Competitor benchmarking

Business, Company

Competitor benchmarking is used for the determination of a company's position versus its competitors. This is done by comparing the cost of goods, operating costs, and returns on assets and capital against the industry's best companies. Benchmarking helps strategists to identify areas of potential improvement for the company which is being analyzed. This helps the strategists because it help in getting an out-of-the-box perspective of a particular situation, and an opportunity to see how a particular aspect is handled successfully in probably a completely different way.

Wal-Mart it is the major industry leader in its segment, with no competitor coming even close to its scale and profits. However, the company's love-hate relationship with people within the community it operates, and the large number of detractors it has is a troubling issue, which will be handled in this section. The report first gives the back ground of the company as well as its supply chain management practices, which is forms the core of its success.

In the next section the company's strategic analysis will be done according to the frameworks given above. This will give clear picture of the company's position in the industry. After this analysis, the final section will recommend alternative strategies or some strategic changes which the company might look into in order to achieve a better competitor stand and secure its future market position. Company and Supply Chain Background The Wal-Mart store began its operations in the year 1962 by a single store in Rogers, Arkansas.

In fact the same year three other popular discount stores also emerged namely: K-Mart, Target and Woolco. However, Wal-Mart, under the superior vision and management skills of founder Sam Walton, surpassed these stores by a wide margin very soon, and is now the largest retailer in the

world. The core concept of the retail chain was to open store in small towns and sell a wide variety of products at much lower prices than the retail prices (Blevins, 2002, p. 215).

In 1979 the company first crossed the billion dollar annual sales mark, and showed an unprecedented growth rate as compared with any other retail chains due to the growth in customer demand in small towns, where most of the business was located. The company continued to show impressive growth rates even after the death of Sam Walton in 1992, by which time Wal-Mart had over 700 domestic stores and expanded into international market starting with Mexico. Wal-Mart soon expanded in Canada, and in addition extended its operations to Europe and Asia.

In 2002, the company became the largest company in the world in terms of revenues, and presently it is one of the top 10 fortune 500 companies (Chandran, 2003, p. 3). Wal-Mart’s success to a large extent is dependent upon its customer focus and excellent supply chain management practices. This enables the company to deliver a wide range of products to its customers at the lowest prices, and also in the minimum amount of time. Also, the company unlike other retailer chains does not focus on the purchase behavior of individual buyers, and maintains no records related to this beyond the single day of purchase.

Wal-Mart instead concentrates on the cumulative needs of a store located in an area, and caters to this need. The cost and time for fast moving goods in a particular community are hence reduced by aggressive price cutting techniques, and many times has ended up setting prices for goods in a certain area (Turow, 2006, p. 131). The backbone of the company’s supply

chain management system is its computerized inventory system, which not only speeds up the transaction but also creates useful data in terms of periodic usage.

The distribution centers are also automated which facilitates faster operation for the stores. In addition to this, the company also saves on cost and time by buying directly from manufacturers rather than distributors, and has partnerships with key suppliers like Procter & Gamble, to replenish inventory automatically (Cohen, Roussel, 2004, p. 10). In addition the supply chain is organized such that the products, which yield more profits, could be identified and focused upon.