

Importance of sam walton to the success of wal-mart essay

[Literature](#), [Russian Literature](#)



Sam Walton was the founder and the owner of the Wal Mart retail stores. He was identified several times as the richest men in America.

Sam was well known for his marketing strategies which involved the introduction of discount stores at the small towns and cities that were neglected by other large stores. However, the foundation of his success and his businesses was not all dependent on this. Success and growth of his company can be attributed to his efforts and the prudent use of the equity markets. The start of the retail stores Walton entered the retailing business in the 1940s as a management trainee and a sales man at JC Penny. In the organization, Walton was one of the best salesmen, but sources say that he knew he would not remain a shirt salesman forever, but the experience in the company was a training ground for his calling as a store owner. Sam began operating a Ben Franklin five-and-dime store in Newport, Arkansas along with his brother Bud. The two then began expanding their business by buying and acquiring other businesses in the area. Being a sales man, he set up a buying office, while applying the marketing principles that he had learnt to his business.

This did not make sense to some people because they thought that such principles were only applicable in the large companies. He was known to be an industrious man who always tried to get the best and the most out of his money. Sam had a burning desire in him to succeed.

He spent five years turning his first store from a dying money loser in to the most profitable Ben Franklin in the six-state region. San was forced to sell his business because his five-year lease was not renewed by his landlord, simply

because he wanted to give the thriving business to his son. Since he had nowhere to move his store, he was forced to sell it. In his autobiography in 1992, (Sam Walton: Made in America), he said that he had built the best variety store in the whole region and worked hard in the community, done every thing right , and was being kicked out of town. He describes this as a low point in his life as a business man. He then moved to Bentonville, Ark, where he bought a new store, with a 99-year lease.

He had to start all over again, but this time he wanted to do it better. The start his store was the start of the biggest retailer worldwide- Wal-Mart Stores Inc. It was Sam Walton's incredible vision and sheer will and determination which led Wal-Mart to become the world's largest retail outlet.

Sam attained his dreams of owning a store by combining work ethic, innovation, risk taking and high expectations. He did all the research and development that he needed to improve his business almost on his own, which made his business to become one of the fastest growing and most successful. He also tried out new ideas to maintain the growth of his company. Issuance of discounts to attract customers Sam Walton influenced the success of his company by issuing discounts to his buyers. This was not only a way to improve the competition of his business, but also a way to attract more customers. Ortega, pg 49, says that Sam set his mind to open a discount store as soon as he saw many people taking advantage of bargains at one discounter after another at the East Coast in 1960. It was difficult for him to forget, these crowds.

Sam used this idea of giving discounts in his stores as a tool to dealing with his competitors. Bob writes that while Sam was driving or flying over many towns, he would look for suitable locations to start up another business. He began sowing seeds with his bankers saying how fast the discounters were springing up around the country and how fast the chains were spreading and seemed to be making huge profits.

Sam thought of enlarging his discounting stores in order to make huge profits. Pamela, in her book "Spree", says that more than any other chain, the evolution of modern discount shopping was shaped by Sam Walton's Wal Mart stores. Sam is said to have taken 28 years to build the chain of Wal Mart discount Stores in to the number one American retailer.

She says that his inspiration to discount came from the early discounters such as Ann and Hope, Mammoth Mart and Zayre, through which he was convinced that his discount concept would work. Most of the discounts concentrated their efforts on the cities that had populations of greater than 50, 000. Sam, however, wasn't so interested in taking his discount stores to such cities. Instead, he concentrated on establishing large discount stores at the smaller towns, whose population was approximated to range from 5, 000 to 25, 000.

Through his discounting principle, Sam argued that the less you are able to charge, then the more you will sell and at the end, the more you will earn. This is the "stack-it-high-and-let-it-fly" philosophy which at the time it was introduced, challenged the existing product pricing and merchandising

beliefs of retailers and wholesalers alike. Long ago, the products were sold with the supply and the demand philosophies at whichever the price the market could set. The discount strategy turned Wal Mart in to an all people store by creating a perception in the mind of the retail buyers of significant value. This is why billions of buyers flock to the Wal-Mart stores every day. Another reason for the success of Wal-Mart was the fact that he introduced pricing strategies that are instrumental in the creation of an exiting low price shopping experience for the consumers.

The first is every day low price (EDLP), which states that since the buyers work hard for every single dollar, they deserve to be offered low prices for their purchases every time. There is also the roll back, which involves the store's commitment to pass even more savings to the buyers by lowering the every day discount prices whenever they can. This happened when there was a cost roll back at the stores, which allowed them to reduce their prices. Finally, Sam introduced the special buy, where some items have a special buy logo which indicates that the item is on special buy. This could be an item that is carried every day, and it includes an additional amount of the same product or another for a limited time. It could also be an item that is carried while the supplies last, at every special price. Importance of Sam's strategic marketing ploy

In the book "Entrepreneurial Genius", the author says that before 1972, Wal-Mart was a chain of stores that operated in only five states, yet none of the stores was in a town or a city that Kmart (a competitor store) operated. In 1972, Sam decided to compete with Kmart, which was by then considered the retail giant.

Sam had seen that the Kmart stores in Hot springs and at Arkansas had high prices, which meant that there was no competition for them. When he decided to open a retail store at Hot Springs to compete with Kmart, he sent Phil Green, a highly respected associate to represent him. Sam's first move to compete with Kmart involved an order for Tide detergent, which was the largest order to be received by Procter & Gamble. His strategy was to use the large order to send a message; the order exceeded the combined volume sold in all of Wal Mart store in the U.

S. The large order enabled Sam to sell a box of Tide detergent at a much lower price than Kmart. (Wal Mart sold a box for \$1.

99, while Kmart sold it for \$3. 97.) This made Wal Mart the price leader, a title they were not ready to let go off so easily. In June 29, 1982, Sam told Fortune Magazine that their strategy to meet the competitors head on was one of the best strategic decisions they ever made. After the store made this competitive move, Wal Mart began to grow rapidly. From a total of 52 stores with revenues of \$78 million, Sam became more aggressive; although Kmart was still about ten times his stores size, with aver 500 stores which generated revenues of \$3 billion. This never discouraged him form competing with the giant, but on the contrary, his fierce competitive spirit moved him to expand further and grow. Sam, in his own words said that, " If our story doesn't prove anything more about free market system, it erases any doubt that spirited competition is good for business- not just customers, but the companies, which have to compete with one another too.

We wouldn't be nearly as good as we are without Kmart. " He came up with the ten foot rule, which was important in the customer service, and stated that whenever an associate is within ten feet of the customer, he should look at the customer in the eye, greet the customer and ask if they require any help. Today, many years after the death of Sam, Wal Mart, still considers the rule to be of most importance to customer service. He also introduced another marketing strategy, which supported an organizations culture of promoting respect for each other's time, a sense of urgency and a desire to answer questions from anyone, especially the customers quite simply by the closure of the business on the day that they are received. Listing of Wal Mart at the New York stock exchange In October 2nd in 1969, Wal Mart was incorporated as Wal Mart Stores Inc. During that period, the operations of the company continued to grow and in 1970, Sam opened the first distribution centre at Bentonville, Arkansas, which aimed at seeking more efficiently in its retailing model. The company got the attention of the Wall Street and in 1972; Wal Mart's stocks were listed at the New York stock exchange.

A single share of Wal Mart stock was being purchased for \$16. 50, an equivalent of \$116, 736 in March 2000, and equivalent to a return of 700, 000 on the original investment. During the same year, its stock was split 100% in March at the market price of \$47. 50. Ironically, most of those who owned the Wal Mart shares were not the Wall Street investors, but the managers at Sam's stores and his close family friends who knew that the shares would benefit them.

By 1974, Sam had already invested almost 30 years of effort and energy in to building the Wal Mart Empire. He retired at the age of fifty six, and appointed Ron Meyer to be the chairman and the CEO of his business, and Arend Ferold as the president, while he maintained his position as the chairman of the executive committee, hoping to maintain the long term control of the company's destiny. However, after only 30 months of retirement, Sam terminated his retirement and returned to his previous role as the CEO and the chairman of Wal Mart. In his own words, he said, " I failed at retirement, worse than just about anything else I've ever tried. Actually, I knew it was a mistake almost right after I resigned the chairmanship. " In the 30 months that Mayer had been CEO, he hired many new executives and acquired the trust of many other senior officials. When Sam returned to lead the company, Ron Meyer left and took with him many officials who were loyal to him. Sam had to rebuild the executive ranks, while still competing with Kmart.

By 1976, the retail war between 1000 store Kmart and the 150 store Wal Mart was tough. Sam hired a research group to evaluate the performance of the stores and to make recommendations. The group criticized every detail of Wal Mart stores, including the prices, the management staff, the display and many others.

The critique was a turning point for the business. Wal Mart created a new business plan that was aimed at the improving then promotion methods, merchandising and the human resource. These plans resulted to a showy promotion method that bordered on outrageous and a more aggressive

merchandising practice which reduced profit margins on most of the items. The employees were from then on wards referred to as associates and business partners. There was also a new profit sharing plan, and a professional staff development that elevated the status of the employees from mere wage earners to business partners with a shared interest in Wal Mart's success. By 1979, Wal Mart had expanded to 230 stores, with gross revenues of \$1 billion. After wards, the company entered a super expansionary mode, adding over 100 new stores every year.

Other Sam Walton's influences The strategies and the management of Wal Mart can not be separated from the Philosophy and the values of its founder, Sam Walton. Until his death in 1992, Sam was the embodiment of Wal Mart's unique approach to retailing. Even after his death, his business principles and beliefs continued to be looked upon as the guidelines for Wal Mart's success to success. Harry Cunningham (the founder of the Kmart stores, which was Wal Mart's competitor) said, " Sam's establishment of the Walton culture throughout the company was the key to the whole thing.

It's just incomparable. He is the greatest businessman of the century. " For Sam, the thrift and the value for money was a religion.

Furthermore, he always undercut the prices of his competitors to ensure that the buyers got their purchases at the lowest prices. He also established a culture where every item of the expenditure was questioned whether it was necessary or not, and whether it could be done cheaper. His attention to details was legendary, and as the chairman and chief executive of his

business, he was quite clear that his priorities lied with his employees (associates), customers and the operational details.

He shunned offices in favor of spending time in his store, since he believed that the best way to manage the stores was not to do it at the offices but inside the stores. He always wanted to know what was going on in his businesses, so most of the time he would fly himself to the stores to check the progress with the managers. He would collect information on which products were selling well, why the margins of some stores were down, what boosted the profits at the stores and so on. Sam Walton's attention to details extended to the stores of his competitors; he looked for any strategies being applied that he could apply to his own stores. Conclusion In the book " Cases in contemporary strategy analysis," the authors say that central to his leadership role at Wal Mart, was his relationship with his employees.

In an industry known for low pay and hard working conditions, Walton created a unique feeling of motivation and involvement. This resulted to the associates working at their best at the stores. Sam believed in giving people responsibility, trusting them, but also assessing and monitoring their performance. Up to date, Sam's habits, utterances and behavior are viewed as values to the employees. An example is the Wal Mart's ten foot attitude, which says that whenever an employee comes within ten feet of the customer, he will look at him in the eye, greet him and ask if he needs any help.

His ability to attract the affection and the loyalty of both the customers and the employees can be owed to his ability to generate fun and excitement within the tiring work of discount retailing and putting a positive attitude in his employees, besides acting as the company's cheer leader. It is clear that without Sam, there would be no Wal Mart today, and as discussed in the research paper, his influence has been of importance to the success of the company.