

# Procurement strategies review



**ASSIGN  
BUSTER**

Competition is fierce in today's world and a business must work smarter versus harder. Many big name chain stores have achieved success but none like that of Wal-Mart. The following is a review of the Wal-Mart customer and his or her expectations of its procurement process. An additional review of how these expectations affect Wal-Mart's strategies, policies, and procedures at both the domestic and global level is also included. Customers Internal An internal customer is anyone you count on or rely upon to complete a task or a function or to provide you with information so that you can get your job done... and anyone who counts on you to complete a task or function or to provide them with information so that they can get their job done" (Earl, 2004, para. 3). In Wal-Mart's distribution centers, the individual stores are the internal customer. Each department within a store counts on store management to make certain orders are places and received timely. Store management counts on the employees to keep the individual department in order for the external customers.

Wal-Mart's external customers are almost exclusively the public. Through Wal-Mart's three operating branches, Wal-Mart stores, Sam's Club, and Wal-Mart International, the organization focuses on supplying its customers with merchandise ranging from produce to tires at a bargain price. This is the expectation of the customer, to receive the best product at the lowest possible price. Wal-Mart is capable of procuring material at reduced costs and passing these savings to its customers. Wal-Mart's unique ability to force concessions from suppliers further reduces costs and delivers the demands of their customers, more products for less cost.

Procurement expectations Wal-Mart's procurement expectations from suppliers are some of the strictest among retailers. The Global Procurement division was created to manage Wal-Mart's global suppliers by creating supplier partnerships, sourcing new products, and managing the supply chain. As Wal-Mart continues to grow, the sustainability of the company and the environmental issues are important to the current and future criteria suppliers must follow. Suppliers are expected to follow Wal-Mart's move in reducing waste and potential harmful products on the environment.

Suppliers are also expected to be knowledgeable of their industry to meet customer quality and price expectations. Influence on strategies and policies Domestic The customers are the biggest influence Wal-Mart faces when developing its strategies, policies, and procedures domestically. Wal-Mart brings these low prices to customers in two main ways. If a supplier cannot meet Wal-Mart's expectations, Wal-Mart then finds another supplier that will. The second method Wal-Mart uses to keep its prices low is through the low wages of its employees.

When Wal-Mart opened its doors in the 1970s, 70% of its workforce was made up of women (Kaufman, 2009). Wal-Mart knew loyalty of its employees was important to the longevity of the organization. To reach that loyalty Wal-Mart replaced benefits such as healthcare, pensions, and higher wages for fancy titles like associate and broadcasted an open door policy (Kaufman, 2009). Global The retailing giant has declared its desire to give the customer products at the lowest cost possible, with the fastest lead times, and best quality. Wal-Mart has not wavered in its determination to do exactly what it envisioned.

The company is using the Global Merchandising Centers (GMC) to promote sourcing of Wal-Mart brands, and aligning of merchandising efficiencies. “ By realigning our resources, leveraging our scale and restructuring our relationship with suppliers, we will enable our businesses around the world to offer even more competitive pricing on merchandise and to provide our customers a clear and compelling assortment of better quality products at lower prices” (Purchasing b2b, 2010, para. 5). Wal-Mart’s process Wal-Mart has a very large procurement operation as the leading retailer in the world.

Wal-Mart had a contract with a third party procurement firm in Asia. The firm used suppliers that would mark-up merchandise and resell that merchandise to Wal-Mart. The company has reduced costs, lead times, and eliminated the middleman mark-ups. In 2002, Wal-Mart began to buy directly from the manufacturer to procure a better price. According to Stundza, (2006), “ Wal-Mart has global procurement and supplier alignment teams responsible for identifying new suppliers, sourcing new products, building partnerships with existing suppliers, and managing the global supply chain of Wal-Mart’s direct imports. Figure 1: Wal-Mart’s Procurement Process Conclusion Wal-Mart is the leader in its industry and continues to grow in popularity among the consumer. The reason for its growth in popularity is its promise to deliver quality products at low prices. Wal-Mart can influence its suppliers in a way that ensures a low price on the products it sells. Wal-Mart expects its suppliers to follow its lead in giving the customer what he or she expects and will continue to grow in consumer popularity as a result.

## References

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