

# Research paper on walmart and its marketing strategies

[Business](#), [Company](#)



Walmart was founded by Sam Walton in 1962, in Arkansas, U. S. The company was incorporated as Wal-Mart Stores Inc. in 1969 and has become more commonly known as - Walmart. It was founded on the premise of providing products to the consumers at a discounted price. Serving the discount retail industry, Walmart thrived during the recent recession and emerged as the largest retail company during 2008-2009. Today Walmart operates in 15 different countries under 60 different brands with more than 9029 retail stores. It recorded sales worth \$405 billion by the end of fiscal year 2010 ( Walmartstores. com, 2010.).

Walmart's primary product range includes general merchandise like apparel, entertainment, home goods and features pharmacy too. In 1983, Walmart started Sam's Club, its first wholesale membership warehouse and in 1988 it opened its first supercentre which housed complete grocery section along with the general merchandise. The majority of the revenues now come from the groceries & food section and from the pharmacy.

Walmart was formed with a mission to save money for the consumers so that they can spend it somewhere else and live a better life. It provides best of products at the lowest possible price for the customers. There is an underlying argument here that when there is a factor such as salary which has a very low growth rate and which defines the rate of consumption, it is important to extract maximum out of it by minimizing the spending on necessary items such as grocery and other non-luxury products. This will leave more disposable income in the hands of the customers. When a concept such as that of deal and discount for commodity items leaves more

disposable income with customers, then the customers would be attracted to buying general merchandise from the lowest price retailer. To achieve this, it is important to increase the customer base and hence increase the volume in order to wring the supplier side constraint and provide the lowest prices to the customers. Walmart did this by expanding and opening many stores across the U. S and penetrating deep into the market. It is believed that about half of the American population shops at Walmart at least once a week (“ Hypothetical Wal-Mart strategic marketing plan for 2009-2010”, 2009). To ensure that the supplier side constraints do not hamper the core fundamentals of their business and to reduce the bargaining power of the suppliers, Walmart follows a thumb rule that none of its product categories procured from a single vendor goes beyond 4% of its entire purchase volume. This thumb rule makes sure that Walmart does not depend on one single supplier (“ Wal-Mart stores, Inc., 2002).

Walmart has two main competitors - Costco Wholesale Corporation and Target Corporation which too supply necessity goods at a discounted price. The threat of any foreseeable increase in competition is low as the entry barrier is high due to the high cost of establishing the set-up.

To understand the marketing strategy of Walmart, it is better to understand the different focus areas of marketing which are intertwined in order to achieve the ultimate goal of increasing shareholder value while operating on the concept of offering best products at the lowest possible prices which is fundamental to Walmart’s business model. These focus areas are:

Product range

Market segmentation and penetration

Advertising and promotion

Pricing

Distribution

A brief overview of the above marketing factors (in no particular order) is presented here.

Under the current marketing strategy, Walmart maintains the focus on its current product-line. Recently Walmart has also tried to shelf premium branded products at discounts. The price is strictly kept low so as to position themselves as discount retail store. But the price is not maintained so less that the products are perceived as of low quality. There is always a right balance to maintain so as to ensure the profit margins are achieved while keeping the prices low. Walmart's biggest marketing move was to introduce the ' supercentre' store format, which featured entire grocery section along with the general merchandise. It has become the dominating store format for Walmart (Walmart corporate, 2010). It's another move has been to introduce premium brand products also in order to entice affluent people who love to shop on deals.

For a discount store like that of Walmart it is very important to take control of distribution function also. About 85% of the merchandise sold by Walmart

is shipped to their stores through its own distribution system. At the same time, the competitors ship only about 50% of their merchandise sold through their own distribution system (Wal-Mart stores, Inc., 2002).

Walmart adopted the “saturation” strategy for penetrating into the market. They strategically located their distribution centers so that they can serve 150-200 stores but all within a day’s drive. Walmart opened the stores as far as possible but still reachable within a day’s drive and then saturated the market back till the distribution center (Wal-Mart stores, Inc. 2002). This strategy ensured that Walmart penetrated deeper into markets and gained the volume business to be able to tame the two biggest variables in its business model - 1) keeping the bargaining power of suppliers at bay by giving huge volume sales to the suppliers 2) keeping the purchase price for customers low by controlling the supply side of the business.

For Walmart to further expand, it has to now look for strategies for going into international markets. There is enough potential for retailers like Walmart to enter developing countries with high economic growth rates. Walmart has already forayed in one such country, i. e. India, in 2007 as one of its strategic marketing moves. India is witnessing retail boom along with many favourable underlying factors such as increasing disposable incomes, deal-scouting individuals and families, young population with average age of 35 years who spend on necessary products and is willing to spend for branded products too. These are some of the demographic dividends that Walmart can cash upon.

Walmart's marketing strategy has been to tie up with India's leading retail outlet chain, Bharti Enterprises. In 2007, Walmart entered into a joint venture with Bharti Enterprises to enter into the Indian market and are operating under the brand ' Best Price Modern Wholesale' (" Is Walmart retailing in India?", 2010). Though Walmart has ventured in India with a good strategy of joining hands with the largest retail chain, it is yet to make a significant dent into this market.

Overall Walmart's marketing strategies till now have been successful in making it the biggest discount retail chain in the U. S. Walmart has also weathered the recent recession and has emerged as an organization with strong business fundamentals. Taking a consolidated perspective on its marketing strategies, it is clear that Walmart should continue to operate on its core business model of providing necessary products at a discounted price and aggressively pursue its current marketing strategies of expanding in international markets and introducing premium brands too at a discount. In such a situation it can continue to give higher rate of returns to its shareholders. It is important though for Walmart to take into consideration the local consumer behaviour patterns in the new markets where they are expanding in order to increase the revenues faster.

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