

# Free essay about strategic planning: analysis of apple inc

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## **Strategic planning assignment:**

### Wal-Mart Company Profile

#### Concept and Portfolio Analysis

Wal-MartStores, Inc. is one of the global leaders on the retail market, operating almost 11 thousand stores in 27 countries around the globe. Main competitors among others are such corporations as Target, Costco on the US market and Extra supermarkets in Latin America. Experience gained on international arena brought the company to 2013 with four major store concepts that proved to be successful based on their geography (Wal-Mart, 2013):

- Wal-Mart U. S. stores, operating as all-purpose shopping hypermarkets. The strategic concept of this corporation is high availability and reasonably low variety with wide target public.
- Wal-Mart International is a global chain of Wal-Mart hypermarkets stores in 27 countries. Strategic focus of the company in this format can be summarized as the limited personalization to meet the cultural consumer profile of the market.
- Sam´s Club is the newest physical store concept of Wal-Mart Stores, Inc. that brought into the scope rapidly growing market niche of corporate clients. Strategic focus of the Wal-Mart on this market is to bring in special price and limited product range to final consumer through contracts with corporations in hosting countries.
- Walmart. com and samsclub. com is the innovator in the Wal-Mart Stores, Inc. proposition with the strategic focus on online market segment and cost reduction solutions on global scale.

Company brought together clear and mission statement: " Save Money. Live better." that reflects strategic thinking behind all four concepts of stores that the company operates. Analyzing company's parenting strategy it is possible to argue that Wal-Mart is placing a lot of emphasis on diversity and personalization in their sales proposition. Based on Annual report 2013, strategic focus of the corporation is put into the improving of returns on Wal-Mart international (Wal-Mart, 2013). With that in mind, cost leadership remains the core strategic goal.

### **Financial Indicators of Company Performance**

Annual report of Wal-Mart Corporation reflects positive trend of financial stability. The figures show 123% increase in free cash flow and 59% growth of earnings per share over the past 5 year period. At the same time operating profit of the company have grown only 4. 7% over the same period of time. This can associated with overall financial crisis that undoubtedly affected retail market all over the globe.

The company applies uses several performance measures, that among others include EVA and Shareholder Value, emphasizing high numbers in dividend returns to the shareholders for the year 2013. The company presents good gearing ratio of as indicator for the ability to meet its growing ambitions.

### **Corporate Governance and Social Responsibility**

Given the size and scale of company operations it is possible to conclude that corporate governance structure is very centralized, composed from Board of Directors and Non-executive Directors Committee. The company's

focus is on Social and Environmental responsibility is controlled by specially created Global Ethics Office that takes care of environmental, cultural and social issues on general level. It is evident, however, that the scope of operations limit Wal-Mart to some extent in bringing social responsibilities down the company level to address the issues more relevant to local communities.

## **Internal Environment**

Wal-Mart gives a lot of attention equally to its stakeholders and employees and the entire focus of the company strategy reflects resource-based perspective on development. It is evident that people management and talent pool of the company are considered a core competence that allows the company to grow into a global player with local insights on commercial perspective. It is interesting to see the statistics on retention rate that shows that more than 75% of operations management of the company globally started their careers on the initial steps of career ladder.

Operational scale is undoubtedly the major distinctive competence of Wal-Mart stores that allows the company to compete on extremely low cost with smaller market players. Other than operational scale, diversification of the selling scheme portfolios into 4 categories, discussed above is one of the competencies that gives Wal-Mart needed scope and scale to support its growth on various markets at the same time.

## **Industry Overview**

Wal-Mart is the global player with the wide range of local strategies that fit under umbrella of corporate governance and strategic goals. Given the

limitations of this work, the writer will provide analysis four strategic store concepts with specific comments relevant for each segment, excluding geographical factor from the scope of the analysis:

## **Strengths**

Wal-Mart Stores, Inc. today is benefiting from the extremely large scale of operations that allows differentiated ways of cost-saving solutions, including distribution and storage costs and costs reduction in their supply chain. This operational advantage is also supported by the strong IT base that integrates th entire supply chain of the company, providing transparency on international level. These elements build on the major strength of the company - cost-leadership strategy. This is true for the majority of the company operations with exception, of probably, online sales that competes on the market much less sensitive to the scale benefits. Talking about Walmart. com and samsclub. com specifically, major strength of the corporation lies in the ability to operate with a wide range of products that are not available often even at Wal-Mart physical stores.

## **Weaknesses**

As it was mentioned in the previous section, the scope and size of the company make it at times blind to specific local issues. This trend is reflected in the number of lawsuits that the company is facing on international market. It is also noticeable that Wal-Mart is adversely affected by its employee retention rate in local stores. According to the Forbes, one of the major drawbacks of Wal-Mart in competitive retail industry is low pay that drives the quality and motivation levels of employees down (Ungar, 2013) and puts

the corporation behind such competitors, as Costco.

Away from the United States market, Wal-Mart International is yet to invest in diversification of its product portfolio, based on geographical location. Low product range makes Wal-Mart stores less attractive from merchandising perspective.

## **Opportunities**

Emerging markets are outperforming and expansion of the business in the countries of Latin America and China is the clear opportunity that Wal-Mart started to benefit from some time ago. At the same time, challenging and unpredictable economic situation in the same emerging markets still talks in favor of continued growth of home eating preferences. On the other hand statistics shows that Latin America e-commerce sales will grow 3.5 times between 2012- 2016, reaching level of 70 billion US dollars in sales (Brasil Prestige, 2013). This provides significant room for Walmart.com and samsclub.com growth in these countries.

## **Threats**

Volatility of the brand image on international arena, especially in Latin America, where the company has to compete with large chains with stronger brand, such as Extra and Pao De Acucar put a lot of pressure on sales volumes. Statistics shows that customer sensitivity to the brand is very low and switch costs are basically zero. According to Nielsen Latin America Review (2013) 28% of customers in this region are ready to switch from one brand to another based on price preferences (Nielsen, 2013).

## Conclusion

Overall it is possible to see that functional structure adapted by the corporation meets the requirements of the selected strategic goals and operational objectives, Wal-Mart is slowly shifting the focus from corporate development into local markets, bringing more structures and personalized approach to its target markets, such as China and Latin America. It is possible to argue that Wal-Mart is identified the major goals, formulated in the company strategy overview as revenue growth on Wal-Mart International segment and further expansion into the online retail sector. At the same time it is evident that the company is yet to invest into the solutions for short-term issues, such as retention rate on lower hierarchical levels of the company and personalization of its product portfolio that can jeopardize the achievement of long-term goals of profitability and sustainable growth.

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