

# WAL-MART'S LEARNING CURVE IN THE GERMAN MARKET

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## ABSTRACT

*Entering the German market would present Wal-Mart with many obstacles to overcome. When Wal-Mart decided to do business in Germany the company had to adhere to the many rules and regulations surrounding German businesses. According to German law, selling merchandise below cost is illegal. The sixth amendment of the Act against Restrictions of Competition (ARC) is a ban on undertakings with superior market power offering goods or services below their cost price without justification. This action limited the effectiveness of Wal-Mart's low cost leader strategy. Another German restriction requires stores to limit their amount of operational hours. German shopping hours are strictly regulated under Paragraph 3 of the BGBI (B9 – 74/00, Seite 875). No German stores are allowed to be open 24 hours a day, nor are they allowed to be open on Sundays and must close by 4 P.M. on Saturdays. In response, Wal-Mart began to open its stores earlier to avoid violating any regulations. The response from consumers was positive resulting in increased business. Another barrier to Wal-Mart was the limitation placed on the number of sales it could have in a single year. According to German law, sales are only permitted during a uniform two-week period twice a year. Wal-Mart is looking forward to changing the laws in the German lower house to allow them to offer the two for one deal popular in the United States. The final barrier to Wal-Mart is the law concerning the German workforce. Article 2 of Convention 87 states that German workers have the right to organize. About 25 percent of Wal-Mart's 18,000 workers in Germany are organized in the union called the Uni Commerce affiliate ver.di (Vereinte Dienstleistungsgesellschaft). Wal-Mart traditionally rejects trade unions so they could keep wages and labor costs down. If however the company signs the collective agreement, stating that Wal-Mart workers can unionized, it will show the company cares about the improvement of the relationship with their workforce, equal opportunity, and non-discrimination.*

*Retailing is, by its nature, a dynamic industry. There have been an almost overwhelming number of changes during the past 50 years. Today's consumer will demand more for less from the shopping experience: more quality, choice, consistency, convenience, and service, for less money, time, effort, and risk. Another major factor in the changing consumer atmosphere is the changing German demographic. Due to the shrinking younger population, older consumers dominate the market. This will drastically affect Wal-Mart's marketing approach to the German people. Today the German people are looking for more convenience and comfort. As life styles are becoming busier, the time devoted to household shopping and meal preparation is shrinking. Wal-Mart will have to adapt to these changes and offer a variety of healthy, prepared meals evidenced by the*

*organic market increase 20 % from 2000 to 2001. Most importantly, however, consumers in the German market want to indulge themselves with small pleasures and personal rewards. Wal-Mart will have to continue to find new ways to keep the German consumer excited and interested in Wal-Mart's products.*