

Wal-mart distribution center



**ASSIGN
BUSTER**

Wal-Mart's distribution system is the most advanced in the world. For most products they use the pull system, which simply means that inventory is not moved until a customer buys something and then the system orders a replacement for that item. 85% of the items are picked up at the suppliers warehouse by a Wal-Mart truck and brought to the distribution center.

A small amount of products are brought to the store, I think by P&G. Wal-Mart uses cross docking a system they perfected to unload a truck on one end of the distribution center and unpack its contents if needed and send them on conveyer-belts to trucks on the other end of the distribution center to be loaded and sent to the stores, (considered customers). Most products are out of the distribution centers in less than a day, and on the shelves within 24 hours. Trucks arrive at the stores to be unloaded at 12am, 2am and 4am.

Wal-Mart's transportation cost accounts for 3% of their cost versus 5% for their competitors. They use barcodes and scanners to keep track of goods and find out what it is, where it is going, and how long it has been there. Some items are moved by pallet and others are in reusable boxes. Each distribution center has a place to shower, eat and sleep for the drivers.

But only the Wal-Mart drivers. Everything can be tracked by a satellite system. Wal-Mart can see real time the bank as the merchandise leaves the store and the numbers move. This product movement is shared with the suppliers so that they can replenish the supplies as needed. If there is a breakdown or a problem with the system, the executives can go to the TV studio and get a message out immediately. Each employee has access to the inventory and a tool referred to as the magic wand (probably a telzon).

This device can be used to track inventory and order inventory if needed.

Wal-Mart uses this technology to get the items on the shelf that the customer wants in the shortest amount of time. Wal-Mart works closely with its suppliers. Working on ways to get the lowest price, and then will buy in volume.

They expect to pick up the goods with their own trucks in-order to get the best price. They share real time inventory levels with their suppliers and hope that this will save them money and further reduced the price. Wal-Mart strongly believes and constantly emphasizes strengthening relationships with its customers and suppliers and employees. The company makes every effort to capitalize on every saving opportunity and passes the savings on to the customer therefore adding value. They also have lower transportation costs. And many goods are delivered to the store within 48 hours.

They can also replenish their shelves 4 times faster than their competitor. They are really big and have a strong bargaining power. So they can drive the smaller stores out of business and therefore get more customers and even buy up old stores from their competitors for new locations. As far as sustainable competitive advantage, unless someone else is willing to break in to the volume discount business and open thousands of stores there is no way many small businesses can compete.