Walmart growth strategy

Business, Marketing

At present, the most important goal for Wal-Mart is to maintain their current net sales growth of approximately 12 percent per year. As the world’s largest company, Wal-mart’s own vast size serves as the main impediment to achieving this goal. Furthermore, Wal-mart may have saturated the market in the United States thereby limiting its ability to expand domestically. The best solution for achieving the above goal is to expand into international markets that have large population centers. Increasing net sales at 12 percent per year is the most important goal because it offers Wal-Mart and its shareholders the highest probability of maintaining or increasing their return on equity. Alternatively, return on equity could possibly be improved by increasing the overall efficiency of the organization by reducing operating costs or cost of goods sold. However, by demanding concessions from suppliers and requiring them to use Retail Link Wal-Mart is already an industry leader in reducing cost of goods sold. In the area of human capital, Wal-Mart has no unions, pays low wages, and relies heavily on part-time and temporary help. Again, Wal-Mart being the largest company in the world is the key impediment to maintaining 12 percent annual sales growth because they are already in almost every market in the United States and many international markets. There is little market share left to capture domestically because firms like Ames, Woolworth’s, and Bradlee’s have already gone out of business. Wal-Mart is already 384% larger than their closest competitor Target. Building more stores may simply cannibalize existing store sales and leave net sales unchanged. Solution Analysis We can consider the following alternative solutions: - Increasing internet sales through Walmart. com - Enhancing specialty shopping within the current stores such as a medical clinic - Exploiting the changing domestic demographics - Expanding into international markets where Wal-Mart is not currently located We selected international market expansion using the evaluation matrix in exhibit 1. Our solution is the best strategy to increase net sales because Wal-Mart has not been introduced to every market internationally. The shopping experience that is created by Wal-Mart encourages consumers to spend a large percentage of their monthly necessities budget at Wal-Mart. In the United States, current Wal-Mart customers are able to purchase nearly every basic necessity or service. While internet sales are like to be more profitable they will also likely not to be from new customers. Adding more specialty shops within the current stores most like will serve to maintain market share. Meanwhile, exploiting domestic demographic changes such as the aging baby boomers and a rising Hispanic population will not likely add 12 percent sales growth. However, recreating and expanding the Wal-Mart experience in new markets , such as India , Africa and China may make it possible for new customers to spend a large percentage of their family budget at Wal-Mart thus creates the greatest possibility for 12% sales growth. It can be argued that our solution suffers from logistical and cultural barriers. In Germany Wal-Mart’s attempt to force its company culture backfired. German suppliers and trade unions were not willing to embrace the flexibility that Wal-Mart demanded. In some countries infrastructure may make it difficult for customers and suppliers to get to and from Wal-Mart. These arguments can be overcome by implementing the strategy Wal-Mart used in the Japanese market. Before investing there, Wal-Mart sent a team of 10 company veterans to explore logistics, operations, sales, and marketing etc. By doing this Wal-Mart could make cultural adaptations prior to arrival in new markets. Conclusion Wal-Mart has had success creating its own consumer ecosystem in the United States, Mexico, and Canada. Wal-Mart has adapted to these cultures and in turn received great economic benefit as a result. To be successful in new markets Wal-Mart will need to adapt and localize its culture for each specific market. If Wal-Mart can successfully adapt to new cultures, they will likely capture a large percentage of the new customers monthly budget and therefore continue to increase net sales 12% annually.