

Wal-mart's business strategy in ecommerce



**ASSIGN
BUSTER**

This part analysis how what challenges that Wall-Mart are facing right owe and how Information technology can help the company to solve these problems. What challenges There are three main challenges that Wall-Mart are facing: price pressure, changing shopping habits of customers, and Wall-Mart is surviving in the Amazon's shadow. One of the representative feature of Walter is its low price. Since Wall-Mart built its reputation on everyday low price, which attracts a lot of low income people. These customers prefer to choose low-price products.

In addition, until now, “ Wall-Mart has been able to make huge profits by keeping worker wages low and using Its size to agitate cheaper prices than competitors”. Brian Size at The Street writes. However, since the economic recovery, Wall-Mart is not the only store provides the low price products. Other stores such as dollar tree, 99 cents only store, and some grocery stores are the main competitors of Wall-Mart. The competition is becoming intense. Moreover, large size of the store is not the advantage for Wall-Mart any more. Customers are tired of searching one product that they need In the whole large store.

People are looking for a faster. Convenient, and direct way to shopping. As a result, Wall-Mart has had to focus more on cutting its prices. The move that Wall-Mart did is that using Wall-Mart's Savings Catcher, an online tool that customers can compare Wall-Mart's prices with other stores' price. If a lower price is found elsewhere, Wall- Mart refunds the difference in the form of a store credit. Low prices hurt sales and margins. For the latest quarter that ended on May 2, for example, sales at Wall-Mart's U. S. Stores fell 0. 1

percent. Another challenge that Wall-Mart is facing is customers' shopping habits is changing.

It is the new trend that people prefer to shop at home or make the order online and pick up at the physical location. It is more convenient than strolling in the large store to search for the product. People are willing to make quick trips for food and drinks or other specific products they need. That is the reason why the number of convenience stores such as Seven Eleven and Circle K are increasing in recent years, even though they have higher prices than Wall-Mart. These tiny convenience stores help people save time, saving time is more important than saving money some time.

Customers are also tired of long waiting lines at Wall-Mart checkout stations. Wall-Mart is planning to open 270 to 300 small stores. Moreover, with the increase in the number of online shoppers, Wall-Mart is strengthening its online business. Amazon, an online bookstore two decades ago. Nowadays, it has become more valuable than Wall-Mart, it has come a long way from being just a bookstore, it is the largest online retailer. Amazon is the company that changes people's shopping style, it has changed people's life. Amazon offers almost everything online to help people who do not have time or are unable to shop in store.

Amazon is building a reputation for reasonable prices and top-notch customer service and delivery options. There is no time limitation at Amazon, customers have a guarantee of the product sold by Amazon, and most importantly, people are able to compare prices on the website easily so that they can get the cheapest product. All the features of Amazon are challenging Wall-

Mart's business strategy. Data shows that Amazon is eating Wall-Mart's lunch: after creating \$109.7 billion in shareholder wealth this year, Amazon is worth \$254.8 billion. That exceeds the market value of Wal-Mart by 30%. (Matt Grants. 2015).

Investors are willing to pay up more for Amazon's earnings, as they see it as a faster-growing model even though it loses money while Wal-Mart is profitable. In the e-commerce environment, Wal-Mart's development is harder than before. How IT can help In a highly competitive market, Wal-Mart are facing many challenges that cause the difficulties of the company's development. In this situation, Information Technology helps Wal-Mart to solve the problems through three aspects: RIFF Technology boosts Wal-Mart's Supply Chain Management, Wal-Mart's Big Data ecosystem, and Wal-Mart stresses new technology to improve customer service.

Wal-Mart has grown to be the world's largest retailer by seeking every opportunity to streamline its supply chain and cut costs in order to live up to its promise of "everyday low pricing." (University Alliance). Radio-frequency identification, RIFF, transfers data stored on tags on a product or other object, facilitating identification and tracking. Wal-Mart has been using this technology for several years and makes huge benefits, the company initially introduced RIFF to track pallets of merchandise traveling along its supply chain, including at warehouses.

Compared with traditional barcodes, RIFF tags offer a reader array of advantage. They store more data, provide real-time information, and can be scanned from a distance and without a clear line of sight. The CIO at Wal-Mart

stated that “ Wall-Mart has been able to restock RIFF-tagged items three times as fast as non-tagged items. ” This technology has helped Walter to reduce the excess inventory and cut down the out-of-stock occurrences by almost one-third (Walter's RIFF Technology Impacts and Concerns. 2014).

Wall-Mart learned a lot of innovation by the RIFF industry, Walter uses RIFF in the many ways, such as payment recessing, returns processing, and asset tracking. All the functions of RIFF help Wall- Mart to improve their service and help it to solve the challenges. Whether it is in- store purchases or online activity, Wall-Mart has always been one of the best retailers in the world.

According to the research, Walter's employee numbers are more than some of the retailer's customer numbers. (How Big Data Analysis helped increase Walter's Sales turnover? 015). To operate a huge company like Wall-Mart, Big Data technology helps a lot. Before the term Big Data became popular in the industry, Wall- Mart has already started to use Big Data analytics, and Wall-Mart has a broad big data ecosystem. Wall-Mart has created value with big data and it is no secret how Walter became successful. Wall-Mart has transformed decision making in the business world resulting in repeated sales. How Wall-Mart uses Big Data? First, Wall-Mart observed a 10% to 15% increase in online sales for \$1 billion in incremental revenue.

Big data sales before and after big data analytics were leveraged to change the e-commerce strategy. Second, Wall-Mart tracks and targets every consumer individually. For example, Wall-Mart collects information on what customer's buy, the address of the customers, and what are the products they like through Wall-Mart in-store Free Wi-If. The Big Data team analyses every climbable action on Wall-Mart website to observe what consumers buy

<https://assignbuster.com/wal-marts-business-strategy-in-ecommerce/>

in-store and online, what is trending on Twitter, and how local weather deviations affect the buying patterns, etc. All the events are captured and analysed intelligently by big data algorithms to discern meaningful big data insights for the millions of customers to enjoy a personalized shopping experience. ” (How Big Data Analysis helped increase Walter’s Sales turnover? 2015). Third, Walter can increasing its sales by using Big Data technology. Wall-Mart uses social media data to find about the trending products so that they can be introduced to the Walter stores. Moreover, Walter’s also can use Big Data analyses credit card purchases to give the specialized recommendation to its customers based on their purchase history.

Fourth, Big Data technology analyses some social media approach to help Wall-Mart Social Media Data driven decisions and technologies are more of a norm than an exception at Walter. Wall-Mart’s session making is based on social media like Backbone comments, Twitter Tweets, and Linked shares, etc. Through social media, Wall-Mart is reaching customer or friends customers who tweet or mention something about the products of Wall-Mart to inform them about the products and provide them special discount.

In this situation, Wall-Mart uses social genome technology to develop its better the context of Wall-Mart customers. The Social Genome product combines public data from the website, social media data and proprietary data like contact information, email address and customer purchasing data. For example, if the Social Genome analyses that a women always share information about movies, then when she share the information like “ I love

Salt”, the social genome solution for Wall-Mart is able to understand that the women mentions popular Hollywood movie Salt but not the condiment salt.

E-commerce is an important solution to Wall-Mart's problems. According to Bob Cramer, “ The trends of increasing convenience shopping and the rising use of smartness are resulting in a transfer of market share from brick-and-mortar retailers to online businesses. Wal-Mart can capitalize on these trends to here up its topping, which has been weak consistently in the past few quarters. ” (Bob Cramer. 2014). People are interested in convenience shopping, and the increasing use of smartness has led to high growth in e-commerce businesses.

Online retail sales are growing at an annual rate of 1 surpassing the growth rate of traditional stores. The advantages of smartness help users find their need by offering consumers great shopping convenience, it is a faster and easier way to shop. Even though e-commerce is a big threat to traditional stores, it has become a good opportunity for Wall-Mart. The expansion of War-Mart online business can become a strong revenue driver for the company. Wall-Mart has enough money to invest online business to against other small retailer competitors.

Comparing the E-commerce market leaders Amazon, one of the advantage of Wall-Mart online shop is the” buy online and pick from store” strategy, which allows customers to pick up the orders in Another success Wall-Mart did on e-commerce is that Wal-Mart's Copycat app. It is the app that recommends gifts for friends based on the social data like Backbone profiles

that customers provide. The app also attaches links to the Walter products so that users can purchase the product through the website easily.

The best part of the app is it also tells why a particular gift was suggested when people click on the recommend gift, It's very important for Wall-Mart to strengthen its position in the online retail space because it is already a little too late to realize the strategic importance of online retail for future growth. Wall-Mart needs to focus on its e-commerce strategy and it can't afford to make many mistakes. Summary The paper discussed Wall-Mart business strategy in e-commerce environment and Wall-Mart is trying to catch up the sharp changes of the trends to develop its business better.

Through compared Wall-Mart's traditional and current business model, the paper analyses Wall-Mart is using Information Technology to satisfy customer wants and needs, which are data warehouse, retail link system, electronic data interchange, and supply chain management system. The research paper focused on four main aspects of Wall-Mart connects to Information Technology: HER management, Technology development, business logistic, and marketing service. In addition, Wall-Mart are facing three main challenges right now, they are price reassurance, changing shopping habits of customers, and Wall-Mart is surviving in the Amazon's shadow.