**Walmart in Germany: Cultural Problems**



This case is on the cross-cultural problems faced by Walmart in Germany.

**Walmart move into Germany**

In 1997 and 1998 Walmart acquired two companies - Wertkauf and Interspar - in Germany. During its expansion Walmart managed to also successfully enter a number of international markets including Canada, Chili, Brazil, India, and China.
However, during this whole period of expansion Walmart also experienced a number of defeats. Germany was one of them.

**Culture factors in play**

Analysts still argue about the reasons behind the failure of Walmart in Germany. However, among them are a number of culture-related issues that come up rather often. There were two groups of factors, which contributed to Walmart’s failure in Germany.
The first cluster is related to mismanagement.

Firstly, some of the American employee management practices just didn’t fit in the German context. For example, each employee before the shift had to participate in a morning exercise. In could be seen as harmless, but the best thing about this practice was that they had to do it chanting “WALMART! WALMART! WALMART!” . If in America such practice could be used to boost morale and inspire loyalty, then in Germany it was looked upon with annoyance, to put it mildly.

Secondly, Walmart’s ethical code caused much frustration as well. For example, the practice of actually spying on your co-workers and reporting any misconduct may be acceptable in the U.S. However, in Germany it is not the case. One only has to think back to the 1940s and post-war Germany when citizens were actually doing this on a social level - thus the modern abhorance.

Thirdly, the feedback of the employees was ignored. Top management apparently didn’t listen to anything the lower employees and subordinates had to say.

Such a situation caused enormous amount of frustration among the employees. Morale was significantly undermined as well. This in turn, had a negative impact on the overall efficiency of the venture.

The second set of factors is related to the lack of analyses of the local market and the specifics of local customers’ demands.

Firstly, store merchandising was wrong. Walmart put all premium products at eye level, while all the discount products were stored either at the bottom shelve or on the top one. This irritated German customers a lot.

Secondly, as strange as it sounds, habits of the average German customer weren’t taken into account. Germans are known to be efficient and spend as little time in the shops as possible. However, Walmart’s stalls were placed in such a way that the customer will have to spend more time shop.

Also, at the check-out desks, the cashiers were ordered to always be smiling. In Germany it is considered not normal to smile at total strangers. So the German cashiers, who were not in the habit of smiling at strangers, attempted to follow the orders but felt uncomfortable. As a result, the smiles didn’t seem sincere, which again, aroused not the best feelings towards Walmart in its customers.

Thirdly, the brand name wasn’t particularly popular in Germany. The reason lies in the uprise of “greenness” in Germany. The ideas of conservation of environment and recycling were gaining momentum. That is why Walmart’s plastic bags and redundancy of plastic packaging aroused more annoyance rather than enjoyment.

**Results**

The cumulative effect of poor management and total absence of analyses of the local market or culture could not but have had serious impacts on Walmart’s position. Frustrations of both employees and the customers played a major role in the downfall of Walmart in Germany.

As for financial performance, Walmart never officially published the losses it experienced during its stay in Germany. However, some analysts estimate that the losses of Walmart were US$ 200-US$ 300 million per annum.

Even though the exact number will remain a mystery, the retreat of the giant who is not particularly used to failures, speaks louder than numbers. Walmart did fail in Germany, and cultural factors did play their role in it.