

## 6.1 SWOT analysis: Activity B



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### 6.1 IB BUSINESS MANAGEMENT TOOLKIT – SWOT ANALYSIS: ACTIVITY B

Read the case study below and answer the questions that follow.

#### THE GREAT WALMART OF CHINA



Before moving into China, America's biggest and most successful retailer had to learn its business all over again. "China will be as big and as successful a market for Walmart as the United States", said a Deutsche Bank retail analyst. However, this will not be easy as China's retail market is dominated by domestic retailers and

other foreign retailers have gained ground quickly. Carrefour, the French group, had sales in China in 2022 nearly 50% bigger than Walmart's. Success is not guaranteed, despite the careful analysis that Walmart did before making the big strategic move into China.

The company identified its strengths – such as huge economies of scale – and possible weaknesses – such as being seen mainly as a US retailer. It also identified the great

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opportunities offered by the retail market in China – with the world's largest population and a fast growing economy. There were obvious threats to its success too – such as Carrefour's expansion plans.

The management the focused their attention on the wider issues that would be important for China. These included legal and political differences with the USA, economic factors such as the Yuan exchange rate, social and cultural factors that could determine demand for certain goods and the impact of technological change on retailing practices and consumer buying habits.

Despite all of this strategic analysis, according to Strategic Resource Group, "Walmart is being outmanoeuvred by Carrefour because its executives have taken too long to understand the Chinese market and add stores." Perhaps one of the problems for retailers, even giant ones such as Walmart, is the possible lack of core competence, other than substantial economies of scale, which could allow them to differentiate what they offer to retail customers.

### QUESTIONS: 24 MARKS, 45 MINUTES

1. Explain why it is important to analyse the existing strengths and weaknesses of a business before taking a major strategic decision. **[8 marks]**
2. Explain from Walmart's point of view, the strengths, weaknesses, opportunities and threats in the case of its expansion into China. **[8 marks]**
3. Explain why it would have been important to consider the major differences between China and the USA before going ahead with its expansion. **[8 marks]**