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Business and Cultural Implications for Walmart in Spain

By

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**An Honors Thesis in partial fulfillment of the requirements for the degree Bachelor of
Science in Business Administration in Marketing.**

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Introduction

Technological advances in the modern era have led to the incredible phenomenon of world collaboration, more commonly known as globalization. As discussed by a World Bank economist, “the whole of the world is increasingly behaving as though it were a part of a single market, with interdependent production, consuming similar goods, and responding to the same impulses (Williamson).” Within this massively intertwined economy, companies are facing new challenges of communication, management and adaptation as their reach of business extends across the world. An integral part of conducting business on a global scale is gaining an accurate and well-developed understanding of each area into which the business extends. Arguably one of the most important factors when entering a new environment is learning to adapt to the cultural context of the location. It is the job of researchers and anthropologists to uncover this code of culture and determine the best way to smoothly amalgamate company with society. This lays the background for the topic of my thesis. In this paper, I will begin with a statement of the problem. I will lay out the context in which I gathered my information and describe the method of research that was used in the process. I will then describe the results and analysis that I gathered from this research. Finally, I will discuss the key themes I drew from these results, their implications, and how to use them to fit into the cultural context and ultimately engage in a successful venture in the Spanish business environment.

Statement and Discussion of the Problem

The themes that I will discuss in this paper are likely applicable to a variety of global retailers; however, I am particularly interested in the Walmart model and will be using this multinational as the company of example throughout the discussion. Walmart has made an incredible name for global retail. Created from humble beginnings and based on a simple concept – to offer items at the best value with the lowest price – Walmart epitomizes what is the American Dream. In only 50 years it has exploded to achieve an astonishing annual 440 billion dollars in sales, launching the company to the number one spot as the largest retailer in the world. Walmart has changed American business. It has impacted millions of lives and the company continues to raise the standard of living for individuals and communities around the world. Though they have excellent systems and some of the best talent, no company is without error, and Walmart too has seen some failure amongst their unbelievable success.

It makes sense that a system of mass production and uniformity would be the most efficient and cost effective method of production. But from Walmart’s previous ventures they have learned that they too must adapt their methods and product offering and show local understanding through their operations. In order to best adapt and respond to such fluctuation in preference, while still maintaining uniformity throughout the company, Walmart employs a global strategy but is locally focused. Thus far, the company has tended to struggle in environments where the cultural environment is much different from that in America. They perform very well in structures where their southern discount model translates smoothly to the new economy and tends to compliment the culture (markets like those in Canada, Mexico and Latin America). Walmart’s failures overseas can largely be attributed to their lack of cultural understanding, which compromises their ability to adapt. In the past, they have jumped into areas with large potential gains while failing to fully understand the culture and how to best serve the customer. Walmart's largest failure, which was in Germany, has undergone a lot of criticism. It

seems the perfect example of what not to do when bringing your business to other countries. The project leaders of the German venture were unwilling to learn the language of the country and promptly declared English as the official language for the company managers. German employees were stunned and irritated by frugal company policies like executives sharing a room during travel. Unions have an extremely heavy influence in Germany and Walmart's strict non-union policies (and absolute unwillingness to adapt) created a huge conflict. Walmart refused to acknowledge the wage-bargaining process that is customary in certain sectors of Germany, which caused a number of arranged employee walkouts resulting in a media lash out that left Walmart with a bad image. Two fundamental concepts of Wal-Mart culture, the door greeter and the now infamous "ten foot rule" (a rule to greet anyone within ten feet of you), left customers feeling hassled. Though actual numbers have not been reported, it is speculated that Walmart may have incurred an incredible loss of up to 3 billion dollars from their failed German operations (Knorr).

The learning curve for Walmart internationally has been, at times, a steep one. But the company and its leaders have learned from their mistakes and are heading in a new direction. Since Germany, due diligence is handled much more carefully. Care is taken to gain a thorough cultural understanding and develop a solid business plan. For example, Walmart has been more cautious and vigilant with their plans to enter India. They have partnered with a company whose values are better aligned with their own values, which will make the partnership and the transition run more smoothly. The international teams are working hard to understand the market ahead of time and to meet its needs by providing the right products and services. So far they have done well adapting to this extremely diverse and unique culture, and have high hopes for the future. Will India will be the next success - or the next Germany? Only time will tell.

Since the beginning of the discount retail era, Europe has largely been the territory of French retail corporation Carrefour and Walmart has stuck to the Americas. Until now, they have pretty well kept their distance from each other. But the state of Europe as it is - paradoxically when in the midst of crisis - it seems a great place for Wal-Mart to bring their business. As Walmart continues to seek global expansion, Europe (outside of the UK) could be next on the horizon. The company is learning that it takes time and care to adapt to new cultures, and that they want to well understand all cultural, economic and business implications of a place like Europe before committing to entry.

I conducted the research for my thesis during a study abroad in Salamanca and Sevilla, Spain the summer and fall of 2011. My focus there was on learning and conducting research about both the cultural and business environment of Spain, in order to develop implications for Walmart, should the retail giant begin to look at entering the Spanish market. Spain could be important to Walmart because of its great location and access to waterways, solid transportation infrastructure, and neighboring country locations. Thus, my research and analysis has been based around a problem that requires a detailed plan of implementation: Wal-Mart must develop an empathetic understanding in order to identify key areas that need to be taken into account when conducting business in the Spanish market.

Ethnography

In order to collect the cultural information that I needed for my paper, I employed an ethnographic research method. Ethnography is *a qualitative research method aimed to learn and understand cultural phenomena which reflect the knowledge and system of meanings guiding the*

life of a cultural group. Basically, trying to fit in and understand the meanings behind the actions in a new cultural context.

I studied abroad in Spain for a total of 5 months. It was there that I conducted my ethnographic study with a business focus. Spain is located on the Iberian Peninsula, and is neighbored by France, Portugal, England and Morocco. I wanted to learn and experience and understand as much as possible about Spanish language, culture, and customs – basically a new way of life. While preparing for my trip I conducted a great deal of online research, trying to understand the culture with secondary sources. I wanted to fit in. My research yielded tons of information on clothing styles, religion, relationships, and the general way of life. The main ideas that I felt I understood before I left were (broadly) what to expect in the culture, how to dress, and how to deal with the language barrier. With regard to culture, I expected to find it very heavy with many traditions, fun and exciting events, and great food. I was mostly surprised about what I found with regard to style of dress. After my research I was left with the impression that Spaniards dress very well, all the time. I read warnings like “T-shirts and shorts are not allowed” and anyone wearing something heavily branded, such as a shirt identifying a state from back home, is obviously foreign. I was told that not many people speak English in Spain, but that if I just attempted to speak their language that they would be very appreciative and accepting.

As I was sitting in the airport ready to depart on my international flight, I read Rick Steve’s travel guide. After all of my research, preparation and anticipation, I decided that the most important thing was to simply live every moment of my time abroad – to experience it and take it all in. At the end of Rick Steve’s passage was an entry that expresses word for word the exact mindset I was in as I was about to set off on my journey: “Globetrotting destroys ethnocentricity, helping us understand and appreciate other cultures. Rather than fear the diversity on this planet, celebrate it.” And as I look back now, this is *exactly* what I came away from my experience with. I took part in many cultural events while abroad (some good and some bad), spent a lot of time with Spanish people, and did my best while I was there to become a part of the Spanish culture.

The biggest and most significant way that I embedded myself within the cultural context was to live with a Spanish family. I lived with two host families, one in Salamanca and the other in Sevilla. This experience was invaluable to my cultural learning abroad. By living with different families in different parts of the country, I was able to develop a more holistic and accurate understanding of what life is like in Spain. The second biggest way that I opened myself to the culture was by taking advantage of events offered through my study abroad program provider, such as the “intercambio,” or exchange program. I was matched with Maria, a student at the University of Sevilla, through the intercambio program. We met weekly and spent long hours talking in Spanish and asking questions and learning about each other’s culture. My entire experience was full of small opportunities for cultural learning.

What follows is a detailed discussion about some of the things that I learned and encountered during my time in Spain. These facilities, occasions and customs are essential when it comes to understanding Spanish daily life.

Culture

Shops and Trade. There are many different formats for shopping in Spain. The main types of shopping centers are single service stores that exchange in traditional trade (for example: drug stores, hairdressers, pharmacies, \$1 stores, and other specialty stores). Markets are

buildings that host a variety of posts such as those for fish, meat, fruits, and vegetables. In some markets there are also clothing, shoes, flowers, cookware, etc. Products are usually sold fresh at affordable prices and people shop for them frequently. The hours of operation for markets are Monday through Friday both morning and evening, with a couple of hours break for siesta in the middle of the day. On Saturdays these shops are open only in the morning.

On the next level, a new and generally well regarded phenomenon which satisfies customers who are searching for a broader range of products and competitive prices is the establishment of department stores, hypermarkets and supermarkets. As the popularity of these formats increase, it is causing some small Spanish stores to close their business. Those that survive are forced to resort to new tactics, such as clustering supermarket chains, in order to compete. Supermarkets are generally located in bigger areas where there are also other major stores and shops. Most are open 24 hours and sometimes on Sunday. Though their popularity is increasing, supermarkets have not appealed everyone, as the culture is still largely focused on shopping at local stores for daily bread, fruit and produce. In order to compete with the loyalty to local stores, some supermarkets are offering their customers special services, such as home delivery. Another popular shopping format is shopping centers - commercial spaces that are grouped together in areas, like along city streets or on corners of intersections. They usually open around 10am and close between 9 and 10pm. In drugstores, for example, cleaning products, insecticides, paints, and sometimes perfumes can be found. Other special stores include the hairdresser, pharmacies, fish shops, bakeries, and stores with items under 1 euro. Each specialty store is its own separate establishment.



It is important to note that there are usually two major seasons of discounts, or “rebajas,” per year. During these times, typically one in January and one in July, a majority of commercial establishments sell their products for much cheaper prices in order to liquidate their inventory for the new season. These sales are looked forward to for much of the year and are often even planned into the budget (Montero).

Cooking and Diet. It is likely that throughout the world, the most well known Spanish dish is the “paella.” There is actually much variety in the Spanish cuisine, especially when traveling from city to city. Paella consists of rice, vegetables, meat or seafood, and usually saffron and other spices. It is often considered to be the Spanish national dish to outsiders, but Spaniards view it as the local dish of the community of Valencia – where paella originated. The Mediterranean Diet is the diet of the Spanish people, and they boast at the healthy lifestyle that it promotes. The diet is characterized by the consumption of large amounts of grains, fruits, nuts, vegetables, and fish and smaller amounts of poultry, eggs, and meat. The absolute most important product for every Spanish family is olive oil, or “aceite de oliva.” Spain is the biggest producer and exporter of olive oil in the world. Olive oil is considered to have many heart health benefits. Spanish wine is also considered to be very high quality, and they actually have the most extensive area of vineyards in the world (60% more than France) (Montero). The climate is excellent in certain places in Spain, such as the south in Andalucía, and the conditions are conducive to growing some of the best and least modified fruits and vegetables (the EU has heavy laws regarding the use of pesticides for growing).

Fashion. From both an economic and a cultural standpoint, fashion and the textile industry in Spain are very important. They contribute a great deal to Spain’s image in foreign countries (Montero). The most popular Spanish textile group is named Inditex, which began in 1975 in A Coruña, Spain. According to its website, “Inditex is one of the world’s largest fashion retailers, welcoming shoppers at its eight store formats - Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe - boasting 5,527 stores in 82 countries (Inditex).” As shown in the survey results (to be discussed later) many of these brands were individually named by the majority of Spanish consumers as the type of clothing that represents their personal style. Footwear stores also play a big role in Spanish fashion. Valencia and Madrid are two of the largest fashion communities in Spain, and Barcelona has been named in the top ten fashion capitals worldwide (Altonaga). As a side note for business, the Spanish Health Ministry has declared that all Spanish clotheswear brands must maintain uniformity when defining the sizes of clothes (Somers).

Especially Spanish. There is a certain cluster of customs in the Spanish culture that are at the heart of daily life. These events or habits are some of the largest points of pride for many that live in Spain, and are arguably most important in defining what it means to be Spanish.

Religion. Spanish culture and architecture is a mixture of many religions from the history of conquest that has spanned the country. The buildings, language and religion that exist today have developed from waves of conquests for the major religions of Catholicism, Islam, Judaism and Protestantism. The Spanish Inquisition that began in the 1490’s forced Jews and Muslims to either convert to Christianity or leave the peninsula, and Catholicism became the state religion in 1501. During the reign of Francisco Franco, the Catholic Church was restored many of its rights and the religious teachings of Catholicism were mandatory even in public schools. Homosexuality, along with any expression of sexuality, was strictly forbidden, as were divorce and civil marriages (Montero).

Spain has come a long way from the suppression under Franco's rule. With the formation of the Spanish constitution in 1978, Spaniards gained the right to religious freedom. Roman Catholicism continues to be by far the dominant religion in Spain, though the ideals and tolerance of the people are far advanced from the time of the inquisition. According to a survey conducted at the end of 2011, 70% of individuals identified themselves as catholic and a surprising 25% identified with no religion. Religion appears to be considered more a part of heritage rather than a way of life, and most people do not regularly participate in religious worship. According to Rick Steve's travel guide, "Although the vast majority of Spaniards are still nominally Catholic, the country is at the forefront of liberal reforms in abortion and gay marriage. Spain's extreme religiosity has been replaced by an extreme secularism (Steves)."

El Flamenco. During Franco's dictatorship and Spain's seclusion, Franco promoted internationally the cultural events that he wanted Spain to be known for. One of these was a traditional dance called Flamenco. The dance originated in Andalucía (in the south of Spain) but has come to be one of the most well known cultural events of Spain. There are three components to a flamenco dance – the guitar, the song, and the dance. The guitar is similar to a classical guitar but with a bit of a brighter and more ascetic sound. The dance is often mistaken for the most important part of the Flamenco experience, but the song is actually where the soul of the performance lies. The music is traditional and folkloric. Originally the songs of flamenco were dark and profound and very emotional, but today there are many varieties of the song. The dance is very intense and proud, often with dramatic and staccato motions (Montero). The stamping of the feet and expressive arm movements are staples of the dance. Flamenco dancers have a very specific outfit, which is a source of pride for Andalusians and a common artifact or souvenir for tourists traveling through the south of Spain.

Bull Fighting. This cultural event has recently been under much scrutiny from the Spanish people, and for the first time in centuries has actually been banned by the Catalunya region. I went to a bullfight while living in Sevilla and needless to say, it was intense. Following is an insert from my blog about the experience:

"We watched the matadors with their colorful clothing do their moves with the capes, testing the bull for ferocity. Some of the moves were actually pretty impressive (at times the matadors were very close to impalement). Sometimes the bull would go after the horses, who were wearing thick mats so they aren't caught by the horns. The bulls would ram them hard. I felt so bad! Before 1930 the horses didn't wear the mats (called "petos") and the bull would often disembowel the horse – during the fights there were usually more horses killed than bulls. After the testing, the picador (lancer on horseback) stabs the bull on the neck, which disorients the bull and makes it focus on one thing instead of charging at everything. Then there are banderilleros that come out and make the bull charge at them and try to stick two banderillas, or sharp barbed sticks, into the bull's shoulders. We could see the blood dripping down the backs of the bulls. It was hard to watch. The matador came back in with his red cape and did some more moves (bulls are actually colorblind so the cape isn't red to anger them – the movement of the cape is what provokes the charge of the bull). When a successful pass was over, the matador would flex and yell and strut with extreme pride. Once the bull becomes too weak to continue, it lies down on the ground, and the matador stabs it in the head. The bull we watched twitched once and then stopped moving. Everyone cheered. They tied a rope from the bull to the back of a chariot cart and drug it around in a big circle before taking it out of the arena. I just sat for a second, speechless, and then looked to my friends and told them I was leaving. They wanted to

wait for just a little longer so we had to sit through another one...then finally everyone was ready to go and we got out of there quick before the next round started. I think they do 6 bulls in all.

Bullfighting has become quite a cultural conflict within the past few years, and after a petition that 180,000 people signed, it has been banned in Cataluña (which is Barcelona – it takes effect January 1st). We've talked about it in my family and in my classes, and people seem pretty divided about it. Some of the people in class really enjoy it and appreciate it as part of the culture, and some are uneasy about it. It seems like here the older generation is what is keeping the tradition alive – the younger and upcoming generation doesn't enjoy it in the same manner. We will see where bullfighting goes from here. But as for me...I am glad I went, but would never, EVER consider doing it again!"



Household Structure & Mealtime. I learned during my time in Spain is that there is no real “typical” Spanish household; rather, there are many acceptable forms of living. There can be gay couples living together, a single parent with his or her child, singles (or divorced individuals), and heterosexual couples (the most traditional form). Often times, if a child is unmarried, he or she will live with their parents until very late in life. In my host family's house in Sevilla, for example, there live three generations: the grandmother, the mother and the son. The son is 34 and still living at home, which is extremely common in Spain. Especially during the recession, people are doing all they can to conserve money. Electricity and water are very expensive in Andalucía, and people always turn off lights when they leave the room. They also take very short showers and no more than one daily. The Spanish culture is very kind and from my experience they are very welcoming in their homes. With initial meetings a Spaniard may seem a little distant, but this only lasts until they have more time to get to know the newcomer. People in Spain tend to be a little more direct – for example, they will ask personal questions or say things in a very blunt manner that Americans will often “tip-toe” around. When people speak to each other there is very little personal space and little distance between them. They speak while using their hands and may touch someone on the arm or shoulder when in conversation. I found that, though Americans tend to be very loud in groups, Spaniards tend to be more loud and expressive with their words and movements individually.

Mealtime is one of the most important times for the family to spend together. Table manners in Spain are a little more informal, but there are still norms, for example: it is not correct to submerge bread in soup, it is customary to use bread as another piece of silverware,

and “no elbows on the table and no hands under the table (Montero).” Breakfast is usually around 8 or 9 in the morning, and consists of no more than some bread and coffee. Lunch is the largest meal of the day, and is served between 2 and 3pm. It is usually a three course meal that



includes first a salad or soup, second a main dish such as paella or jamón ibérico (Spain has a national obsession with their ham), and finally fruit for dessert. Dinner is served around 10pm and is lighter than lunch – usually consisting of a Spanish omelet or leftovers. They eat very fast, but mealtime often lasts for a long period of time with everyone just sitting, perhaps drinking a coffee, and talking. Spaniards are very proud of their culinary traditions.

Siesta. The Spanish tradition of siesta is, in my opinion, the best tradition in the world. It is also one of the strongest traditions in Spain. Between the hours of about 2 to 4pm, everything shuts down. Shops close their doors and people retreat inside, often to escape the heat of the

day. But even in the north, when the heat isn't the main motivation for seeking shelter, this tradition still holds strong. The mid-day break is to allow some moments of tranquility in the transition from the busy day to the busy evening. A siesta is generally considered a 20-30 minute nap.

What Spaniards Worry About. The major source of worry for the most Spaniards is the rising level of unemployment that is sweeping the nation, and the despairing economic situation. These worries are compounded with the speculation that the situation is not likely to improve within the next year. In fact, the struggling 17 country “euro zone” is projected to fall back into a recession during 2012, with Spain leading the way in unemployment numbers. Nearly 1 in 4 Spaniards are without jobs, and more than 50% of individuals under 25 are jobless (Bryant). Other factors affecting the society are the political parties, immigration, terrorism (from the ETA, an armed nationalist and separatist organization in the Basque, or north, region of Spain). Domestic violence and the break from traditional family structures and values are also concerns of the people (Montero).

Hofstede's Cultural Analysis. Geert Hofstede was a Dutch researcher who developed a model to analyze how values in the workplace are influenced by culture. The following is a discussion on each of these four values and where Spain ranks based on the analysis (GEERT):

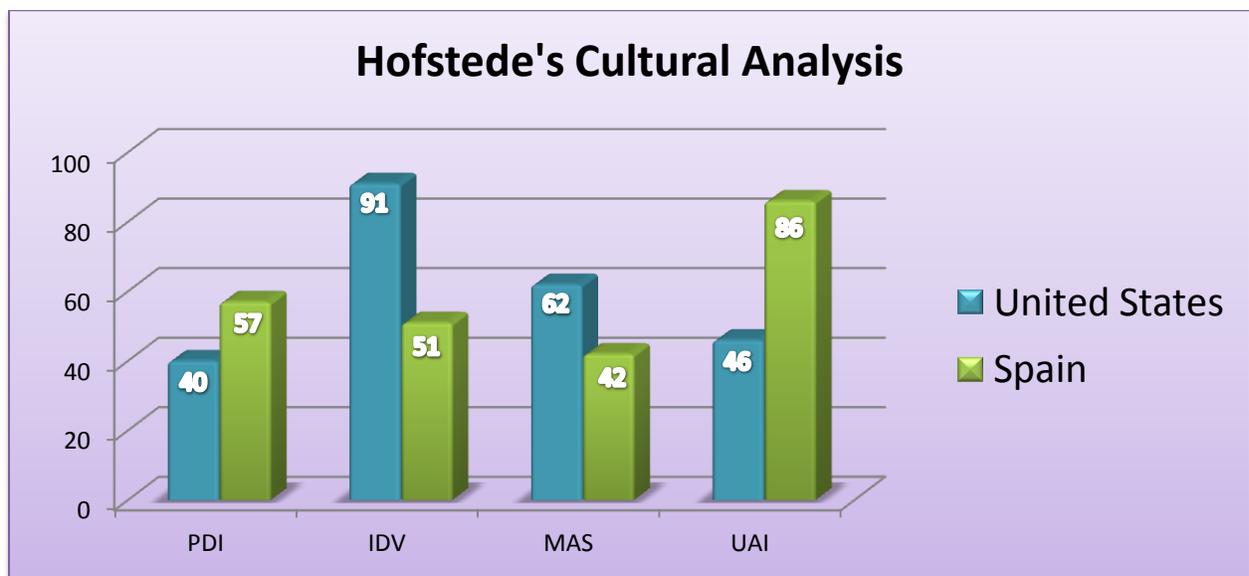
Power Distance: the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally. Spain has a score of 57 in this dimension, which means that people understand hierarchal differences and that those individuals with higher positions are given special privileges for holding those positions. For example, it is understood that people report up to the boss and the boss has control over them. Spain has a higher Power Distance Index than the number for the United States, which lies at around a 40.

Individualism: the degree of interdependence a society maintains among its members. The Spanish culture, as compared to the rest of Europe and America as well, tends to be more of a collectivist culture rather than individualistic. Teamwork and togetherness are integral to life in Spain, and employees work well together in teams without needing motivation from upper level employees. However, with a score of 51 on the analysis, they can be considered individualistic as

compared to other cultures around the world, putting Spain in a position to easily relate to those on either side of the rope. The United States scored much higher than Spain with a score of around 90 on the individualism analysis.

Masculinity / Femininity: The fundamental issue here is what motivates people, wanting to be the best (masculine) or liking what you do (feminine). Spain tends to be considered a more feminine culture, with a score of 42, as compared to the slightly more masculine nature of the United States (a score of around 62). The dominant values in the society are caring for others and the quality of life. This makes sense understanding the collectivist tendencies of the country. With regard to business, managers consult their subordinates and like to know their opinions. Individuals at many different levels of work develop working, two way relationships with each other. Political decisions are often made out of concern for minorities. Excessive competitiveness and polarization are not well received in more feminine cultural environments.

Uncertainty Avoidance: The extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these. Spain rates extremely high on uncertainty avoidance, a finding which supports the discussion above with regard to the worries of Spaniards. According to the Hofstede website, “If there is a dimension that defines Spain very clearly, it is Uncertainty Avoidance. Spain is considered the second noisiest country in the world. People like to have rules for everything, changes cause stress, but, at the same time, they are obliged to avoid rules and laws that, in fact, make life more complex. Confrontation is avoided as it causes great stress and scales up to the personal level very quickly. There is great concern for changing, ambiguous and undefined situations.” It is because of this thinking that the majority of Spanish youth find working for the government or in a civil service position to be desirable (because of the more stable and reliable work benefits); as opposed to a much smaller amount of US youth that would choose to have an occupation in this area. Spain is at the incredible score of 86 when it comes to uncertainty avoidance, as compared to the United States which is at about a 46.



Cultural History

Perhaps one of the largest turning points in Spanish history was the Spanish Civil War which began in July of 1936. The war was caused by the Nationalist military rebellion, a party led by General Francisco Franco. Franco's party won the war in 1939. He dissolved the Spanish Parliament and began a regime that lasted almost 40 years, ruling Spain with an iron fist. He made every effort to suppress any opposing person or viewpoint, imprisoned many who ideologically opposed him, and implemented forced labor in prisons. Women were required to play traditional roles in society, and were not allowed to manage their estates or even teach as professors. Women being abused that would flee the home could be arrested for abandonment (Francisco). Under Franco, Spain became isolated from the rest of Western Europe. The economy recovered very slowly from the war and international trade was almost completely cut off. After some much needed changes in policy, including some economic reform, the first glimpse of improvement began. This time became what is known today as the "Spanish Miracle," an economic boom which lasted from 1959 to 1974.

In November 1975, General Francisco Franco died. Before his death he appointed Juan Carlos to be his successor, who, upon his death, assumed the title of king and chief of state. Juan Carlos replaced the prime minister with Adolfo Suarez, who promised to liberalize the regime and even have elections again within one year. The first Spanish elections in over 40 years were held on June 15, 1977 (History). A new constitution was developed under Juan Carlos, and parliamentary democracy was restored to the nation. The country today has completely transformed since the time of Franco. It is incredible how seamlessly of a transition it has been from dictatorship to democracy – and even more impressive that the changes have been maintained.

The time of Franco was a hard time for many Spaniards. In my family in Sevilla, the grandmother would talk about life under Franco almost every night at dinner and was always in tears by the end of her stories. The effects of his dictatorship were far reaching and are still heavily felt, and to hear people talk about his regime would leave the impression that it only just ended. Yet there is also a sense of hope among the people. They are proud to have survived such a struggle and to have come out with a strong culture and a positive future. The change in the Spanish culture after Franco's death has been incredible. Many political prisoners were pardoned and independent trade unions were established. Divorce and the use of contraceptives became legal. Women have earned a status equal to men and are now allowed to work and to participate in politics. Clothing has become more colorful and the style of dress is more expressive. Spain has come out of a long, painful history of oppression and seclusion and has bloomed into a vibrant and expressive nation that is strengthening internally - even in the midst of the world economic recession.

Method of Research

My study targeted the Walmart consumer, so from my company research I developed a set of questions that would let me learn their preferences and shopping styles to determine. I was curious to see how well the Wal-Mart model would fit the Spanish consumer. My questions focused on some of the points of service that Wal-Mart finds important (such as store layout, quality vs. price, customer service, etc.) in order to capture the personal style and shopping preferences of the Spanish consumer. The questions that I selected are as follows:

1. Please describe what fashion and style mean to you.
2. How would you describe your personal style?
3. What types of products and brands represent your personal style?
4. How often do you go shopping for these products and brands?
5. Where do you shop for these products and brands?
6. Why do you shop at these locations?
7. Which is the most important purchase decision, the price of the item or quality and durability?
8. What kind of store do you like to shop in? A smaller or larger store format?
9. What kind of customer service do you like? More involved, helpful and direct or more passive and unobtrusive?

After coming up with the questions, I arranged a meeting with an advisor at my Spanish school who worked with me to translate the questions into Spanish. We had to discuss the meaning of each question and what I was trying to amass from the answers in order for him to translate in the most accurate way. Once I had my questions in Spanish, I began to administer the surveys. I received a few of my responses while I was living in Salamanca but the majority of them were completed during the time I was living in Sevilla. I elicited the help of another individual in my program and together we spanned the city, administering surveys and speaking to people. I achieved a total of 32 surveys. The implications that I draw later in this paper are strongly based on the information I gathered in these surveys.

I also gathered information for my thesis in ways outside of the questionnaires. During my time in school, I enrolled in both culture and language classes, where I learned about the history and current state of affairs in Spain. I took field notes, many of which were entered into a blog, in order to capture the daily habits of consumers. I have many photographs that demonstrate the structure of the city and provide information about advertisements, store layout and hours, and how individuals in Spain dress and spend their time. I conducted research online in order to assess the investment structure and other factors that are important to understand when doing business in Spain. Finally, I completed a business project for global marketing in Spain. All of this information together has allowed me to develop conclusions and implications for Walmart that are accurate, specific, and strategic.

Results and Analysis of Research

Professional Environment – Doing Business in Spain

Cultural Considerations. There are many things to keep in mind when doing business with Spaniards. Most offices generally are open from about 9am – 2pm and then from around 5pm to 8pm. The siesta remains an integral tradition in the Spanish way of life, and it is important to understand and respect this custom. It may be best to arrange initial meetings for mid-morning, when work focus is still strong. In meetings, it is important to know how to present yourself and how you are being perceived by others. The quality of character is the measure of respect in Spain and modesty is valued above assertiveness. There tends to be less emphasis on business experience and success and more emphasis on topics of personal achievement or pride. First names are traditionally reserved for family or close friends, so in a

business setting it is important to address individuals with either Senor or Senora, or their title, such as Professor, and their last name. The more formal way of speaking using “Usted” is appropriate in all business circumstances, especially during initial contact and with introduction meetings.

Spaniards are extremely dress conscious and will perceive appearance as an indication of professional achievement and relative social standing. Therefore men must be dressed in good quality, conservative suits in relatively subdued colors and women should wear well cut suits or business outfits. Designer clothes and brand names tend to be noted with approval. With regard to gift giving – gifts may be given at the conclusion of successful negotiations. If offering a gift it must be a high quality item and finely wrapped, but anything too extravagant may be considered a bribe. Walmart has a very strict gifts and gratuities policy, and it would be important to educate employees on the Spanish custom so they know that a gift may be offered and understand ahead of time how to best handle the situation.

Personal contacts and relationships are essential for all business success and Spain. Deal making may be a slow and tedious process, because Spaniards will want to become acquainted with their counterparts before proceeding with business. Going out to eat is essential for successful negotiations, though often business is not the main topic of discussion at these events. It would be important to choose an excellent restaurant for such a meeting, as Spaniards have an intense appreciation for fine food and wine.

Economic Considerations. Many economic considerations should be taken into account before conducting business in Spain. Spain has a strong infrastructure and relatively good costs, quality of life and human capital. Their gas and land costs are affordable. Areas that may need some improvement include the labor market, credit and innovation. As rated by foreign investors, the biggest weakness of Spain is the speed and efficiency of their commercial courts. Skilled labor and electricity costs also tend to be high. Investors are requesting reforms in the labor market where employment will become more flexible and costs, such as redundancy costs, can be reduced. Investors are also pushing to gain a greater availability for public and private credit. The European Union does provide incentives to investors, primarily with regard to projects that focus on economically depressed regions. However, investors still think that these incentives and subsidies should be improved. It has also been requested that the availability of researchers and incentives for research and development increase. The investment climate has improved and perspectives are significantly better than they were in 2011. However, changes that have been made to help the current situation have not been broad enough to fully stimulate the economy. The economic crisis continues to have a significant adverse impact on employment in Spain. Also, due to the privatization of state owned firms, they are able to hold monopoly positions – causing a decrease in competition.

It is important to note that the euro faces many challenges and is slowly losing its strength. Some banks are even taking measures to create systems that could handle the use of original national currencies, should something drastic happen. The euro is expected to fall to meet the dollar at around \$1.10 by the end of the year (Schuman). Assuming that the euro does not dissolve, this could be positive for foreign investors as costs are becoming even cheaper. However, it may be pertinent to wait and see for a small amount of time, as a complete dissolve of the euro would leave the area in a monetary chaos that may take time to mend. Spain is still struggling to change its economic model from one focused on construction and consumer spending to a more productive model that will improve the monetary deficit into which they are sinking.

It is necessary to understand the division of Spain, especially when it comes to choosing a point of entry. The country is divided administratively into 17 autonomous communities and 2 autonomous cities. The Constitution recognizes the right of autonomy for each region, while also emphasizing that the collective Spanish state together is indissoluble (Montero). Each community has its own assembly and executive government, though some have more power than others. According to the European Union, the business environment in Spain was ranked 17th out of 60 countries worldwide, “based on government policies to encourage investment, increasing economic openness, and reforms of technological and transport infrastructure, the energy sector and the labor market that have improved Spain's economic efficiency (Invest).”

Why invest in Spain? There are many benefits to entering the Spanish market. To begin, Spain has an exceptional location for key markets in Southern Europe, Latin America and North Africa. As such, entry there would access a new 1.3 billion customers (Barometer). The country has ten of Europe's largest airports, and also has 46 Atlantic and Mediterranean ports (ranking Spain 4th in maritime transport of goods). Spain asserts that they have the number one network of freeways and divided highways in Europe. They have competitive costs for the rental of offices and industrial warehouses, and the salary costs are more competitive than other major European countries (Invest). There are also very strong patent, copyright, and trademark laws that all approximate or exceed levels of intellectual property protection set by the European Union. The EU, according to investinspain.org, chooses to give aid to companies that are focused on “Research and development, the optimization of human capital and the adoption of environmental protection and energy saving measures.” Walmart has impressive sustainability measures, and the Spanish market would be a great place to utilize them and even work to improve them.

There are many reasons to start business or invest in a country during the time of a recession. First and foremost, the competition is weakened. As previously mentioned, Carrefour (Walmart's main competitor) has pretty well stuck to Europe as Walmart has to the Americas. Because of this, a weakening of the economy and of the euro will significantly weaken Carrefour, creating an opportunity for Walmart to jump in. So long as Walmart can continue to deliver on their low price promise, they will be the savior to consumers struggling to purchase every day essentials. Also during a recession there is deflation so, as mentioned, most things (including land prices) tend to become cheaper. It is easier to negotiate better terms with suppliers, as credit is usually tight during a recession. Property costs have also fallen due to the state of the economy, but they are projected to begin appreciating (Interesting). Commercial property is available and paper work and processes have been recently simplified to make it easy to purchase property. Finally, with unemployment so high, there are many well qualified individuals who are unable to secure employment. Especially with labor costs low, there is an excellent, young pool of talent to select from. Getting a foothold in the Spanish market during this economic crisis will position Walmart to come out on top when the market once again begins to improve.

Analysis of Business Environment

Supply Chain/Retail Distribution. Due to the good quality of Spain's infrastructure and transportation systems, the management of supply chain will be much easier as compared to a country like India. Generally, retailers do not hold large stocks inside their stores, so often times a Logistic Service Provider (LSP) is recommended in order to receive regular deliveries (Spain). It may be a good idea to have local distribution centers. These would initially be of higher cost

but it will ensure logistical control of the system. Again, the most important thing when conducting a business in any culture is to understand their customers in order to meet their needs. Therefore, supply chain practices will be focused on the market and driven by the customer. Processes must be smooth and well integrated, such as is Walmart's specialty, in order to respond quickly and accurately to customer demand.

Packaging and Labeling Requirements. The following information must be provided, in Spanish, on the packaging of any food items (Medina):

- Country of origin
- Full list of Ingredients, including additives, preservatives and colorants (if applicable)
- Net weight/volume in metric units
- Storage and usage instructions
- Use by date
- Alcohol percentage (if applicable)
- Allergies (if applicable)
- Manufacturer name and brand.

Additional information is allowed in the Spanish language, provided that it does not conflict with any of the requirements listed above. Specific and preapproved logos must be used when identifying products such as those that are (Medina):



Gluten Free



Organic

Spanish manufacturers and retailers are accustomed to working under the Global Gap Certification, which is an internationally recognized set of farm standards dedicated to Good Agricultural Practices. This certification assures retailers that the food they are receiving meets acceptable levels of health and safety requirements and that it was produced sustainably and with respect to workers, animals and the environment. If a package is designed to contact food, the material is regulated in order to protect human health, substance and food quality. These regulations are monitored by the Ministry of the Environment, Rural and Marine affairs.

Competition. The biggest competitors of Walmart that are currently in Spain are Mercadona, Carrefour and Eroski. There are approximately 17,000 modern grocery retail stores in Spain, and the supermarket sector has experienced the biggest growth in Spanish retail. The increase in supermarkets (of about 46%) has caused groups like Carrefour to re-evaluate their hypermarket strategy (hypermarkets only had a growth of about 10%). Mercadona, a company based out of Valencia, earns revenues of approximately 23.8 billion dollars annually. They run an EDLP (everyday low price) strategy that was adopted from Walmart. They strive to keep their prices at approximately 3% below the competition. They also have an agreement with Renfe, a

Spanish Railway company, in order to reduce their costs. 90% of their suppliers are nationally based. Mercadona has a strong commitment to maintaining a product assortment that bodes well with the customer, and if a SKU does not reach its weekly targets it will be removed from the offering.

In order to keep up with the success that Mercadona has achieved, Carrefour has developed new formats: mini-hypermarkets, markets and express stores (aimed at offering convenience foods in small local neighborhoods). Carrefour is known to be the market leader in innovation, and they are the second largest retailer in the world with almost 120 billion dollars in sales. Promotions and discounts are utilized by Carrefour, a strategy that neither Mercadona nor Walmart supports. Eroski, a part of the Aldi's buying group, is Spain's third largest grocery retail group. They have employed an extremely aggressive pricing policy and have been pressuring suppliers to offer items at the very cheapest of cost – their zest has lately resulted in a downturn of sales due to their margins suffering from the extremely low prices they strive to offer (Spain Country).

Tariffs, Taxes and Trade Barriers. The Value Added Tax is applied at each stage of supply chain. VATs are generally applied to three categories (Doing Business):

- 4% “super” reduced rate applies to basic food products such as certain bread, milk, cheese, eggs, fruit and vegetables.
- 8% reduced rate applies to all other food items.
- 18% is the standard rate and is charged on all non-food items, alcohol, tobacco and services.

The Value Added Tax is always excluded when prices are being negotiated with importers or distributors. There is also a common external tariff regime that places a 5% tariff on U.S. products. Trade barriers include those on: countervailing, anti-dumping, stringent intellectual property rights, subsidies and quotas, import bans and restrictions, label requirements and technical barriers regulated by the World Trade Organization. Spain's corporate tax income rate is 35%. Business tax is 30%, which is below that in the US and is also below the average, as determined by the Organization for Economic Co-operation and Development (Doing Business).

Results of Thesis Study

Once the surveys were completed, I again elicited the help of an advisor in order to accurately translate my responses back into English. This resulted in a wide array of responses for each question. I identified the most often occurring themes in order to select the response that best represented the voice of the consumer. The results to the questions were as follows (answers ranked by those most often expressed):

1. Please describe what fashion and style mean to you.
Way to show personality
It is very important
Form of expression
Dictated by society, a very important part of the culture of each country.
2. How would you describe your personal style?
Classic
Casual
Personal
Informal
Basic
3. What types of products and brands represent your personal style?
Jeans (specifically Levi's) and T-shirts
Massimo Dutte
Zara & Mango
Shoes in well known brands (Nike, Adidas, Converse)
Don't like brands / Don't look for brands
4. How often do you go shopping for these products and brands?
Once a month
Couple times a year
Every Season
Once a Year
5. Where do you shop for these products and brands?
Shopping Mall in my City
Zara (overwhelming majority)
Pull and Bear (overwhelming majority)
H&M
El Corte Ingles
Bershka
Big department stores
Boutiques or street markets
Where the sales are
6. Why do you shop at these locations?
Comfortability
Price
Location
Clothing is cheap, good quality and modern
I can find what I am looking for
7. Which is the most important purchase decision, the price of the item or its quality and durability?
Quality
Price if it's clothing; quality and durability if it's a basic item
Both, but in crisis times as we are in now price is more important

8. What kind of store do you like to shop in? A smaller or larger store format?
Larger - 14 responses (quality and price comparison is easier)
Smaller - 6 responses
9. What kind of customer service do you like? More involved, helpful and direct or more passive and unobtrusive?
Useful and direct - 9 responses
Passive and not intrusive - 5 responses
Non invasive and useful - 4 responses
Buying at my own pace. I feel pressure with pep talks and marketing.

Step by Step Analysis. The beginning of my analysis involved going over all of the data and understanding each piece of it. As pieces started to fit together into larger categories, I began to brainstorm with possible themes. I determined that the core variable amongst the responses is that consumers are value conscious, yet they are still very concerned with quality. With this, I began reapplying the core variable to each piece of information I received. By understanding that customers are value *and* still quality conscious it is understandable why, for example, they would prefer customer service that is useful and direct (see chart above). I then was able to integrate and use examples together to amass my themes and develop the following implications.

Key Themes & Implications

Spaniards have multiple expressions of fashion and style. In the Spanish culture, style of dress is very important. It is personal and is used as a way to show one’s personality – it is something that represents who people are. Having the right assortment of clothing in a store is absolutely vital to the success of Walmart, both in sales and in the way Walmart is perceived in the mind of the customer. Much work must be done to perfect this assortment and tailor it to the Spanish consumer. Buyers and planners must be flexible and open to change. They have to learn to listen to the customer and adapt quickly. The importance of fashion and style cannot be discounted – it is integral to the Spanish culture and must be addressed when doing business in Spain.

Determining what store to shop in is based on location, price and ease of shopping. One of the most important and also most difficult decisions to make is where to locate the stores. Many Spaniards do not have cars, which is why the local store is so successful. This also means that people do not “stock up” the same as consumers in America do. Walmart must stick firmly to their basic strategy of the everyday low price and every day low cost leader. Shoppers are concerned about price and the ease of shopping. Much of what I experienced was slightly disorganized and often cluttered stores. Walmart’s simplicity gives it the advantage of shoppability. The “click and collect” trend (purchasing product on a smart phone and having it delivered to the home) that is forecasted to increase in Europe could be taken advantage of by Walmart, should they determine a need for an increased competitive advantage. This way, the consumers that are able to travel to the stores in cars can continue to shop in the stores, while those that are on foot or in a time crunch could use their mobile devices to shop and have their items delivered to their homes.

Quality is still the most important factor in the purchase decision. It is interesting to find that, even right after a recession and when it is projected that they will be falling back into one, the Spanish consumer still holds that quality is the most important factor when deciding what to purchase. This demonstrates again how strongly image is associated with lifestyle – how good

brands are personal and representative of the wearer. The rising unemployment and projected return to recession has changed the shopping habits of consumers. Though quality is the main consideration, price is becoming the decisive factor in making purchase decisions. The importance of private label products is growing, with private label representing over a third of Spain's total grocery sales. Europe has advanced private label strategy and consumers are well acquainted with and often prefer private labels. Walmart could be very successful in this area as their private label is well developed and accounts for a huge portion of sales. It would be important to position the image of Walmart private label as being both low cost *and* high quality, as American consumers tend to often inaccurately assume only the former. Therefore, Walmart's biggest challenge will be to portray the image of not only being the everyday low price leader but also as a company that continually performs with regard to quality. Brands that have a high testability, such as food and other packaged items, are easier for customers to determine quality differences (and they often find that private label quality performs on par with manufacturer and national brands). But, for Walmart, the most important segment with regard to demonstration of quality will be the apparel segment. They must work hard to portray to the customer that their fashion and style items will not just be "cheap" products – that they are of good quality and that they can exhibit pride while wearing them.

Larger store format is more often preferred. Though many consumers do not like to travel far distances to shop, they are gaining an appreciation for the wider selection that is offered by retailers in larger stores. As markets merge and advancements in society lead to new consumer habits, new preferences are developed. In Spain there is now a demand for higher quality products and more choices. Brand integrity is important to the Spanish consumer, as well as environmental certifications, convenience shopping, and clear and available product and food safety information.

In a larger format, it is easier to compare the quality and price of items when making a decision. It was surprising to me to learn that the large store format is preferred, due to the fact that specialty stores are at the heart of the Spanish economy. Again, finding a good location will be a challenge in Spain. Though consumers prefer a large store format, in certain areas geographic constraints may require the consideration of small store formats. These small stores would likely be best selling grocery and other staple items at a low price. Though Spain generally is not in the top European countries in industrial output, their agricultural segment is a strong player in producing and consuming fresh produce. It would be imperative that the company partner with local growers in order to provide a fresh assortment to the Spanish consumer.

Useful and direct customer service is expected. Spanish consumers in this respect are not much different from American customers. They often do their own research, especially when making a large purchase, so they are not completely uninformed about their purchase decisions. Often they will have specific questions about a product when they are surveying it in the store, and appreciate well trained customer service representatives who are able to inform them about the products. Employees that are too intrusive leave customers feeling pressured and uncomfortable, and a comfortable shopping environment is rated by Spaniards to be one of the most important elements of the shopping experience. Walmart may need to slightly adjust their strategy with policies like the "ten foot rule" (greeting anyone within ten feet) as they may seem a little too pushy. It will be important to invest in the training of staff so that when customers do need assistance, the staff is knowledgeable and is able to satisfy their questions or concerns.

Solution to the Problem. All of the information that has been provided thus far is only an introduction and brief overview of some of the important aspects of the Spanish culture and things to take into consideration when doing business in Spain. Therefore, the solution to the problem presented initially is that Walmart should continue to complete further ethnographic research in Spain in order to really understand how to best serve the customer. No business can survive without satisfied customers, and there is no better way to understand and help a consumer than to become thoroughly embedded in and gain a deep understanding of their culture.

Conclusion

As the world becomes more connected, companies will increasingly conduct business in new countries and new cultures. As with any business, the goal is to make a profit. The only way to satisfy this goal is to maintain a steady flow of business by meeting the wants and needs of customers. Because there are so many variations between groups of people in each society, any business must realize the importance of understanding the elements of each new culture and adapting their business to fit within the cultural context. Walmart has, in its past, had trouble understanding how to serve customers with very different cultural backgrounds and preferences than what we have here in the United States. They have assumed that their strategy will successfully reach across borders, and have relied on their assets to push them through. But they have learned that no matter how many inputs you have, not having the right mix of products and services for the customers will cause any company to fail.

Extending operations to Spain will allow Walmart access to the nearly 1.3 billion consumers that are in and around the Iberian Peninsula. Spain has excellent infrastructure and transportation outlets, including a state of the art railway system and many oceanic ports. Their current state of economy has caused prices to decline and unemployment to increase, which has created an environment of lowered investment costs and a giant pool of talented young workers to select from.

Walmart's competitive advantage lies in its size and revenue. They have great cash flow and a well-developed private label brand. Their supply chain management and their information systems are unparalleled, and their strategy as an everyday low price discount retailer puts them in perfect position to take advantage of the current state of the economy in Europe and in Spain. The emerging competition both locally and globally will be a challenge to overcome. But so long as Walmart can learn and understand the Spanish culture, and perfect their product assortment according to such, they will be a success in the marketplace.

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