

# The walmart

Business



What threats and challenges is Wall-Mart currently facing Wall-Mart “ Wall-Mart, is an American retail corporation that runs chains of large discount department stores. The company is the world’s second largest public corporation, according to the Fortune Global 500 list in 2013, the biggest private employer in the world with over two million employees, and the largest retailer In the world. The company was founded by Sam Walton in 1962, Incorporated on October 31, 1969, Is also the largest grocery retailer in the united States” (Wisped, 08).

A leader with a lid vision, Sam Walton started the company, and made it into the forerunner in discount retailing that it is today.

Through innovation and hard work, he and his business partners, have steadily guided the company for the past thirty years. Wall- Mart executives, and employees continue to rely on myriad of conventional goals, while attempting to remain ahead of the adaptive methods of today’s fast-paced business environment. However. Despite these accolades and their success, Wall- Mart is not without its diverse set of circumstances, threats and challenges.

One of the challenges they face is the increasing strength in their competition. Initially, Wall- Mart was the conglomerate which took over communities, overshadowed local “ mom- pop” stores, and basically De-regulated the industry by steamrolling its competitors while offering competitive pricing to its consumer base.

However, recently there have been a rise of high-profile companies who are becoming more and more insolent when it comes to Wall-Mart’s past

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industry dominance. Whole Foods, for example, while possessing a different marketing profile than Wall-Mart, has experienced a surge in restaurant sales since the economy suffered in 2010. Additionally, Whole Foods announced an 8. Percent identical store sales growth the past quarter percent overall growth, and most astoundingly of all a increase In gross profit margins.. Additionally, " (Hassles, 2013).

The 2 reality Is many Americans are becoming less and less Intrigued by Wall-Mart products, to include its grocery store because of its perceived preeminence.

Consumers are beginning to gravitate towards dining out, and patronizing high-end retailers. While Wall-Mart is recognized for its low prices and great bargains, the company is finding it extremely difficult to operate as a low-cost participant in a diverse and competitive marketplace. Additionally, the gap is becoming larger rising 22 percent in a much larger base (Haggles, 2013). Another challenge to Wall- Mart is evident when we hear about dips in its earning potential. " Banking conglomerate J.

P.

Morgan seems to be the leading organizational asset utilized in the issuing of stock for Wall-Mart, although there are others that may possess other minor responsibility. However, J. P. Morgan seems to be the forerunner in the responsibility of stock issues with the business giant.

Interestingly enough, the relationship between the two can be described as "testy" at best. " J. P. Morgan, which UT Wall-Mart to neutral from an

overweight rating previously, said the downgrade isn't directly related to the company's quarterly results expected to cross next week.

However, the analysts said they don't think Wall-Mart had a great holiday season" (Spence, 2011). Moreover, back in the first quarter of 2012, Wall-Mart announced an initiative which would include vested pricing at both Wall-Mart and Cam's Club for the purpose of increasing customers at both stores by adding over 2 billion dollars in retail pricing.

However, traffic actually decreased in the two subsequent quarters, and Wall-Mart lost revenue. Another threat to Wall-Mart appears in the form of resistance in the form of community opposition.

The company has been the focus of criticism by labor unions, community groups, religious organizations, and even Wall-Mart customers for a 3 variety of reasons, including charges of predatory pricing, company policies and procedures, as well as wages and working conditions, and allegations of bribery. A 2010 study revealed that the chain's " Mile Cyrus" collection of necklaces and bracelets contained harmful amounts of the toxic metal cadmium which, with long- term exposure, could lead to kidney failure.

Many have also argued that Wall-Mart's reports for lower prices was the reason behind the closings of many, smaller grocery, retail, and hardware stores which had previously been pillars in their respective communities. Furthermore, in a internal Wall-Mart memo disclosing the company's spending habits concerning health care and other benefits, it was reported " that Wall-Mart, the world's largest retailer, had to walk a fine line in

restraining benefit costs because critics had attacked it for being stingy on wages and health coverage.

Ms. Chambers acknowledged that 46 percent of the children of Wall-Mart's 1.33 million United States employees were uninsured or on Medicaid" (Greensboro & Barbara, 2005). The company has also encountered claims involving subjecting its employees to poor working conditions, and low wages due to limited lunch breaks, and uncompensated overtime. In 2012, the New York times reported a circumstance in which Wall-Mart had assumed been aware of and never detailed.

One of its subsidiaries, Wall-Mart Mexico, had been allegedly paid millions in bribes to local officials to expedite construction permits for the retail giant, and they had also been accused of attempting to evade Mexico sales tax.

What priorities did Wall-Mart CEO Lee Scott set in his " Wall-Mart: Twenty-First Century Leadership" Address (Cot, 2005)? 4 Scott spoke out on various subjects to ease public perception However, after such a long time, his motive may have appeared to devoid of legitimacy, when company perception was no longer irrefutable.

Subsequently, he addressed issues such as addressing sweat shop accusations in possibly joining a company such as Nikkei for independent monitoring when he said, " I think we're actually looking at that now, and we are doing that in a country or two. We would like to make sure it's an organization whose focus is really on those people and not some other agenda" (Wall- Mart's Scott: We Were Getting Nowhere, 2005). He also

mentions the fact that his board members possess multiple viewpoints, which contributes to a lack of growth and direction.

Scott mentioned that while his company prospered in the food industry, it marked them as a capable competitor which placed a large target on their back.

He countered the questioning of the inadequate disbursement of wages to his employees by stating most of his employees (without even high school diplomas) begin at lower level positions, but have eventually become store, district, and even regional vice-presidents. He was specific in his description of Wall-Mart's pain and suffering in the aftermath of Hurricane Strain, expressing that he spent time with the victims in the Houston Astronomer.

Scott also detailed specific employee reactions such as Jessica Lewis, a co-manager in Waveland Mississippi. " She worked to help those in her community. She took a bulldozer and cleared a path into and through the store, finding dry items so she could offer it to neighbors who needed shoes, socks, and water" (Scott, 2005). And all this was done without company approval.

He addressed growing concerns with the environment 6 y increases in greenhouse gases, air & water pollution, and the destruction of critical surroundings in the world around us.

Conversely, he mentioned Wall-Mart's goals which include; the supply of one hundred percent renewable energy, the creation of zero waste, and the sale of products which sustain our resources and environment. Another issue he

discussed was trucks and how Wall-Mart will work to improve effectiveness by twenty five percent over the next three years, with the goal of eventually doubling it within ten years. He felt this would not only revolutionize his production, but eventually change trucks globally.

Additionally, he discussed waste management in the form of improved packaging by ensuring products are responsibly prepared to maximize space, and comprised of recyclable materials.

Diversity was also a priority for Lee Scott. He mentioned his goal was to increase outreach to colleges which include diverse enrollments, continue diverse hiring unbiased by sex, race or ethnicity, to continue to reward officials financially who achieve specific diversity goals, and finally increase the amount of business patronized with minority companies, etc.

Coot's willingness to address these issues ND company projection scope is a welcome departure from the status quo of companies shying away from controversy. " Without a Coos personal involvement, sensitivity 7 to the sociopolitical agenda probably won't become embedded in an organization's culture and values. Neither will organizational coordination ? always difficult to orchestrating departments" (Boning, Mendoza, & Oppenheim, 2006). Wall-Mart's Board discussed proposals to meet (some of) these challenges at a board retreat in 2005.

Discuss these initiatives as outlined in the " Supplemental Benefits Documentation: Board of Directors Retreat IFFY" See also Wall-Mart health cost tragedy NET 26Oct2005. Was additional damage done to Wall-Mart by the leaking to the public of the Board Benefits Strategy document? Some of <https://assignbuster.com/the-walmart/>

the initiatives addressed during the Board of Directors Retreat FYI 06, directly addressed the increasing criticism Wall-Mart had been experiencing from community leaders, religious organizations, to its own employees.

One board member suggested the company shift their focus on future employees by “ reducing 401 (k) contributions and wooing younger, and presumably healthier, workers by offering education benefits” (Greenhouse & Barbara, 2005). And to an extent, do hanged future hiring practices, it was recommended future Job requirements include physical activity. This portion of the memo was in response to an increasingly 8 unhealthy, elderly workforce, producing a limited amount of productivity.

Board members also addressed the growing need for improvements in the areas of health- care and wages M.

Susan Chambers, Wall-Mart’s executive vice president for benefits, mentioned the reduction of time in which part time employees would be subjected to wait for health insurance benefits. In addition, CEO Lee Scott announced his plan for bold moves in the area of energy conservation, and wage asperity among Wall-Mart employees. On the other hand, there were significant problems with cost trends to include growth benefit costs, employee dissatisfaction with higher deductibles for health insurance. “ From 2002 to 2005, our benefits costs grew significantly faster than sales, rising from 1. Percent of sales to 1.

9 percent. Benefits spend grew from \$2. 8 billion to \$4. 2 billion during this period, at a rate of 15 percent per year. Striving to hold benefits costs as a

percent of sales constant is critical for Wall-Mart's long-term economic success" (Chambers).

Yet, there were impelling limited risk initiatives including five bold steps to improve current problems including; subsequent moving of employees to consumer-driven help plans, restructuring the retirement plan, Job redesign, strategic investments in health care, and the improvement of communication of Wall-Mart's benefit offerings.

Included in these proposals was an increased emphasis on employee Job satisfaction while simultaneously refinancing the benefits portfolio as costs are reduced. Included in these principle goals was the opportunity to change public perception as continuous conflict had taken its toll on Wall-Mart's reputation. The sanity in Wall- Mart's decision to the Board Benefit Strategy document is befuddling at the least. What the document essentially accomplished was to present summary of suspect dealings with employees and other business practices, shining a negative light on its operations.

Lock-ins were spotlighted as employees are locked in at night ensuring overnight shelf-fillers don't steal goods, 9 class-action lawsuits as the company has been changed with discrimination against female associates who claim bias involving promotion and pay vs.

. Their male forcing excessive work as " thousands of workers have reported being forced to work after hours without overtime" (Gumball, 2005).

Comment on two recent Wall-Mart initiatives from the standpoints of:

Strategy and Wall-Mart has had to continually reinvent its image to shape public perception, and ensure consumer loyalty, and satisfaction.

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In early 2009, the company initiated a plan called Project Impact in order to remain an industry leader. This plan was based upon three strategic factors which they felt would improve consumer benefits.

The three initiatives are; Save Money, Live Better; Win, Play, Show; and Fast, Friendly, Clean. In an effort to “ win back its customers” Wall-Mart is making cosmetic changes tragically planned to enhance its reputation by; “ widening the aisles, lowering fixtures, improving signage, and adding natural light to give customers a store that feels friendlier” (Murray, 2010).

Everyone knows Wall-Mart is known for its everyday low pricing, however the company is attempting to provide the customer with greater value for each product category. Additionally, the company is hoping current vendors will expand their ad campaigns, increase its merchandising flow (cross- docking), and the improvement of efficiencies in the supply chain and especially transportation. Another strategic goal for the company is “ planning an aggressive push into urban markets with a new small format that’s a fraction of the size of its supercomputers.

The expansion, expected to be spelled out next month at the retailer’s meeting with analysts at its headquarters in Bonneville, Ark. , is 10 aimed to pump up sluggish U. S. Sales” (Wall-Mart changes Strategy, Plans to aggressively roll out smaller stores, 2010). One of the more exceptional public relations plan Wall-Mart could’ve adopted is its current plan to capitalize on the country’s proud American spirit as it plans to hire over one hundred thousand iterant over the next five years.

The First Lady was particularly enthusiastic in her praise as she stated as increased hiring of veterans has long been one of the first lady's primary issues conveyed in her work as " she and Jill Biden spearheaded the Joining Forces initiative to assist military families, and the White House claims the program is responsible for the hiring of one hundred, twenty five thousand veterans and military spouses.

So it makes sense that Michelle Obama would give her endorsement to Wall-mart's plan to guarantee Jobs for recently-discharged veterans" (Borrower, 2013).

However, despite the blessing it is to be endorsed by the first lady of the United States, Wall-Mart insists this is not rooted in politics, but popularity. The company is taking advantage of this extraordinary PR opportunity, to change its perception in public opinion. Discuss Wall-Mart's strategic social challenges from the standpoint of Boning, Sheila M. J.

; Mendoza, Ellen T. ; Oppenheim, Jeremy M. When social issues become strategic. McKinney Quarterly. 2006 no. 2.

The discussion involving social issues become strategic and are experienced by all companies of different genres.

For example, the fashion industry needs to intentionally reinforce the fact that they are operating within socially acceptable guidelines when it comes to working conditions and pay, mining companies reassure concerns about air and water pollution, and American companies have to contend superior products. Unfortunately, social issues are considered distractions for some

companies who would rather not confront the situation head on for correction. However, successful companies understand the importance of cultivating culture, and employees to maximize consumer perception.

So companies have developed the five Or's in which a company must employ to put in place to honor their social entrants; risk (when a company assesses the risks of trends before they affect them), renewal (when a company remains innovative and creative with new markets and products), regulations (the determination of industry structure), relationships (more and more opportunities are being created in which companies can foster relationships within and outside of their current industry), and reputations (paramount to a company's success is its public perception due to business operations).

After the identification of the five or's, a company should begin to prioritize the specific trends they want to address. A great example of how Meany's can use this tool is the McDonald's brand. " In the sass's McDonald's responded to public concern about obesity mostly by defending its food as nutritious - that is, with risk management. Now, however, McDonald's approaches the obesity issue as an opportunity for renewal, introducing new products such as salads" (Boning, S. , Mendoza, L.

& Oppenheim, J. None, 2006).

How a company handles adversity is what really illustrates to a consumer its staying power, and therefore endorses customer loyalty despite periodic dilemmas. These are some of the problems Wall-Mart encountered (brand protection/reputation, etc. ) and has irked so diligently to overcome. The top <https://assignbuster.com/the-walmart/>

executives in this company have a long term vision for the future, and are willing to discern the proper adjustments in order to guarantee employee Job satisfaction, and consumer trustworthiness, and public perception.