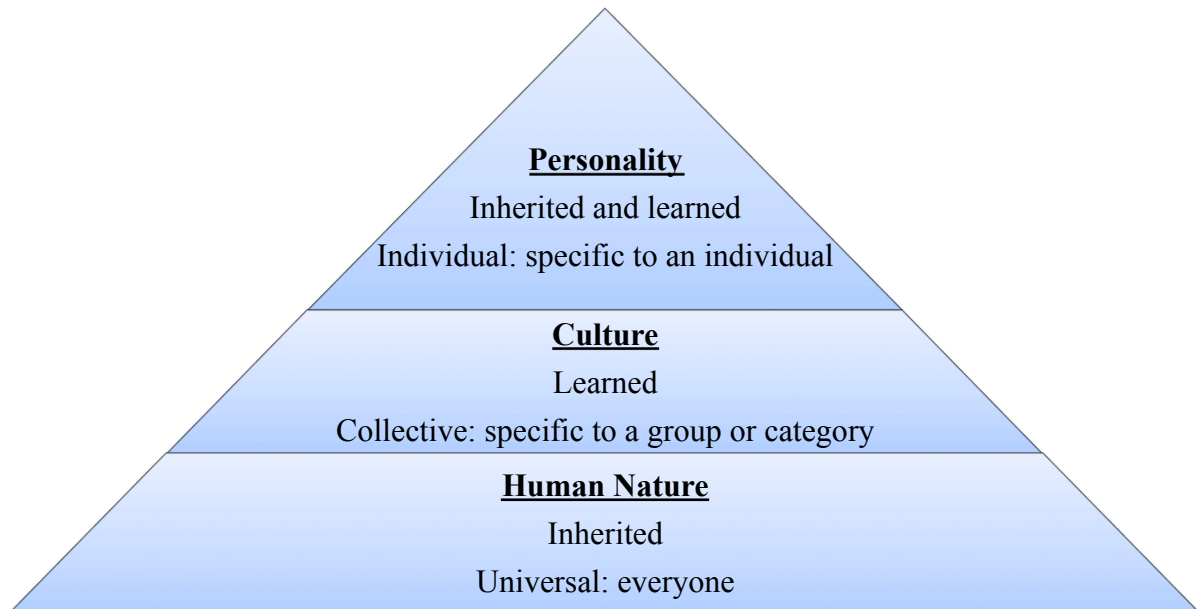
However, the most famous and most used definition is the one by the Dutch social psychologist Geert Hofstede, who performed a groundbreaking study of cultures across modern nations (Hofstede & Hofstede 2011a). He states that the most common meanings of the word culture are *civilization* and *refinement of the mind* (Hofstede & Hofstede 2005, p. 3) referring to education, manners, arts and crafts, and their products (Hofstede & Hofstede 2011a). In social anthropology, culture represents the thinking, feeling, and acting of a society within a particular culture (Hofstede & Hofstede 2011a).

Therefore, Hofstede outlines culture as “the collective programming of the mind distinguishing the members of one group or category of people from another” (Hofstede & Hofstede 2011). Categories can be nations or regions within or across nations, ethnicities, religions, occupations, organizations, or genders (Hofstede & Hofstede 2011a). According to Hofstede and Hofstede (2005, p. 4):

Culture is learned, not innate. It derives from one's social environment rather than from one's genes. Culture should be distinguished from human nature on one side and from an individual's on the other, although exactly where the borders lie between nature and culture, and between culture and personality, is a matter of discussions among social scientists.

To visually clarify the importance of culture for global enterprises, Graph 3 demonstrates the three levels of uniqueness in mental programming. The first one is called *personality*, the second one *culture*, and the last one *human nature* (Stangohr 2006, p. 23).

**Graph 3: Three Levels of Uniqueness in Mental Programming**



(Representation based on Emrich 2007, p. 75; Hofstede 1996, p. 19; Hofstede 1999, p. 15-37; Stangohr 2006, p. 23-25)

Each level reveals a different concept and, therefore, should not be confused with each other (Stangohr 2006, p. 23). Such a mental program can be unique (inherited) but also shared with others (learned) (Hofstede 1999, p. 15-16).

*Personality* being on the very top of the mental programming, expresses that “no two persons are programmed exactly alike” (Hofstede 1999, p. 15), which means that every individual is unique (Hofstede 1999, p. 15-16). Personality describes the characteristics of an individual (Stangohr 2006, p. 24): “it is her/his unique personal set of mental programs, which (s)he does not share with any other human being. It is based upon traits, which are partly inherited with the individual’s unique set of genes and partly learned. ‘Learned’ means: modified by the influence of collective programming (culture) as well as unique personal experiences.”

*Culture* signifies what an individual articulates and does with these feelings (Hofstede & Hofstede 2005, p. 4). It can be seen as the language in which we express ourselves such as showing respect to older people and feeling comfortable by keeping our distance to unknown

people (Hofstede 1999, p. 15). Overall, language is the most clearly recognisable part of a culture, as a particular language can be classified to a specific region (Hofstede 1999, p. 27). It is a collective concept as it can be partly shared with people living in the same social environment, where it was learned (Stangohr 2006, p. 24).

Lastly, *human nature* “represents the universal level in one’s mental software” (Stangohr 2006, p. 23), which is inherited with one’s genes. It characterizes the feelings of anxiety, anger, love, happiness, sadness, and embarrassment (Hofstede & Hofstede 2005, p. 4-5). Furthermore, it is the least unique but most basic level of mental programs as it can be shared with everyone. Human nature can be referred to as the *biological operating system* of a human body since it also includes behaviors like laughing or crying (Hofstede 1999, p. 15).

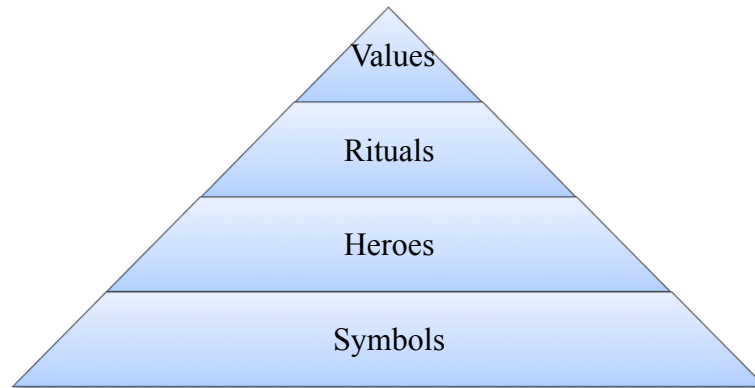
It is not surprising that culture changes from country to country over time. Culture is made up of many components, which can change only at short-term, mid-term, or long-term. The first component is the *visible daily behavior*, which includes for example body language, clothing, and lifestyle (Hollensen 2011, p. 235). Most people believe that culture expresses only characteristics of a group that are observable by others (Audebert 2014). The second one contains *values and social morals*, which are changeable within 10 to 20 years, such as sex roles, family values, and friendship patterns. And the last one, *basic cultural assumptions* include religion, ethnic culture, and national identity and are possibly designed over centuries (Hollensen 2011, p. 235).



### 3.1. Elements of Culture

The four elements of culture are values, rituals, heroes, and symbols (Hofstede 1996, p. 22).

**Graph 4: Elements of Culture**



(Representation based on Hofstede 1996, p. 22)

*Values* are implicitly and not intentionally learned. Psychologists believe that children know their basic values like what is right or wrong, and good or bad, by the age of 10. However, once they get older, it is difficult to change these values: “because they were acquired so early in our lives, many values remain unconscious to those who hold them. Therefore they cannot be discussed, nor can they be directly observed by outsiders” (Stangohr 2006, p. 29).

*Rituals* are “collective activities, technically superfluous in reaching desired ends, but which, within a culture, are considered as socially essential: they are therefore carried out for their own sake. Ways of greeting and paying respect to others, social and religious ceremonies are examples. Business and political meetings organized for seemingly rational reasons often serve mainly ritual purposes, like allowing the leaders to assert themselves” (Hofstede 1997).

*Heroes* are individuals or a group of people, whether alive or dead, real or unreal, who have features (Hofstede 1996, p. 22-23; Hofstede 1997), which are uncommon and highly valued in a culture and so function as a model for behavior (Stangohr 2006, p. 28).

Moreover, words, gestures, pictures, or objects with a specific meaning are *symbols* to those sharing the same culture (Hofstede 1996, p. 22; Hofstede 1997). Symbols appear, disappear, or change over years and, therefore, are transmitted from one culture to another (Stangohr 2006, p. 28).

### 3.2. Geert Hofstede's Cultural Dimensions

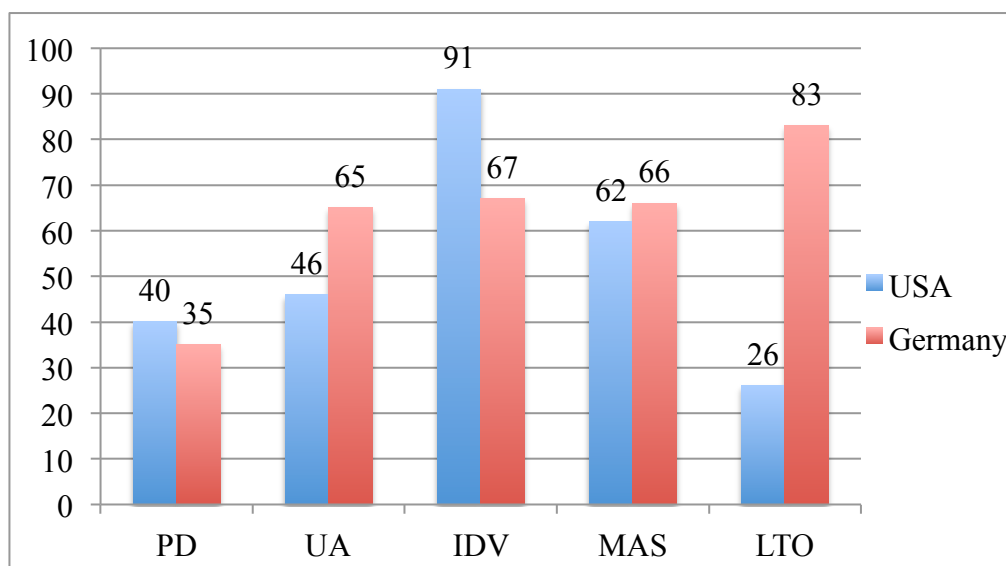
Geert Hofstede undertook an investigation on cultural dimensions by examining the values of people from a wide-ranging survey database. His research was conducted in 1968 and 1997 adding up to 116,000 questionnaires (Hofstede 1999, p. 11), which were answered by employees working in local subsidiaries of the large multinational corporation IBM in 72 countries and in 20 different languages (Hofstede & Hofstede 2005, p. 22-23).

His objective was to examine the perception and interpretation of the world by people living in different countries (Hollensen 2011, p. 245). Hofstede chose IBM employees as they were similar in many aspects such as occupation, age, and sex (Hofstede 1999, p. 11), but dissimilar in nationality, “which made the effect of nationality differences in their answers stand out unusually clearly” (Hofstede & Hofstede 2005, p. 23).

As a result of his investigation, Hofstede found five cultural dimensions: *Power Distance* (PD), *Uncertainty Avoidance* (UA), *Individualism* (IDV) vs. *Collectivism*, *Masculinity* (MAS) vs. *Feminism* (FEM), and *Time Perspective*. The last cultural dimension is divided into *Short-Term Orientation* (STO) and *Long-Term Orientation* (LTO) (Hollensen 2011, p. 245-246).

For example, Graph 5 shows the ratings of the two countries of interest USA (blue bars) and Germany (red bars). The higher the result, the higher the effect of the cultural dimension (Schram et al. 2010). At first view, one can notice small differences between these countries in the degrees of PD and MAS, and large dissimilarities in IDV, UA, and LTO.

**Graph 5: Hofstede's Cultural Dimensions – USA vs. Germany**



(Representation based on Schram et al. 2010)

In the following paragraphs, every single cultural dimension will be discussed with examples outlining similarities and dissimilarities between the two countries.

### **3.2.1. Power Distance**

Hofstede defines PD as “the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally” (Hofstede & Hofstede 2005, p. 46). In other words, PD focuses on how a society handles inequalities among people (Hollensen 2011, p. 245). Inequalities refer to differences in physical and mental characteristics, social status, prestige, wealth, power, laws, rights, and rules (Hofstede 1999, p. 67). Researchers found out that PD differences can be statistically related to geographic latitude, population size, and national wealth (Hofstede & Hofstede 2005, p. 204).

Countries with a larger degree of PD like Albania with 90 (Hofstede & Hofstede 2011c), and Russia with 93 (Hofstede & Hofstede 2011d) look for a hierarchical order, where a few people at the top make most of the decisions (Hollensen 2011, p. 245). A larger PD signifies for example: the expectation and desire of inequalities among people, less powerful people are dependent on the more powerful, both more and less educated people show almost equally authoritarian values, hierarchy in firms stands for existential inequality between higher and lower positions, and a wide salary range between high and low positions (Schram et al. 2010). In contrast, countries with a smaller degree of PD like Austria with 11 (Hofstede & Hofstede 2011b) look for an equal distribution of power among the society. Therefore, the smaller the degree of PD, the more individuals expect to partake in the organizational decision making process (Hollensen 2011, p. 245). A smaller PD indicates for example: the reduction of inequalities among people, the existence of interdependence between less and more powerful people, more educated people hold less authoritarian values than less educated people, hierarchy in firms stands for inequality of roles and is created for convenience, slight salary range between top and bottom positions, and many more features (Schram et al. 2010). For more information, please see Appendix 1.

Focusing the USA and Germany, one can see on Graph 5 that the US scored 40 and Germany 35 on PD, which is slightly under the midlevel (Schram et al. 2010). Hofstede and Hofstede (2011e) justified the lower score of Germany in the following way:

Highly decentralized and supported by a strong middle class, Germany is not surprisingly among the lower power distant countries [...]. Co-determination rights are comparatively extensive and have to be taken into account by the management. A direct and participative communication and meeting style is common, control is disliked and leadership is challenged to show expertise and best accepted when it's based on.

In the professional every day life in German firms, there is a wider *distance for earning respect* between the positions and roles of executives, managers, and employees, which is not as widely defined in the US. These distances are precisely expressed and should be respected by all employees. This also corresponds with the conversational tone. In Germany, the tone is more formal and direct among employees as well as there is a difference according to the ranking of the positions. The higher the position, the more formal the conversational tone (Schram et al. 2010).

When communicating with Germans for the first time, it is always safe using a formal tone and waiting for the other person to show when familiarity is tolerable (Hall & Hall 1990, p. 7). "Communication is among the most direct in the world following the ideal to be 'honest, even if it hurts' – and by this giving the counterpart a fair chance to learn from mistakes" (Hofstede & Hofstede 2011e). As Hall stated (Hall & Hall 1990, p. 48):

One obvious vestige of the class system in Germany is the emphasis on good manners. Educated, responsible people are expected to display good manners, especially in business or when interacting with people they know. For the American in Germany, manners will be a most important asset.

In Germany, the relation between the people is clarified by pronouns. The English language only provides the pronoun *you*, which is used in a familiar but also in a formal matter. However, in Germany, the familiar pronoun *Du* and the formal pronoun *Sie* exist. When talking to an elderly or unknown person, or a person in a higher position, the formal pronoun *Sie* is applied. *Du* is only utilized when the people are young, or familiar with each other. In Germany, it is always better to talk to someone taking the *Sie* form until the other person offers the so-called *Dutzen* form (Hall & Hall 1990, p. 48-49).

In America, it has always been common to call executives or managers by their first names and without academic titles. This is different in Germany, where in the past it was mandatory to call executives and managers by their last names (Hall & Hall 1990, p. 7) and academic titles to show respect and to provide them with a higher and more educated status (Emrich 2007, p. 317; Hall & Hall 1990, p. 40).

The American casualness and the routine of calling others by their first names can make Germans feel uncomfortable when communicating, especially when youngsters or people of a lower hierarchy call superiors or elder colleagues by their first names. Thus, it was better to not rush into getting on a first-name basis with a German, since this was a long-time taking process, and was perceived as badly mannered and offensive (Hall & Hall 1990, p. 48-49).

This formality has changed in Germany over the past years mainly due to international connections. Especially employees, who work in younger teams or in modern businesses in Germany start on a *Du* basis. When a German executive, manager, or coworker offers the *Dutzen*, politeness in German customs commands to accept as they are trying to be especially friendly and to build a relationship (Saito & Fernandez 2013).

### 3.2.2. Uncertainty Avoidance

UA can be related to a country's willingness to take a risk, whether the people prefer formal rules and fixed patterns of life or not (Hollensen 2011, p. 245). The authority of rules concerning UA cannot be compared to the authority of persons signifying PD. "The German *Befehl ist Befehl* (English: an order is an order) refers to the authority of the rule: the person, who gives the order is irrelevant, as long as (s)he occupies the position to whom the rule assigns the giving of orders" (Hofstede 1999, p. 115-116).

UA shows "to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations" (Hofstede & Hofstede 2011a), which might be a new, unfamiliar, surprising, or unusual situation. Higher rated cultures like Germany aim to reduce the possibility of uncertain situations by creating regulations, safety, and security measures, and on the theoretical and religious level by a belief in absolute truth (Hofstede & Hofstede 2011a).

Weak UA is faced by countries – like Albania with 20 (Hofstede & Hofstede 2011c) – which take the future as it comes without any interference (Hollensen 2011, p. 245-246). For instance, it defines a normal feature of life and each day is accepted as it comes, subjective

feeling of well-being, aggression, and emotions should not be shown, no more rules than strictly necessary, time is a framework for orientation, few and general laws and rules, and many more (Hofstede & Hofstede 2011; Schram et al. 2010).

By contrast, strong UA is experienced by countries, which try to establish protective barriers or to simply avoid uncomfortable occasions in the future (Hollensen 2011, p. 245-246). Uncertainty is described as follows: as a continuous threat like a feeling of anxiety and aggression, fear of ambiguous situations and of unfamiliar risks, emotional need for rules, time is money, many and precise laws and rules, conservatism, extremism, and many more (Hofstede & Hofstede 2011; Schram et al. 2010). The stronger the degree of UA, the more the country is trying to avoid uncertainty by establishing strict regulations and explicit guidelines (Hollensen 2011, p. 245-246). For more information, please see Appendix 2.

Again, concentrating on Graph 5, the US scored 46 and Germany 65 on UA. This shows that Germany is more concerned and worried about *what might happen in the future* than the US (Schram et al. 2010). Hofstede and Hofstede (2011e) claim that Germany is as follows:

In line with the philosophical heritage of Kant, Hegel and Fichte, there is a strong preference for deductive rather than inductive approaches, be it in thinking, presenting or planning: the systematic overview has to be given in order to proceed. This is also reflected by the law system. Details are equally important to create certainty that a certain topic or project is well-thought-out. In combination with their low Power Distance, where the certainty for own decisions is not covered by the larger responsibility of the boss, Germans prefer to compensate for their higher uncertainty by strongly relying on expertise.

Germans tend to avoid risky situations and, therefore, prefer organized and structured conditions that are underlined by many regulations, prohibitions, and instructions. These were created and introduced to avoid such uncertain circumstances (Audebert 2014).

Germans demand precise spaces with boundaries that are carefully protected since they are highly sensitive to interruptions. This is why they insist on structure and order in everything including scrupulously keeping schedules and appointments (Lewis 2014). For example, presentations should be carefully researched, prepared properly, structured, held on time, and attended by representatives (Hall & Hall 1990, p. 43).

The preference for order and structure supports the strong drive for conformity (Hall & Hall 1990, p. 43), and consequently, Germans react energetically to people, who ignore signs and

guidelines. As a result, it is important to get to know German signs such as *Verboten* (English: forbidden), *Geschlossen* (English: closed), *Kein Zutritt* (English: no entry), and *Ruhe* (English: silence), in order to avoid conflicts (Hall & Hall 1990, p. 43-44). No wonder that *verboten* is nowadays also found in the English language. A very well known joke states that in Germany everything, which is not allowed is forbidden (Hofstede 1999, p. 215).

The distinctive bureaucracy and the educational system also support Germany's preference for order and structure. For every profession, there is a mandatory training or education (Hall & Hall 1990, p. 44-45; Schram et al. 2010).

The requirement of order and the anxiety of uncertainty might also be caused by the multiple wars Germany participated in and the instable and dangerous situations Germany suffered from (Hall & Hall 1990, p. 44): the Thirty Years War, the Napoleonic War, the German-Austrian War, and the two World Wars generated a sort of trauma (Audebert 2014). Statistics show that Germany experienced the highest levels of anxiety during the times of its participation in wars (Hofstede 1999, p. 239).

Similar to a person, who might suffer from a trauma, Germans try to prevent vulnerability through perfectionism for which Germany is well known for worldwide. They are seen as being correct, punctual, tidy, honest, rational, disciplined, ambitious, and orderly (Audebert 2014). Maintaining a reputation of perfectionism, Germans expect it not only from themselves but also from others. They seldom compliment someone on a job well done since they take it for granted that people will perform well (Hall & Hall 1990, p. 66-67). In contrast to Germany, the USA agrees to (Hofstede & Hofstede 2011f):

A fair degree of acceptance for new ideas, innovative products and a willingness to try something new or different, whether it pertains to technology, business practices or food. Americans tend to be more tolerant of ideas or opinions from anyone and allow the freedom of expression. At the same time, Americans do not require a lot of rules and are less emotionally expressive than higher-scoring cultures.

When it comes to cooperation or teamwork with people from different cultural backgrounds, Germans are known for being inflexible, picky, or willful (Audebert 2014). Americans solve problems, which are more related to the accurate situation with more flexibility, and might get the impression that Germans are stubborn, know-it-alls, sensitive, not adaptive, and possibly even unproductive (Audebert 2014). Germans might see Americans – considering their flexibility and dependency on the situation – as less organized and not very sophisticated,

because they want to solve problems quickly and make fast decisions. Germans also take longer to think something through to avoid the same problem in the future. This might be the reason for Americans to believe that Germans are more skeptical and more pessimistic (Audebert 2014; Schram et al. 2010).

Americans tend to refuse strict regulations and formal instructions in organizations, as they prefer to keep the gaps between the positions and status low: the hierarchy is rather flat, and the communication among employees on all levels occurs horizontally and vertically. It is more important to them to apply a more common sense, to have flexible structures as well as the willingness to innovate (Schram et al. 2010).

### **3.2.3. Individualism vs. Collectivism**

This dimension Individualism vs. Collectivism is concerned with whether people act independently or collectively. Individualists tend to take care of themselves as well as their immediate families (Hofstede & Hofstede 2011a). Collectivists are born into large families or in-groups in order to protect and take care of each other in exchange for loyalty (Hofstede 1997). Research has shown that wealthy countries like Germany are more individualistic and poorer countries like Brazil are more collectivistic (Hollensen 2011, p. 246). For more information, please refer to Appendix 3.

In the working environment, collectivistic cultures prefer stronger relationships between the employees than the fulfillment of their tasks. Harmony and group membership are so important that when hiring new staff, great care is taken on whether they fit into the social fabric. The relation is built on moral and long-time recruitment. If a better-qualified person would apply for a job that is taken by someone else, who is within the social fabric, (s)he would still keep the job. Whereas in individualistic cultures, hiring new staff depends on qualifications and performance. The relations among each other are based on contracts between the employer and the employee (Hofstede & Hofstede 2011a).

Graph 5 shows that the US is more individualistic with 91 than Germany with 67 (Schram et al. 2010). As the degree of IDV highly depends on the degree of PD, one can therefore say that countries with a stronger degree of IDV like the USA and Germany show a weaker



degree of PD, which corresponds with the presented results from Graph 5 (Hofstede & Hofstede 2011a). According to Hall (Hall & Hall 1990, p. 42):

There is a crucial difference between German and American ideas of success: Germans usually prefer that power and position be handled with grace and reserve. Americans in positions of power are often much more ostentatious in their material possessions and in their enthusiasm for publicity about their lavish lifestyles.

Referring to the results of Hofstede's research, North America has the strongest degree of IDV compared to any other country, which indicates its ambition for individual fulfillment (Hofstede & Hofstede 2011a). A historical reason for this strong degree of IDV can be retraced from the Declaration of Independence in 1776, when the US broke away from Great Britain. After the declaration, the US was made up of different cultures as immigrants with varying expectations, opinions, and views of the world entered the country. In order to form a new and unitary country, it required a community basis founded on different opinions and behaviors. In this connection, egalitarianism and equal status had to be considered (Hancock 1776). This can be read in the preamble of the Declaration of Independence: "we hold these truths to be self-evident, that all man are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty, and the pursuit of happiness" (Hancock 1776).

Even today, the USA tries to equalize its citizens by introducing anti-discrimination laws. Each immigrant started from the beginning by entering the USA and, therefore, should receive the same chances to improve and live the lives of their dreams – the American Dream – as every other person (Hancock 1776).

America is known for being the only country in the world, which provides the most opportunities to succeed, "and in no other country have so many people risen from the bottom to the top in a single generation" (Hall & Hall 1990, p. 76). Americans are convinced that by being determined and motivated, they can fulfill their dreams. This is why success is seen as highly regarded and desirable. Attributes like ambition, self-confidence, and the urge for self-achievement belong to the American mentality and can be seen as elements of the IDV thinking (Hofstede & Hofstede 2011f; Schram et al. 2010). The founder of Walmart, Samuel Walton, is one of the best examples for an American, who had risen from the bottom to the

top, who improved and lived the life of his dreams, who urged for self-achievement, and who was highly ambitious to expand his corporation.

Germany, on the other hand, balances more on individual fulfillment and individual rights. To them it is important to meet personal objectives and goals also referring to ones personal rights (Hofstede & Hofstede 2011e). This does not mean that group achievements are unimportant. In fact, group work is essential as all members have different opinions and are also expected to express these. Having many different points of view available leads to group discussions (Schram et al. 2010).

Furthermore, Schram et al. (2010) claim that faithfulness is built on personal preferences for people, and a sense of duty and responsibility, which is also outlined in a contract between the employer and the employee. Germans want to receive the feeling of being wanted and appreciated, whether in their personal or professional lives.

### **3.2.4. Masculinity vs. Feminism**

Masculine countries have a favor in society for competition, achievement, heroism, money, assertiveness, and material reward for success (Hofstede 1996, p. 108; Hollensen 2011, p. 246). These countries would also like to be referred to as being the *winner* or *best-in-the-field* (Hofstede & Hofstede 2011f). For example, in the USA, meetings are seen as opportunities for individuals to assert themselves by showing how well they are doing. As if there were a general feeling, where conflicts are rather solved with a good fight: *let the best man win* (Hofstede & Hofstede 2005, p. 143).

Whereas countries like Sweden, which receive very weak scores on MAS and, therefore, are more feminine, prefer cooperation, modesty, and sensibility (Hollensen 2011, p. 246). Here, it is not competition and achievement but the caring for each other and the quality of life that account for success (Schram et al. 2010). Conflicts are solved with an adequate negotiation or a compromise (Hofstede & Hofstede 2005, p. 143). For more information, please see Appendix 4.

Comparing masculine and feminine behaviors of employees in organizations, one can say that masculine cultures are more self-confident, assertive, achievement-oriented, and ambitious. Quality of life is one of the main goals after willingness to work and ambitiousness, whereas

in feminine cultures, quality of life is the main goal. Furthermore, feminine cultures tend to focus more on adaptation, empathy, cooperation, and capability to compromise (Schram et al. 2010). Overall, “the fundamental issue here is what motivates people, wanting to be the best (masculine) or liking what you do (feminine)” (Schram et al. 2010).

Graph 5 shows fairly similar results for the US with 62 and Germany with 66 on MAS (Schram et al. 2010). The degree of the United States is relatively high, which is also due to its achievement of the highest individualistic degree in the world with 91. Americans “will tend to display and talk freely about their successes and achievements in life. Being successful per se is not the great motivator in American society, but being able to show one’s success” (Schram et al. 2010). Usually, Americans aim to obtain monetary rewards and to attain higher status based on how well they are doing at work. Additionally, “it is believed that a certain degree of conflict will bring out the best of people, as it is the goal to be the winner. As a consequence, we see a lot of polarization and court cases. This mentality nowadays undermines the American premise of liberty and justice for all” (Schram et al. 2010). Examples referring to Walmart will be discussed later in 5.3.1. *Economical and Legal Differences*.

Focusing on Germans, it is more important to receive good results than fast ones. They are known for being perfectionists and look for solutions to problems, which fit 100%. This also corresponds to the *Made in Germany* attribute, which stands for high quality products and service (Audebert 2014, Emrich 2007, p. 317). “Performance is highly valued and early required as the school system separates children into different types of schools at the age of ten. People rather “live in order to work” and draw a lot of self-esteem from their tasks. Managers are expected to be decisive and assertive. Status is often shown, especially by cars, watches and technical devices” (Hofstede & Hofstede 2011e).

### **3.2.5. Time Perspective**

While STO countries like the USA “foster virtues related to the past and present such as national pride, respect for tradition, preservation of face, and fulfilling social obligations, LTO countries such as Germany “foster pragmatic virtues oriented towards future rewards, in

particular saving, persistence, and adapting to changing circumstances” (Hofstede & Hofstede 2011a). For more information, please refer to Appendix 5.

When comparing Germany and the United States in regard to *Time Perspective*, one can see in Graph 5 that the US scored 26 on LTO, whereas Germany scored 83, a significant difference of 57 (Schram et al. 2010).

As shown in the section of 3.2.3. *Individualism vs. Collectivism*, Americans prefer solving problems quickly, which causes them to take actions relevant to present times and to plan more short-term oriented (Hall & Hall 1990, p. 17). Besides, American labor contracts include shorter time periods as well as shorter termination periods than in Germany (Grabitz & Seidel 2006). This also supports their preference on reacting flexibly and adapting quickly to altering circumstances. Germans on the other hand might react negatively to short-term changes. In this country, actions are planned in time and take longer (Hall & Hall 1990, p. 35-37), which might be the reason why Americans call Germans *sticklers to details* meaning that Germans concentrate too much on minor and unimportant details. Americans are referred to as *easy going* and *keep it simple* because they implement things directly into action and dislike long and time-wasting discussions (Hooker 2008; Schram et al. 2010).

The word *change* plays a more important role in the US than in Germany because it shows a quick reaction to problems and the willingness to find a solution. Change does not only reflect a problem and its solution, but it could also represent a change in the organization, in location, or in the career path (Schram et al. 2010). *Changes* in Germany are more seen as a negative aspect, as something must have gone wrong. As Hall reasoned: “the Germans approach decision making slowly and laboriously, once a decision is made they stand firmly and unalterably behind it. Be warned: changing plans after things are in place may strike Germans as arbitrary and irresponsible” (Hall & Hall 1990, p. 35).

### 3.3. Edward T. Hall's Cultural Dimensions

Another researcher in the field of intercultural relations, the anthropologist Edward T. Hall (Hall et al. 2015) defined cultures as “unified wholes in which everything interrelates. Any culture is primarily a system for creating, sending, storing and processing information. Communication underlies everything” (as cited in Audebert 2014).

Hall's concept for understanding cultural differences in business communication was established around 1976. It answers questions on how negotiations are progressed, how agreements are stated, and how employees are managed. Additionally, it reflects an essential difference between rule-based and relationship-based cultures and therefore, his discoveries contain context, time, and space (Hooker 2008). Hall et al. (2015) summarized their work of the last 30 years:

We have conducted research in the field of intercultural communication: designing programs for the selection and training of people working in foreign cultures, consulting to international business, and writing books and articles on the intercultural process. We specialize in identifying the nonverbal components of intercultural communication – the unspoken signals and assumptions that flow from human psychology and national character, elements critical to success in business.

Each culture functions according to its principles, laws, internal dynamic, time, and space, which are all unique to each culture. However, the only thing that is the same across all cultures is communication (Hall & Hall 1990, p. 3-4). Hall said that “cultural communications are deeper and more complex than spoken or written messages. The essence of effective cross-cultural communication has more to do with releasing the right responses than with sending the ‘right’ messages” (Hall & Hall 1990, p. 4). According to Hall, 80-90% of communication (Audebert 2014) consists of *words* including the medium of business, politics, and diplomacy, *material things* indicating status and power, and *behavior* resembling the opinion of how people feel and react to certain events (Hall & Hall 1990, p. 3).

#### 3.3.1. Context

Hall and Hall (1990, p. 6) define context as “the information that surrounds an event; it is inextricably bound up with the meaning of that event. The elements that combine to produce a given meaning – events and context – are in different proportions depending on the culture.

The cultures of the world can be compared on a scale from high to low context.” Moreover, Edward T. Hall said in 1976 that “a high context communication or message is one in which most of the information is already in the person, while very little is in the coded, explicit, transmitted part of the message [...] a low context communication is just the opposite” (Hall & Hall 1990, p. 6).

High context cultures like Japan and Saudi Arabia care about, trust, and receive detailed information from family members, friends, colleagues, and client relationships. Low context cultures like the USA and Germany tend to rather separate their relationships and working environment from other every day features. As a result, every time Germans communicate with one another, they require in-depth information (Hall 1966, p. 162-164; Hall & Hall 1990, p. 6-10).

A higher scale of context indicates a *warming of the relationship*, whereas a lower scale of context demonstrates a *cooling of the relationship* (Hall & Hall 1990, p. 7). Overall, the main difference between these two context cultures is that *high* indicates a rather relationship oriented, others oriented, problem solving approach with particular gender roles. Whereas, *low* refers to being more deal-oriented, more self-oriented, accepting difficulties in life, and looking for gender equity (Hollensen 2011, p. 237, Hooker 2008).

### 3.3.2. Space

Hall and Hall (1990, p. 10) describe space as “every living thing has a visible physical boundary – its skin – separating it from its external environment. This visible boundary is surrounded by a series of invisible boundaries that are more difficult to define but are just as real. These other boundaries begin with the individual’s personal space and terminate with her or his territory.” The innermost space reflects the physical boundary of our body known as personal space, whereas the outermost space reflects the territorial border known as territoriality (Pahlmann & Tiefenstädter 2001).

Territoriality is “the act of laying claim to and defending a territory and is a vital link in the chain of events necessary for survival” (Hall & Hall 1990, p. 10). Germans and Americans possess a territoriality, which is intensely influenced and extremely developed by their cultures. Americans like to create places which they can call *mine* (for example: a cook’s

feeling about a kitchen), whereas Germans tend to call all their belongings *mine* (for example: automobile or watch) (Hall & Hall 1990, p. 10).

Personal space can be described as an invisible bubble surrounding an individual's body, which can either be expanded or contracted depending on the relationship to the people nearby, the individual's feeling, cultural background, and even the activity being executed. For example, in Germany, these bubbles are quite large and people tend to keep their distance. If people get too close, Germans will feel uncomfortable, offended, or even threatened. (Hall & Hall 1990, p. 11).

Many people do not realize that space is not only perceived through vision, but also other senses: auditory space through the ears, thermal space through the skin, kinesthetic space through the muscles, and olfactory space through the nose. For example, Americans moderately and Germans highly depend on *auditory screening* as they dislike to be interrupted while performing a task. Combining space with context, high context cultures prefer informal handshakes, whereas low context cultures look for formal hugs, bows, and handshakes (Hall & Hall 1990, p. 11-12).

Germans tend to stay in the same geographic region or even the same house for generations, and rarely interact with foreign people. Americans are geographically, socially, and economically more flexible than Germans. Therefore, Germans interact with foreigners with certain caution and distance (Hall & Hall 1990, p. 38).

Not only is Germany smaller than the US in terms of its population and total area, but its scales/measures also seem to be smaller compared to America. When Germans visit America, they are impressed by the vast amount of space, whereas when Americans visit Germany, they are in a way shocked by the small spaces of accommodations or supermarkets. Even though, these two countries share a significant part of each other's culture, they differ on the handling of space (Hall & Hall 1990, p. 39-41). For example, American apartments and houses feature bedrooms with their own bathrooms and walk-in closets (Hall & Hall 1990, p. 142). A second example, Germans protect their homes from outsiders with high fences and walls, solid doors, even blinds, shutters, and screening to prevent strangers from looking inside the house. An invitation to visit a German's home is a privilege and it should be seen as a friendly gesture. Furthermore, doors of German CEO's offices are commonly closed as well as the walls are sound proven. A closed door means that the person inside the room wishes

privacy and dislikes interrupters, therefore, knock and when allowed to enter the room, open the door, enter, and greet (Hall 1966, p. 135-137; Hall & Hall 1990, p. 37-40).

### 3.3.3. Time

Hall and Hall (1990, p. 13) state that “human concepts of time grew out of the natural rhythms associated with daily, monthly, and annual cycles. From the beginning humans have been tied to growing seasons and were dependent on the forces and rhythms of nature.” Due to this, two different time systems were created: the biological one named *time as structure* and the solar, lunar, and annual cycle called *time as communication* (Hall & Hall 1990, p. 13).

Low context cultures are very time conscious referring to *time equals money*, whereas high context cultures see it more as *time equals relationship* since the time is spent with enjoyment and pleasure. Therefore, two different *time systems* – monochronic and polychronic time – exist (Hall & Hall 1990, p. 13). The main difference between these two systems is that monochronic people focus at and complete one thing at a time, whereas polychronic people emphasize on and accomplish multiple things at once (Hall & Hall 1990, p. 13), sometimes they are referred to as *jugglers* as they can play with multiple objects at the same time (Hall 1966, p. 173). Additionally, monochronic people look for information and are committed to the job, whereas polychronic people have already gathered information and are dedicated to people and human relationships (Pahlmann & Tiefenstädter 2001).

Both countries of interest – USA and Germany – are considered being monochronic cultures as they stick to time plans, take deadlines and time commitments seriously, do one thing at a time, concentrate on the job, follow rules of privacy and consideration, emphasize promptness, are accustomed to STO, and avoid changes, delays, and non-compliance. On the other hand, polychronic countries complete many things at once, tend to be distractible, consider time commitment as an objective to be achieved if possible, are committed to people and relationships, change plans often and easily, base promptness on the relationship, and build life-time relationships (Hall & Hall 1990, p. 13-15).

Germans are higher on the monochronic scale proofing that their consensus decision-making procedure requires more approvals and wide-ranging background information compared to Americans. They also like to go back in time and refer to events, which have occurred in the



past (Hall & Hall 1990, p. 35). “When they explain something, they often find it necessary to lay a proper foundation and as a result are apt to go back to Charlemagne. Such lengthy explanations make the average American impatient” (Hall & Hall 1990, p. 35).

“Just as the verb often comes at the end of a German sentence, it takes a while for Germans to get to the point” (Hall & Hall 1990, p. 49). While Americans regularly use *headlines* to get straight to the point, Germans reach the main point at the end of a long speech, as they tend to tell more than needed to know (Hall & Hall 1990, p. 49-51). They also like to hear statistics, figures, and facts, and in most cases also examples to which they can refer to. Hence, Germans sometimes feel that foreigners only provide raw information, which was insufficiently researched. Therefore, it is always good to summarize the main points so that Germans understand what is going on (Hall & Hall 1990, p. 50-51).

Furthermore, Germans insist on immediate execution, which is mostly taken for granted. If the deadline cannot be met, they want to be informed about it immediately. Waiting for something or someone is considered as being irresponsible, egocentric, or rude. Germans see watches, calendars, and computers as devices that assist them to meet deadlines and to work towards goals (Lewis 2014).

The majority of America is a monochronic and low-context culture and therefore, they also tend to be monochronic in business. For example, time is planned and compartmentalized so that employees can focus on one job at a time. In their professional lives, punctuality is valued: being five minutes late calls for a short apology, being ten or even fifteen minutes late calls for a prolonged apology. In case of a longer delay, a telephone call should be made in advance. Americans dislike waiting time whether it is for someone to arrive for a meeting, making decisions, or receiving results. This causes problems when dealing with Germans, as they are used to longer time intervals (Hall & Hall 1990, p. 140-141).

## **4. Walmart**

### **4.1. History**

Samuel Moore Walton and his brother established the very first Walmart store in Rogers, Arkansas in 1962 (Walmart 2015a). Before Walmart's foundation, Walton worked at JC Penney Corporation, Inc. and also led a franchise of Ben Franklin stores. His motives are clearly expressed as follow (Ghauri & Cateora 2014, p. 458):

When working with other retailers and later running a franchise, the conviction grew in Walton that the changing buyer behavior in the USA made discount stores the future of retailing, especially in the smaller towns. He traveled across the USA before starting his own discount store and was convinced that Americans wanted a new type of discount store, which would offer more discounts than the traditional discount stores.

In 1963, sales added up to over \$1 million also due to Samuel Walton's three policy goals, which would define the concept of Walmart: respect for the individual, service to customers, and striving for excellence. Within five years, Walmart introduced a new concept of self-service and opened further stores in small towns in Kansas, Louisiana, Missouri, and Oklahoma (Hayden et al. 2002). By 1968, Walmart had owned a total of 24 stores in the US with sales of approximately \$12,6 million (Ghauri & Cateora 2010, p. 547).

In the 1970's, the American retail sector was highly competitive but also suffered from weak inflation. Walmart's main competitor and the market leader Sears suffered enormously from the recession from 1974 to 1975 (Hayden et al. 2002). Nevertheless, Walmart was still able to increase net sales from \$31 million in 1970, to \$78 million in 1972, to \$168 million in 1974, to \$340 million in 1976, and to \$678 million in 1978 (Walmart 1973, 1982). For the very first time, the retailer also reached an annual turnover of \$1,3 billion in 1980 (Knorr & Arndt 2003), and was even awarded with a prize for achieving this result in the shortest time period ever (Ghauri & Cateora 2014, p. 459).

Walmart also built its first distribution centre and Walmart Home Office in Bentonville in 1971 and made its first two acquisitions of 16 Mohr-Value stores in Michigan and Illinois in 1977 (Ghauri & Cateora 2014, p. 458-459) and Huthcheson Shoe Company in 1978 (Porter 2001).

## Walmart

Through Walmart's multiple acquisitions, its product range also began to grow: clothing, electronics, toys, fabrics, crafts, lawn and garden, shoes, and groceries (Hayden et al. 2002). For example, since 1979, Walmart offers auto service centers, jewelry divisions, and pharmacies (Ghauri & Cateora 2014, p. 458), and since 2006, Walmart provides furniture for terraces at prices higher than \$500 instead of the previous maximum of \$300 (Dowideit 2006). And the retailer offers its own clothing brand for women, which was even published in the Haute-Couture magazine Vogue in 2005 (Dowideit 2006).

In 1984, Walmart's number of stores had increased to 642 with annual sales of \$4,7 billion. Its first Sam's Club store, which is based on membership, was opened in Oklahoma in 1983; only one year later, 11 of these stores existed (Walmart 1986). In 1986, Walmart owned 859 stores with sales of \$8,5 billion (Walmart 1987), and around 100,000 employees (Hayden et al. 2002).

At the end of the 1980's, the newly appointed CEO of Walmart, David Glass, started a joint venture with the supermarket chain Callum Companies, named Hypermart, which were later transformed into Walmart supercenters with space areas of more than 18,580 square meters and offering fast food restaurants, photo developers, and playgrounds for children (Ghauri & Cateora 2014, p. 458). Furthermore, Walmart initiated a determined internationalization strategy and opened its first store in Polenco, Mexico in 1991. Walmart's strategic goal was to have its international operations contribute 33% to Walmart's total profits by 2005 (Knorr & Arndt 2003).

In the 1990's, Walmart entered North Dakota, Pennsylvania, South Dakota, Utah, Maryland, New Hampshire, New Jersey, Connecticut, Delaware, and Main (Hayden et al. 2002). As of 1991, Walmart also acquired McLane Company, which is a grocer and retail distributor with Bud's Discount City (Ghauri & Cateora 2014, p. 458).

In April 1992, the founder of Walmart passed away and his son Samuel Robson Walton was named Chairman of the Board. He expanded into further states including Alaska, Hawaii, and Washington. Walmart was now represented in 45 states (Hayden et al. 2002).

In 2000, Fortune Magazine ranked Walmart 5<sup>th</sup> in the *Global Most Admired All-Star List*. In the same year, Walton named Lee Scott the new CEO of Walmart International (Ghauri & Cateora 2010, p. 574).

## Walmart

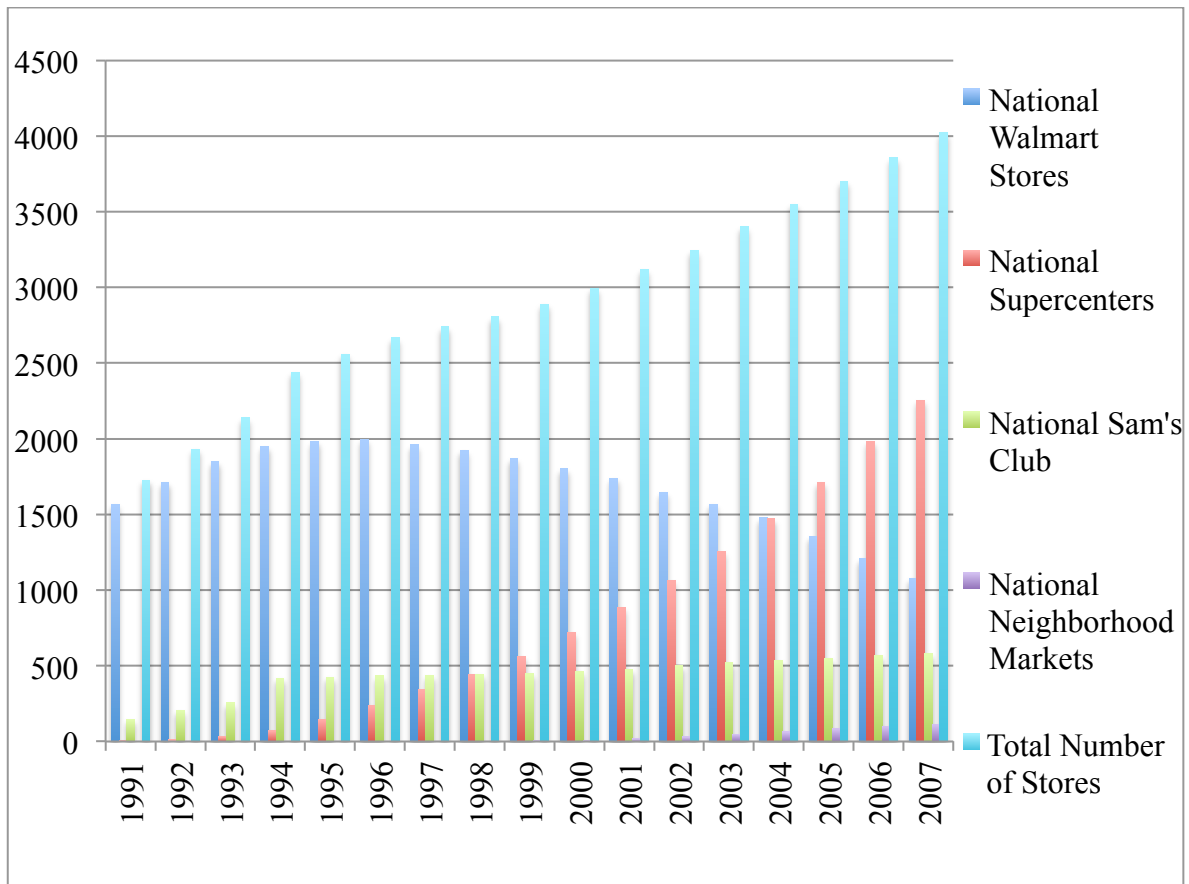
As of 2001, Walmart (2003) had \$217,8 billion of revenues, which is more than its following four competitors' revenues summed up (Knorr & Arndt 2000): Carrefour (\$62,2 billion), Ahold (\$59,6 billion), The Kroger Co. (\$50,0 billion), and Metro (\$44,3 billion).

By being the biggest and the most successful retailer as well as the biggest private-sector employer in the world (Knorr & Arndt 2003), Walmart thought it could use its powerful position to stick to very low salaries with around \$8.23 per hour or \$13,861 per year in 2001, which is around \$1,000 less than the federal poverty line (Bloomberg Business 2003). It also maintained bad employment contracts, ruthless interactions with suppliers, and an anti-union policy. Hence, Walmart got very bad press, which harmed its reputation (Döcke 2006).

In 2003, Walmart operated a total of 4,688 stores consisting of 3,400 in the United States and 1,288 in its international markets. Net sales amounted to \$244,5 billion with a net income of \$8 billion (Walmart 2004). About 16.5% of sales were made abroad with an increase in international sales of 107% compared to 1998 and 12% compared to 2002 (Knorr & Arndt 2003; Walmart 2004).

Also in 2003, an average of 100 million customers shopped weekly in one of the American Walmart supermarkets: 1,568 Walmart stores offered general merchandise products, the 1,258 supercenters provided general merchandise and food products, 523 Sam's Clubs operated as warehouses and are only accessible for members, and the 49 neighborhood stores had a small range of convenience products. Walmart transformed its discount stores into supercenters, which are comparable to Carrefour's hypermarkets (Walmart 2004).

Graph 6 shows the number of stores Walmart operated in the USA from 1991 to 2007. Notably, while the number of national Walmart supercenters (red bar), national Sam's Club stores (green bar), and national neighbourhood markets (violet bar) increased, the number of national Walmart stores (blue bar) decreased. However, the total number of stores (turquoise bar) possessed by Walmart increased (Walmart 1994, 1998, 2003, 2008).

**Graph 6: Walmart's National Stores (1991 – 2007)**

(Representation based on Walmart 1994, 1998, 2003, 2008)

In 2005, Walmart asked customers to answer open-ended questions regarding *the best thing about Walmart*: 50% named the low prices, 22% the broad selection of products, and 13% answered location, hours, or the convenience. Interestingly, the service, which Walmart is also focusing on, only reached 13% (Basker 2007).

Walmart not only had an enormous influence on the overall American retailing industry considering its size of 1,8 million employees, \$285 billion total sales (Walmart 2006), and 8.5% market share in 2005 but also on individual market segments, where Walmart's shares were high: 45% in the toys sector, 20% in the food sector, and 16% in the medication sector (Döcke 2006).

Walmart's success is also due to its in 1977 invented *Retail Link System*, which is the "backbone of its sophisticated inventory management and logistics infrastructure" (Knorr & Arndt 2003). The retailer's private satellite communications system connects all stores with the headquarter, tracking sales, refilling inventories, processing immediate payments, and

even setting the temperature in individual stores. Back then, the system was the largest database worldwide comprising three times more data than the US Internal Revenue Service mainframes, and second only to the Pentagon's database (Knorr & Arndt 2003).

One advantage of the system was that barcodes located on the products were easily scanned and sent detailed information to the store and the headquarter. Walmart used barcodes a long time before competitors got aware of its advantages as they were very useful for the employees to save time when scanning the product, hence also price mistypings were completely prevented. Through the scanning of the products, the store knew exactly which products were sold and had to be ordered again: consumers' preferences were identified through this (Knorr & Arndt 2003). For example, due to the system and barcode, Walmart found out that most men purchase groceries and other products on Fridays as their wives asked them to do the shopping after work. As a result, the two mostly bought items were diapers and beer. Therefore, Walmart always stocked higher quantities of beer and nappies into their shelves on this particular day (Hooley et al. 2012, p. 55).

Additional costs were saved through the barcode readers by reducing 50% of the labor costs of processing shipments. The innovations in technology have contributed to Walmart's growth and reduced Walmart's costs through economies of scale (Basker 2007).

The employees were not the only ones, who benefited from the systems. Walmart's 68,000 suppliers (Walmart 2006) had been given access to some of the systems, which enabled them to know which products were demanded and to plan their productions correspondingly. This helped Walmart to control inventories and its suppliers to offer products at the lowest possible prices (Walmart 1999).

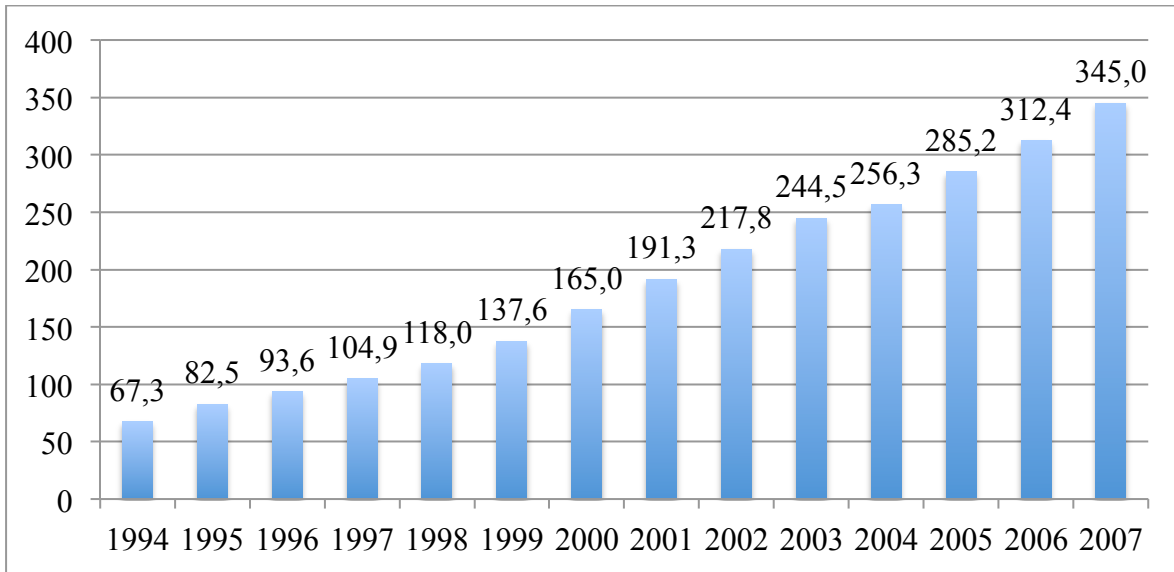
Referring to Table 5 and having a closer look at the American grocery industry from 1994 to 2006, in particular its total number of stores, store openings and closings, stores per capita, and average sales, one can see that the overall number of stores increased notably from 29,827 stores in 1994 to 33,823 in 2006. Within the same time period, the total number of stores was 412,858, while 18,634 stores were opened, and 15,881 stores were closed. Interestingly, Walmart accounted for an amazing 54% of the net increase of stores in the USA as they established 2,168 stores from 1994 to 2006 (Ellickson & Grieco 2013, p. 4).

**Table 5: National Statistics on Grocery Industry (1994 – 2006)**

<b>Year</b>	<b>Total Number of Stores</b>	<b>Store Closings</b>	<b>Store Openings</b>	<b>Avg. Sales (Million \$)</b>
1994	29,827	2,201	N/A	9,9
1995	30,287	1,471	2,955	10,4
1996	31,389	1,335	2,714	10,6
1997	29,948	992	931	11,4
1998	30,368	1,498	1,321	11,5
1999	30,226	1,133	1,576	12,0
2000	31,446	1,054	1,777	12,2
2001	31,856	1,000	1,464	12,5
2002	32,212	1,079	1,405	12,8
2003	33,555	1,238	1,989	13,2
2004	33,909	1,167	1,383	13,8
2005	34,012	1,713	1,119	14,5
2006	33,823	N/A	1,274	16,0

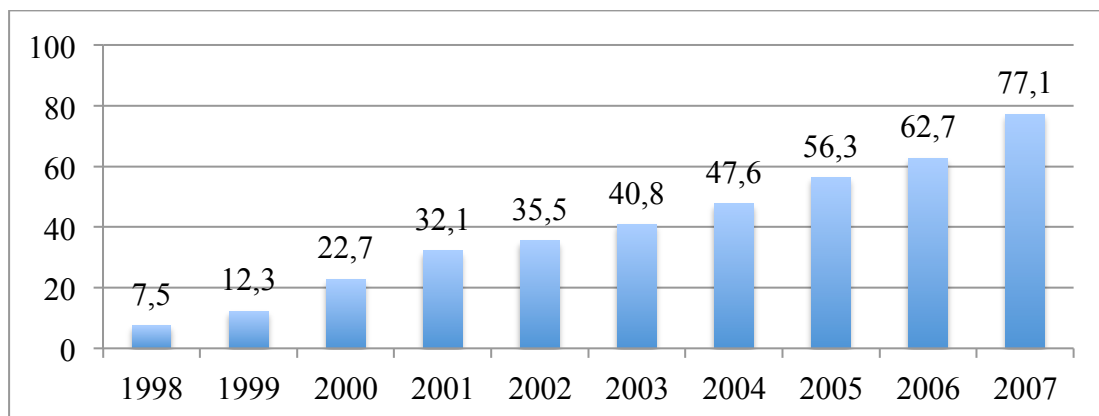
(Representation based on Ellickson & Grieco 2013, p. 4)

Research had shown that in 2006, 140 million customers visited one of the 6,546 supermarkets in 15 countries at least once a week (Dowideit 2006). Walmart's net sales accounted for \$312 billion, an increase of 9.5% from the year before, and an additional growth of 11.6% from 2004 (Walmart 2007). Graph 7 shows Walmart's net sales in billion dollars from 1994 to 2007.

**Graph 7: Walmart's Net Sales (billion \$) (1994 - 2007)**

(Representation based on Walmart 1997, 2001, 2008)

In 2007, Walmart achieved international net sales of \$77 billion mainly from its strong Mexican, Canadian, Brazilian, and British markets, which accounts for a 30% increase compared to 2005. Interestingly, 66% of this 30% increase in net sales is mainly due to acquisitions (Landler 2006). Graph 8 illustrates Walmart's international net sales (billion \$) from 1998 to 2007, so the time period it was active in Germany. Within nine years, Walmart's international net sales grew from \$7,5 billion in 1998 to \$77,1 billion in 2007. In 2006, Walmart was ranked the market leader or among the top three in Mexico, Canada, and Great Britain (Knorr & Arndt 2003).

**Graph 8: Walmart's International Net Sales (1998 – 2007)**

(Representation based on Walmart 2000, 2003, 2006, 2008)



Table 6 shows the 10 top global retailers in 1996, 2000, 2006, and 2012. As one can see, over at least 16 years, Walmart was able to keep its position as the worldwide leader, also during its market presence in Germany. Interestingly, Walmart made almost 5.5 times as many total sales as Germany's top retailer Metro and 4.7 times as many as France's top retailer Carrefour (Galdy 2008; Lebensmittel Zeitung 2014).

**Table 6: World's Top Retailers (1996, 2000, 2006, 2012)**

<b>Company</b>	<b>Home Country</b>	<b>Ranking (1996)</b>	<b>Ranking (2000)</b>	<b>Ranking (2006)</b>	<b>Ranking (2012)</b>
<b>Walmart</b>	<b>USA</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Carrefour	France	8	2	2	4
Home Depot	USA	24	3	3	8
Tesco	GB	18	13	4	2
Metro	Germany	4	5	5	7
Kroger	USA	13	3	6	5
Target	USA	12	10	7	10
Costco	USA	23	14	8	3
Sears Holding	USA	7	7	9	-
Schwarz (Lidl)	Germany	33	29	10	6

(Representation based on Galdy 2008; Lebensmittel Zeitung 2014)

#### **4.2. International Operations**

Globalization and liberalization opened up foreign markets and, therefore, created opportunities not only for Walmart but also for other discount stores to expand globally. This is just one of the reasons for Walmart's decision to go global in 1991. Another one involves its competitors K-Mart and Target, which used aggressive expansion strategies putting pressure on Walmart's market share (Ghauri & Cateora 2010, p. 574).

As Walmart had already operated very successfully in the US market, which represents only 4% of the world's population, it wanted to take the opportunity to enter further countries with its effective business model (Ghauri & Cateora 2010, p. 574).

## Walmart

Walmart's globalization took place through acquisitions, JVs, greenfield operations, and WOS. The following table shows when and which markets Walmart entered, which mode of entry it used, and who the joint venture partner or the acquired company was (Ghauri & Cateora 2010, p. 574-575).

**Table 7: Walmart's Expansion (1991 – 2000)**

Year of Entry	Market	Entry Mode	JV Partner or Company Acquired
1991	Mexico	Joint Venture	Cifra S.A.
1993	Puerto Rico	WOS	Wal-Mart Puerto Rico, Inc.
1994	Canada	Acquisition	Woolsco
1995	Argentina	Greenfield	N/A
1995	Brazil	Joint Venture	Lojas Americanas
1996	China	Greenfield	N/A
1997	Germany	Acquisition	Wertkauf and Interspar
1998	South Korea	Acquisition	Makro
1999	UK	Acquisition	Asda

(Representation based on Asda 2015; Ghauri & Cateora 2010, p. 574-575)

In 1999, Samuel Walton said in an interview reflecting Walmart's future plans in international growth (Walmart 1999):

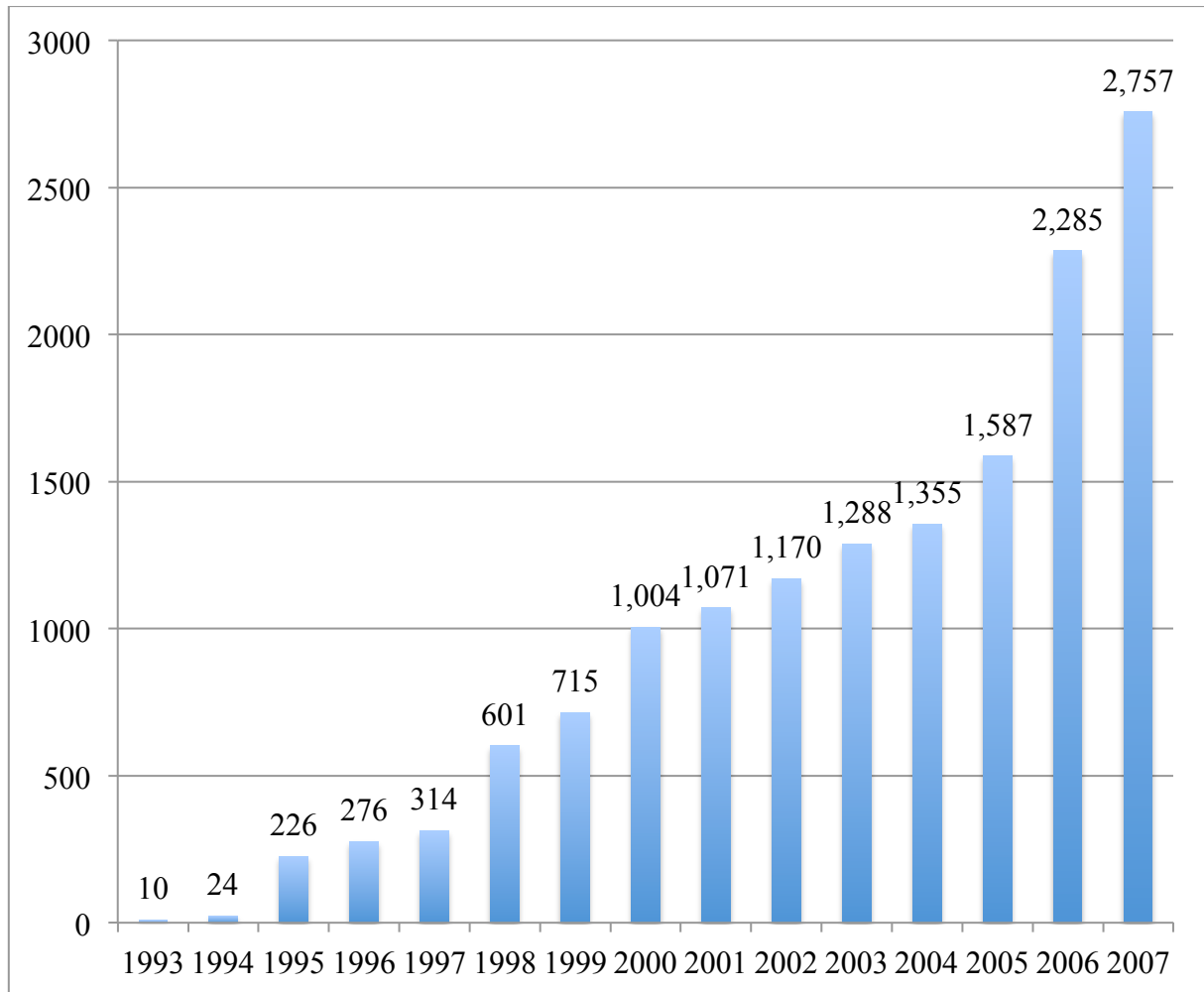
International has become a significant piece of the Wal-Mart business. This year alone the division in its fifth year of operations generated \$12.2 billion in revenue and \$551 million in operating profit. In addition to the 74 units in Germany we also acquired four units in Korea and added another 36 units to the countries where we had existing operations. We still have tremendous room for growth domestically but also want to offer the Wal-Mart shopping experience to customers around the world. Over the next five years the international division should represent up to one-third of total sales and earnings growth of the company. In addition to being the largest retailer in Canada and Mexico, we now have stores in Asia, Europe and South America and will continue to grow those markets as well as look for other areas where we can build on the Wal-Mart name.

By 2003, Walmart had already entered nine countries with 1,288 stores consisting of 238 supercenters, 71 Sam's Clubs, and 942 discount and 37 neighborhood stores. In the same year, Walmart was the market leader in four countries, Argentina, Canada, Mexico, and

## Walmart

Puerto Rico, and among the top three retailers in the United Kingdom (Ghauri & Cateora 2010, p. 574-575). Graph 9 shows the increase of Walmart's stores worldwide.

**Graph 9: Number of Walmart's Stores Worldwide (1993 – 2007)**



(Representation based on Walmart 1999, 2001, 2005, 2007)

Nevertheless, Walmart had to realize that its everyday low prices (EDLP) strategy was not as successful internationally as it was nationally and in neighboring countries due to advanced IT, sophisticated logistics and inventory management techniques, a strong focus on customer service, and highly ambitious workforce (Knorr & Arndt 2003).

Table 8 shows the top 10 global retailers in 2007, so one year after Walmart announced its withdrawal from the German market. One can see that Walmart's net sales are by far the highest, even though its foreign sales account for a smaller percentage (22%).

**Table 8: Top 10 Global Retailers (2007)**

<b>Ranking</b>	<b>Company</b>	<b>Home Country</b>	<b>Net Sales (Million \$)</b>	<b>Foreign Sales (%)</b>
<b>1</b>	<b>Walmart</b>	<b>USA</b>	<b>344,922</b>	<b>22</b>
2	Carrefour	France	97,739	53
3	Tesco	Great Britain	78,451	25
4	Metro	Germany	75,131	55
5	The Kroger	USA	66,111	0
6	Target	USA	59,490	0
7	Costco Wholesales	USA	58,963	20
8	Ahold	Netherlands	56,299	82
9	Sears Holding	USA	53,012	12
10	Seven & I	Japan	41,600	34

(Representation based on Amann 2007)

#### **4.2.1. North and South America – Mexico, Brazil, and Argentina**

The very first international market Walmart entered was through a joint venture in Mexico in 1991. The retailer bought 62% of the total Mexican Cifra S.A. retailing chain (Knorr & Arndt 2003) and later renamed its subsidiary to Wal-Mart de Mexico (Ghauri & Cateora 2014, p. 460). It decided to keep the Mexican management, which was beneficial, as they knew the market, its culture, and the preferences of the consumers. After 7 years and having established a successful business in Mexico, Walmart had already opened 416 stores (Knorr & Arndt 2003). Wal-Mart de Mexico has quickly become the biggest retailing company in Latin America and the biggest employer in Mexico due to its continuously growing size and success. This gave Walmart the opportunity to create further brands such as Superama, Suburbia, VIPS, and Bodega Aurrerá in 1997. Four years later, the American retailer possessed more than 2,000 stores and restaurants (Ghauri & Cateora 2014, p. 460-461).

In contrast to Mexico, Walmart struggled when entering Brazil and Argentina. For Brazil, Walmart applied a similar approach through a JV with Lojas Americanas in 1995 (Knorr &

Arndt 2003). However, similar to its experience in Argentina, Walmart faced strong competition from Carrefour (Knorr & Arndt 2003), which had entered Brazil already in 1975 and Argentina in 1982 (Carrefour 2015). Carrefour was ranked 2<sup>nd</sup> in sales after local market leader Companhia Brasileira de Distribuição, whose sales were twice as high as Walmart's, ranking number 6 in 1995 (Knorr & Arndt 2003). Walmart also failed to adapt to local differences. For example, Walmart's parking lots and aisles were considered as too narrow (Bergmann 2000). After a difficult entry period, the company became successful and grew rapidly (Landler 2006).

In Argentina, Walmart started with less than half the number of stores Carrefour opened in 1995: Walmart had 11 and Carrefour 24. The main reasons for its lack of success were that its business language was English, and it used the same American standards and strategies. Therefore, the retailer had difficulties establishing itself (Knorr & Arndt 2003).

### **4.2.2. Asia – China, Indonesia, and South Korea**

On a first view, it may appear surprising that Walmart entered Asia via China in 1996 before the European market. By 2011, the retailer had 108 stores under the same name and another 100 outlets under the name *Trust-Mart* (Macaray 2011).

Heizer and Render (2011, p. 489) listed possible reasons: “no other company has a more efficient supply chain, and no other company has embraced outsourcing to China more vigorously than Walmart.” Approximately 85% of Walmart's product range is manufactured abroad: mainly in China, where production facilities are by far the most essential and quickest growing (Heizer & Render 2011, p. 489). Around 10 to 13% of everything China transports to the United States ends up on the shelves of Walmart, worth more than \$12 billion in 2002 (Bloomberg Business 2003). Two years later, around 50% of the vessels departing from China carried products sold at American Walmart supercenters (Hooley et al. 2012, p. 519). “Walmart is now the eighth-largest purchaser of Chinese products at incredibly low prices, which matters more than long-term relationships with domestic suppliers” (Hooley et al. 2012, p. 409).

In the late 2000's, Walmart employed around 600 people in China, who are in charge of negotiating contracts, setting prices, and buying products. Moreover, Walmart's size makes it possible for Chinese production facilities to produce in large quantities, which causes

Walmart's suppliers in China to benefit from economies of scale (Heizer & Render 2011, p. 489).

“Walmart's success in going abroad and pressing suppliers for price breaks has forced both retailers and manufacturers to reevaluate their supply chains” (Heizer & Render 2011, p. 489). As corporate social responsibility has played a major role in many businesses, Walmart also introduced sustainability and product safety in its *Responsible Sourcing* program in 2005, which includes Walmart's top 200 Chinese suppliers. These needed to cut their energy and resource efficiency by 20% by 2012 (Heizer & Render 2011, p. 489). Walmart had the reputation of being the *merchant of shame* as its handling of competitors, customers, and suppliers was seen as particularly violent and impolite. This is why it needed to consider issues like the protection of the environment and the healthcare of its employees, if it wanted to keep its large customer, employee, and supplier base (Hooley et al. 2012, p. 497)

China was not the only Asian country Walmart decided to enter in 1996. Indonesia was entered and already exited in 1998 due to very heavy losses of \$100 million caused by pricing its products according to American standards. Therefore, Walmart Indonesia was rather seen as high-class, an image it never got rid off (Bergmann 2000). This shows Walmart's lack of cultural and economical understanding.

In 1998, only two years after its establishment in China, the company tried its luck with the South Korean market by acquiring four stores and six undeveloped sites in 1998. However already nine years later, Walmart decided to withdraw from this country. The CEO of Walmart International, Mike Duke, explained the decision (as cited in Gandolfi & Strach 2009):

As we continue to focus our efforts where we can have the greatest impact on our growth strategy, it became increasingly clear that in South Korea's current environment it would be difficult for us to reach the scale we desired [...] We have decided to sell our business to the market leader as we believe this is the best option for our associates, customers, and shareholders.

The main reasons for its exit were that it had shown no effort to adapt to local tastes and to compete with strong local retailers such as E-Mart and Trust-Markt (Landler 2006). As in the United States, Walmart's stores were also placed outside the cities in South Korea, which was disliked by Koreans as they preferred easily and quickly accessible locations within the

city center (Gandolfi & Strach 2009). Another problem Korean customers faced were the tall shelves. Walmart had to add ladders to their shelves so that Koreans could reach products located at the top of the shelves (Barbaro & Landler 2006). Koreans also did not like that Walmart offered mainly foreign products (Gandolfi & Strach 2009). They also preferred food products, but Walmart focused on non-food products such as electronics and clothing (Barbaro & Landler 2006).

### **4.2.3. Europe – United Kingdom**

Walmart entered the market with the acquisition of Britain's third largest supermarket chain Asda with 229 stores (Walmart 2003) for \$10,7 billion (Ghauri & Cateora 2010, p. 575) in 1999 (Asda 2015). This acquisition permitted Walmart to advance its merchandising and buying competencies in the United Kingdom (Hooley et al. 2012, p. 153). Shortly after the acquisition of Asda and by keeping the brand's name, Walmart decided to open American-style supercenters throughout the UK. These supercenters attracted more and more customers and soon, Walmart became the second biggest discounter in the UK (Ghauri & Cateora 2014, p. 461). Asda decided to expand geographically in order to seek new customers (Hooley et al. 2012, p. 40), and to further refine its merchandising and purchasing competencies (Hooley et al. 2012, p. 153).

The acquisition of Asda looked very promising due to high profits and a high profit margin of 5%. The English retailer was seen as the perfect acquisition for Walmart as both companies had similar strategies, namely aggressive expansion, low prices, store formats, and product offerings (Pioch et al. 2008). Even though it is Britain's second largest supermarket, the American retailer was and still is challenged in its target market mainly due to strong competition (Asda 2015).

## 5. Walmart Germany

### 5.1. Preview

In order to set foot into the European market, most American businesses enter it through the United Kingdom, as there are linguistic, cultural, and legal similarities between these two countries (Ghauri & Cateora 2010, p. 574; Kahn 1999). However, Walmart decided to enter the continent through Germany and, only in 1999, the UK (Bloomberg Business 1999) with the same “winning formula of every day low prices, high customer service, strong organizational culture and efficient operations” (Pioch et al. 2008).

Walmart targeted Germany, the third largest retail market (Knorr & Arndt 2003). Germany was ranked among the 5 largest economies (The World Bank 2015a), was the US main European trading partner, the sixth largest market for US exports, and the biggest country in Europe at that time (Export Government 2015).

Furthermore, the German market accounted for one quarter of Europe’s total GDP in 1997, showed income per capita of \$27,012, and a very low inflation rate of 0.2% in 1997 (The World Bank 2015a, 2015b, 2015c). Other promising features such as high levels of productivity and quality, a highly skilled workforce, and an excellent infrastructure underlined the interest of the American business to enter the German market (Export Government 2015).

Walmart’s international experience, its enormous and still strongly growing size, its almost unrestricted financial capacity, and its high market share created an expectation that the entry into the German market would be implemented highly professionally (Knorr & Arndt 2003). No wonder that German customers, competitors, and experts had high expectations especially in the areas of service and customer orientation, which were strongly promoted by Walmart in other countries like China and Brazil, and inadequately offered by competitors in Germany (Ortega 1999).

Experts were skeptical with Walmart’s choice as Germany also showed risks, such as slow retailing growth rates, high competition especially for discounters, low price margins, high labor and real estate costs, price sensitive customers, and, overall, a very strict business environment. Despite these headwinds, Walmart stated that Germany is a very essential



market the retailer cannot ignore as it also provides Walmart with a central base from which it can expand to almost anywhere in Europe (Ghauri & Cateora 2010, p. 574).

### 5.2. Entry into Germany

Seemingly without much research, Walmart acquired 21 *Wertkauf* stores, which had annual revenues of €1,2 billion for around €700 million (Welt Online 2003a). The German hypermarket chain only offered food and a general range of products to their southwestern German clientele. In the rest of Germany, this chain was unavailable and unknown (Ghauri & Cateora 2010, p. 574). Walmart acquired the stores as they were one-stop shopping centers and shared similarities with the store format of American Walmart's supercenters (Walmart 1998). Walmart's store locations were in cities like Cologne, Düsseldorf, Essen, Hamburg, Leverkusen, Mannheim, Munich, Wiesbaden, and Wolfsburg (Polke-Majewski 2006).

As Walmart's aim was to penetrate the whole German market, Walmart concluded to also acquire 74 *Interspar* hypermarkets with annual revenue of €850 million for around €560 million one year later (Piöch et al. 2008; Welt Online 2003a). While the *Wertkauf* stores continued under their name, the *Interspar* stores were quickly renamed to Walmart supermarkets or supercenters in 1999 (Piöch et al. 2008). With the acquisition of the additional 74 stores, Walmart possessed a total of 95 stores by the end of 1999 (Knorr & Arndt 2003).

Many analysts said that the low number of stores was not sufficient to give Walmart a foothold in the German market in 1997 (Goy 2003; Schaefer 2006) – as for example Aldi Süd had more than 500 stores throughout the country by 1975 – that means 21 years earlier, it already had opened 5 times as many stores as Walmart's two acquisitions together. In 2015, the total number of Aldi Süd stores in Germany stood at 1,850 (Aldi Süd 2015a).

Without having precise numbers of Aldi stores in the year of Walmart's entry, one can imagine that the German retailer probably had more than 1,000 stores. Furthermore, the German discounter Penny owned 2,000 stores in 2009, so two years after Walmart Germany's exit, Penny had 20 times more stores than Walmart ever had in Germany (Penny Markt 2015). Even though Penny's store format is a lot smaller than Walmart's, it supports the analysts' point of view.

One specific example of store numbers was reported by Pioch et al. (2008): in 2002, Walmart had two stores in Würzburg, while Kupsch had 18, Aldi 9, Lidl 7, and Tegut 7 stores. Hence, it was difficult for Walmart to establish itself in such a competitive city.

Considering the large numbers of stores Walmart's competitors had established, it is not beyond thought that Walmart's acquisitions may have been accomplished in great hurry and without sufficient research and knowledge about this particular retail sector.

Clearly, it was not the number of stores Walmart wanted to attract customers with, it was its EDLP strategy and one-stop-shop concept (Pioch et al. 2008), which the American retailer is so well known for and which had also turned it into the world's number one retailer. Most analysts expected that this type of approach would draw in German customers and therefore, bring Walmart strong growth, recognition, and ultimately profits (Ghauri & Cateora 2010, p. 575). Yet by 2002, Walmart became only the thirteenth largest retailer in the country with a turnover of approximately €2,9 billion, but with a market share of only 1.1% (Knorr & Arndt 2003).

**Table 9: Germany's Top Retailers (2002)**

<b>Ranking</b>	<b>Company</b>	<b>Food Sales (% of Total Sales)</b>	<b>Revenues in Germany (Billion €)</b>
1	Metro	45.1	32,0
2	Rewe	68.6	28,6
3	Edeka	83.1	25,2
4	Aldi	81.0	25,0
5	Schwarz	80.4	17,2
6	Karstadt Quelle	5.8	16,1
7	Tengelmann	62.3	12,5
...	...	...	...
<b>13</b>	<b>Walmart</b>	<b>50.0</b>	<b>2,9</b>

(Representation based on Knorr & Arndt 2003)

Walmart maintained a very low market share and was still making losses after a five-year's presence in 2003 (Ghauri & Cateora 2010, p. 575). "Although a drop in the ocean for the worldwide group – it generated less than 2 per cent of Walmart's sales – its poor performance

was a stain on the group's record. Walmart did not publish regional profit figures but the operation was said to be losing \$200-300 million a year" over the period of five years (Ghauri & Cateora 2010, p. 573).

For a long time, giving up on Germany was no option for Walmart. The world's largest retailer was confident that at some point it could turn around these losses into profits and become the market leader (Ghauri & Cateora 2010, p. 575). In 2006, Walmart Germany still drew optimism and enthusiasm from Walmart International's overall recognition as a large and successful company: it sold more products than the 30 largest German grocery chains together, it was the world's largest retailer and the second largest company in the world by sales after the American oil company Exxon, it had an enormous workforce of 1,8 million employees, and it operated more than 6,000 stores worldwide. According to its GDP, if Walmart could be compared with a country, it would be ranked on place 18 between Taiwan and Switzerland with an annual profit of around \$11,2 billion. Moreover, Walmart earned 10 times as much as Metro in 2005 (Brueck et al. 2006).

The following section will give reasons for what exactly caused the American retailer to fail in Germany and why the implementation of the American business philosophy into Germany was so unsuccessful.

### 5.3. Reasons for Failure

#### 5.3.1. Cultural Differences

A good description of cultural differences is given by Stangohr (2006, p. 22), who said that:

Most people who have visited or worked in another country would readily agree that cultural differences exist. They might point to such things as different styles of dress, language, food or mannerisms as examples of how cultures differ. These differences are most often noticed in a particular situation, labeled as 'strange' or different and then disregarded because we have no way of classifying these peculiarities into a 'language of culture'. The difficulty of finding terms with which to explore differences in culture does not seem to stop people from talking about culture as if it were a 'thing', hovering over a society and influencing in a direct and uniform way. Culture is not a 'thing', which can be experienced directly through the senses, just as 'needs', 'social systems', 'evil' and 'peace' are not directly tangible or visible. They are ideas constructed from within a society. 'Culture' does not exist in a simple and easily defined form for a specifiable number of people in a bounded area. And, obviously, a society does not consist of individuals with entirely uniform mental characteristics or personalities.

Emrich (2007, p. 13) defines organizational culture as "the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal, and that have worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation on those problems."

As a company with a very strong organizational culture, Walmart intended to transfer the American mentality, philosophy, and culture to any country abroad (Bergmann 2000). In some of its target markets like Mexico and China, this transfer might have been appreciated, but in other countries like Germany and South Korea, it might have been perceived as inapplicable and invalid (Gehrmann 2001). It is obvious that sometimes these values, rituals or symbols (Hofstede 1996, p. 22) stay unconscious to those, who developed them early in their childhood (Stangohr 2006, p. 22).

In a society of ethnic diversity and high mobility, many Americans suffer from the nonexistence of roots and traditions. As a result, it is common for employees to identify themselves with the workplace as they work *in the company's way* in order to be part of the business' concept. They highly appreciate the feeling of group integration by accomplishing

common goals. However, outside the workplace, they also like to be a member of global clubs, societies or fraternities like the Rotary Club, Lions Club, and so on (Hall & Hall 1990, p. 144-145). In order to get a better understanding of the cultural differences between the USA and Germany, specific examples will now be discussed.

### **Expense Accounts**

Before the acquisition, the previous managements of Wertkauf and Interspar had provided their executives with generous expense accounts. However, this was changed after the acquisition, when Walmart's executives' expense accounts were drastically reduced. For instance, during business trips, employees were forced to share rooms instead of receiving one room per person. This was shockingly new and unacceptable to German employees, who were used to having one room per person and, hence, demanded privacy and discretion (Ghauri & Cateora 2010, p. 577).

### **Associates**

Walmart's employees were called *associates* and therefore, were rather seen as partners or co-partners than "normal staff" (Bergmann 2000). This term was used to motivate the employees and to encourage the feeling of belonging to the family or group (Emrich 2007, p. 251). To further increase the individual's performance and responsibility, every associate became a sponsor of one product, which meant that (s)he had to raise the sales of this product and take care of it. This single product was called the *value producing item* (Gehrmann 2001).

Giving an associate the responsibility for a product is evidence of USA's high score of 91 on IDV with the ambition on individual fulfillment and the duty of taking care of something (Hofstede & Hofstede 2011a; Schram et al. 2010). Moreover, being a sponsor of a product also reflects the USA's score of 62 on MAS with the drive for achievement and being the best in the field (Hofstede & Hofstede 2011f).

Another reason for the introduction of the word *associates* could be America's tendency to a rather flat hierarchical level. No one should feel less appreciated and respected depending on his/her social status or professional position (Schram et al. 2010). Samuel Walton himself is the best example for ambition, fulfillment of dreams, and striving for a flat hierarchical level in his businesses as he regularly visited his stores to get to know the employees, to speak to

them about improvements, and to receive feedback. Like everyone else, he also parked on a normal parking spot and not on a reserved or signposted one (Gehrmann 2001).

One customer described his experience with the associates surrounding the store manager: “it was Saturday morning, half past twelve, and in front of the vegetable counter, when the associates swore under the leadership of their manager to follow the ultimate goal of serving the customer” (as cited in Gehrmann 2001). Comparing this American communication and meeting ritual by asserting themselves to show how well they are doing (Hofstede 1997; Hofstede & Hofstede 2005, p. 143) to the German one, it could be seen as inappropriate and wrongly timed, as usually such meetings should be held behind closed doors, not in front of customers and other colleagues, as well as before opening or after closing hours (Hofstede & Hofstede 2011e).

### **Advice Manager**

Another cultural difference is the so-called *advice manager*. Americans have always been seen as more open, cooperative, and friendly, whether in a familiar or unfamiliar situation, whereas Germans are more seen as closed and conservative. Sometimes German customers get the feeling of bothering the supermarket staff when asking for assistance (Knorr & Arndt 2003). Walmart wanted to change this “negative” attitude of its German employees by sending 30 American trainers from the Headquarter in Bentonville to Walmart Germany to transfer the *American touch* as well as Walmart’s business philosophy (Brueck et al. 2006), and to teach employees and managers American standards on assistance and friendliness (Knorr & Arndt 2003). This experience must have been “a mixture of unconditional subordination and performance, limitless enthusiasm, friendliness, and service to the German outsiders” (Brueck et al. 2006). However, similar to the management team, the *advice managers* also failed to speak or learn the language. In general, the trainers stayed in Germany for approximately two years (Knorr & Arndt 2003).

### **The Sundown Rule, The Three Basic Beliefs, and The Ten Rules**

During Walmart’s difficult time in Germany and in order to motivate the associates again, the retailer posted the sundown rule, the three basic beliefs, Samuel Walton’s ten rules for successful business, and actual sales figures of the departments on the walls of the staff

rooms. The *sundown rule* states that every customer's request has to be answered on the same day. The *three basic beliefs* are respect for the individual, service to customers, and striving for excellence (Gehrmann 2001). And *Sam Walton's ten rules for successful businesses* are to commit to your business, to share your profits with all your associates and to treat them as partners, to motivate your partners, to communicate everything you possibly can to your partners, to appreciate everything your associates do for the business, to celebrate your success, to listen to everyone in your company, to exceed your customers' expectations, to control your expenses better than your competition, and to swim upstream (Walmart 2015c).

Referring to Hofstede's elements of culture, one can understand why these mentioned postings are good examples of symbols and rituals (Hofstede 1996, p. 22; Hofstede 1997).

Masculine and individualistic countries like the USA crave for personal achievement, heroism, recognition, and rewards (Hofstede 1996 p. 108; Hollensen 2011, p. 246; Schram et al. 2010), whereas Germans crave more for the success of the company and would prefer monetary rewards, which are kept private and confidential (Bergmann 2000).

As Hall was cited in Hall & Hall (1990, p. 42): "Americans in positions of power are often much more ostentatious in their material possessions and in their enthusiasm for publicity about their lavish lifestyles." In other words, Americans desire to show off and to talk openly about their achievements in life. Being successful does not encourage them, but being able to show it matters to them (Schram et al. 2010).

### **Worker of the Month**

Walmart Germany also posted the name of the worker of the month on the walls. The retailer highly valued the *worker of the month*, which was very popular in the American culture. For example, if a sales person achieved the highest rate of sales, (s)he would be elected as the worker of the month (Bergmann 2000). The person then wore a hat with the print "worker of the month" (Brueck et al. 2006).

For German employees as well as customers, these postings felt strange and bragging. Many employees were embarrassed that, for example, the picture and name of the *worker of the month* were seen by everyone (Gehrmann 2001). In general, Germans cultivate a reputation of perfectionism as they take it for granted that everybody should perform well. Therefore, being awarded for something they are paid for is not as important to them as it might be to

Americans (Hall & Hall 1990, p. 66-67). Hence, receiving the title of *the worker of the month* (Bergmann 2000) and being posted on the wall (Gehrmann 2001) had only a negative meaning to the many employees and it seemed strange to customers (Bergmann 2000).

### **Greeters**

A must-have in all American Walmart stores, Walmart Germany also had to employ greeters, who welcomed customers as they entered the stores by greeting and smiling at them (Emrich 2007, p. 251). Male German customers rejected this type of service, as they perceived this as flirting attempts (Barbaro & Landler 2006). Multiple customers even complained to the store manager of being harassed by a stranger standing at the door (Brueck et al. 2006). Customers felt that they were the ones, who would be paying higher prices because of the person standing at the door, which was the main reason for the rejection (Bloomberg Business 1999).

### **Baggers**

Walmart Germany also had to employ baggers. German customers did not like having their purchases bagged (Döcke 2006; Grabitz & Seidel 2006) and sometimes brought to the car (Emrich 2007, p. 251; Landler 2006). This new type of service was not favored by the price-sensitive customers as they were familiar with it from specialized and smaller stores, where they also paid higher prices for the products. Therefore, people thought that Walmart would need more staff, which would influence the prices of the products, meaning they would become more expensive. And since Walmart's service did not attract and satisfy German customers, the higher amounts of money spent on staff did not compensate it (Bloomberg Business 1999).

Greeters as well as baggers are examples of Walmart's rituals since they greet and pay respect to customers by offering additional services to conform the shoppers' visits (Hofstede 1997).

### **Ten-Foot Rule**

In everyday lives, Germans prefer to walk through the stores by themselves without any interruptions and if they need assistance, they ask employees for help. Nonetheless, at Walmart, employees were told to offer help to any customer within a 10 feet radius



(Hollensen 2011, p. 397). Walmart's successful and popular *Ten-Foot Rule* (Bergmann 2000) – in German it was called the *Drei-Meter-Regel* (English: Three-Meter-Rule) (Waschinski 2010) – stated, “whenever an employee comes within 10 feet of a customer, the employee should look up to the customer, greet him and ask him if he needs any help” (Ghauri & Cateora 2010, p. 577-578).

Again, in some countries appreciated, in others unappreciated: it was not a successful service in Germany as customers felt disturbed and even bothered by sales personal “delaying” their shopping habits for no good reason (Ghauri & Cateora 2010, p. 577-578). Even though they did not eliminate the *Ten-Foot Rule* in Germany, Walmart decided to commit itself to one wish German customers had: they were allowed to decide whether they want to pack their bags on their own or get them packed by an employee (Kaiser 2006).

Comparing the greeters, baggers, and the ten-foot rule incidents with Hall's cultural dimension *Space* and Hofstede's *Three Levels of Uniqueness in Mental Programming*, one understands why Germans by human nature and culture react differently to Walmart's services than Americans. They experience physical discomfort, resentment, embarrassment, or even anxiety (Hofstede & Hofstede 2005, p. 4-5) when unknown people get too close to their personal space (Hall & Hall 1990, p. 11-12). Strangers are expected to keep their distance and to not intervene with Germans performing an activity, even if it is just grocery shopping (Hofstede 1999, p. 15; Lewis 2014). Americans perceive these services as overly friendly and helpful, whereas Germans see them as intrusions into their private lives (Hall & Hall 1990, p. 11-12).

### **Morning Chants and Exercises**

To bring Walmart's philosophy to Germany, employees were asked to start their shifts by participating in chants (Emrich 2007, p. 251) and stretching exercises. Walmart intended to build morale and to encourage loyalty of its employees (Macaray 2011). This was accepted and appreciated by American employees but not by the Germans. Every morning, they were asked to repeat the cheering of the store manager: “Give me a W! W! Give me an A! A! Give me a L! L! Give me a M! M! Give me an A! A! Give me a R! R! Give me a T! T!”, “Who is the number 1? The customer! Always!”, and “WALMART! WALMART! WALMART!” (Bergmann 2000; Döcke 2006) were just some of the cheering programs. They also did stretching

exercises, which reminded the female employees of the chicken dance (German: Ententanz) (Gehrmann 2001).

Supposedly, the American staff in Germany was more enthusiastic to do the morning chants than in America (Kahn 1999). However, the German employees reacted to it in a negative way as these rituals were considered as silly, mindless, and embarrassing (Macaray 2011). In order to avoid these exercises and cheering, some of the employees pretended to stay longer in the restroom (Streitz 2006).

### Events

One further issue was the handling of events including excursions, trips, BBQ parties, summer parties, soccer matches, and many more. While American employees saw these events as a meeting with friends or family (Polke-Majewski 2006) and to get to know each other better, Germans saw these as intrusions into their private lives. They believed that they were forced to attend these events. It was unusual for Germans to meet outside the workplace with colleagues. German colleagues, who got along with each other tended to introduce them to other people as a colleague from work and not as a friend (Polke-Majewski 2006). One sales person said (as cited in Gehrmann 2011):

The permanent commendations are completely arbitrary. They created 'bad blood' among colleagues. And it was annoying, that they wanted to include the whole family. Constantly these BBQ's: if you are good, you will get sausages. The female employees find meetings and staged excitement ridiculous. We dislike the blue vests with the smiley button. It would never come to our mind to pack the customer's bags at the checkout: ergonomic madness.

Walmart not only organized events to bring its employees together, but also prepared activities for its customers, which was a new experience. This was called *Retailtainment*, the combination of retail and entertainment (Walmart 2002). Walmart organized events to paint Easter eggs, to participate in rallies, to play soccer tournaments, and to enjoy BBQ's. Also the *Single-Shopping Day* was arranged, where single customers knotted colorful ribbons on the front of their trolleys as a sign for being single and with the hope of being talked to by other singles. These events organized by a supermarket chain were completely new to German customers, who did not see the connection of the events and supermarket chain with their personal lifestyles (Knorr & Arndt 2003; Polke-Majewski 2006).

However, elderly people might have seen these events as leisure time activities to get into contact with other people (Nitt-Drießelmann 2013).

Walmart's chants (Emrich 2007, p. 251), exercise (Macaray 2011), and events (Polke-Majewski 2006) are also examples of Hofstede's cultural rituals and symbols. They include professional but also social meetings to assert themselves as well as to get to know each other better (Hofstede 1996, p. 22; Hofstede 1997).

By organizing the morning chants, exercises, as well as events, it seemed like Walmart put pressure on the employees to become one community (German: vergemeinschaftende Personalpolitik) (Gehrmann 2011) with its team-building and family-forming concept (Hall & Hall 1990, p. 144-145). German employees were not used to meet outside their workplace, whether it was an invitation to a dinner party or an excursion abroad (Hall & Hall 1990, p. 144-145). Walmart's overall aim for its employees was to get to know each other's personal lives, hobbies, and interests (Gehrmann 2011).

### 5.3.2. Economical and Legal Differences

#### Acquisition: Wertkauf and Interspar

By choosing acquisition as the entry mode, Walmart aimed to compete with retailers already operating in Germany (Streitz 2006). This strategy seemed to be very promising owing to Walmart's overall size, worldwide reputation, and growing wealth as Walmart Germany wanted to build up familiarity while maintaining the old appearance of the stores. Over time, as the local management observed the competition, Walmart began to redesign the acquired stores to look more *walmartised* (Hayden et al. 2002). Customers immediately noticed multiple changes of the Wertkauf stores before and after the acquisition (Kahn 1999): lower prices, roomier aisles, and more friendly staff (Bloomberg Business 1999). For example, the aisles offering vegetables had become 6 meters wide (Gehrmann 2001). But some customers referred to the aisles as a labyrinth, where they felt lost (Waschinski 2010).

During the 1990's and the early 2000's, the German retail landscape underwent major changes driven by the increased number of store square meters from 78 million in 1990 to 117 million in 2005. This led to an increase in demand for a larger range of products, a shorter distance to the next store, a rising demand for one-stop-shop concepts, a increasing number of retailers, and new opportunities for interested and existing retailers (Nitt-Drießelmann 2013).

Furthermore, Americans have always been used to bigger supermarkets with wider aisles and larger products, which were uncommon in Germany, where everything is preferably kept smaller (Hall & Hall 1990, p. 39-41).

Wertkauf was only located in the southwest of Germany, which did not give Walmart the opportunity to spread out throughout the whole country. As a consequence, Interspar stores were also acquired, which were smaller and less sophisticated than the Wertkauf stores (Kahn 1999). With this second acquisition, Walmart wanted to get a broader foothold in the retailing industry, which seemed to be achievable (Knorr & Arndt 2003). The integration of the Wertkauf and Interspar stores was more problematic than expected due to different business cultures. Wertkauf was extremely centralized with the head office making all decisions, whereas Interspar was decentralized with independent regional units (Ghauri & Cateora 2010,

p. 574-577). In addition, Wertkauf stores were larger than Interspar stores and sold only food and general merchandise products.

However, the acquisition of Interspar harmed Walmart's reputation, as it was one of the weakest retailers in Germany. It had only a small product range, worrying store conditions, and terrible locations (Knorr & Arndt 2003). Walmart's acquisition of the Interspar chain also included the obligation to keep 200 employees, who proved to be poorly trained. Accordingly, the retailer faced high renovation, relocation and training costs, as its aim was to change customer perceptions of the previous stores and staff (Ghauri & Cateora 2010, p. 82, 574-575).

Half of the Interspar stores had been bought by Spar in 1995, just two years before they were sold on to Wertkauf. By then, retailers such as the Swiss chain COOP and the French chain Promodés had tried to be profitable with the Interspar stores, but ended up with high losses and sold them on (Brueck et al. 2006). This underlines how complex it was to run them profitably. Buying additional stores also became difficult when Metro as major competitor immediately stepped up and bought Allkauf and Kriegbaum in 1998 before Walmart even got the chance to buy these itself (Brueck et al. 2006). The competitors feared that Walmart's reputation from other markets, where the rivals immediately lost 5-17% on sales after Walmart's entry into the market, would also come true in Germany (Ireland et al. 2011, p. 125).

In September 1999, Walmart began stocking the stores with a new and revamped selection of merchandise. Half of the stores were renovated by the end of 2000 (Walmart 2001). Renovation costs were around 5 times higher than estimated because of uninviting, small, overcrowded, or poorly located stores (Ghauri & Cateora 2010, p. 82). The retailer spent around \$150 million only on a renovation program (Ghauri and Cateora 2010, p. 575) to bring the Interspar stores up to Walmart's standards (Knorr & Arndt 2003).

Comparing the sales areas of Walmart with Real and Aldi in 2003, Walmart had 718,000 square meters and an annual turnover of €2,7 billion, surpassed by Real with €2,8 billion but only 500,000 square meters. The most successful discounter at that time was Aldi, which had 560,000 square meters, but a revenue of €4,5 billion. Therefore, Walmart lagged considerably in sales per square meters (Remmert 2006).

One could think that this type of strategy was not the right one for Walmart's market entry choice. However, at that time, the German government rejected new licenses for grocery retailing. Hence, if companies wanted to enter the Germany, retailers like Walmart had to choose acquisitions as an entry mode (Ghauri & Cateora 2010, p. 575).

The Head of Walmart International, John Menzer, said in 2000: "the challenge of putting the two chains together was more than we thought. We know Interspar was losing money and we had to turn it around. We had to reconstruct it and lose more money before it could turn around" (as cited in Ghauri & Cateora 2010, p. 575).

### **Shopping Hours**

At the time of the acquisition, the German retail industry was highly and strictly regulated, which was one of the main consequences for its slow development (Ghauri & Cateora 2010, p. 576). German businesses and stores have never been legally allowed to set their preferred opening and closing hours as a result of strict regulations (Business Culture 2014) to protect the owners of small stores with a low number of employees, to give workers enough time off, and to protect personnel from big competitors with a larger number of employees allowing them to remain open longer (Hall & Hall 1990, p. 70). According to this *Blue Law*, the opening hours were restricted as follows (as cited in Grünhagen & Mittelstaedt 2011):

Since 1956, except for convenience stores in railroad stations, airports or gas stations, no supermarket, bakery, boutique or department store had been allowed to stay open past 6.30 p.m. on any weekday except Thursday, when closing times were extended to 8.30 p.m. On Saturdays, except for the four before Christmas and the first of every month, stores had to close by 2 p.m., and shopping on Sundays was and still is almost completely prohibited.

In the words of Grünhagen and Mittelstaedt (2011): "on 1 November 1996, Germany's new trading time legislation went into effect, expanding the country's rigid store hours during weekday evening hours and on Saturdays. This re-organization of retailing hours is considered a key indicator for the country's overall economic deregulation efforts."

Since 1996, the year of the acquisition, stores were allowed to open for a maximum of 80 hours per week. They were still prohibited to open on Sundays and on holidays except for

bakeries and gas stations (Business Culture 2014). Comparing the country's opening hours to UK's 168 hours, Netherlands' 96 hours, Spain's 144 hours, and France's 144 hours, Germany was and still is by far the country with the shortest opening hours of all major European markets (EuroCommerce 2014; Knorr & Arndt 2003; Wedel & Zerbe 1999).

As a result, during the time of Walmart's presence in Germany, these regulations on shopping hours were problematic features for the American retailer as it mainly operates as a 24/7 store (Wedel & Zerbe 1999). However, Walmart Germany insisted on opening its doors at 7 in the morning and closing at 8 in the evening (Walmart 2000a; Wedel & Zerbe 1999).

Nowadays, the German federal *Shop Closing Law* (German: *Ladenschlussgesetz*) and regulations set by different states regulate opening hours, permitting retailers to open before 7 a.m. and close latest at 10 p.m. from Monday to Saturday. This is not just beneficial to retailers, as their sales have increased over the last decades, but also customers prefer longer opening hours as they now have more time to do their grocery shopping: back in the 1990's, some workers were not able to go shopping during the week as their working shifts correlated with the opening hours of the retailers (Business Culture 2014).

**Table 10: Germany's Store Opening Hours (1996, 2003, 2014)**

Year	Monday to Friday	Saturday	Sunday	Max. Hours per Week
1996	06:00 – 18:30	06:00 – 14:00	Closed	~ 72
2003	06:00 – 20:00	06:00 – 16:00	Closed	~ 80
2014	06:00 – 22:00	06:00 – 20:00	Closed	~ 94

(Representation based on EuroCommerce 201; Grünhagen & Mittelstaedt 2011; Knorr & Arndt 2003; Wedel & Zerbe 1999)

### Low Returns

While the retail industry in other European countries like the UK benefited from margins of 6% or more, the German market only yielded 0.5 to 2% on their products (Grabitz & Seidel 2006). The Marketing Manager of Germany's biggest market research institute *Gesellschaft für Konsumforschung* said, "the margins are the lowest in Europe, and the market is very competitive, which is anything but tempting" (as cited in Grabitz & Seidel 2006).

The low profit margins affected the pricing strategies of retailers: an increase in price wars, a stronger competition among retailers, especially discounters like Aldi, Lidl, Metro, and Walmart, and price-sensitive German customers were spoiled by Germany's low profit margins. Therefore, Walmart had two options for growth: firstly, intensive predatory competition, or secondly, more acquisitions of other retailers (Pioch et al. 2008).

### Legal Issues

As mentioned in Hofstede's cultural dimension *Uncertainty Avoidance*, the stronger the degree of UA, the more the country is trying to avoid uncertainty by creating strict regulations and explicit guidelines (Hollensen 2011, p. 245-246). As Germany is rated higher on this dimension than the USA (Schram et al. 2010), Germans prefer more formal rules, fixed patterns in life (Hofstede 1997; Hollensen 2011, p. 245), dislike people, who ignore signs and guidelines (Hall & Hall 1990, p. 43-44), and demand more safety and security measures (Hofstede & Hofstede 2011a) to avoid ambiguous situations and unfamiliar risks (Hofstede 1997). Americans, on the other hand, refuse strict regulations and formal instructions in the workplace (Schram et al. 2010). Therefore, it is not surprising that Walmart faced tighter rules and regulations than they knew from the USA. Instead of abiding to German law, Walmart repeatedly violated several rules (for Walmart's international legal issues, please see Appendix 7).

The American retailer was accused of having violated the *Act Against Restraints of Competition* (German: Gesetz gegen Wettbewerbsbeschränkungen) and the *Commercial Act* (German: Handelsgesetzbuch) in Germany (Ghauri & Cateora 2010, p. 577).

The *Act Against Restraints of Competition* prohibits businesses with higher market shares from decreasing their prices aggressively and participating in price wars with smaller firms. Larger businesses may only decrease prices when providing proof for the lower prices (Ghauri & Cateora 2010, p. 577). The *Unfair Competition Act* also prohibits unfair advertising (Miles 2014).

In May 2000, Walmart had decreased the prices of sugar, milk, and margarine below the cost at which it had bought these commodities. Other retailers like Aldi and Lidl followed this strategic move and cut their prices too. As the price war among these retailers continued for another four months, the German Federal Cartel Office (FCO) started an investigation in



order to stop the price war, to protect smaller and medium-sized competitors, and to avoid unfair competition (Ghauri & Cateora 2010, p. 577). In response to the FCO's command, Walmart took the case to the Appeals Court in Düsseldorf, which ruled in favor of the American retailer, as "Walmart could not be considered as a big player in Germany as it did not have a considerable market share nor market capitalisation" (Ghauri & Cateora 2010, p. 577).

As a result, "the FCO took the case further up to the Supreme Court to argue against the verdict of the Appeals Court. In November 2002, the German Supreme Court gave its verdict, declaring that Walmart's selling goods at prices below cost price would result in unfair competition against small and medium-sized retailers and that Walmart should abandon its pricing strategies" (Ghauri & Cateora 2010, p. 577).

The retailer was also accused of violating the *Commercial Act* (Ghauri & Cateora 2010, p. 577) since it did not want to publish an annual report or other financial information (Erlinger 2004). Aldi, in comparison, published as many statistics and facts as possible. It seemed as if they were addicted to the publicity (Welt Online 2003a).

The secretive behavior of Walmart caused the trade union to file a suit against the retailer in the state court, as it refused to hand over annual reports and other financial information from the years 1999 and 2000. As a result, the court charged three Senior Executives of Walmart with a fine of €10,000 each for not publishing this type of data (Welt Online 2003a).

As a response to the allegations, Walmart representatives claimed that they were not expected to publish financial accounts due to a limited partnership. However, under German commercial code even limited partnership companies were expected to publish these accounts (Ghauri & Cateora 2010, p. 577). In consequence, "in November 2002, Walmart filed a suit in the German Supreme Court against the verdict of the state court, asking it to delay the state court's decision until the European Court of Justice came out with its decision on disclosure provisions by foreign companies" (Ghauri & Cateora 2010, p. 577).

The American company was also accused of violating the container deposit law of Germany (Emrich 2007, p. 250), as the country demands high standards concerning recycling (Hall & Hall 1990, p. 45). The customers receive money from Walmart for returning PET-bottles or cans, but Walmart gave back money without customers returning any PET-bottles (Emrich 2007, p. 250). One of the Walmart stores located in Berlin was sentenced to have infringed

against the law on competition (UWG § 1) and the law on packaging. As a consequence, Walmart was fined €250,000 by the Provincial Court in Berlin (Welt Online 2003b).

Since Walmart did not collect the reusable cans and return them to its suppliers, these made large losses and also sued Walmart. For example, its supplier Schmalbach-Lubeca made a loss of €20 million only in December 2002 (Welt Online 2003b).

Walmart also tried to discourage employees from joining unions to avoid labor negotiations or strikes. Employee representatives were chosen to stand up for the employees. However, they were seldom called in for discussions and negotiations (Ghauri & Cateora 2010, p. 575). Additionally, German employees were not allowed to date colleagues with high positions, to make any compliments, or to flirt with each other (Hollensen 2011, p. 397; Welt Online 2005a).

These restrictions harmed Walmart's image as an employer and reflected the American concern with the prevention of sexual harassment in the workplace and political correctness. Over time, codes of conduct were introduced in many US companies including Walmart in order to avoid any legal issue caused by inappropriate employees' behavior and relationships (Wirtschaftswoche 2005). In 2005, Walmart attached a 33-page code of conduct to the February paychecks of the 12,500 German employees (Welt Online 2005a) with guidelines on ethics, which "forced employees to adhere to rules about behavior and their private and sexual relationships" (Darsow 2005). The code of conduct encompassed clauses like "you cannot go out or enter a love relationship with someone if this could influence the working conditions of the person involved" and "any kind of communication that could be interpreted as sexual was banned, as were lustful looks and sexually offensive jokes" (Darsow 2005).

If anyone attempted to break or already broke these rules, Walmart introduced an ethics-hotline for employees to inform the management about this occurrence (Döcke 2006). However, this hotline violated the right of co-determination according to Art. 87 paragraph 1 numbers 1 and 6 (3) of the Works Constitution Act (German: Betriebsverfassungsgesetz) (Darsow 2005).

One month after the introduction of the code of conduct, the German employees filed a lawsuit against Walmart Germany and the Local Labor Court ruled in favor of the employees. "The clause to regulate the love life of the employees was judged to violate the personal rights of the employees, particularly the personal freedom guaranteed [...]" (Darsow 2005).

The management of Walmart Germany also threatened its employees to close down stores if they were not willing to work longer hours than stated in their contracts (Hollensen 2011, p. 397).

By firing employees and closing stores, Walmart aimed to reduce personnel costs in 2002. It also refused to agree to the centralized wage-bargaining procedure in the retail industry in Germany, where the wages of all companies in a specific industry are determined. As a result, the trade unions planned a walkout from Walmart stores leading to bad publicity for the retailer. Moreover, Walmart's staff organized a two-day strike in July 2002 for new wage contracts with the firm (Ghauri & Cateora 2010, p. 577).

Furthermore, threats were spoken out loud when employees did not allow video recordings of their work (Hollensen 2011, p. 397). Hence, Walmart experienced additional conflicts with the German union (Hollensen 2011, p. 397). As described in Hofstede's Power Distance, Germans absolutely dislike to be video recorded while working, as it gives them the feeling of being controlled (Hofstede & Hofstede 2011e). Even though most businesses use video recordings to protect their employees and to avoid thefts, the staff often thinks that they are carefully watched and put under pressure to work efficiently and to avoid mistakes (Mark 2013; Seidler 2001).

### **5.3.3. Managerial Differences**

#### **Changes in Positions and Business Language: CEO's and Managers**

Americans and other English native speaking countries tend to show little interest in learning foreign languages, as English is the mostly used and known language around the world (Hofstede & Hofstede 2005, p. 327-328), and is usually “accepted as the common medium for all forms of communication abroad” (Miles 2014).

Many executives take jobs abroad for a limited time, which is not long enough to learn a foreign language. Without knowing the language of the foreign country, it is more difficult for them to integrate themselves into the foreign society (Hall & Hall 1990, p. 172). However, research has shown that Americans would be more successful and get along better internationally, if they were able to speak more languages to avoid misunderstandings and misbehaviors (Hall & Hall 1990, p. 51), as many Germans have the ability of speaking at least one other language such as French, Italian, or Spanish (Hofstede 1996, p. 240; Miles 2014).

From my family's and my personal experience, it is uncommon for German salespeople at supermarkets to speak other languages than German. Only a few are able to speak English, and if so, it is equivalent to school English and not business-like English. Reasons for this could be a low level of education and an unwillingness to learn foreign languages due to low salaries, low responsibility, and low empowerment as a sales person. In neighboring countries like Switzerland, where wages are higher and also education plays a more important role, most sales persons speak at least two languages (possibly German and English), sometimes even four including French and Italian. Comparing the wages of a sales person in Germany, Austria, and Switzerland in 2014, a German earns about €22,000 per year, an Austrian around €20,000, and a Swiss approximately €48,500. (Lohn Analyse 2015)

Walmart thought that it would be enough to hire 2<sup>nd</sup> or even 3<sup>rd</sup> class CEO's and managers for its operation in Germany. At the beginning of its entry, Walmart chose the 38-year-old American district manager Ron Tiarks to become the new CEO of Walmart Germany (Hirn 2002). Tiarks was a senior vice president, who supervised 200 American supermarkets from Walmart's headquarter in Arkansas (Knorr & Arndt 2003). The first problems occurred, as Tiarks and his American management staff were not able to speak a word in German, and were also not willing to learn the language (Emrich 2007, p. 250; Ghauri & Cateora 2010

p. 577). Consequently, he insisted that the business and official language was English. This caused severe communication problems among the German staff as they had difficulties speaking and understanding the language. They quickly felt like outsiders and became gradually unsatisfied with their jobs (Ghauri & Cateora 2010, p. 577).

Tiarks remained CEO for only three years because of his inexperience and ignorance, his new tasks as well as the new market immediately overwhelmed him. One of his very first demands on his employees was to quickly open 500 stores within the country (Hirn 2002). He also ignored all strategic advices given by former Wertkauf executives regarding the legal and institutional framework of the retail market, which caused many of them to leave the company within six months (Knorr & Arndt 2003). Moreover, he believed that it would be enough to only acquire Wertkauf stores as a foothold into Germany (Goy 2003). Hence, was the acquisition of Interspar stores then just a panic reaction? As Hofstede's cultural dimension *Time Perspective* with LTO said "Americans prefer solving problems quickly, which causes them to take actions relevant to present times and to plan more short-term oriented" (as cited in Hall & Hall 1990, p. 17). This is why the interest of Walmart in two German chains Norma and Metro was speculated. Some newspapers like the *Lebensmittel Zeitung* published in 2005 that the American retailer aimed to acquire Norma with its 1,300 stores in order to strengthen its weak position in the German retailing industry (*Handelsblatt* 2005). Just five years earlier, newspapers also claimed the possible acquisition of Metro, which was denied by Metro's spokesperson (*Handelsblatt* 2000b).

As soon as Walmart decided to acquire Asda in the UK, Tiarks was sent back to the US and quickly replaced by the 43 year old Englishman Allan Leighton in May 2000, who had previously been in charge of Asda in Britain (Hirn 2002). However, he also did not speak German and tried to run Walmart Germany from abroad, namely Leeds, England (Hollensen 2011, p. 397). Leighton occasionally made his way to Wuppertal, Germany, where the new headquarter was moved to. Leighton was a successful businessman in the British market but had no experience within the German market. He underestimated Germany by promoting the opening of further 50 stores within three years in July 2000 (Hirn 2002). Ultimately, Walmart only opened two further stores and Leighton's employment contract ended already after 9 months (*Wirtschaftswoche* 2006b).

Leighton was followed by Volker Barth as interim CEO – the first German and a previous Wertkauf executive (Knorr & Arndt 2003) – who was a hard working manager but not a strategist and integrator (Ghauri & Cateora 2010, p. 82). He said: “we made mistakes but one mistake we never made was to underestimate the German market” (as cited in Ghauri & Cateora 2010, p. 82). Barth expected to become the new CEO of Walmart Germany after Leighton, but soon afterwards Dr. Kay Hafner got the position on the 1<sup>st</sup> of May 2001. Shocked by Walmart’s decision, Volker Barth left Walmart in December 2001. Hafner had only experience with small kiosks and gas stations (Lekkerland-Tobaccoland), which are quite different from big supermarkets (Hirn 2002). During his four years of employment, Hafner tried to rapidly decrease costs in every possible way from firing employees to closing a larger number of stores (Hirn 2002). In 2003, he initiated an absolute hiring freeze (Wirtschaftswoche 2006b).

After two Germans, Walmart hired the 50-year-old Englishman David Wild as the new CEO in 2004. Wild had formerly been the CEO of Tesco for 18 years. He disappointed the German customers by offering organic meat, which was back then frowned upon, and seen as products at higher prices (Landler 2006).

Wild was the only foreign CEO, who was willing to learn the German language. Nevertheless, he stated that “the fact, that I am not a German and do not speak German fluently, does not mean that I do not understand what the German customer wants” (as cited in Kaiser 2006). He then ended the interview by saying “we are a business enterprise and want to make profits in Germany. This we will also achieve. You can count on that” (as cited in Streitz 2006).

American businesses dislike waiting times and, therefore, aim to receive quick results (Hall & Hall 1990, p. 140-141) by taking actions to present times and by planning short-oriented, which may be the reason for Walmart Germany’s multiple changes in head positions in just nine years (Hall & Hall 1990, p. 17). Their employment contracts and terminations are also a lot shorter compared to Germany (Grabitz & Seidel 2006).

By human nature, one can understand why German employees felt uncertain about their future and, consequently, many decided to quit, as not only did the CEO change repeatedly, but the management team was also exchanged multiple times. Whether it is in their personal lives or in the professional path, Germans aim to avoid as many changes as possible, as most of the times they are negatively reflected, which was described in Hofstede’s cultural

dimensions of UA and LTO (Hall & Hall 1990 p. 35; Hofstede & Hofstede 2011a; Schram et al. 2010). Germans reflect the saying *what is different, is dangerous* (Hofstede 1997), which fits to their fear of unstructured situations and unfamiliar risks (Hofstede & Hofstede 2011a).

### **German Headquarter: from Karlsruhe to Wuppertal**

After its decision to move its German headquarter from Karlsruhe, where Wertkauf's headquarter was located, to Wuppertal, Walmart faced problems with German employees. During this transformational change, the company asked its staff of 463 people to follow, but only 100 agreed to it (Kahn 1999). This was possibly a result of Walmart's reputation of paying low salaries, providing of bad working conditions, and sticking to the American management style (Dowd 2006). Furthermore, Germans preferred staying within the same area, even hometown (Hall & Hall 1990, p. 11-12). Referring to the low salaries, back in the days when Walmart opened its first store in Rogers, it paid its sales persons only half of the statutory minimum wage, a fact, which stayed in the minds of employees worldwide (Bergmann 2000).

When the retailer was not doing as well as it thought it would and decided to move its headquarter, one of the main reasons might have been losing people in order to lower costs (Bergmann 2000). However, the relocation of the headquarter could have been misunderstood by the German population including experts, customers, competitors, and employees. While in America, a change is referred to as a quick reaction to problem solving (Schram et al. 2010), in Germany it is interpreted negatively and proves that something is going wrong (Hall & Hall 1990, p. 35). Germans feel uncomfortable in unstructured situations (Hofstede & Hofstede 2011a), and the relocation of the headquarter was just another example for causing customers and employees to worry about the future.

### Competitive German Market

Focusing on the competitive German market, other American retailers such as ToysRUs and Staples (Bergmann 2000) as well as European retailers like Britain's Marks & Spencer, and France's Carrefour and Intermarché have failed to proficiently operate in Germany (Grabitz & Seidel 2006). They all exited the market with substantial losses. For example, Intermarché acquired Interspar supermarkets but after poor results, it sold a part of its operation to Walmart in 1997 (Grabitz & Seidel 2006).

Interestingly, other retailers like Britain's Tesco and Netherland's Ahold did not even try to enter the country: "we do not plan to enter the German market" was stated by a Tesco spokesman, and "the German market is tabu. It is better to invest into developing Easter European countries" by another Anhold spokesperson (as cited in Grabitz & Seidel 2006). Their main argument for not trying to enter the market was that the German retail industry had suffered six years of flat sales in the 1990's as a result of price wars, profit margins below 1% on groceries, high labor costs, short opening hours, and strict regulations (Kahn 1999). These are all factors, which make the German retailing industry so complex and difficult: for some global competitors it might be threatening, to others challenging.

Facing a flat economy, a competitive retailing market, a low market share, a price sensitive target market, and large losses, Walmart's management still wanted to increase the number of stores to more than 150 by 2003, but quickly realized that Walmart Germany was only making profits in two of its 95 stores (Welt Online 2003a).

As a result, Walmart began to shut down stores (Welt Online 2003a) – in 2006, 85 of the originally 95 stores were left (Kaiser 2006) –, remodeled three stores, and fired more than 1,000 employees (Knorr & Arndt 2003). Low profits and higher wages compared to the USA, ended in additional dismissals (Gehrmann 2001).

Walmart also drastically decreased prices on about 1,500 lines of products by an average of 20% (Bloomberg Business 1999). For example, the prices of vacuum cleaners were reduced by 17%, male stockings by 20%, and white chocolates by 18% (Manager Magazin 2000).

No surprise that these price decreases boosted German retailer competition even more (Bloomberg Business 1999). Aldi reacted to this strategy with a 25% reduction on many products (Handelsblatt 2000a). Lidl answered to Walmart's price attack with a different strategy: the performance is not so much influenced by a few prices, but rather by freshness,



safety, and quality of food (Handelsblatt 2001). Edeka responded, “the prices Walmart offers are not lower than ours,” Real also decreased prices of approximately 3,000 products, and Rewe even copied Walmart’s slogan “Jeden Tag Tiefpreise” (English: Every day budget prices) (Ghauri & Cateora 2010, p. 575).

In 2000, the chief executive of the association of retailers (German: Hauptverbandes des deutschen Einzelhandels) said, “it highly surprises me that the gentlemen at Wal-Mart cannot think of anything better than to decline prices” (Handelsblatt 2001).

One year after, Walmart also tried to introduce its private labels called *Smart Price* and *Great Value* with products available at even lower prices. However, this label ended in another failure, as customers did not respond to the 250 Great Value and to the 120 Smart Price products (Walmart 2002).

Results of numerous surveys authorized by newspapers or conducted by the highly respected consumer protection agency *Stiftung Warentest* and by *Gesellschaft für Konsumforschung* exposed Walmart’s EDLP value proposition as an empty promise (Knorr & Arndt 2003), as they proved that the retailers’ prices were never lower than those of its competitors (Lachmann 2005). Walmart even published advertisements presenting products, which were not part of its competitors’ assortment just to manipulate their sales and to stand out as superior (Brueck et al. 2006).

The American retailer was also not able to deliver excellent service to its customers as the result of customer feedback showed (Table 11). Walmart was only just or even below average of overall consumer satisfaction. This low satisfaction result was impacted by the fact that Walmart only advertised its low prices. However, German customers being very price sensitive were already used to low prices, as a large number of retail discounters already existed in Germany. Walmart presented its low prices as *revolutionary* and *new*, but it was not innovatory to Germans (Knorr & Arndt 2003).

**Table 11: Germany's Top Retailers – Customer Satisfaction (2003)**

<b>Ranking</b>	<b>Company</b>	<b>Satisfaction Index (max. 100)</b>
1	Aldi	73.5
2	Globus	71.4
3	Kaufland	71.0
4	Lidl	69.1
5	Norma	68.5
6	Marktkauf	67.0
<b>7</b>	<b>Walmart</b>	<b>64.4</b>
8	Metro	64.0
9	Penny	63.3
10	Real	62.5

(Representation based on Ghauri & Cateora 2010, p. 579; Knorr & Arndt 2003)

After the poorly rated customer satisfaction feedback, Walmart announced that it would not look for further acquisitions but rather concentrate on stabilizing its position. It wanted to focus on the performance and on improvements of existing stores (Ghauri & Cateora 2010, p. 579). In December 2002, the head of Walmart International, John Menzer, admitted (as cited in Ghauri & Cateora 2010, p. 573), “we screwed up in Germany. Our biggest mistake was putting our name up before we had the service and low prices. People were disappointed.”

And a spokeswoman for Walmart stated in July 2006 (as cited in Landler 2006), “we put a good effort into the country, but as we looked at our competitive environment here, we realized it was going to be hard to achieve the results we expected.”

### **Lack of Strong Vendor Relations**

A key component of Walmart's success in the US was its proficient supply chain and strong vendor relations (Ghauri & Cateora 2010, p. 576). “Apart from following the strategy of selling products at a lower cost, Wal-Mart followed several practices unique in the USA to emerge as the leader. It developed a strategy where it did not allow retailers any control over its merchandise. It limited the percentage of merchandise that it sourced from a single

supplier to have a good bargaining power over them” (Ghauri & Cateora 2014, p. 459). The company did not understand that suppliers followed different customer strategies in Germany and in the United States (Ghauri & Cateora 2010, p. 576):

Unlike in the US, where the company and its suppliers were accustomed to centralized distribution, in Germany suppliers were not comfortable with the centralized distribution system that Walmart adopted. As in the US, Walmart in Germany wanted to rely on inputs from suppliers in order to decide on product assortments. However, in Germany, Walmart’s relationship with its suppliers was not mature enough to make this possible. Thus, Walmart ended up trying to sell goods which its customers did not want but which suppliers wanted to push.

Walmart wanted to control the distribution to the stores rather than leave control to suppliers. The result was chaotic, as ordered goods did not arrive on time or at all on the shelves. On the other hand, products not ordered were delivered in mass. In some regions, Walmart had to rent space to store unwanted products (Hirn 2002). “Out-of-stock rates were sometimes up to 20 per cent, compared to a 7 per cent average for the industry” (Ghauri & Cateora 2010, p. 82). This can be seen as a clear management mistake.

As a result of the low wages and bad working conditions Walmart offered (Dowideit 2006), it was difficult for Walmart to find enough qualified staff (Bergmann 2000). Trucks stood for hours at the ramps without being emptied due to the low number of employees (Bergmann 2000).

### **IT-System**

In an interview, the last CEO of Walmart Germany, David Wild, was asked in 2006, which grievances Walmart Germany had already tried to eliminate. He answered that it had all started with the IT-System, which they had for many years in other markets but did not get under control in Germany. The IT-System was to coordinate the ordering and the availability of products. When accurately functioning, Walmart could have reacted to the quantities sold to consumers and to the ones produced by producers, as well as passed information on to manufactures about the purchasing habits of customers. This is why occasionally employees were standing in front of piles of toilet paper, which were supposed to fit into the stock rooms (Kaiser 2006). Or sometimes customers were standing in front of empty shelves because the

ordering and the availability of products were not correctly processed by the IT-system (Brueck et al. 2006). It took until 2003 for the IT system to work properly (Kaiser 2006).

### **Product Range**

As already mentioned in the section of *Political and Legal Factors*, American businesses including Walmart should assure themselves that they are aware of the standards of their products as well as attain timely testing and certification of their offerings to avoid any problematic or rule-breaking occurrences (Export Government 2015).

Walmart is known for offering a very broad range of non-food products, and as being present in many different sectors such as household goods, cosmetics and toiletries, shoes, books and magazines, clothing, sport equipment, and toys. It also offers pharmaceuticals, automotive repair shops, jewelry, photo finishing, travel agencies, and gardening services. One can say that Walmart not only matures its stores territorially but also physically. This is completely new to German customers, who have had only experience with one shop offering products from one particular sector. In rare cases, one shop provided complementary products such as coffee and coffee machines (Hayden et al. 2002).

For some of the products Walmart offered American sizes, but these products did not satisfy and meet the expectations of customers. As already described by Hall's cultural dimension of *space*, overall American scales are perceived a lot bigger than Germans. It starts from larger houses and supermarkets and ends with different sizes of products (Hall & Hall 1990, p. 142). While in the USA it is normal to be offered a 1-gallon (German: 3.8 liter) bottle of milk (Walmart 2015b), in Germany its more common to buy a 1-liter bottle of milk (Lidl 2015b). Referring to an example of Walmart, the sizes of American pillowcases are different from the traditional sizes of German pillowcases (Kaiser 2006). Apple juice was offered in a 5-liter bottle but was rarely to never sold (Von Schlautmann 2004).

Not only do the sizes vary internationally, but also color preferences may vary within one single country: the northern part of Germany prefers different colors of products than the southern part. The Trade Specialist from Ernst & Young Thomas Harms said "this is not even an international problem: already in North-Germany, other colors are better sold than in the south, it is necessary to respond according to these differences in preferences" (as cited in Grabitz & Seidel 2006).

As a result, Walmart Germany ended up with huge stocks of unsold products (Kaiser 2006). American customers were also used to buy packaged meat and therefore, Walmart Germany only offered meat in packaging to its customers. However, at the time of Walmart's presence in Germany, customers preferred freshly cut meat from the butcher. The sizes of this packaged meat were also too large for the German customer (Barbaro & Landler 2006).

### **Marketing**

Marketing was defined by the American Marketing Association (AMA) as “the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives” (as cited in Emrich 2007, p. 9).

German interests and tastes vary from city to city due to the country's decentralization and heterogeneity. As a result, market strategies will only be successful when the American companies are aware of regional differences (Export Government 2015). “Experienced representation is a major asset to any market strategy, given that the primary competitors for more American products are domestic firms with established presence” (Export Government 2015). Therefore, American firms need to adapt to German consumers, who might need time to alter their purchasing habits as they have a strong identification with national products, which they consider of high quality and long lasting. In general, it is very important for American businesses to invest into marketing campaigns in order to impress German customers with quality, performance, endurance, and information about the company and its products (Hall & Hall 1990, p. 82).

Walmart wanted to create a brand image through large promotion spending on TV commercials and newspaper advertisements by presenting its stores, employees, and revolutionary strategy (Hayden et al. 2002). It also used posters and leaflets showing products and prices of Walmart and its competitors (Lachmann 2005). Sometimes, it also mentioned partnerships and co-branding with McDonalds restaurants, which were located in some of its stores (Hayden et al. 2002).

Germans strongly react to TV commercials, which are one of the most expensive communication channels and, therefore, caused Walmart to spend large amounts of money on

TV commercials (Hirn 2002). However, as Walmart supermarkets were only located outside city centers, around 80% of TV watchers had no Walmart close to their homes (Brueck 2006), which was a huge disadvantage compared to Walmart's rivals and which made TV campaigns inefficient and ineffective (Hirn 2002).

According to Knorr and Arndt (2003), end consumers are defined as small, immobile, and uniformed (see 2.1.2.1. *Characteristics of Retailers*). All these three characterize German customers, but particularly *immobile* is important in the context of marketing. Larger stores with a broader range of products – like Walmart – are mostly placed in suburban areas as larger spaces are available and rental fees per square meter are lower (Nitt-Drießelmann 2013). German customers were unable to and, mostly, unwilling to travel far for their small grocery purchases (Brueck 2006). In fact, many small supermarkets and convenience stores exist in Germany so that customers can take their bikes or even go by foot to do their shopping. Most German villages and cities have a shopping street or mall, where multiple grocery stores are located (Frost & Hubschmid 2015).

### Handling of Customers

When Walmart opened a new supercenter in Mannheim, Germany, customers were making a new experience as they had space to walk around, were offered freshly baked bagels, and were provided with free shopping bags. These services were appreciated, but many other services were not. For example, the supercenter located in Sankt Pauli (Hamburg, Germany) was as big as a soccer field and had the appeal of a bunker. It was a store offering everything from ice cubes to dishwashers, but organized in a strange order, as for example, the milk was placed 50 meters away from the yogurt (Bergmann 2000). In a normal German supermarket, these two products are located close to each other as they belong to the same product category, namely dairy products. While German customers expect a close location of milk and yogurt, Walmart had difficulties meeting these expectations due to its large product range and the wide spaces of Walmart's supercenters (Bergmann 2000).

The supercenter located in Oststeinbek (Schleswig-Holstein, Germany) was twice as big as the Sankt Pauli one and appeared to be even more *walmartised* than any other Walmart store in Germany. Its store manager greeted every employee by shaking hands and offered the so-called *Dutzen* to his 550 employees. When customers noticed this, they were confused and

irritated by these gestures and saw it as a time wasting and inappropriate gesture (Bergmann 2000).

The *manager greeter* is a good example for Hofstede's *Power Distance* and *Individualism* due to America's dislike of gaps between the positions of employees. They prefer a rather flat hierarchical level, as all employees should receive the same amount of appreciation and respect and they like to take care of themselves and their immediate relatives and friends (Hofstede 1997; Hofstede & Hofstede 2011a; Hollensen 2011, p. 245). Even though the German PD degree is lower compared to the USA's, a wider gap is noticeable in Germany, as the higher the position of the employee, the more appreciation and respect (s)he will receive (Schram et al. 2010). The smaller the degree of PD, the more individuals expect to take part in the organizational decision making process (Hofstede 1997; Hollensen 2011, p. 245), which Germany follows with its Co-Determination Law (Hofstede 1999, p. 268).

Also the *Dutzen* between the store manager and his employees highlighted the casualness and the routine of immediately being on first name basis even though Germans took longer to get to this point and perceived a quick *per Du* basis as rude and unpleasant (Bergmann 2000; Hall & Hall 1990, p. 48-49).

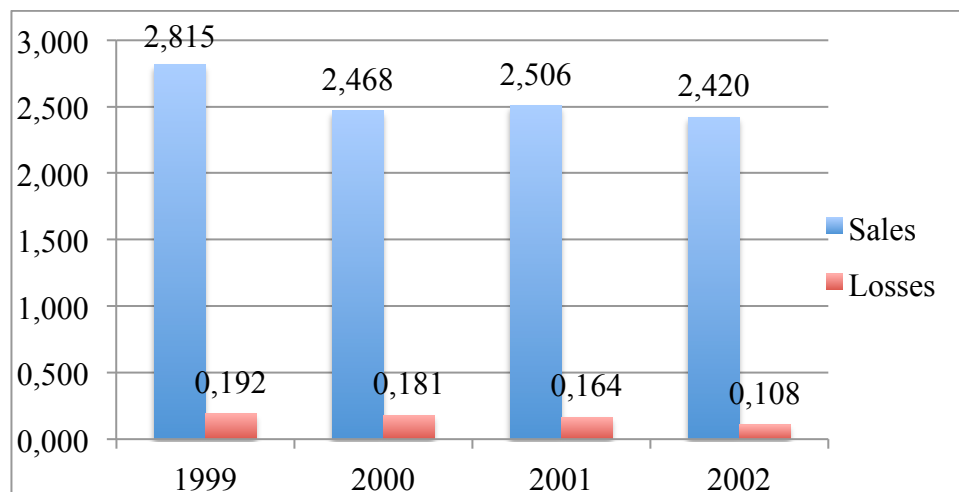
To sum up the cultural, economical, legal, and managerial differences, a Walmart spokeswoman said in July 2006 (as cited in Barbaro & Landler 2006): "it is a good, important lesson, a turning point. Germany was a good example of that naïvete. We literally bought the two chains and said, 'Hey, we are in Germany, isn't this great?'"

However, as Hofstede stated, "anybody with some international experience will be aware that all societies are unequal, but some are more unequal than others" (Hofstede & Hofstede 2005, p. 46), which shows that in some countries Walmart's concept was successful, but in others it was not. With more market research and knowledge, Walmart could have avoided some of its problems in Germany.

## 6. Metro Group's Acquisition of Walmart Germany

After a five years presence in Germany, Walmart was still not able to make an impact on the German retail industry. The company reported losses from 1999 to 2002 with a sales decrease of 5% on average (Ghauri & Cateora 2010, p. 578-579), and decided to shut down stores (Welt online 2003a), to fire employees (Knorr & Arndt 2003), and to decrease prices (Bloomberg Business 1999) in order to boost business and to cut costs. Graph 10 shows Walmart's development of sales (blue bars) and losses (red bars) in billion dollars within that time period.

**Graph 10: Walmart Germany's Sales and Losses (1999 - 2002)**



(Representation based on Ghauri & Cateora 2010, p. 578-579)

Personnel costs added up to approximately 17% of sales, which caused Walmart to also stop hiring new staff. Walmart CEO Scott remarked (as cited in Ghauri & Cateora 2010, p. 579), “We just walked in and said, ‘we’re going to lower prices, we’re going to add people to the stores, we’re going to remodel the stores because inherently that’s correct,’ and it wasn’t. We didn’t have the infrastructure to support the kind of things we were doing.”

As soon as Walmart officially announced its withdrawal from the German market (Ghauri & Cateora 2010, p. 83), the Metro Group came to the fore. After one year of negotiation (Brueck et al. 2006), Metro finally acquired the remaining 85 Walmart stores in 19 German cities (Handelsblatt 2006) for about \$1 billion in the summer of 2006 (Landler 2006). With Walmart's selling spaces between 4,000 and 22,000 square meters and staff of 11,000 people



## Metro Group's Acquisition of Walmart Germany

(Handelsblatt 2006), Metro aimed to improve the position of its weaker distribution channel Real in Germany (Hertmanni 2006) with 36,000 employees (Manager Magazin 2006). The 85 Walmart stores in addition to Real's 550 stores should strengthen its purchasing power in Germany (Schaefer 2006). "Walmart and Metro did not disclose the terms of the sale, but Walmart said it would record a pretax charge of about \$1 billion in the second quarter of fiscal 2007 to write off its German investment" (Landler 2006).

From 2004 to 2005, Real's sales decreased by 7.5% from €10,727 to €9,922 million and the EBIT drastically sank from €135 million to minus €12 million (Metro Group 2007), which showed "a disappointing development" according to the chairman of the Metro Group, Hans-Joachim Körber (Hertmanni 2006). In the year of Real's acquisition of Walmart, its sales decreased to €8,775 million, but the EBIT increased to €45 million. (Metro Group 2008)

In December 2006, half a year after the acquisition of Walmart, Körber announced that 15 out of the 85 acquired stores and Walmart's headquarter in Wuppertal would be closed, and the remaining stores would be reorganized, renovated, and transformed into Real stores by 2007 (Wirtschaftswoche 2006a).

One year after the acquisition, around 70% of the "old Walmart" stores were adapted to Real's business concept. For example, the Walmart stores were adapted according to German retailers' store format and design (Real 2015). As a result of the acquisition, Real's sales quickly increased to €11 billion but the EBIT decreased to minus €16 million in 2007 (Metro Group 2008).

### 7. Conclusion

When the American retailer entered the German retailing market, it brought along its revolutionary pricing strategy and services. While this business concept turned out to be profitable in other countries like Mexico, it did not meet the German's expectations and needs. Walmart's style and philosophy was perceived as peculiar by the German customers, employees, and competitors.

The retailer constantly remained a secondary player and underestimated the strong German competition, the relatively high wages, the influence of trade unions, and the regulations of the retailing sector. After numerous price wars, insufficient knowledge, lack of foreign market connections, differences in product usage, language and cultural differences, unsatisfied and lost customers, multiple legal issues, and an overall bad reputation due to difficult working conditions and low salaries, the second deputy chief executive officer of Walmart, Michael Duke, said that it was impossible to meet the objectives and goals also due to the difficult economical conditions within the German market (Hertmanni 2006). Walmart entered the German market "at a time when the grocery market was saturated and ten retail companies, covering 55.1% of the market, dominated a relatively fragmented grocery retail landscape" including German retail companies such as Edeka/Kupsch, which was the market leader in 1997, Metro, Rewe, Aldi, and Lidl (Pioch et al. 2008). Duke admitted that Walmart had underestimated the strong competition among discounters and the general competition within the German retail sector. Additionally, there was no point in time at which Walmart could have become the pricing leader as many discounters with low pricing strategies were already present within the market and, therefore, customers were already used to purchasing products at lower costs (Hertmanni 2006).

For nine years, Walmart tried to strengthen its position and to get a profitable foothold within the market, but it was not able to achieve the required scale to survive in the German market. The retailer suffered a total loss of \$1 billion, and accordingly, Michael Duke announced its withdrawal and Walmart sold its remaining 85 stores to the German retailer Metro Group in 2006 (Ghauri & Cateora 2010, p. 573).





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## Appendix

Appendix 1 lists differences between small and large PD degrees in regard to general norm, family, school, workplace, politics, as well as ideas. Germany and USA are both countries with smaller power distances (Schram et al. 2010).

### Appendix 1: Hofstede – Small Power Distance vs. Large Power Distance

Small Power Distance	Large Power Distance
Inequalities among people should be minimized	Inequalities among people are both expected and desired
There should be, and there is to some extent, interdependence between less and more powerful people	Less powerful people should be dependent on the more powerful ones; in practice, less powerful people are polarized between dependence and counterdependence
Parents treat children as equals	Parents teach children obedience
Children treat parents as equals	Children treat parents with respect
Teachers expect initiatives from students in class	Teachers are expected to take all initiatives in class
Teachers are experts who transfer impersonal truths	Teachers are gurus who transfer personal wisdom
Students treat teachers as equals	Students treat teachers with respect
More educated persons hold less authoritarian values than less educated persons	Both more and less educated persons show almost equally authoritarian values
Hierarchy in organizations means an inequality of roles, established for convenience	Hierarchy in organizations reflects the existential inequality between higher-ups and lower-downs
Decentralization is popular	Centralization is popular
Narrow salary range between top and bottom of organization	Wide salary range between top and bottom of organization
Subordinates expect to be consulted	Subordinates expect to be told what to do
The ideal boss is a resourceful democrat	The ideal boss is a benevolent autocrat or good father

## Appendix

Privileges and status symbols are frowned upon	Privileges and status symbols for managers are bot expected and popular
The use of power should be legitimate and is subject to criteria of good and evil	Might prevails over right: whoever holds the power is right and good
Skills, wealth, power, and status need not to go together	Skills, wealth, power, and status should go together
The middle class is large	The middle class is small
All should have equal rights	The powerful have privileges
Powerful people try to look less powerful than they are	Powerful people try to look as impressive as possible
Power is based on formal position, expertise, and ability to give rewards	Power is based on family or friends, charisma, and ability to use force
The way to change a political system is by changing the rules (evolution)	The way to change a political system is by changing the people at the top (revolution)
The use of violence in domestic politics is rare	Domestic political conflicts frequently lead to violence
Pluralist governments based on outcome of majority votes	Autocratic or oligarchic governments based on cooptation
Political spectrum shows strong center and weak right and left wings	Political spectrum, if allowed to be manifested, shows weak center and strong wings
Small income differentials in society, further reduced by the tax system	Large income differentials in society, further increased by the tax system
Prevailing religions and philosophical systems stress equality	Prevailing religions and philosophical systems stress hierarchy and stratification
Prevailing political ideologies stress and practice power sharing	Prevailing political ideologies stress and practice power struggle
Native management theories focus on role of employees	Native management theories focus on role of managers

(Representation based on Hofstede 1997)

## Appendix

The following list shows differences between weak and strong UA concerning general norm, family, school, workplace, politics, as well as ideas. The USA has a weaker UA degree, whereas Germany has a stronger UA degree (Schram et al. 2010).

### Appendix 2: Hofstede – Weak Uncertainty Avoidance vs. Strong Uncertainty Avoidance

<b>Weak Uncertainty Avoidance</b>	<b>Strong Uncertainty Avoidance</b>
Uncertainty is a normal feature of life and each day is accepted as it comes	The uncertainty inherent in life is felt as a continuous threat which must be fought
Low stress; subjective feeling of wellbeing	High stress; subjective feeling of anxiety
Aggression and emotions should not be shown	Aggression and emotions may at proper times and places be ventilated
Comfortable in ambiguous situations and with unfamiliar risks	Acceptance of familiar risks; fear of ambiguous situations and of unfamiliar risks
Lenient rules for children on what is dirty and taboo	Tight rules for children on what is dirty and taboo
What is different, is curious	What is different, is dangerous
Students comfortable with open-ended learning situations and concerned with good discussions	Students comfortable in structured learning situations and concerned with the right answers
Teachers may say 'I don't know'	Teachers supposed to have all the answers
There should not be more rules than strictly necessary	Emotional need for rules, even if these will never work
Time is a framework for orientation	Time is money
Comfortable feeling when lazy; hard-working only when needed	Emotional need to be busy; inner urge to work hard
Precision and punctuality have to be learned	Precision and punctuality come naturally
Tolerance of deviant and innovative ideas and behavior	Suppression of deviant ideas and behavior; resistance to innovation
Tolerance of deviant and innovative ideas and behavior	Motivation by security and esteem or belongingness
Few and general laws and rules	Many and precise laws and rules
If rules cannot be respected, they should be changed	If rules cannot be respected, we are sinners and should repent

## Appendix

Citizen competence versus authorities	Citizen incompetence versus authorities
Citizen protest acceptable	Citizen protest should be repressed
Citizens positive towards institutions	Citizens negative towards institutions
Civil servants positive towards political process	Civil servants negative towards political process
Tolerance, moderation	Conservatism, extremism, law and order
Positive attitudes towards young people	Negative attitudes towards young people
Regionalism, internationalism, attempts at integration of minorities	Nationalism, xenophobia, repression of minorities
Belief in generalists and common sense	Belief in experts and specialization
Many nurses, few doctors	Many doctors, few nurses
One group's truth should not be imposed on others	There is only one Truth and we have it
Human rights: nobody should be persecuted for their beliefs	Religious, political, and ideological fundamentalism and intolerance
In philosophy and science, tendency towards relativism and empiricism	In philosophy and science, tendency towards grand theories
Scientific opponents can be personal friends	Scientific opponents cannot be personal friends

(Representation based on Hofstede 1997)

## Appendix

The following list displays differences between low and high degrees of IDV, relating to general norm, family, school, workplace, politics, as well as ideas. Both countries have high degrees on IDV (Schram et al. 2010).

### Appendix 3: Hofstede – Low Individualism vs. High Individualism

Low Individualism (aka Collectivists)	High Individualism (aka Individualists)
People are born into extended families or other in-groups which continue to protect them in exchange for loyalty	Everyone grows up to look after him/herself and his/her immediate (nuclear) family only
Identity is based in the social network to which one belongs	Identity is based in the individual
Children learn to think in terms of 'we'	Children learn to think in terms of 'I'
Harmony should always be maintained and direct confrontations avoided	Speaking one's mind is a characteristic of an honest person
High-context communication	Low-context communication
Trespassing leads to shame and loss of face for self and group	Trespassing leads to guilt and loss of self-respect
Purpose of education is learning how to do	Purpose of education is learning how to learn
Diplomas provide entry to higher status groups	Diplomas increase economic worth and/or self-respect
Hiring and promotion decisions take employees' in-group into account	Hiring and promotion decisions are supposed to be based on skills and rules only
Management is management of groups	Management is management of individuals
Relationship prevails over task	Task prevails over relationship
Relationship employer-employee is perceived in moral terms, like a family link	Relationship employer-employee is a contract supposed to be based on mutual advantage
Private life is invaded by group(s)	Everyone has a right to privacy
Opinions are predetermined by group membership	Everyone is expected to have a private opinion
Laws and rights differ by group	Laws and rights are supposed to be the same for all

## Appendix

Low per capita GNP	High per capita GNP
Dominant role of the state in the economic system	Restrained role of the state in the economic system
Press controlled by the state	Press freedom
Imported economic theories largely irrelevant because unable to deal with collective and particular interests	Native economic theories based on pursuit of individual self-interests
Ideologies of equality prevail over ideologies of individual freedom	Ideologies of individual freedom prevail over ideologies of equality
Harmony and consensus in society are ultimate goals	Self-actualization by every individual is an ultimate goal

(Representation based on Hofstede 1997)



## Appendix

Hofstede (1997) created a list, which indicates the main differences between MAS and FEM in regard to general norm, family, school, workplace, politics, as well as ideas. USA and Germany were high on the degree of masculinity (Schram et al. 2010).

### Appendix 4: Hofstede – Low Masculinity vs. High Masculinity

<b>Low Masculinity (aka Feminism)</b>	<b>High Masculinity (aka Masculinity)</b>
Dominant values in society are caring for others and preservation	Dominant values in society are material success and progress
People and warm relationships are important	Money and things are important
Everybody is supposed to be modest	Men are supposed to be assertive, ambitious, and tough
Both men and women are allowed to be tender and to be concerned with relationships	Women are supposed to be tender and to take care of relationships
In the family, both fathers and mothers deal with facts and feelings	In the family, fathers deal with facts and mothers with feelings
Both boys and girls are allowed to cry but neither should fight	Girls cry, boys don't; boys should fight back when attacked, girls shouldn't fight
Sympathy for the weak	Sympathy for the strong
Average student is the norm	Best student is the norm
Failing in school is a minor accident	Failing in school is a disaster
Friendliness in teachers appreciated	Brilliance in teachers appreciated
Boys and girls study same subjects	Boys and girls study different subjects
Work in order to live	Live in order to work
Managers use intuition and strive for consensus	Managers expected to be decisive and assertive
Stress on equality, solidarity, and quality of work life	Stress on equity, competition among colleagues, and performance
Resolution of conflicts by compromise and negotiation	Resolution of conflicts by fighting them out
Welfare society ideal	Performance society ideal
The needy should be helped	The strong should be supported
Permissive society	Corrective society

## Appendix

Small and slow are beautiful	Big and fast are beautiful
Preservation of the environment should have highest priority	Maintenance of economic growth should have highest priority
Government spends relatively large proportion of budget on development assistance to poor countries	Government spends relatively small proportion of budget on development assistance to poor countries
Government spends relatively small proportion of budget on armaments	Government spends relatively large proportion of budget on armaments
International conflicts should be resolved by negotiation and compromise	International conflicts should be resolved by a show of strength or by fighting
A relatively large number of women in elected political positions	A relatively small number of women in elected political positions
Dominant religions stress the complementarity of the sexes	Dominant religions stress the male prerogative
Women's liberation means that men and women should take equal shares both at home and at work	Women's liberation means that women will be admitted to positions hitherto only occupied by men

(Representation based on Hofstede 1997)

## Appendix

The following list indicates differences between STO and LTO, in regard to general norm, family, school, business, economics, religion, and ways of thinking. USA is more short-term oriented, whereas Germany is long-term oriented (Schram et al. 2010).

### Appendix 5: Hofstede – Short-Term Orientation vs. Long-Term Orientation

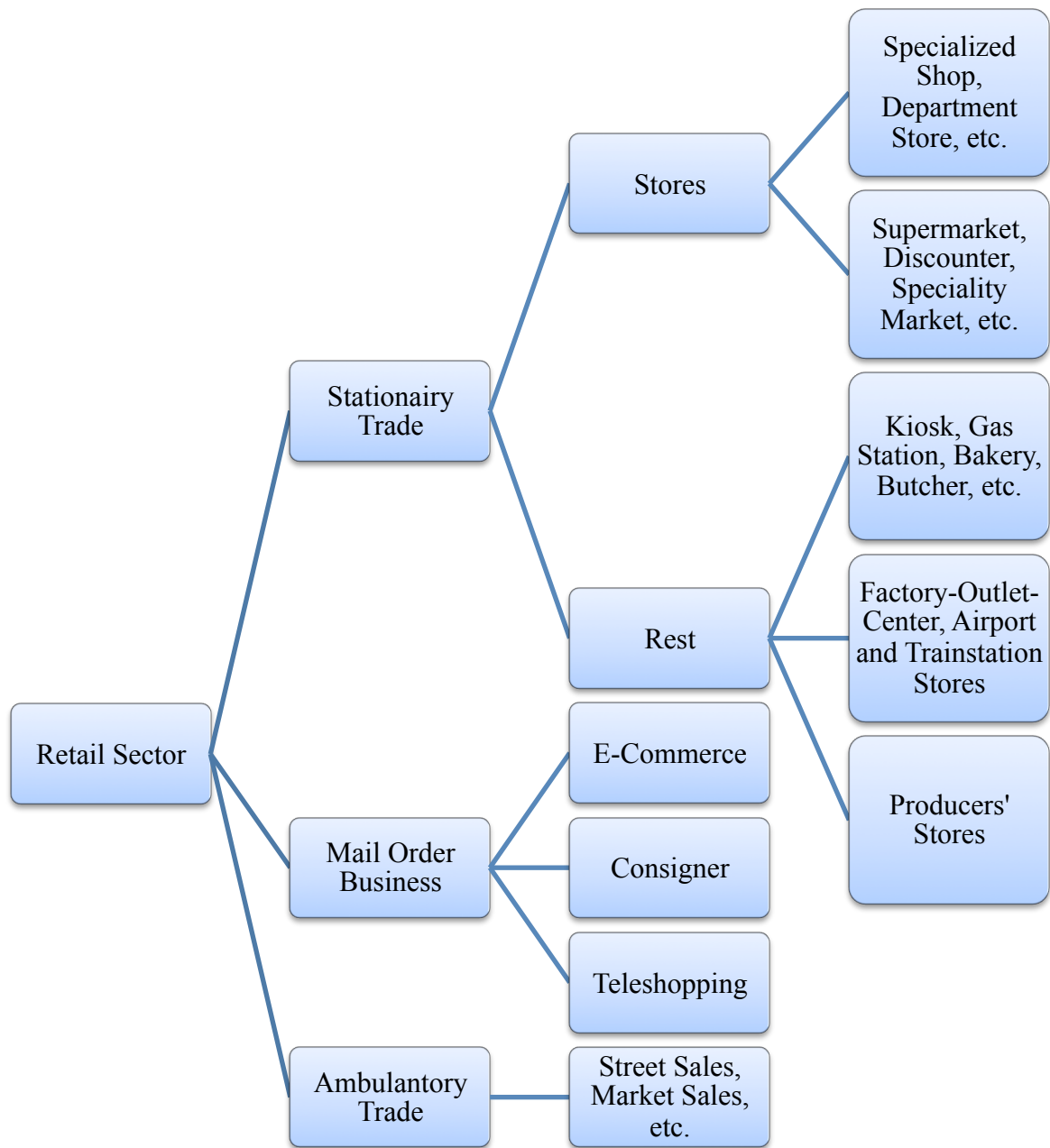
Short-Term Orientation	Long-Term Orientation
Efforts should produce quick results	Perseverance, sustained efforts toward slow results
Social pressure toward spending	Thrift, being sparing with resources
Respect for traditions	Respect for circumstances
Concern with personal stability	Concern with personal adaptiveness
Concern with social and status obligations	Willingness to subordinate oneself for a purpose
Concern with “face”	Having a sense of shame
Marriage is a moral arrangement	Marriage is a pragmatic arrangement
Living with in-laws is a source of trouble	Living with in-laws is normal
Young women associate affection with a boyfriend	Young women associate affection with a husband
Humility is for women only	Humility is for both men and women
Old age is an unhappy period but it starts late	Old age is a happy period and it starts early
Preschool children can be cared for by others	Mothers should have time for their preschool children
Children get gifts for fun and love	Children get gifts for education and development
Children should learn tolerance and respect for others	Children should learn how to be thrifty
Birth order is not a matter of status	Older children in the family have authority over younger children
Students attribute success and failure to luck	Students attribute success to effort and failure to lack of it
Talent for theoretical, abstract sciences	Talent for applied, concrete sciences
Leisure time is important	Leisure time is not important

## Appendix

Main work values include freedom, rights, achievements, and thinking for oneself	Main work values include learning, honesty, adaptiveness, accountability, and self-discipline
Less good at mathematics and at solving formal problems	Good at mathematics and at solving formal problems
Focus is on bottom line	Focus is on market position
Importance of this year's profits	Importance of profits 10 years from now
Managers and workers are psychologically in two camps	Owner-managers and workers share the same aspirations
Meritocracy, reward by abilities	Wide social and economic differences are undesirable
Personal loyalties vary with business needs	Investment in lifelong personal networks
There was slow or no economic growth between 1970 and 2000	There was fast economic growth between 1970 and 2000
Small savings quote, little money for investment	Large savings quote, funds available for investment
Investment in mutual funds	Investment in real estate
Concern with possessing the truth	Concern with respecting the demands of virtue
There are universal guidelines about what is good and evil	What is good and evil depends upon the circumstances
Higher rates of imprisonment	Lower rates of imprisonment
Dissatisfaction with own contributions to daily human relations and to correcting injustice	Satisfaction with own contributions to daily human relations and to correcting injustice
Matter and spirit are separated	Matter and spirit are integrated
If A is true, its opposite B must be false	If A is true, its opposite B can also be true
Priority given to abstract rationality	Priority given to common sense
There is a need for cognitive consistency	Disagreement does not hurt
Analytical thinking	Synthetic thinking

(Representation based on Hofstede & Hofstede 2005, p. 212-232)

## Appendix 6: Forms of Distribution



(Representation based on Nitt-Drießelmann 2013)

## Appendix 7: Criticisms against Walmart

Issues	Description of Issues
Anti-unionist	Since the 1970s, Walmart had been anti-unionist, taking the stand that it was adhering to an open-door employee policy
Employee discrimination	The company was charged with discrimination against women employees in 2003
Employee surveillance	A former employee of Walmart contended that the retailer carried out a large surveillance operation involving employees, shareholders, critics, etc.
Poor working conditions	Walmart was accused of forcing its workers to work off-the-clock, denying over-time payments, child-labor law infringements, and of employing illegal immigrant workers
Low wages	The retail giant was charged with discouraging labor costs and of paying lower wages to its workforce
Health insurance	Critics alleged that employees were paid so little that they could not afford health insurance, and if they could afford it, they preferred the state's health insurance program to Walmart's
Overseas labor concerns	Critics accused Walmart for its supervision of overseas operations, where issues like poor working conditions, employing prison labor, low wages, etc. were allegedly prevalent
Predatory pricing and supplier issues	The company was also accused of intentionally selling the merchandise at low costs, driving competitors away from the market. It was also alleged that it used its scale to squeeze the margins of its suppliers

(Representation based on Ghauri and Cateora 2014, p. 459)







## **Abstract (Deutsch)**

Seit seiner Gründung im Jahr 1962 ist Walmart in seinem heimischen Markt Amerika sehr erfolgreich. Mit der innovativen EDLP-Strategie und dem exzellenten Kundenservice erkämpfte sich Walmart schnell einen hohen Marktanteil und erwirtschaftete große Erfolge. Im Jahre 1980 erzielte Walmart zum ersten Mal einen Jahresumsatz von \$1,3 Milliarden Dollar und wurde dafür ausgezeichnet, die Milliardengrenze in der bisher kürzesten Zeit erreicht zu haben.

Im Rahmen seiner 1991 begonnenen Internationalisierungsstrategie hat sich Walmart dazu entschlossen, den Eintritt in den Europäischen Markt über Deutschland und England zu wagen.

Ohne tiefgründige Analyse des deutschen Marktes beschloss Walmart, dieselbe Strategie, die bereits zuvor in anderen Ländern wie Mexiko und China erfolgreich umgesetzt wurde, unverändert in Deutschland anzuwenden.

Der Grund für Walmarts Misserfolg im deutschen Markt ist hauptsächlich in der fehlerhaften Strategie zu sehen. Zum einen wurden Produkte nicht an die Erwartung der deutschen Kunden angepasst, zum anderen führte der ständige Wechsel der Führungspositionen zu Verwirrung der Kunden und der Belegschaft. Walmarts fehlendes Verständnis des hart umkämpften deutschen Einzelhandelmarktes hat auch wesentlich zu diesem Scheitern beigetragen.

Schlussendlich war Walmart nicht in der Lage, das Interesse der deutschen Kunden auf sich zu ziehen, da diese lokale Einzelhändler wie Aldi, Lidl und Edeka dem amerikanischen Händler vorgezogen haben. Aufgrund milliardenschwerer Verluste zog sich das Unternehmen im Jahre 2006 aus dem deutschen Markt zurück und verkaufte an Metro.



## Statutory Declaration

### Statutory Declaration

I herewith formally declare that I have written the submitted master thesis independently. I have not used other than the declared sources / resources and I have explicitly marked and separately listed all of the literature and all of the other sources, which I employed when producing this academic work, either literally or in content.

Ameli Mayr

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Student's Name

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Student's Signature

a1300698

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Matriculation Number

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Place, Date



## Curriculum Vitae

### Personal Details

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Nationality	German
Date of birth	22.02.1990
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Gender	Female

### Academic History/Education

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2013 – 2015	<i>University of Vienna</i> , Vienna, Austria International Business Administration Major: International Marketing
2010 – 2012	<i>Business School Lausanne</i> , Lausanne, Switzerland Continuation with BBA with Russian & French
2009 – 2010	<i>European Business School</i> , London, England Bachelor of Business Administration (BBA) with Russian & French
2007 – 2009	Boarding school <i>Lyceum Alpinum Zuoz</i> , Zuoz, Switzerland International Baccalaureate (IB)
2004 – 2007	High school: <i>Zurich International School</i> , Zurich, Switzerland
2000 – 2004	Gymnasium: <i>Kleines Privates Lehrinstitut Derksen</i> , Munich, Germany
1996 – 2000	Primary School, Planegg, Germany

### Languages

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German	Mother tongue
English	Business fluent
French	Good knowledge

## Work Experience

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### ***Summer 2014*      DDB Paris, Paris, France for 2 months**

- Assisting the writing, translating, and/or recording process of text for television and magazine advertisements for Neutrogena available in France, Germany and the United Kingdom
- Assisting the casting and selecting of the director, actresses, assistances, hair and make up stylists, etc. for television and magazine advertisements
- Participating in conference calls and meetings between DDB Paris staff and clients from Johnson & Johnson (i.e. Neutrogena, RoC, Le Petit Marseillais, Clean & Clear, Aveeno, Vania, Carefree, o.b., and Nett)
- Researching, analyzing, and presenting competitor's advertisements using Adscope and Ebiquity online platforms
- Monitoring the online presence of specific competitive brands on their websites and social media platforms (i.e. Instagram, Facebook, Twitter, and Youtube) from L'Oreal, L'Occatine and Yves Rocher
- Researching, listing, and presenting competitor's existing and innovative products such as Lil Lets, Evax, Bell, Jessa, Camelia, Facelle, Always, Libresse, Discreet, and Kotex.

### ***Summer 2013*      Bogner Homeshopping, Munich, Germany for 5 months**

- Scheduling and programming of the Bogner newsletters and the Bogner Fire&Ice newsletters
- Implementing the newsletters in coordination with an agency
- Analyzing and reporting of the newsletters
- Programming the online content of the websites including landing pages, category pages, slides, teasers and specials, in coordination with the Buying and Communication teams
- Editing, presenting, and approving pictures for the online shop
- Editing, presenting, and approving the core data and texts for the product plant in the Magento shop system
- Content administration in Magento (updating of products, categorizing, sorting, filtration plant)
- Voucher installation and testing for online marketing events
- Assisting the E-Commerce Manager by developing new shop features (product filter, etc.)

### ***Winter 2012*      mytheresa.com, Munich, Germany for 6 months**

- Assisting the Online Marketing Manager by optimizing and expanding the existing SEM campaigns (Google Adwords)
- Executing and controlling display campaigns
- Monitoring traffic, advertising goals and budget
- Researching and documenting developments and trends in e-commerce
- Assisting to the E-Mail Marketing Manager with the programming and tracking of the mytheresa.com newsletters, which are sent out to 140,000 subscribers four times a week

**2010 – 2012**

**Business School Lausanne in Lausanne, Switzerland**  
**Two times a week**

- Supporting the Student Relations Coordinator with printing and filing data, organizing school folders with correct handouts, making excel data graphs, sending letters and packages to students and parents, assisting to organize events such as Christmas and Welcoming Party
- Assisting the Communications Coordinator with regularly updating the alumni and writing e-mails to the alumni (700 people)
- Helping to the Admissions Coordinators with making files for new students and establishing files and folders for potential students
- Assisting the Communications & Administrative Coordinator with renewing the library by sorting books and magazines
- Assisting the Associate Dean with informing high schools and boarding schools councilors about BSL, finding addresses of possible partner universities and contacting Swiss embassies around the world

**Summer 2010**

**DLD Women in Munich, Germany for 3 days**

- Serving and taking care of 100 international high profile speakers and more than 500 opinion-forming participants from business, media, technology, society, health, education, politics and science
- Filling of bags with sponsor products for participants
- Attending debates about leadership, female markets and consumer behavior, social innovations and how digitalization is shaping the life of women in today's society

**Summer 2010**

**AXA Insurance in London, England for 7 weeks**

- Gaining knowledge about different insurance sectors: car insurance, home insurance and travel insurance as well as medical insurance and life insurance
- Looking at many different claims with pictures/videos such as accidents, fire, water and storm cases (main focus was on injured clients)
- Conversations with each insurance sector manager about possible outcomes/losses of cases
- Watching videos filmed by inspectors proofing clients, who pretended to be injured in order to receive money from the insurance company
- Attending group meetings discussing new and old claims, face-to-face meetings speaking about the potential payment to victims/patients and video conferences with colleagues in Australia and the United States of America considering and reviewing new products

**Summer 2009**

**AXA Insurance in Paris, France for 8 weeks**

- Creating an Internet website for worldwide members of AXA insurance
- Administrative office work, created Excel graphs and calculated data of claims
- Looking for new products and compared prices of AXA Insurance products to products of competitors