Inventory proposal wal-mart

Business, Company

Every company, no matter the size deals with inventory issues. How these issues are dealt with can determine the outcome of the company. If not done in a rectifiable fashion, the company could face serious threats up to and including closure. We chose Wal-Mart as our company from our last paper, as it proposes an interesting dilemma in that despite the continued growth, all is not well with Sam Walton’s creation. This paper will discuss the inventory problems, the expected benefits that may or may not motivate the organization for change and our assessment for an alternative solution.

Wal-Mart is growing at a blistering pace adding nearly 500 stores in the past five years a 13% increase, but during this time period Wal-Mart has reduced its employee count by roughly 20, 000. This has had a serious impact on the inventory. Bloomberg published an article that states that although Wal-Mart has one of the best supply chains in the world, without staffing that chain breaks down. The company does not have enough workers to help stock inventory on shelves, or distribute the inventory to stores. Customers either find stores looking disorganized and unkept, or simply find an empty shelf with no product (Flannelly, 2013).

A leak reported to Bloomberg said Bill Simon, the executive vice president and chief executive officer for Wal-Mart’s United States operation stated during an executive officers meeting that the company has inventory problems. “ We run out quickly and the new stuff doesn’t come in, “ he stated, noting that these “ self-inflicted wounds” were Wal-Mart’s “ biggest risk. ” (Foley, 2013) The issue is the amount of inventory that the current employees can stock is far less than is required to maintain adequate merchandise levels. A store may have inventory in the back, but if it is not seen by the customer, the store is considered to be out of stock.

This poses two major problems for Wal-Mart. The main problem is that this lack of stock is costing Wal-Mart billions in sales and is essentially leading customers to competitors. More competitors, like Target andCostco, have gained some of the market share away from Wal-Mart; it seems as though maintaining good, well-stocked, exceptionally operated stores needs to become a priority for the company (Flannelly, 2013). Another major issue with this problem is that inventory sitting in the back depreciates and every hour it sits is like a leaking faucet.

Not only is the product sitting and depreciating, there are higher possibilities that the product might be damaged, expire, or simply lose its market value. Adding insult to injury, customer satisfaction continues to decrease. Due to the lack of workforce Wal-Mart has remained in last place on the American Customer Satisfaction Index for the past six years. Those are staggering numbers considering that Wal-Mart is the number one retailer in the world. If this problem is not rectified, Wal-Mart and its world renowned inventory system will be six feet under.

Shows a steady increase in inventory, due either to the increase in locations or The lack of adequate employees to stock merchandise. The graph above indicates that Wal-Mart has the most inventory during the months of October, November, and December. This is probably due to the increase in sales during black Friday and Christmas. This also indicates that the amount of inventory during the third quarter is significantly lower than the rest of the year. Gives a more definitive look at the highs and lows in regards to inventory by quarter. Utilizes linear regression to forecast future inventory during any given quarter.

The above graphs show inventory to sales over the last three years. We found that although Wal-Mart continues to grow, their sales could be higher. Each year there is a decrease when comparing it directly to inventory. Between 2011 and 2012 the Sales difference was 6% and only 5% between 2012 and 2013. Inventory also has a dip showing an 11% increase between 2011 and 2012 but drops down to 6% between 2012 and 2013. The reason is rather simple. If inventory does not make it to the floor, sales will decrease. As inventory continues to sit, Wal-Mart is essentially bleeding out.

Obviously the correct action would be to hire the needed employees to correct this problem, but the costs may be too high to do all at once, not to mention, Wal-Mart feels no need to do such. Our alternative solution would be to hire in increments and implement specialized training that specifically focuses on turning the inventory. All new employees should become subject matter specialist and the training must be repeated throughout the nation (White C. , 2013). While inventory is not the issue, it has become the equation of cause and effect. This must be a priority as the inventory is the life blood of the company. No blood, No business.