Competitive strategies and government policies paper on wal-mart

Wal-Mart is a giant of the retailing industry yet is not immune to the pressures of globalized trade, supply, and competition. Wal-Mart’s profit sustainability is always ‘ in doubt’ unless it continues to fight off various competitive conglomerates or large size retailers such as Amazon and Target. Mergers on the scale of Wal-Mart are rare yet the marketplace shifts based on the continued expansion of physical and online retailers like Amazon and Amazon’s many partner/provider organizations. To stay ahead of the various operational and governmental threats, Wal-Mart’s focus is on maintaining their low cost leadership.

Wal-Mart continually advertises their prices to be substantially lower than their competitors. The truth is, most Wal-Mart items do not have a drastic price difference. However, the difference is Wal-Mart’s ability to slash prices on many popular items every so often to maintain the ‘ low price leader’ image. This has helped the retail giant maintain the number one retail spot over the past decade. This perception has also kept shoppers out of small businesses and other retail chains, giving Wal-Mart that competitive advantage of continuing to slash prices after moving most of their inventory.

Wal-Mart perpetuates the image of possessing low unbeatable prices. They flood the airwaves with advertisements of local store promotions to keep the Wal-Mart name fresh in the buyers mind. This is how Wal-Mart continues to have competitive advantage. Retail giant Kmart failed when consumers felt they were no longer receiving the best prices and deals. To avoid this same fate, Wal-Mart continually must reach out to its vendors and suppliers so that they can cut prices whenever needed. Wal-Mart’s global purchasing and financial capability is a clear advantage in the market.

As demonstrated in 2005, Wal-Mart began and won a pricing war with the most popular toys, directly hurting toy giants such as Toys-R-US. It marked 10 of its most popular toys for 10 dollars each. Wal-Mart uses these tactics to get consumers, once in the door, to purchase other items running at or about the same price as other retailers. Wal-Mart continues to work with countless numbers of vendors and partners to produce and develop goods in its stores. Wal-Mart has also successfully capitalized in marketing their own brand of products known as Sam’s Choice and Great Value.

These are generic versions of name brand products also sold in the store. Sam’s Choice brands are typically lower in price than the name brand version. Having its own brands allows Wal-Mart to cut prices even lower and make larger profits. Wal-Mart brands are private labels and can be found in almost every category from health care products, to foods and perishables, to toys. Wal-Mart continues to expand their brand name to maintain the iron fist hold on the market they currently dominate. These generic brands allow Wal-Mart to cut prices and offer many goods lower than their competitors.

Wal-Mart has announced expanding its generic line by approximately 80 new products, boasting that the products are an average of 40% lower than popular brands. Wal-Mart like other large retailers has to abide to tax laws and regulation set in place by the government. Wal-Mart like any other company has regulations to follow such as the antitrust laws. Antitrust policy is the government’s policy toward the competitive process (). Where the government may intervene is say if Wal-Mart was merging with a company, and it was taking a complete strong hold on the market giving it the ability to fluctuate prices as high as may want to.

Still being able to retain consumers even at such a high price and they can do nothing about it. Antitrust regulation can prevent a company like Wal-Mart from doing so. The specific law is the Sherman Antitrust Act of 1890 designed to regulate the competitive process. Wal-Mart biggest externality from opening a store in a small town can undermine the town centers and replace them with commercial sprawl on the outskirts of these towns (). If these externalities are a reason to limit Wal-Mart's aggressive pricing policies is a debatable question ().

An externality is the effects of a decision on a third party not taken into account by the decision maker (). There are positive and negative externalities that a market or third party may see. Wal-Mart claims by lowering their prices so low it does not destroy competition but promotes it by giving the consumers the lowest price possible and only helps the consumers who are not deniable. The taxes set by the government toward Wal-Mart can affect if they stay in a town for business or how they may price a certain item.

The government use something called direct regulation to help with externalities, which is the amount of a good people may use is directly limited by the government (). If the government decided that an externality that Wal-Mart has is there are too many stores and causing many competitors to go under they could say to close 10% of their stores and Wal-Mart would have to comply. The government would have incentives policies, which would result in Wal-Mart having two options: having tax incentive policies and market incentive policies.

In which one could be taxed on the multiple stores and keep them or adhere to what the government wants and receive a certificate stating the companies are in compliance. The government can and does make sure that companies are adhering by the rules and regulations set into place because ultimately they affect the consumer. When the government sees a negative externality, they will react to it and address it and it resolve in the best manner possible. Wal-Mart can lower their prices as low as they want but if the company violates any of the regulations or taxes set in place the company can be in a big heap of trouble.

Global competition has management standards are changing, and they should create a plan and be able to relay the plan to all employees in the organization. International management performs the same basic functions as domestic management except they have to deal with more variables and environment details. Wal-Mart has more than 8, 500 stores in more than 15 countries. Some of its names of which those operates under are Wal-Mart, Walmex, Asda, Seyiu, and as Best Price. It wholly has owned operations in Argentina, Brazil, and Canada. Wal-Mart's investments outside North America have had mixed results.

The operations in the United Kingdom, South America, and China have shown huge success, but in Germany and South Korea it had its issue in seeing those same results. In global retail, a company must have international planning to decide how to do its business at global stage. It would be crucial to produce forecasts, goals, plans for international activities, and monitoring environments closely. Other important decision in this plan includes exporting, to go into licensing agreements, joint ventures, or operating as a multinational corporation with foundations in an outside country.

United States firms usually see long-term plans should be three to five years long, but in other cultures that time frame is thought of as short. With becoming an international business the organization must be organized to adapt to cultural and environmental differences. Retail companies such as Wal-Mart, which sell and provide products or services that include the latest technology, clothes, home goods, perishable goods may consider themselves ready for the global business. The business must be able to bring in its products to as outside market and figure a way to export them.

Export management will be needed in addition as part of the marketing department and will be tasked to contribute to finding additional foreign partners. Typically with foreign businesses companies have to deal with cost disadvantages such as country laws, restrictions in trade, and market competition. In order for the company to defend and expand its international market position it must focus on establishing marketing or production operations in one or more host countries. This puts in place a new separate international division. The company will be considered headed to success when it some factors are put in place.

The global market has a similar importance to the company as its domestic market. Top officials within the organization share both foreign and domestic experience. Global sales will have a presence of about more than 25% of total sales. Also the technology used in the domestic division will not be far advanced from the international divisions. With staffing gathering a good staff and having them in proper place is so critical to the success of any business. Hiring and development of staff must be completed very carefully. With foreign businesses the country's labor laws must be familiar to management.

It must also decide how managers and staffing are to recruit from the local labor force and if they should in some cases make transfers from home-based personnel. Some restrictions that complicate the controlling function are geographic distance, language barriers, and legal. A crucial function for multinational managers is controlling operations. Bonuses, pensions, holidays, and vacation days are mandated and considered as rights in many countries. Unions are in place throughout many parts of the world and usually hold power. Their demands often limit managers' choice to function.

Labor demand is the workers needed to get the job done. Labor demand is a decision by management or ownership concerning how many employees or labor hours to use to complete a necessary task. Usually, the decision is heavily influenced by money. It is in the company's best interests to use as little labor as necessary to save money, while still accomplishing the workload required. Labor supply is the workers available to a business at a given time. During times when labor supply is low, it can be tougher to retain employees because of other opportunities and fewer out of work people.