

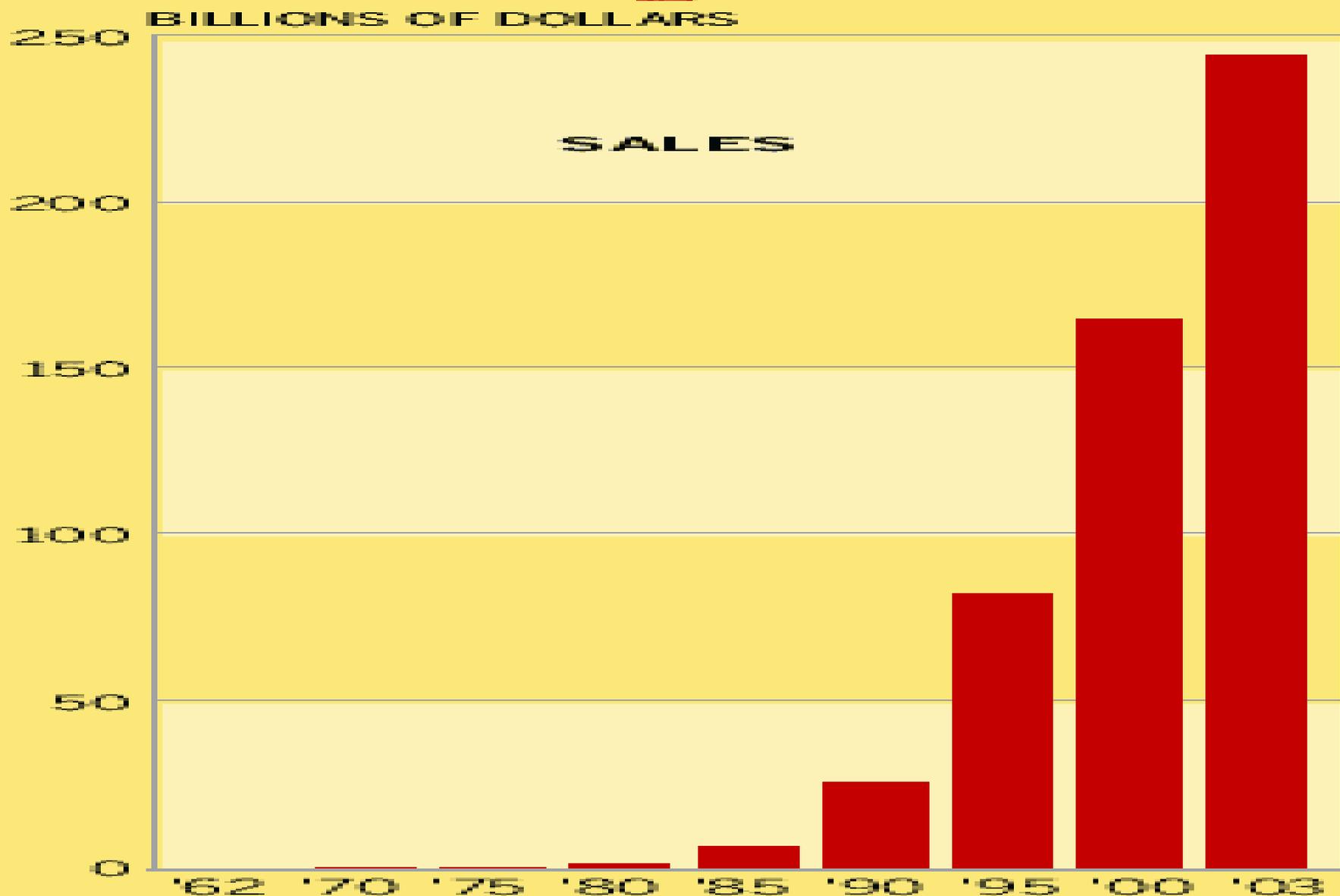
# Wal Marts Expansion Into South Asia

Shounak and Evan

# The Wal-Mart Giant

- **Wal-Mart** is the #1 retailer in sales worldwide
- Total year-end sales for fiscal year 2007 showed 77.1 billion dollars in revenue, a 30.2% growth over the previous year

# 41 Years of Nonstop Growth



FIGURES REFLECT FISCAL YEARS ENDING IN JANUARY

Data: Wal-Mart Stores Inc.

# Wal-Mart's International □ Expansion

- Wal-Mart first went international in 1991 with a Sam's Club associated store in Mexico City
- International stores employ more than 500,000 Wal-Mart employees, serving 49 million international customers each week (176 million served worldwide)
- More than 2,760 stores in 13 countries outside U.S. today: Argentina, Brazil, Canada, China, Costa Rica, El Salvador, Guatemala, Honduras, Japan, Mexico, Nicaragua, Puerto Rico, and the U.K.

# Further Wal-Mart Expansion

- Wal-Mart plans to open 320-330 units in existing international markets this year
- In March of 2006, Wal-Mart took over Central American Retail Holding Co., (CARHCO) a chain with supermarkets all over Central America. Wal-Mart changed the name of the company to Wal-Mart Central America

# Wal Mart in China

- 2006 Wal Mart bought Trust-Mart for \$1 Billion, main market for groceries and retail products

Opens up Markets Into 20 Provinces in China  
employing 150,000

Opening up 200 Stores in the next few years

# Benefits from China Wal Marts

- Wide Open Retail Landscape: Certain cities like Beijing and Shanghai have available land space for large supercenters
- Expanding Middle Class: 24.5 Million Families Classified to be Middle Class in 2005 (19 Million in 1999)
- Chinese interests in Foreign Direct Investments: Part of Booming Economy
- Popular

# Persisting Problems with Wal-Mart's in China

- Small Target
  - \$2.6 B in Sales (Overall Revenue is \$326 Billion)
  - Attracts Urban Population (37 Million People Live in Poverty)
  - Large Cultural Conflicts: Harming smaller mom and pop shops and retail shops, certain ways meats are cut, vegetables harvested
- 370 Stores (360 Built in US in 2006)

# Wal Mart in India

Recently Wal Mart has placed stores in India  
W/ Bharti Enterprises

Huge Markets to Tap Into

- \$180 Billion Retail Sector
- 44% of Consumer Spending goes to Grocery Shopping

-Expanding Middle Class

India has seen at least 6% Growth in GDP that past twenty three years

-250 Million Middle Class Citizens

-If Current Rates Continue by 2025 the middle class will be 50% of the population, making it an ideal region for Wal-Mart to expand into

# Major Problems with Expansion into India

- Space: Out of the 28 States and 6 Province currently only 14 Malls large enough to accommodate Wal Mart establishment
- Government Regulations: Federal Law in India Bars International Retailers from directly entering into India's markets thus prohibiting Wal Mart from having 100% ownership of large outlet center
- Strong Community Opposition: Big Influence of Communist Party, Roughly 40 Million in Retail Sector
- Cultural Differences

# Current Relations with China

- Wal-Mart is often criticized for getting its products from cheap-labor environments and not supporting American suppliers
- The company bought \$18 billion dollars in good from China in 2004, and was responsible for about 1/10 of the U.S. trade deficit with China
- If Wal-Mart was an independent country, it would be China's eighth largest trading partner, ahead of Russia, Australia and Canada

# Factories in Asia and Elsewhere

- Wal-Mart is also criticized for the working conditions in the factories it uses overseas.
- Workers in Bangladesh, China, Indonesia, Nicaragua and Swaziland brought a class-action suite against Wal-Mart in 2005. They claimed they were not paid minimum wage, and were treated inhumanely by the factory managers.
- Workers in Guangdong province in China claimed they had to meet a quota of painted toys every day or their pay for that day would be docked by over half.
- Many other abuses and misconducts have been alleged, far too numerous to list them all

# Possible Economic Impacts Of Wal-Mart in Asia

- Positive: Job creation
- Wal-Mart Mexico claims to have created 53,000 jobs over the last 3 years, contributing to 13% of overall job creation in Mexico
- Negative: Can hurt local businesses
- In the U.S., when a Wal-Mart opens, adjacent towns without a Wal-Mart show an average decline in sales of general goods by 34% over 10 years.

# Possible Environmental Impacts

- Wal-Mart is alleged to have many violations of environmental regulations in the U.S.
- In 2003-2005, state and federal environmental agencies fined Wal-Mart \$5 million
- Many lawsuits against Wal-Mart for violations of environmental code are settled out of court. A few of these settlements have set records in their respective states for the type of violation that occurred.
- Alleged environmental violations include improper handling and disposal of oil products, and contamination of local water supplies.