

Wal-mart strategic audit

Business, Company



Offering products at everyday low prices is one of Wal-Mart's many strategies. The company value chain helps identify activities associated with how Wal-Mart achieves their many strategies. First, Wal-Mart's supply chain management is extremely cost effective. For example, Wal-Mart has been known to imitate competition's successful merchandising concepts. Another cost-effective method in Wal-Mart's supply chain management is their ability to track the movement of products through the entire value chain.

Whether the product is in shipment, in distribution center inventory, in-store inventory or on the shelf, or at the cash register, Wal-Mart can track it in real time. Their capability in streamlining supplies among stores and suppliers has helped them maintain appropriate inventory and track what sells and what doesn't. Operations and distribution strategies have also helped Wal-Mart achieve low prices. Wal-Mart's strategy has been to plot stores outside of large cities and within 200 miles of existing stores. Clustering stores together in small areas, Wal-Mart relies on word-of-mouth advertising to win over consumers in larger cities.

Because stores are close together, distribution costs are below average. Furthermore, Wal-Mart seeks to meet different customers' needs with four distinct retail options; these include discount stores, supercenters, Sam's Clubs, and neighborhood markets. Each store concept has a specific range of store size, total employment, and estimated sales. One of Wal-Mart's foremost strategies is to provide superior service to customers. Every store has a "greeter" near the entrance to welcome customers, offer them a shopping cart, and direct them toward where their items are located.

Rule number eight in Sam Walton's 10 Rules for Building a Business is to "Exceed our customers' expectations. If you do, they'll come back over and over." Alternative Strategies Wal-mart Stores Inc. is known to most as the low price leader but Wal-mart also has a controversial image. Being a multibillion dollar business does not excuse one from problems. Over the years Wal-Mart has been one of the most scrutinized businesses in America. Wal-Mart has had to deal with employee disputes over health benefits, wages, hours, and labor.

They have faced opposition from the communities, banks, elected leaders, and unions in many of the small towns they have expanded to. Many argue that Wal-Mart stores can have a negative effect on the community, because Wal-Mart has driven out other local competition by driving the prices down. Some have even gone to great lengths to stop Wal-mart stores from entering their cities. Wal-Mart's goal is to treat their customers like family while providing them with quality goods at lower prices but Wal-Mart's image is deflating. Why? What can be done?

The challenge facing Wal-Mart, especially in this trying time of economic hardship, is to boost its perceived value to the customer by improving the quality of their goods while keeping themselves differentiated from their competitors. There are several options that Wal-Mart can utilize in order to change their image. There are three significantly different options to follow that Wal-Mart should analyze and take action. One option is Wal-mart needs to target the higher margin, discretionary sales. Different products need to

be the center of the marketing efforts, for example more fashionable merchandise.

To entice the style conscious advertising should also be shifted to towards the higher margin sales. The second option is unionization. By unionizing a company such as Wal-Mart, the costs would be immense in initial start up while they may balance out future legal costs. If Wal-Mart allowed for unionization, their perceived image will change dramatically. A third option is creating a strategic alliance or a joint venture with local farmers. By creating a new image through marketing or through unionization we now can create a new enticing atmosphere drawing in a diverse consumer. Strategic

Evaluation of Alternatives

Higher Margin Target Market Wal-Mart has always had a smaller margin 30%, compared with Target at 45%, on discretionary items, like furniture, electronics, sporting goods, entertainment and apparel. Wal-Mart can attract the style conscious consumer a few different ways. One way is by offering high-quality clothing items. This can be done by scouting out up and coming high-end designers at fashion/art schools and working with them to design clothing lines that would appeal to not only the Wal-Mart shoppers but also the urban market consumers to bring in more upscale customers and wider profit margins.

Styles and variations can be done by target marketing, by age, income, lifestyles. Then pricing structures and marketing methods can be set up for each dominant market. The pros for this strategy are simple, profit and a diversity among the consumers; attracting a different kind of customer. By

attracting this target market you open the door to more crowded stores, possible price increases, and thereby you may find the original Wal-mart consumer shopping elsewhere. Unionization By using a functional strategy to implement unionization, Wal-Mart's perceived image would change dramatically.

They would be viewed publicly as a caring employer that wants to offer the best benefits to its associates, attracting better workers thus creating better customer service and longevity of their associates. Due to the negative publicity that Wal-Mart has encounter about its workers pay and benefits, this would be seen as a positive action. Wal-Mart has had to work hard to clear their name from bad press relating from their business practices, from low pay and stingy health benefits, to ligation issues.

Wal-Mart is a multi-billion dollar company where their top executives are some of the richest in the country, however, their employees are barely making minimum wage at the highest, and are facing the harsh reality of being unable to support their families. As a multi-billion dollar company, providing benefits would be a great opportunity for Wal-Mart to help employees and the economy but it will also help revive the company's current image into something much more positive. A union would help establish and maintain the program plus it would also create team unity which in turn would create a more positive work environment.

Not only would it bring more customers to the store, it will cut down on its lawsuits. The introduction of a union may even cut costs because the company would then be held to more strict guidelines, resulting in less legal

issues. However, the cost of implementing a union would be great.

Employees may also be leery of paying union dues. Strategic Alliance or Joint Venture with local farmers Wal-Mart could expand its business to include partnerships with local farmers utilizing a cooperative strategy, by creating a strategic alliance or a joint venture with local farmers.

These local farmers will benefit from the large scale business that Wal-Mart would offer. Wal-Mart by buying locally are reducing their environmental stamp, giving back to the community and enabling their consumers to purchase fresh produce thus creating an image of helping communities. The local farmers could grow produce, including organic, that could be stocked in local locations, advertising this within store with locally grown signs above each product, depicting the location and photo of the farm/farmer would make consumers aware that purchasing these products will benefit their local community.

Moving into organic foods will create new challenges for Wal-Mart's well-known supply-chain system. The wholesale organic foods market is made up of many small suppliers selling perishable goods that require complicated handling. Recommended Strategy; Strategic Alliance or Joint Venture with local farmers Wal-mart has managed to develop a brand name synonymous with low cost products but not necessarily quality products. This image has attracted a core lower-income consumer which organic products may not appeal to.

However, Organic products represent a new, growing category of demand for all retailers. Many consumers today are actively buying American made and

grown products with an increase of interest in organic products. Wal-mart has the opportunity now to diversify its target market to include the health conscious consumer. Having a joint venture or strategic alliance with local farmers will create an image of helping local communities, increase sales, reduce costs, and create a loyal customer base by using the local farmers.

Implementation A. Wal-Mart can increase profits by using local markets. Buying locally from the farmers will reduce transportation cost and increase product freshness. B. Wal-Mart will lead the food markets by using local farmers exclusively. C. Research and Development will be implemented at the local store manager level. The supply and expected demand will also be determined at the local level. Strategic Manager: Julie Communication: Online Meetings Accountability: Update, determine needs for local markets Frequency: Quarterly Evaluation and Control.

Wal-Mart's evaluation and control of the implementation of a strategic alliance or joint venture with local farmers process starts with setting performance standards. Wal-Mart will set performance standards that will allow guidelines to be set that will define the differences between actual and desired results. These standards will help to ensure that Wal-Mart is able to catch any issues related to the implementation and implement new procedures if needed. Wal-Mart can begin by analyzing the overall market they would operate in using a benchmarking process.

The benchmarking process would enable Wal-Mart to better understand the services, products and competitors that it would be going up against in this market segment. By utilizing this process Wal-Mart will have a better

understanding of their competitors, the process they use and possibly the ability to do it better. Once Wal-Mart has analyzed its competitors, the monitoring of the implementation begins. In the evaluation and control process Wal-Mart needs to begin to set up a control system that would enable Wal-Mart to monitor departments within each store.

These systems would then enable them to maintain quality standards, monitor pricing, follow current trends and have the ability to implement any necessary changes to the system within each store immediately. There should be multiple control systems to ensure that management is able to provide feedback within each corporate level, enabling them to be able to resolve any issues prior to the completion of the implementation. Wal-Mart is known for “ everyday low prices” and maintaining their edge as the low cost leader is important during this process.