

The company wal- mart

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Wal-Mart Stores probably is the most successful and largest retail chain operating in the whole world with operation pning the countries of United Kingdom, Canada, Japan, Mexico, Brazil and China (Datamonitor, 2007). Its operation of retail stores takes different formats including being in supercenters, discount stores and nearby markets. Though it has many branches scattered all over the globe, its main operation is still based in United States. Its headquarter is located in Bentonville, Arkansas.

As of the present it employs an estimated two million people under its payroll. As an overview, the company of Wal-Mart has recorded an earnings and revenue of \$348, 650 million in the fiscal year of 2007. This earnings is an increase of approximately 11. 7% over what it had earned during the fiscal year of 2006 (Datamonitor, 2007). In the fiscal year of 2007, the profit by which the company operates is pegged at \$20, 497 million, while the net profit has reached \$11, 284 million, which is an upsurge of 0. 5% compared with previous fiscal year (Datamonitor, 2007).

This success of Wal-Mart as a company and what can be termed as its firm-specific advantage can be attributed to its businessphilosophyand strategy of reduction of operational costs so that it can generate it “ always low prices” formula for its merchandise (Rugman, 2005). Even though Wal-Mart with its status and capability of earning a revenue can be considered the world’s biggest company, what with a record sales of \$285 billion in the previous fiscal year of 2001, the retail firm is can still be categorized as a home region multinational (Rugman, 2005).

While it is true that it has expanded in several regions around the world to spread its tentacles of proven business strategy, it still faired low in terms of

sales in these countries like Japan and other countries. It is tagged as a home region multinational company since huge chunk of its sales and earnings, about 80% -- if based in its annual sales for the year 2004 to 2005 - still come from United States, its homebase (Rugman, 2005). Company Profile

Given that Wal-Mart as the largest retailer in the whole world, its business operations falls under three business segments: Wal-Mart Stores, Sam's Club and the international segment. It operates more than a thousand discount stores in 47 states in United States wherein it offers a various value-priced general merchandise that ranges from " family apparel, automotive products, health and beauty aids, home furnishings, electronics, hardware, toys, sporting goods" and other similar items. At the same time the company retailer employs an estimated 225 associates.

Wal-Mart Stores has more than 2, 200 supercenters. In addition to the general merchandise that it offers the public, it also provide bakery goods, deli and frozen foods, and fresh produce. Looking at the overall ownerships and operation of the Wal-Mart Stores segment, it has 40 general merchandise distribution centers, 38 grocery distribution centers, seven apparel and shoes centers and 12 professional services and specialty distribution centers in these 47 states in United States (Datamonitor, 2007).

Threats and Challenges Faced There are several threats that Wal-Mart now faces and it is only expected of such a giant company like itself. First and foremost, the retailer company is facing a stiff competition from large number of retailers in the market worldwide. These competitors include Carrefour, Tesco, Target, Home Depot, Sears and other local companies. The

segment Wal-Mart Stores competes with other retailers offering discount, department stores, drug, variety and specialty stores.

Among these list of competitors, the one that threatens the firm's most is Carrefour. Carrefour stands as the world's second largest retailer in terms of revenue earnings. It has an approximate 7, 000 stores scattered strategically in 29 countries around the world (Datamonitor, 2007). Carrefour poses as a serious threat to Wal-Mart since the former is more successful in the aspect of doing business internationally compared to the latter. Carrefour also holds the leadership position in retail business in China.

An increase in competition from both the local retailers in United States and Carrefour can have a bad effect on the revenue base and capability of Wal-Mart to profit. At the same time, one of the hardest challenges that the company has to face is the proliferation of counterfeit goods (Datamonitor, 2007). The prevalence of these kind of products, goods and accessories is direly taking a tool on the sales of the company of Wal-Mart since it is affecting the sales of branded accessories.

For the first six months of 2006, there have been more than 760 incidents of intellectually property theft that focused exclusively on copyright and trademark that have been recorded. There is a total value of approximately \$700 million calculated for seizures and losses from sources scattered in 69 countries. This is the main problem of Wal-Mart: counterfeiting. Since this type of theft is more prevalent in fashion accessories like watches, shoes and hand bags. As a result the company is losing so much money for the lost of sales of these products.

Furthermore, this problem on counterfeit goods created a problem for the Wal-Mart when in 2006, Moët Hennessy Louis Vuitton, owner of the Fendi brand, brought Wal-Mart Stores in a federal court for allegedly selling counterfeit Fendi bags and wallets. The reported counterfeit items were sold lower by 68% than the actual price of the original products. Another threat to the company is the growing opposition and resistance from communities. As Wal-Mart plans for expansion that would lead to opening of new retail stores in the country, this business plan may have the possibility of facing opposition from local communities.

Small retailers located in these target places fear that the competition that Wal-Mart will give them will make them run out of business. Another problem in some states is the concern of residents and local government that the presence of Wal-Mart in their area will bring congestion due to increased traffic. As an example, the local government of Inglewood, California denied the application of Wal-Mart to open a store there due to the same reason mentioned above.

Another case that came out with the same negative result was when the company attempted to open new stores in Queens, New York. Another issue that threatens that Wal-Mart leadership in retailing is when consumer fraud investigators in Wisconsin released findings after a long, arduous investigation alleging that the giant retail store throughout the state had misled consumers by misidentifying food items as organic. If these fraudulent practices on the part of Wal-Mart continue to persist then this could adversely affect the image of the company.