Walmart industry analysis using porters five forces case study examples

Business, Company

Industry analysis using Porter's Five forces

Supplier Power

Most of the suppliers of WalMart include large companies. Having established itself in various locations worldwide, WalMart has been able to reduce the supplier power. This has enabled it to obtain its products at relatively low prices. Suppliers tend to provide more discounts to WalMart in an effort to increase their sales. Furthermore, most of its suppliers are large companies with substantial reputations who have to build their reputations by providing products to WalMart because of its large customer base.

Bargaining Power of Buyers

The bargaining power of buyers is weak. This has been attributed to WalMart low prices compared to most of its competitors. Additionally, the large customer base makes it difficult for the consumer to put pressure on the prices set by WalMart. It has almost over 7800 stores worldwide and serves over 100 million customers every year. The quality the customers receive of products from WalMart is high, which makes it even more difficult to influence the prices these products.

Rivalry from Competitive Companies

Rivalry from competitors is fairly weak. The main rival company is Target that is performing successfully. Additionally, Tesco also offers significant competition in the retail industry. However, WalMart is still the leader in the retail business because it applies an effective strategic model while ensuring that its rivals do not establish their weaknesses to capitalize on them.

Further, WalMart increases its competitive advantage through acquisitions and mergers. It acquires smaller stores and merges with leaders in specific markets. Customers in the United States spend over $26 million every hour, which gives it a financial advantage over its rivals. This has enabled it to expand to other parts of the world. The vast network it has, allows WalMart to retain its top position as a retail industry leader. WalMart’s low prices make it difficult for other competitors to make a significant amount of profit.

Threat of substitute Products

The threat of substitute products to WalMart’s products is low. WalMart uses advertisements to ensure that consumers are convinced that the prices of their products are low. Most of the advertisements from WalMart try to show that it offers the lowest prices than any other company. This is mainly aimed at changing the perception of the consumers about their products positively. Furthermore, WalMart ensures that the suppliers provide quality products, which are made available to consumers at low prices. Further, WalMart makes sure that weaknesses of its business model are not exposed to the rivals. WalMart's business models are unique, which makes it even difficult to imitate.

Threat of New entry

The threat of new entrants is low. WalMart having a large network and high number of stores makes it possible to enjoy the economies of scale. This makes it possible to spread the cost of production over the number of stores it has and in the process reduced the cost of production as the volume increases. WalMart’s strong financial position makes it even difficult for new entrants to influence their position in the retail market. Further, WalMart has a unique differentiation strategy that is applied in its stores worldwide. The differentiation strategy is aimed at developing customer loyalty. WalMart is also technologically equipped with innovations such as store performance tracking, UPC real-time market research, and POS, which makes it difficult for new entrants to have an effect on its retail position worldwide.