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Why did Walmart Fail in Germany? Walmart’s story in the EU has begun with its attempt to expand its business in Germany. In 1997, Walmart entered the German market with the acquisition of the Wertkauf and Interspar hypermarket chains. But Walmart’s global fame and aggressive entry into foreign markets didn’t work out well in Germany. Walmart’s German stores struggled because its business model wasn’t working there. It tried hard, but after 9-years, Walmart sold its 85 outlets in Germany in 2006 resulting in a \$3 billion loss. There were several factors that contributed to Walmart’s Failure in Germany. From the very start, amazing management oversights have affected Walmart’s German operations. We have figured out some of the important reasons behind their failure. 1. Below-Cost Strategy: Walmart wanted to follow the below-cost strategy. But the German business owners didn’t like Walmart’s low-cost pricing tactic as well as the German government. As a result, the American giant was ordered to raise its prices by the German high court which became an obstacle for it to having a customer base. 2. Walmart and German Unions Were Incompatible: In the United States, Walmart is notorious for playing low wages and suppressing unions. In Germany, unlike in the US, unions are very much a part of the culture and have broad support amongst the government, the community, and even businesses. Walmart didn’t understand that in Germany, companies and unions are closely connected. Also, The German workforce is accustomed to negotiating their pay with their union. This caused friction between the workers and the company. When Walmart refused to join Germany’s regional wage bargaining system, the worker’s union went on strike. Walmart was taken aback for this reason. This also gave them a bad reputation in the community and likely affected their sales. 3. Walmart Underestimated Their Competition: In the USA, Walmart has primarily been considered a low-cost, one-stop shop for just about anything a person could need. In Germany, however, the people value the quality of products as much as they value the price. They weren’t about to abandon the small grocery chains they had always shopped at. Walmart did not expect such resilience from the 14 hypermarket chains that were popular across Germany, and they failed to adapt even after they found out. 4. Retail Chains Were Already Doing Poorly in Germany: Part of the problem with Walmart’s transition into Germany is that retail chains were growing at an alarmingly low rate at the time. In fact, when Walmart came into Germany, the average growth rate for a retail chain was just 0.3% per year. This acted as an immediate disadvantage in Walmart’s journey towards sustainable growth in the country. 5. Employees Felt Uncomfortable With Walmart’s Practices: It wasn’t just the pay and lack of worker rights that upset Walmart employees. It was also some “team-building” practices that many Germans didn’t feel comfortable doing. At Walmart, workdays started with light exercises and motivational chants. While in US culture, these activities can sometimes bring a team closer together, in Germany, they are entirely unexpected and only served to make the employees uncomfortable. 6. Employees Felt That Walmart Overreached Into Their Personal Lives: In the United States and in many countries, it is taken as a given that employees that work in the same department cannot engage in romantic relationships. In Germany, however, this is not the standard. In fact, it is considered a huge overstep in a person’s life. 7. Walmart Failed to Take Into Account Cultural Differences Surrounding Shopping: In the United States, it is considered commonplace or almost by default that people like to drive out to one store and buy everything they need there at a reduced price. This is part of why Walmart has been so successful in the US. In Germany, on the other hand, shoppers have different habits, and the way the economy is structured lends more significance to smaller discount chains. Below are just a few differences in culture, which caused fewer Germans to go to Walmart and more to go to smaller chains. Many Germans like to shop at places that are within walking distance. The idea of “service with a smile” is not as emphasized in Germany and came across as odd and uncomfortable. Smaller discount chains in Germany can sell goods at lower prices than big retail chains by law. Walmart enforced a corporate culture that ran counter to the values of many Germans. On the other hand, the small chains were in line with their beliefs. 8. Walmart Didn’t Focus Their Services Enough: Walmart sells just about anything a person would need; food, clothes, entertainment, car parts, gardening supplies, and more. Given the German population’s tendency to shop at smaller, more focused stores, this didn’t work on a cultural level. It also didn’t work on an economic level. Part of the reason Walmart can sell so many goods at such a low price in the US is that they receive tax subsidies and pay workers a lower wage. As we’ve seen previously, they were challenged on all of these issues. Still, they tried a more focused approach, perhaps on groceries or home goods, they could have carved out a corner of the market. 9. Walmart Failed to Adapt to Germany’s Economy: You put all this together, you get the primary reason why Walmart failed to gain any steam in Germany. They could not, and would not, adapt to the different economic systems. To conclude, Walmart failed in Germany and eventually in the EU due to a variety of factors including the inability to adapt to german retail market conditions, lack of competitive prices against German stores, underestimated local competition, environmental cultural differences, and different organizational rules, and corporate culture for Walmart employees. If the folks at Walmart had been more proactive in studying Germany’s economic system and consumer habits, their stores might not have failed. We hope that you understand why Walmart failed in Europe. If you have found our conversation helpful, please leave a comment, share our post, and subscribe to our blog.