

Case Study on Wal-Mart

An Effective Business Strategy of Wal-Mart

2009

Contents

Business Environment

Customer Relationship and Management

Product Leadership

Operational Management and Excellence

Business Strategy of Wal-Mart

Wal-Mart Single Business Strategy

Corporate Strategy of Wal-Mart

Retail Market Dominance

World-Wide Expansion

Customer Satisfaction and Brand Name Recognition

New Sector Creation

Marketing Strategy

Societal strategy

Global strategy

Competitive strategy

Donating Strategy

Internal and External Analysis of Wal-Mart

Strength

Weakness

Conclusion

Business Environment

A Business Strategy is the plan that incorporates an organization's major goals, policies, sequence of actions and also provides superior value, and core competencies. A business strategy formulation varies for various organizations but the achievement of the organizations depends mainly on their business strategy. A good and effective business strategy requires three major players, namely, the Company, the Customer and the Competitors. A frequent and timely renovation of business strategic plan results in outstanding success.

A Business Strategy is also the pattern. These are the step by step guidance followed to improve the quality of the business, at the same time this guidance is born out of previous experience. A business strategy is initiated through the following simple questions: WHO? WHAT? and WHY?

- "Who?" describes the organization
- "What?" describes the Product
- "Why?" Targets the Customer

A Business strategy is a structured, systematic, organized description of a business plan that results in business growth and prosperity.

Before developing a competitive business strategy, one should analyze the organization both internally as well as externally. Internal analysis is classified in to two, namely,

- Strength and Weakness of the Organization
- Leadership Qualities

The strength and weakness of the organization is analyzed based on its comparison with its competitors in their industry. Comparison includes profile, assets, employees skill sets, marketing areas and methods, financial resources, technologies used, and etc. Using this analysis, creation of strategic plan to improve strength and minimize weakness is possible.

The major key executives of the organizations are the managers and the leaders, who are actively encouraged to seek opportunities. They are the people who are responsible to implement the business strategies. The management team with their leadership qualities should create maximum mentoring possibilities that work well for the growth of the organization.

External analysis is also classified into two, namely,

- Competitive Environment
- Societal Issues

Business opportunity, availability, and continuity in the market are stated as competitive environment. This also includes the threat involved in the industry. For example, the invention of mobile phones has completely demolished the invention of pagers. A good strategy should be developed based on the levels

of needs and requirements.

Social concerns and activities should also reflect on the business development. Before initiating the strategic plan, it is important to understand the government policies. These above four internal and external analyses are necessary before initiating an valuable business strategy.

An effective business strategy should concentrate mainly on the following three factors:

1. Customer Relationship and Management
2. Product Leadership
3. Operational Management and Excellence

Customer Relationship and Management

The growth of the organization depends on their customers. Raising customer satisfaction level will increase the degree of profit. A business strategy of the organization should focus on its customer relationship. To establish a good strategy, ensure that the customer understands the overall vision of the organization.

Selection of the right customer plays the vital role in customer relationship strategy. It actually minimizes the negative business. “Sell to the Needful” is the obligation behind a good customer relationship. In case of problems or issues, do not hesitate to introduce recovery process that helps in building customer loyalty. To improve the customer relationship the following can be mentioned in the strategic plan.

- The earlier critical issues and their solutions.
- Customer feedback and complaint analysis.
- Staffs training programs based on the previous issues.
- Steps to improve customer service and satisfaction.
- Possibilities to reduce cost.
- Methods to increase productivity.

While developing the business strategy, one should understand that the abiding customer relationship lead to elevating business prosperity.

Product Leadership

Creation of unique product or service leads to product leadership. Why the customer should use yours? The answer gives the value of the product. Uniqueness of the product within their industry includes the difference in brand, technology, customer service, or supply. A better business strategy should attract the customers by describing the exclusivity of their products over others in the market. The main aim is to drag the customer loyalty which sequentially results in solid profit. Product innovation is the product

leadership. A positive innovation of product satisfies the customers. The achievement of customer satisfaction results in unyielding profit in business.

Operational Management and Excellence

After attaining product uniqueness and customer satisfaction, it is very important to sustain the business relationship with the clients and customers. Business development should concentrate on the quality. Every version of business strategy should include the quality improvement on both product as well as service. Comparing the product or the service with the competitors helps in improving the quality and adding new features that increases the dependability of the customers. The main intention behind operational management strategy is to grab your customers for a long-term business.

Strategy is initially originated from military. There is many different ways to attain a single destination of success. The ways and the methods are different for different organizations. Earlier the business strategy is developed only by the higher officials and managers which are later criticized as in-flexible and rigid method. Presently, all the single individual of the organization, from the top management to the employees, workers, etc are involved in the development of business strategy. The employees who are directly in contact with the customers are given more priority. The employee and workers involvement in the process of business strategy development not only increases the value of the strategy but also increases the responsibility of the employees towards the organizations.

Though there are many definitions for business strategy, the main aim is to have a better business. No matter what the business is, who the customers are, where it can be used, the final destination is to have an organized way of business. A good and efficient business is obtained by well organized, systematic, disciplined and structured business strategy.

Business Strategy of Wal-Mart

Wal-Mart has a wonderful and inspiring retailer history. Sam Walton founded Wal-Mart during 1962 and it was incorporated on October 1969. He was a businessman from Arkansas, and started his retail career from 1940. On his journey, in 1945, he joined hands with Butler Brothers, owner of Ben Franklin. Later, during 1962 he started the first Wal-Mart retail shop in Rogers, Arkansas. In five years, the company had a dramatic growth of 24 branches across Arkansas. In 1968, the company expanded outside Arkansas, namely, Sikeston, Missouri, Claremore, and Oklahoma.

Now Wal-Mart is marked as one of the world's largest retailer with over \$100 billion turnover, 8000 stores, and more than 2.1 million associates. It operates with different names in different countries. It operates as Asda in The United Kingdom, Walmex in Mexico, Best Price in India and Seiyu in Japan. It also operates successfully in South America, China, Argentina, Brazil, Canada and Germany. Currently Wal-Mart operates over 14 countries outside United States with 8,159 stores and club houses. Wal-Mart's brilliant customer service strategy has sprouted over 176 million customers a year.

Wal-Mart business is categorized into the following nine components:

1. Mega Stores
2. Super Markets

3. General Merchandise Stores
4. Small Markets
5. Cash and Carry Stores
6. Warehouse Clubs for members
7. Apparel Stores
8. Discount Stores
9. Restaurants

The tremendous positive growth of Wal-Mart has encouraged stake holders and investors effectively. Each year, the number of stake in Wal-Mart also grows immensely. Due to its uncontrollable growth and competitive strategy, many industries in the market are falling down. With its exceptional business strategy, the growth of the company multiplies enormously resulting in magnificent success.

Wal-Mart Single Business Strategy

The main success of Wal-Mart is its single business strategy. Over the last three decades, it concentrated mainly to retail stores without any diversification has sustained its remarkable growth. Its' so called "Low cost price", customer relationship management techniques have increased the customers. Its outstanding transport service yet again plays an important role in the company's growth.

Corporate Strategy of Wal-Mart

The corporate strategy of Wal-Mart is branched out into the following four components.

- Retail Market Dominance
- World-Wide Expansion
- Customer Satisfaction and Brand Name Recognition
- New Sector Creation

Retail Market Dominance

The Wal-Mart principle of satisfying the basic needs of the customers with low costs and good quality products, have made many other retailers to shut down due to poor turn around. Wal-Mart's strategy of low cost with increased volume added value for the customers' every single penny thus maintained the domineering role in the retail industries. They use information technology for logistics analysis of products and study the performance of the particular product world-wide. These highly skilled techniques protract the growth and marks Wal-Mart as a lead in the retailer industries.

World-Wide Expansion

Another goal of Wal-Mart is to expand. From the first Wal-Mart discount store in the year 1962, it grew into 276 stores in 11 states by the end of 1980. Presently, Wal-Mart owns 8,159 retail units world-wide with \$40.1 billion sales. It employs more than 2.1 million associates, among them, more than 1.4 million employees in United States alone. Wal-Mart serves its members and customers over 200 million times per week.

Wal-Mart operates successfully in The United Kingdom, Mexico, India, Japan, South America, Central America, Chile, Puerto Rico, China, Argentina, Brazil, and Canada. The standard method of the company to operate internationally is by taking over the countries' national retail chain. This method minimizes

the time required to establish newly. In 1992, Canadian domestic retailer chain, Woolco Stores, with 122 branches was overtaken and now expanded with 255 units. In 1999, Wal-Mart purchased ASDA chain of UK, with 230 units and now expanded to 346 Supermarkets and 25 supercenters.

The method of purchasing domestic retail chain results in two benefits.

- Corporate takeover in a New Market.
- Competitor Elimination

Customer Satisfaction and Brand Name Recognition

Customer satisfaction is an important strategic goal of Wal-Mart. After entering into the new market, the company slowly begins to build its brand familiarity. Offering best prices to its customer, the company multiplied its customers, which resulted in expansion of the units and growth of the company. Their featured key slogan, "Saving people money so they can live better" captured the minds of its customers. The company encourages partnership programs and welcomes co-brandings by allowing branded companies, such as, McDonald's restaurants, and Eau Claire. It also promotes Hollywood movie and music companies.

New Sector Creation

New sector creation within retailing is again a successful company strategy. Wal-Mart retailing branches to various sectors within the stores. The sectors includes Discount & cheap house wares, Plastic goods, Clothing, Sporting goods, Toys, Stationary & office supplies, Hardware, Home improvement, Paint supplies, Arts & Crafts, Cosmetics & Toiletries, Shoes, Books & Magazines, Confectionery, Home electronics, Automotive supplies, Pharmaceuticals, Jewelry, Photo finishing, Travel planning, Home gardening, Greeting cards, Gasoline, and Grocery. With this new sector branching strategy, competes with specialized businesses of the industry.

As a result of dramatic expansion, both in retailing branches and in customers dominate the market internationally.

Marketing Strategy

From the beginning, till date, the major advertising slogan of Wal-Mart, circles around the concept-"Everyday Low Price". They always projects that they offer customers low prices below every other retailers. Wal-Mart Marketing strategy concentrates mainly on two aspects.

1. Wide Availability of Products
2. Numerous Customers and Members

Though the above goal offers marginal individual profit, the profit on the whole is remarkable. As the company has numerous need of product, the suppliers give them for cheaper wholesale rates. Due to its huge volume, access can be denied for the current suppliers when they don't offer better wholesale rates for the reason that the company has many other suppliers on the line.

With its "Low-Price" principle, Wal-Mart becomes the top competitor among the retailer industry. Another customer target of the company is the Tourists. With its brand satisfaction, tourists from the highly tourism cities like Sydney, prefer to shop from the known and trusted shop Wal-Mart. It follows the traditional marketing strategy, that is, "Customers expect quality at affordable prices".

Societal strategy

The industrial dominance and international expansion goals of Wal-Mart, made remarkable power positions among the stakeholders. Its impressive financial power, magnitude, and wealth resulted as the largest political donor among the retailer industries. The key objective of the societal strategy is “Being the Best and Winning always”. The company uses the top most public relation strategy firms to fulfill their commercial needs. The company is so powerful to erase its negative publicities. The company has always maintained a low profile to keep the government control devices away.

Its updated communication methods like internets and corporate papers, have maintained a good relationship with its stakeholders. With its outstanding financial powers, gives a positive result when dealing with political and public affairs. Through its 50 years of business experience, the company knows to face any challenging situations effectively by hiring lawyers or public affairs specialists.

Though company had many local, state battles, and involved in numerous municipal zoning fights, it could solve most of the disputes gently using its retail dominance and dramatic financial power. Some of its prestigious public affairs specialists are G. Norm Lezy, VP Federal and International Government Relations, Law firm of Miller & Chevalier, Leonard Bickurit Jr. and Patton Boggs, LLP, Stevens Reed Curcio & Co.

Global strategy

Wal-Mart success globally is due to its aspiration of single-business strategy. It never planned for its diversification over the past three decades. Though the company had new sectors within the retailing, its foundation of business is retailing. Wal-Mart’s amazing and innovative transportation techniques have fulfilled the customer needs all the time there by winning their satisfaction and belief. In order to reach the domineering role in the industries of retailer, Wal-Mart have invested more on information technology. The Information technology department of the company analyzes the needs of the customers based on their geographical areas. Their accurate method of tracking information on the sales of products helps them to refill and make them available round the clock.

Competitive strategy

Wal-Mart’s competitive strategy is based on the following three factors:

- Focus on Low Cost
- Customer Satisfaction
- Single Business Vision with Inter Sector Expansion

The company’s continuous concentration of low cost strategy, from the beginning till date, by placing slogans such as “Low price always”, and “Saving people money so they can live better”, have pulled numerous customers towards them. The recent report says that they serve more than 200 million times their customers and members per week world-wide.

Their perfect transport system and information technology, have made availability of the product every time. Their quality branded and complete availability of product offers customer satisfaction continuously. Their dominance behavior in the retailer industry made its competitors set behind. The company’s usual method of taking over the national domestic retailer chain eliminates their competitors

successfully.

Another success secret behind the company's competitive strategy is their single business vision. Wal-Mart stays as a retailer from the beginning and maintains its' retailing business till date. Though they have started branching into new inter sectors, they stay under one roof Wal-Mart Stores. Due to the inter sector branching, the company competes with each sector, such as, pharmaceuticals, Automobile spare parts, jewelry, home electronics, and grocery.

With its Low Cost and wonderful transport system, the company refills its shelves four times faster than its competitors. Faster replenishment resulted in competing with its retail competitors effectively, In fact, kept them always at the top.

Donating Strategy

Not only the company does business, they also do service. A latest report says, that Wal-Mart offers early Christmas for military children by offering toys, books, and gift packages. On Dec 4, 2009, Wal-Mart donated \$1.1 million to the military families in order to serve them the best.

Earlier during 2001-2002, report says that Wal-Mart contributed over \$460,000 to the federal candidates in an order of 75% to the Republicans and 25% to the Democrats. By means of its huge roof over different countries, acts as a single largest service sector with over 2.1 million associates world-wide.

Internal and External Analysis of Wal-Mart

To obtain such outstanding company business strategy, Wal-Mart has analyzed its internal and external affairs by comparing with its retailer competitors. The following are the results obtained from the analysis.

Strength

Wal-Mart operation with immense financial power, political support, and huge size word-wide, has always maintained in its domineering role in the retailing industry. This is clear from the method they acquire long domestic chains of a country. Its tremendous growth of sale initially from 14.4% from \$55 billion and its net income rose from 19.7% to \$1.7 billion is amazingly high, has made the company stay on top of the Fortune 500 (during the year 2005)-one of the prestigious business ranking magazine. The company's clear cut strategy made them stay the number one retailer in United States, and in various other countries.

Weakness

The Weakness of the company can be categorized into three forms.

- Labor Relation Problems
- Community Relation Problems

- Public Relation Issues

Wal-Mart's unwillingness of labor unionization creates extensive labor relation problem. Some unusual issues such as improper shift scheduling and abuse in the workplace are the common problems raised by the employees. The frequent such labor issues results in spoiling its basic goal of "Respect for Employees".

Community relation issues are mainly caused when a company is growing into superior power within the industry. The common community issues is that the company's elimination of the competitors by over taking them. The community feels that such huge competitor with competing costs destroys the local and small town retailer shops.

Public Relation issues includes, zoning violation, itemized complaints-generally from competitors. The company is considered to be family friendly stores, so in case of any adult oriented products or CDs are for sale, gives rise to public relation complaints.

Conclusion

Wal-Mart is the number one retailing industry in the United States, and World-Wide. The Company's unbelievable growth difference has made other retailers to think twice before they step. Its amazing business strategy of retailer dominance, world-wide expansion, customer satisfaction, and sector expansion within the system, has made remarkable growth of the industry. Each year, the company, innovates its service to the customers and members. Their communication methods and the turnaround profit multiply the stake holder every year.

As a result of remarkable and splendid growth of the company, Wal-Mart has to face more competing situations and societal issues. To sustain its colossal size and power, Wal-Mart continues to follow their magnificent business strategy.