Key capabilities important to wal-mart’s success in discount retailing

Business, Company

Walmart's developed and immense national recognition, size, its well-developed internal operations its low price/high volume and integrated distribution strategies, and its international locations covering a high percentage of geographic locations all encompass the company's competitive advantage.

Today, there are other discount stores (grocery stores and clothing stores) that have adopted a similar cost and operation structure of offering low priced items at high volumes in substitution of more costly or higher brand quality such as Trader Joes and Goodwill. Still however, there is no one store that encompasses both like Wal-Mart. Additionally, something that Walmart attributed to their value was their " cheerful ambiance" and ability to care of its employees. Today, it is not the only store to offer and strive for a quality and happy experience, and it has encountered many problems with not caring for its employees.

Resources/Capabilities + VRIO

Value

Walmart was the discount retail store with a strong low price/high volume concept. By 2003 it had become the pioneer for supercenters revolving around convenience. It had quickly expanded quickly building solid operational policies along the way

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Rare

While it had competitors like Kmart and Target, Walmart's ability to provide low cost products at high volumes while instilling and evolving its unique organizational and distribution structure, including its concept of warehouses, and thus convenience gave it the necessity capabilities to withstand economic struggles and stay atop its fallen competitors. A. Their concept is as old as time – they've stuck to the basics. It's been since his first Benjamin Franklin franchisee store that founder Sam Walton coined up and has since developed the concept of low price/high volume. Throughout his trials with Walmart stores, he learned how to " balance buying it low, stacking it high, selling it cheap"

They evolved with the times – both the good and the bad. In the 1970s there was a difficult economic climate, but Walmart played on the ban on resale price maintenance, which caused many smaller players and large chains to go bankrupt, penetrating the discount retail market further. In the 1980s Walmart grew to become the second largest discount retailers, partly because they were able to grow alongside new innovations and global concepts (hypermarkets led to supercenters in the 1990s). In 1976, they invested in information technology. In 2000, they pioneered Walmart. com, leveraging tech growth.

Costly to Imitate

Walton began cushioning the concept of " buying it low, stacking it high, selling it cheap", during his very initial stages of being a store owner, before the conception of Wal-Mart, which is why now incredibly developed and integrating, trying to imitate its distribution networks on top of its product offering with the prices it offers them at, would all incur high costs. Their concept is as old as time – they've stuck to the basics. It's been since his first Benjamin Franklin franchisee store that founder Sam Walton coined up and has since developed the concept of low price/high volume. Throughout his trials with Walmart stores, he learned how to “ balance buying it low, stacking it high, selling it cheap”. They grew to obtain substantial financial resources to test out different expenditures, but never took on what they couldn't “ fill”.

Supercenters (14 times according to the article), which ended up surpassing separate entities of discount retailers and supermarkets, allowing them to stand above the fall of discount retailers including Kmart. Built warehouses which were “ capital-intensive”. “ We are always pushing from the inside out. We never jump and then backfill”. Rising geographic scope provided the ability for international growth I. In the 1990s, international operations “ accounted for 17% of sales, 15% of EBIT, and 32% of total assets”. By 2003, Walmart had the ability, and was, everywhere AND provided (in a strategic manner) essentially everything I. Managed its product assortment by store. Operated 4, 688 stores with a total area of 561 million square feet – 73% of which were in the U. S. III. “ Wal-Mart commanded as much as 30% of the U. S. market in a number of household staples…”.

Organized

Due to the committed nature of Sam Walton along with his long-time experience of the industry, Wal-Mart has a deep rooted organizational structure that has just recently begun to evolve. Its distribution network and company are unmatchable processes that have evolved but not fundamentally changed. They were able to lay a solid foundation of what they did and how they did it through their dedicated and committed founder, who exemplified the best manager, leader, and employer. Walton was always pushing for continuous learning, which led to change/adaption/imitation II. He “ borrowed” what worked, including developing a cost-effective distribution network. Walton cared about his employees even offering them the ability to contact him on his home phone and overall insisted that the most important ingredient to success was the way it treated its “ associates”. Built out strong operational efficiencies which allowed it to expand into various verticals aside from general merchandise departments into industries like food V. Management grew to be elaborate and centralized.

Not only were they the cheapest to shop with, but also were considered best to do business with. A survey of 122 manufacturers resulted in Wal-Mart being considered the “ best retailer with which to do business”. They nurtured these essential relationships, especially with large-share suppliers. At the end of the case, Wal-Mart is thinking about (a) international retailing and (b) financial services as two areas where it can expand in order to sustain its overall growth.

Wal-Mart grown to be recognized as the discount general retail store. This is one of a group of its competitive advantages that I believe to be transferable including – its ability to leverage its internationally known and powerful brand along with its reputation for offering low priced products, and therefore assumed low priced services. It has an established distribution network and operations, which could easily transfer to both international retailing (aside from governmental policies) and to financial services. Most of the International Market is still open for entrance, especially Asian Countries. They have already established an importance of building and maintaining relationships with all of its key players, which is something they could leverage to create joint ventures thus increasing market share internationally. In regard to finances, Walmart could incorporate bank kiosks within their stores like they have Netflix kiosks, or could also partner with banks to offer crediting options like Target does with their credit card which is only supported within the store. On the opposite side of the spectrum, one of the negative aspects of going into these verticals is simultaneously one of the factors that are integrated into both its value and its rarity, which is that since it is established as the affordable priced supercenter, it also attracts the stereotype of cheap equals bad quality, which isn’t necessarily a name you want tied to your financial service offering. Also, one of its costly to imitate factors which is integrated into its operations is its large number of warehouses geographically distributed all throughout the nation. This might be difficult to imitate in countries that have difficult land regulations or import regulations. The international market and the financial industry are full of political and regulatory hurdles which are more difficult to combat than retail.

All in all, I do believe that if Walmart were to expand into these verticals, its size, established internal operations and logistics, its cost model, and its location would all support sustainability and provide additional value to its customers, if leveraged correctly.