

Risks and opportunities of wal-mart

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Sam Walton – a real ‘king’ of XXth-century retail – was able to turn a small store in the center of a provincial town to the world’s largest retailer – Wal-Mart. This man had stepped on a pedal of his business and never let it go; otherwise, he could be crushed by those behind him. The Wal-Mart’s success is grounded on the notion to save customers’ money, so they can live better.

The economists’ unfavorable outlook at Wal-Mart Co in the beginning of FY 2007 seems to fade out by the latest data and reports, for this global retailer is focused on constant improving of sales and returns: an 8.1 percent increase in the first quarter to \$2.86 billion or 70 cents per share up from \$2.65 billion, or 63 cents per share, in the year ago period.

Wal-Mart expects the on-going increase in net profit up to \$0.99 - \$1.03 per share in the fourth quarter and \$3.13 - \$3.17 in total. Sales of the company rose 8.8 percent to \$90.9 billion (according to the data from Floor Daily and Reuters).

Risks of the last year, when the company tried to sell more goods to middle- and high-income shoppers had been reemphasized by executive leadership; therefore, this year brought more opportunities in low-price segment.

At present, Wal-Mart Co made some steps forward in its American stores and attracted more consumers, who were pressed by growing prices on foodstuff and energy carriers, and by mortgage crisis. For the past few weeks, the retailer has lowered prices on the most popular toys and 15 thousand of other goods on the threshold of the holiday shopping.

The falling of dollar and rising oil prices posed a real threat to weaken international earnings; however, the surprising share of Wal-Mart Stores Inc

in the third quarter of FY 2007 has grown due to outlets overseas, tough expenses' control and preliminary customer expectation model in American stores. While the American picture seems rather clear, for

Wal-Mart originated from this country, the international situation was frightening. Europe and Asia are turning America down from the leading position in the world affairs, because of its ' diplomatic' operations in Iraq, the growing total debt and unstable economy.

Therefore, the outlets in Germany were forced out by domestic stores, outlets in South Korea were closed because of high competition and low market share; " new social alternative" in India is fighting against Coca-Cola and Wal-Mart. Nevertheless, along with grasping market share in North and Latin America, Wal-Mart had fit the cultural diversity in Asian segment. For example, in China consumers are allowed to choose live fish and seafood by themselves.

As the world's largest retailer, Wal-Mart Co can afford the new technologies, take the role of sponsor in the latest researches and developments, protect the environment and implement the energy- and money-saving equipment in its stores.

When Sam Walton had faced regional discount competition and opened his first discount store, he laid the basis for further successful management strategy: the wide range of goods, the lowest possible prices, the latest technologies, convenient stores and parking, and, as the result, consumers' satisfaction. Today, the executive leadership of the corporation is aiming its

efforts at successful managing of all departments: sales, marketing, human resources, research and development and administration.

Step by step, Wal-Mart has filled all market niches, including discount stores, warehouses, grocery and toys stores, optical and pharmaceutical supermarkets, portrait studios. The outlets overseas were depending on the progress and technologies. The spread of democracy in post-communist countries had unveiled the potential of their consumers; so, today, Wal-Mart Stores Inc. is heading to take the largest market share possible in this area.

Technological progress with its changes in industry had forced Wal-Mart Co to implement such “ A preliminary research for the valuation of Wal-Mart Co” developments as internet access, latest technologies and electronics, online stores in its marketing strategy, in order to keep the leading positions in a highly competitive market.

The core trends in business spending lie in progress of environment protection. The sustainable goals of zero waste and reduce of energy at Wal-Mart stores call for fundamental changes. The company has already “ constructed experimental stores to test different ways to conserve water or electricity while also cutting waste” (Maestri, N. Reuters, para. 3).

The company will also examine the healthcare issues, the key question that is raised in media; make attempts to fit the highly diversified Asian market to include minorities and women; reduce carbon footprint and track waste. Another business spending is found in sustainable development in China, from which Wal-Mart, either directly or indirectly source goods.

Wal-Mart strategy, competencies, and management

Mike Duke, the Vice Chairman of Wal-Mart Stores, Inc., in his “ Driving Business Value through Sustainability” presentation has singled out five value drivers of business: brand and reputation, cost reduction, access to talent, associate engagement, innovation (p. 8).

These drives cover all spheres and level possible, such as worldwide market share and recognition, customers’ and employees’ satisfaction. All reports prove that the principle of each consumer’s satisfaction is the right and unchanging course in varying industry. Sam Walton, an expert, manager and retailer, is also a goodteacher, for he could raise a successful team of leaders, who share the same priorities and want to reach the same goals.

Recently, Wal-Mart Co had reemphasized the financial management systems and chose the solution SAP ERP Financials to keep up its growth and effective reaction at business changes. This teamwork had lead to top, among such competitors as Target, Costco, Kroger, Safeway, Best Buy, etc. Ellis Mnyandu, a Reuter’s reporter, has noted that “ Wal-Mart’s stock gained 6. 1 percent to \$45. 97 after the world’s biggest retailer posted a stronger-than-expected quarterly profit and raised its outlook” (para. 17). Facts say louder than words – Wal-Mart Co is worth to be called “ the largest seller in the U. S.” and largest global retailer.

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