

# Wall-mart is the kind of store consumers

Business



From a gallon of milk to a complete home makeover, Wall-Mart is the kind of store consumers (to include myself) go to buy all their home goods.

What we don't see are the management aspect of the operations, the Issues stores. Management, and executives go through on a daily basis. Wall-Mart has several challenges it goes through, from self-inflicting wounds to battling competitors for the lowest prices and consumer business.

However its Coo's both past and present have set the foundation and direction of where Wall-Mart is to be headed in the 21st century. With direction and orders in-hand, its top executives have developed initiatives addressing Wall-Mart's biggest issues, including health insurance coverage and employee compensation packages aimed at saving the company money, while taking care of its employees. With its aimed direction, Wall-Mart is continuously looking for strategies and public relations to bring more business.

Recently, Wall-Mart came out with two new incentives, one to hire more veterans, the other to increase its purchase of American made products. The issues Wall-Mart faces are many, but it did not make it this far to fall into the ruins, with its upper management straightening into the future the foundation was set for years to come. Threats and Challenges Because Wall-Mart has been so successful the past decades, the threats and challenges it faces seem to be many. From its self-inflicted wounds to the daily challenges of its competitors, the battles are ongoing.

To begin with its self-inflicted wounds, Wall-Mart seems to be its own worst enemy.

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How many times in the past few need. When this happens, Wall-Mart losses potential sales, while its competitors get wealthier. Since the last recession Wall-Mart has been cutting its staff by doing more tit less (Dudley, 2013). Because of this customers pay the price, literally- we endure longer lines at checkout, no assistance when needed throughout the store and disorientation throughout the operation(Dudley, 2013).

If that wasn't enough, not only are the stores being understaffed but the store inventories continue to pile in the warehouses throughout the country. Back in February, Wall-Mart placed last among department and discount stores in the American Customer Satisfaction Index, the sixth year in a row the company has either tied or taken the last spot (Dudley, 2013).

You would think after a few times coming in last someone within the organization would try to do something to change it, but six years in a row seems a bit extreme. Ata Feb.. 1 gathering of Wall-Mart managers, U.

S.

Chief Executive Officer Bill Simon said Wall-Mart was “ getting worse” at stocking shelves, according to minutes of the meeting obtained by Bloomberg News. Simon said “ self-inflicted wounds” were Wall-Mart’s “ biggest risk” and that an executive vice president had been appointed to fix the restocking problem, according to the minutes (Dudley, 2013). Here we are months after that has happened and the issue has not been solved. Mr..

Simon was completely correct, these are self-inflicting wounds that by not being addressed do present the company a big risk.

To add to Wall-Mart's challenges it is facing and will continue to face, in a recent study for both Wall-Mart and Cam's Club it was found that in 2008, each store was averaging 343 employees, fast forward to this year and that average has dropped drastically to only 301 employees per store (Dudley, 2013). Yes, the company may be saving millions in labor cost but its losing billions on lost consumer spending as result to its substandard arrive and performance to the public. Switching gears to address the other threats Wall-Mart faces.

It is obvious, where ever you see a Wall-Mart, not too far from it you will find a Target. By no secret, everyone knows Target is Wall-Mart's biggest headache and competitor, they stay trying to outdo and gain more customers on a daily basis.

Since the 2008 economic drought many consumers chose to Wall-Mart, but little by little Target has been aiming to recover and gain more customers. Target is boosting sales by adding lower- margin goods and discounts; it's layering more sales on top-a recipe for success Brush, 2011). By adding these items, Target lets the consumers know they are serious about gaining their business.

In a recent Bloomberg analysis, they compared 150 similar items at Wall-Mart and Target stores within five miles of each other. The comparison found Target actually has cheaper stuff than Wall-Mart and the price disparity is the greatest in two years (Target, 2012). By causing its own issues and having a big business like Target aiming for you, Wall-Mart will have to find a better way to cope with these issues.

A company will always have issues, and how they solve them and deal with them makes them or breaks them. Wall-Mart has the success built by its founder, but how will it deal with its own in-house issues remains to be seen.

On the other hand, Target has closed if not surpassed the gap Wall-Mart had created by its creative way of luring the customers in. If Target remains on pace, they will build the gap once held by Wall-Mart. Former CEO Lee Scott laid out a plan Wall-Mart has been following during his Twenty-first Century Leadership speech back in 2005. During this speech he outlined how Wall-Mart has coped with its challenges and how it will push through into the Twenty-first Century.

To begin, with the environment; Wall-Mart is such large supplier it does take its toll in the environment.

To address this issue, Mr. Scott, outlined his goals for Wall-Mart and how it will affect the environment. He labeled them as straightforward and simple; to be supplied 100 percent by renewable energy, to create zero waste, and to sell products that sustain our resources and environment (Scott, 2005).

Mr.

. Scott aims to not only help the environment but also use it as well to create more business. “ Who better than Wall-Mart to make a kilowatt of electricity go wise as far or a gallon of diesel take our trucks twice the distance?

Or three times? Who better than Wall-Mart to stretch our energy and material dollars farther than anyone ever has? The environment is begging for the Wall-Mart business model. And if we do that, everyone will benefit”

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(Scott, 2005). By addressing the environmental issues Wall-Mart had been criticized for Mr.

. Scott not only addresses the issue but also makes it clear how Wall-Mart will benefit from his. In regards to the stores, the leadership plans to eliminate at a minimum of 30 percent of the energy used by each of their stores.

By doing this the company will save money, at the same time become an environmentally friendly business. Whether they experiment with solar panels or new innovative ways, they will continue to test new ways to conserve energy. The next issue management will aim to address is “waste”.

According to Mr.. Scott, Wall- Mart can significantly reduce the amount of waste going to landfills in communities, and reduce costs through increased recycling of the remaining material. To reduce waste Mr..

Scott proposed, reducing solid waste from U. S. Stores and clubs by 25 percent in the next 3 years (Scott, 2005).

Working with suppliers to create less packaging overall, increase product packaging recycling and increase use of post- consumer material, and replacing PVC packaging private brands with alternatives that are more sustainable and recyclable(Scott, 2005). By finding better alternatives to address such issues shows how Mr..

Scott is willing to bring new methods to improve Wall-Marts operations. The next goal Mr.. Scott laid out was to build around the products that Wall-Mart  
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has to offer. According to Scott, customers should not have to make trade-offs when they purchase products at stores.

They should not need a greater income for access to seafood, cotton, forest or paper products that are safe for family or produced in a sustainable way (Scott, 2005).

In other words he wanted to ensure consumers are able to buy products at Wall-Mart that they would otherwise not be able to afford at other stores due to high prices. With this comes a great responsibility from Wall-Mart, in order to compete and offer quality products Wall-Mart will continue to be one of the largest purchasers of goods in the world by product sourcing.

Wall-Mart will ensure all its suppliers are in compliance with its ethical standards for its employees or it will cease its business with that company (Scott, 2005). Lastly, as part of the Twenty-first Century Leadership focus consisted on healthcare and wages. To address health care, beginning in 2006 health care became January 1, 2006, with insurance coverage of \$23 a month and kids covered for less than 50 cents per day.

... No matter how many children. This plan is offered for \$11 a month, with children covered for less than 30 cents per day in some markets, these plans are available nationally (Scott, 2005).

In regards to wages, Wall-Mart Leadership seems to give the politically correct answer all the time. In his guidance, Mr. Scott talks about the struggles of the workers but at no time, does he talk about how much Wall-Mart would raise wages to. Instead, he shifts focus to the amount of workers

they have and how unfeasible a raise would seem. This couldn't be more evident in the recent days when Wall-Mart elected not to open three stores in Washington D.

C. Since it would have to pay its employees \$12.50 an hour (Fairchild, 2013).

Initiatives and Additional Damages As result of the Coo's address to Wall-Mart employees, later on that year the board held a " Board of Directors Retreat IFFY" where they met up to address some of these issues. During this retreat they concentrated on how to review, address, and refine Wall-marts benefits strategy.

To begin they broke down the review process in three categories, consisting of cost trends, Associate satisfaction, and public reputation (Board, 2006). Between 2002 to 2005, benefits costs grew significantly faster than sales, rising from 1.5 percent of sales to 1.9 percent.

Benefits spend grew from \$2.

8 billion to \$4.2 billion during this period, at a rate of 15 percent per year.

Striving to hold benefits costs as a percent of sales constant is critical for Wall-Mart's long-term economic success (Board, 2006). In other words, Wall-Mart began compensating its employee's a lot more than in the past and they are feeling it. Wall-Mart also felt the financial loss in other areas, healthcare (\$1.5 billion) grew by 19 percent, paid time off (\$1.

4 billion) grew by 14 percent, and the profit sharing and 401 (k) program (\$740 million) grew by 13 percent. Over the period, the domestic Associate  
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base grew at 5 percent and domestic sales grew at 11 percent. ) Increased utilization of medical services, which grew by 10 percent per year, was the primary driver of the rapid Roth in healthcare costs (Board, 2006). As far as Associate satisfaction, a majority of Associates are satisfied with their overall benefits package, but expressed significant opposition to most traditional cost-control levers. For instance, Associates strongly oppose higher deductibles or limits to their choice of providers(Board, 2006).

Satisfaction varies significantly, however, by benefit and by segment of Associate, creating an opportunity to rebalanced the benefits portfolio to improve satisfaction while reducing costs. Penthouse a majority of associates are pleased by the company benefits, I found interesting how the board is trying to sway away from the monetary compensation, It is worth noting, that overall benefits only play a small role in attracting Associates to Wall-Mart and in keeping Associates satisfied while at Wall-Mart.

According to the board the benefits offering played a key role in attracting Just 3 percent of its Associates (Board, 2006). Moreover, satisfaction with benefits does not correlate with satisfaction with Wall-Mart. A variety of factors especially Associates' interactions with management – are more important (Board, 2006).

I really do no concur with that, cause if the employees were so thankful, why the big changes needed prior to 2002. As far as public reputation, Wall-Mart has been recipient of harsh criticism, not unions.

But then again, Wall-Mart can't complain when the proof is there, on average, associates spend 8 percent of their income on health care  
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(premiums plus deductibles plus out-of-pocket expenses) for themselves and their families, nearly twice the national average (Board, 2006). To make matters worse, according to the board, Wall-Mart has a significant percentage of associates and their children on public assistance. As result of all these issues, the board took an aggressive approach to all these issues and came up with two proposed revisions recommending that Wall- Mart implement the nine limited-risk initiatives and five bold steps.

According to the board if Wall-Mart applies these revisions benefits costs are modeled to be at or below 1.9 percent of sales (I. E. , level as of FYI 2005) in 2011, Associates will have a more generous health care benefit with an HAS to cover first-dollar expenses, greater protection against medical risk, and the ability to accumulate wealth in their Has(Board, 2006). And lastly, by providing Associates more affordable health coverage and responding to concerns about Wall-Mart's Medicaid/Schlep enrollment, they will have addressed the critics' most potent arguments(Board, 2006).

Two Recent Wall-Mart Initiatives Back in January of this year Bill Simon, President and CEO of Wall-Mart announce two initiatives that left many with plenty to say, the first initiative focuses on putting returning veterans to work, with a promise to hire 100,000 veterans over the next five years, as well as a push to increase the dollar amount of American-made products the firm purchases by \$50 billion over ten years. From a strategic and PR perspective both these initiatives will help Wall-Mart. With two wars dwindling down, each day there are more and more veterans in dire need of a Job.

Yes, veterans would only make up four percent of the hired workforce in Wall-Mart (Matthews, 2013), but it's better than doing nothing. During his news conference, Mr..

Simon addressed the need to help veterans, and the qualities that make us great employees. If that's the case then perhaps he should have announced an increase in the amount of hiring on a yearly basis. Reason I say this, if Mr.. Simon was serious about putting a dent into he veterans unemployment, Wall-Mart would have to increase its annual hiring of veterans to 65, 000, or 325, 000 over five years, and hope other employers in the U. S.

Adopt similar hiring policies(Matthews, 2013). The other initiative addressed by the CEO was a push to increase the dollar amount of American-made products the firm purchases by \$50 billion over ten years(Matthews, 2013). Initially this seems like a big commitment, but when you talk about one of the biggest retailers in the world it may not be as good as it sounds. Yes, every little helps, but what it really means is, based on Wall-Mart's 2012 annual port by promising to buy \$5 billion more each year in U. S. Sourced products, Wall- Mart is promising to spend only one-third of its annual new spending on U.

S. – sourced products (Matthews, 2013). With the type of sourcing Wall-Mart does, and the amount of money it brings in, this is very minimal. Although this initiative seems to be a good strategy, it seems more of a PR strategy in order to convey to Americans, just how Wall-Mart is contributing into rebuilding our economy and make the consumer want to spend more at Wall-Mart. Social challenges come in the form of many issues Wall-Mart is

currently facing, to egging according to Boning companies such as Wall-Mart have always had a contract with society.

The contract not only embraces stakeholders but also Such as consumers, employees, regulators, and shareholders but also increasingly a broader set of stakeholders such as the communities where companies operate the media, academics, and the non-profit sector (Boning, 2009).

Parts of this contract stem from laws and regulations and any violations within this contract constitute legal ramifications. Additionally, any violations may also cause a serious harm to a company's reputation as well as consumer demand. With so much at stake there is a using tide of expectations among stakeholders about the social role of business (Boning, 2009).

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To address the social challenge issues such as privacy, obesity, offspring, and safety of pharmaceutical products can alter a company's ground rules,

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and the financial and reputation impact of mishandling these issues can be huge (Boning, 2009). In order to address these issues the organizational structure along with internal communications, and development of skills, hiring of diplomats, and social development experts is much needed . Issues Evident: 2003 Case Study During the 2003 case study, some of the issues now facing Wall-Mart began looming.

The case study concentrates on the establishment, development, and success of Wall- Mart. It emphasizes time after time how well Wall-Mart is doing.

Yes, it addresses the principles Sam Walton founded the store on but it began showing how Wall-Mart has been concentrating on making revenue at all costs. Case in point, when David Glass took over as CEO for Wall-Mart its revenue grew from \$20 billion to more than \$200 million between 1988 and 2000 (Somewhat, p. 4). The study did touch on how Sam Walton had desired to purchase its goods from American soil, however due to its expansion, and the absence of Mr..

Walton, that took a back seat.

Instead Wall-Mart quickly became well known for its offshore operations. This was not a good thing at all, regardless of the facts of its suppliers Wall-Mart continued to conduct business with some of these suppliers. As result of this, the public and critics became more critical of Wall-Mart. During an online poll conducted by an activist group online, Wall- Mart was overwhelmingly voted as the “ Sweatshop retailer of 2003” (Somewhat, p. 8).

In regards to its compensation plans, the study does talk about potential issues since Wall-Mart's competitors had come out with better plans.

As far as its wages it clearly showed how Wall-Mart was underpaying its employees by sticking to the bare legal requirements. Not only that, even though Mr. Walton insisted that the most important ingredient in Wall-Mart's success was the way it treated its " associates. " performance information with associates, soliciting their ideas, offering them incentives and profit sharing, and maintaining an open door policy (Somewhat, p.

12). This only shows how this organization may be portraying its founder's tradition and desire to the public but turning around and doing otherwise behind closed doors.

During the study, it addresses how Wall-Mart critics have criticized Wall-Mart for having their employee salaries both part-time and full time getting paid much lower than its competitors and national average on salaries (Somewhat, p. 12). Lastly during the conclusion of the study, Wall-Marts future and expansion was covered, it was estimated that between 2003 and 2008 Wall-Mart would attempt to open over 1, 000 stores nationwide (Somewhat, p.

16). This alone, shows just how much business was booming for Wall-Mart, and how it was looking to expand despite all the criticism. Conclusion

Through the years Wall-Mart has become a household name responsible for providing goods for the home and anything else you can think of. Sam Walton, took his business from very humbling beginnings to a billion dollar

making machine. His company may have issues but with continue improvements it will develop into an international powerhouse, not just notorious for sweatshops, and underpaying its employees. During 2003 Wall-Mart put out a case study that concentrated around its development and expansion throughout the year.

During this study, many issues addressed, but little suggestions were suggested for improvement.

It made it seem like the sky was the limit for Wall-Mart, and throughout the study it made suggestions on how Wall-Mart could and would develop through the years. However, in 2005 when it's CEO-Lee Scott released guidance in regards to changing Wall-Mart's direction , not only did he bring up all the issues Wall-Mart was facing, but he presented the new guidance and direction he wanted the company headed in. During the following year Wall-Mart held the “ Board of Directors Retreat IFFY” where they met up to address some of these issues.

Had it not been for Lee Scott or these suggestions during the retreat Wall-Mart may have not gotten as far as they now have. As the years, leadership, and methods change, it has become obvious that Wall- Mart is here to stay.

Regardless of their in-house issues, self-inflicted wounds, social issues, and it's never ending competitions with its competitors and critics, Wall-Mart is poised to remain on top of its competitors and one of the best retailers in the world for years to come. With a strong founder and superb management executives, Wall- Mart does not look to be slowing down a bit.