

# Walmart

Business



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### Wal-Mart: Porter's five Forces Threats of Substitute Products or Services

Substitutes of products and services in the porter's model refer to those that are offered by the counterparts in the same industry (Porter, 1980). In fact, a threat can exist when these substitutes influences the demand of a company products leading to a change in prices for the substitutes product. Therefore, this can contribute to effects such as reduced profit margins due to adjustment of prices to cope with the competition. In this case, the substitute products and services influences the price elasticity of other products in the market, whereby there are those that are readily available; thus, increasing the elasticity of demand given that customers have more alternatives (Porter, 1998). Therefore, substitutes of products and services impose constrain the ability of the firm to adjust their prices to achieve their target profit margin.

In this case, Wal-Mart has a wide range of products with substitutes, for instance, when a customer wants to buy groceries, they can go to Safeway, Albertsons. However, there are substitutes for electronic products such as Fry's, Circuit City. On the other hand, the substitutes for clothing are Target, Costco, JC Penny (Slater & Olson, 2002). Nevertheless, it is evident that numerous competitors are not able to provide their customers with convenient and low prices for services and products. Therefore, the customers have the choice of fetching their products and services from numerous specialty stores, thereby decreasing the chances of finding the low pricing offered by Wal-Mart.

In this case, the free market offers buyer a chance to choose among numerous alternatives; thus, the source of substitutes attribute to the same product or service being sourced by two or more distributors (Porter, 1985).

Moreover, full substitute of product and services are attributed having different manufactures, but serving the same purpose. For instance, there is a product such as Kellogg's corn flakes offered by Wal-Mart while other competitors may offer a generic brand of corn flakes. On the other hand, there are partial substitutes of products and services, whereby service and products are not directly related but they can serve the same purpose in the market.

It is evident that threat of substitute has a typical impact on the industry through price competition. However, there are other concerns in assessing the concern raised by the threat of a substitute to a company like Wal-Mart. In this case, given that Wal-Mart provides customers with cheap products from rivals, this can result to a high chance of meeting the customers' satisfaction; thus, protect the company from adverse effects of this threat. In this case, Wal-Mart has been credited for their excellent customer services, whereby they have focused on ensuring that their customers are enjoying a friendly experience.

Therefore, Wal-Mart tries to protect it-self against the threat of substitution through exclusive distribution measures, whereby they may focus on utilizing their strong brand to protect their services and products. This involves use of patents, trademarks, branding, psychological and legal barriers imposed against substitutes (McKay & Marshall, 2004). On the other hand, Wal-Mart has protected products from substitution by ensuring that their products are incompatible with the competing products in the market.

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