

# Wal mart risks and mitigation management essay

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Wal-Mart marketingNameInstitutionWal-Mart marketingWal-Mart is a corporation that has the capacity of exercising scale of economies in every particular country they operate in. This is made possible by the corporation financial strength. The economy of scale associated with this corporation has forced their suppliers to supply the products to them at a reduced cost. This is because Wal-Mart has increased demand of quantity and products in which the corporation uses it as the corporation strategy. Wal-Mart has recently been reporting increased profit hence has hiring capacity of approximately 500000 employees. All these employees come from the corporation home country. The corporation has learned new and innovative techniques of undertaking their business venture in other various countries. These other countries have different variation in terms of choice and preference. This has triggered the corporation to come up with product modification and changing of the products they will offer in the market. Wal-Mart risks and mitigationThe retails stores locally have already have adequate information on market structure and they have significantly mastered it according to Norman 2004. This other retail stores mastering of the market leaves Wal-Mart with unsuccessful chance of surviving in the market. Beside this, the corporation is among the major and dominant retail stores in the various countries. However, there are various significant firms operating abroad. The major notable retail firm is Carrefour retail chain store that has around fifty percent of all its sales subsidiary being based abroad. The other retail store is Hold that has seventy percent of its sales subsidiaries based in other countries. These two major hotel chain among others are more experienced in retailing operation as far as global marketing is concerned compared to

Wal-Mart (Kotler & Armstrong, 2006). This fierce competition has triggered Wal-Mart to put in place strategy of studying of business then joining them before finally buying them out. Application of this strategy will significantly reduce the risk associated in their operation and then subsequently utilizes their resources derived from local store operation that are related to infrastructure, suppliers, market development and labor. Reason for Wal-Mart entering Mexico market via joint venture I think the corporation entered the market via joint venture as a strategy of mitigating the risk associated with market penetration. They were avoiding entering in a new foreign market which they do not understand the market structure very well. The corporation realized that the Mexican market was a little bit different due to differences in new customers preferences and expectations. Soon after entering the market and thoroughly analyzing the market then they could soon perform better on their own and then subsequently buying up is a good market strategy for market penetration (Stilgoe, 2003). The corporation is preferring entering the market via joint venture because some countries jurisdiction like that of India prohibit direct market penetration in the industry sector by any foreign corporation (Kotler & Armstrong, 2006). Some of these countries have unique policies and regulations that govern their markets hence the need to partner with players that have vast and adequate knowledge of the market. For example countries like India, Brazil and China have formulated economic and retail local trade policy that prohibits foreign investment prosperity by substituting corporate and financial interests policies with policies encouraging local or domestic retailing investments. There exist federal practices act that concerns investigation internally that

deals with corruption investigation for domestically constituted retailing firm.

**Wal-Mart strategy**The corporation has first studied and understanding the globalization nature and global environment where the corporation carries out their operation. Secondly, the corporation considers key strategic key dimension that other domestic companies adopted strategy to counter global economy. Certainly the corporation focuses on lending company strategy from emerging transitional economies. Understanding global environment constitutes an initial step towards effective strategy development and domestic firms recommendation, preferably from emerging economies (Norman, 2004). This step the corporation took was to globalize and pressure scope economies and scale economies. This is achieved by expansion of research and development costs, fixed -costs economies convergence and shortened life product cycles. The corporation management aims at seeking global efficiency and power. Global integration in cultural and political perspectives, aims at advancing in terms of communication and transportation technologies that helps in the pressure reinforcement. Nevertheless, another force is localization pressure (Kotler & Armstrong, 2006). This pressure is attributed to cultural tradition that still persists despite of integration globally. Political regional force are influencing actively various process. Technological dynamism force are significantly responsible for initiation of globalization by possibly accommodating localization reinforcement. The corporation achieves this by utilizing advanced technologies that enables the company to have the capacity of highly customized production and offering of services that will meet customers unique taste and need without scale of economies sacrificing. These forces

places conflicting demand to both small and big firms, domestic as well as multinational like the Wal-Mart. Since Wal-Mart is a multinational its strategy tend to incline towards global pure strategy that is global product orientation and shift to multi-domestic strategy that is product multi-local orientation. Furthermore, there is the need for simultaneous global efficiency and power creation as well as local responsiveness and differentiation. This triggers the corporation to seek for other competitive advantage that entails worldwide diffusion and innovation (Clark & Robert, 2007). Innovation in business venture is critical as far as response to localization pressure is concerned. The innovation diffusion when implemented appropriately is critical for enhancing and gaining global efficiency and power. The corporation has to undertake necessary analysis starting with strategy of adoption in which the corporation aims at serving and thriving in respective environment. Secondly, the company looks into level of business ecosystem. This is a critical question on business communities behavior in order to sustain and development of business ecosystem. Effective strategies towards domestic and global environment that aims at offering solution for strategic responsiveness by other multinational counterparts strategies adopted (Stilgoe, 2003). On the other hand the strategy should collectively analyze the business ecosystem behavior that coexists within both domestic and multinational. The corporation has adopted a strategic model that offers starting point aimed at development of effective response strategically for domestic companies response. The company strategy adopted is specifically based on four classified actions. These actions are enterprenual action, ricardian action, deterrent action and co-optive action. Entrepreneurial action

is managerial insight based strategy that helps in understanding technologies and markets. Ricardian action is based on resource superior endowment while deterrent action is based on market positions powerful orientation. However, the co-optive action is based on understanding of tacit of every competitive assumed acceptance and actions to those mutually benefiting from the action (Kotler & Armstrong, 2006). Wal-Mart international market This is a corporation that specialize with grocery stores averagely covering around 42000 feet squared. These group stores are used to bridge the gap between supercenters and discount stores, offering products variety that includes pharmaceutical, beauty and health aides, developing photo services and groceries. Wal-Mart has diversified its operation to virtually entire both south and north American region in which they locates their stores in strategic location so as to appeal to both blacks and Hispanic communities (Norman, 2004). The corporation current international operation comprises of around 4263 stores with working capacity of 660000 employees and it is operational in about fifteen countries outside united states of America (Clark & Robert 2007). They have wholly owned stores in united kingdom, Canada, Brazil, Argentina among other countries. The group chain has approximately 2. 1 million worldwide employees becoming the biggest private employer in Mexico and united states and the largest corporation in Canada. During 2010 financial year the corporation reported about \$100 billion in sales term. During mid 1990s the corporation tried a significant financial investment in retail market in Germany. The corporation penetrated the market through Wertkauf stores over-taking of the twenty one stores. By 1998 the corporation had already acquired inter-spar 74

stores. However due to oligopoly nature of market in Germany, the corporation low pricing strategy did not yield any competitive advantage as the corporation corporate culture was negatively viewed by the German customers (Kotler & Keller, 2009). The corporation "statement of ethics" policy that put relationship restriction among the employees resulted to public outcry and especially from the media resulting to the corporation bad reputation among the customers. This resulted to sustained losses resulting to the firm withdraw from the market in 2006. In 2004 the corporation acquired 116 Bompreco northeastern Brazilian stores and by 2005 the corporation had already overtook the control of Sonae distribution chain. In 2006 November the corporation acquired a joint venture with Bharti enterprise as a strategy of penetrating Indian market. The firm used this strategy because the India jurisdiction do not allow foreign corporations to enter directly into retail sector in the country. The corporation entered the united kingdom market through acquisition of Asda subsidiary by accounting for 42.7 % of the Wal-Mart international sales in the region. The corporation still used that similar strategy when entering Japan and China market. The corporation had several joint ventures and majority-owned subsidiaries (Attwood, 2009). Majority-owned Mexican subsidiary is Walmex while in Japan 100 % of Seiyu corporation is owned by Wal-Mart international. In addition, the corporation owns 51% of central American retail holding company (CARHCO), that consists of approximately three hundred and sixty supermarket stores in Costa Rica, Nicaragua, Honduras, El Salvador and Guatemala. In year 2008 the corporation appointed a German veteran in retailing industries by the name Stephan Fanderl as the corporation

emerging market-east president. His appointment calls for retail market exploration of business opportunities in neighboring markets and especially the Russian market (Clark & Robert 2007). In year 2009, the corporation acquired a significant controlling interest in Chile through acquisition of distribucion y servicio D&S SA. In year 2010 September the corporation announced the buying out intention of Johannesburg Massmart holding limited in south Africa in over four billion dollar deal worth. This will mark the first market penetration in Africa. There has been speculation that the corporation is eyeing Pakistan markets. A claim the management has not denied and neither confirm (Attwood, 2009).