

Walmart

Business



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It is easy to become enamored with a company when it has enjoyed so much success over the years. What are Wal-Mart's weaknesses? Wal-Mart is the world's largest and most successful retailer. Despite Wal-Mart's status as the industry leader in the retail business the company has many weaknesses. The company faces competition from many sectors including small, medium, and large businesses that do not desire to have Wal-Mart's presence in their community. Wal-Mart has a bad reputation among many business circles as being a firm that penetrates small markets without taking into consideration the effect it will have on the local economy. Another weakness Wal-Mart has is its lackluster online sales. Wal-Mart has not been as successful in the e-commerce marketplace as other online vendors such as EBay and Amazon. A third weakness of Wal-Mart is its high operating costs including having the largest private workforce in the world. During the last two fiscal years the company's operating expenses increased by 2.7% and 1.7% respectively (Walmartstores, 2011). The company is also susceptible to a variety of risks including foreign currency, lawsuits, and impairment of assets.

- Does Wal-Mart's new neighborhood store format run counter to the cost-cutting emphasis that is at least partially responsible for the success of its traditional stores? Explain.

I think that the neighborhood store format is at conflict with the company's grand strategy of offering its customers the lowest prices in the retail market. The firm has always place high emphasis on running an efficient operation without any unnecessary added costs. The concept of the neighborhood store format goes against Wal-Mart's strategy of standardizing its stores in the United States. The firm is able to lower its infrastructure costs by using a similar format in all its stores. Economies of scales are

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achieved at Wal-Mart by purchasing goods in bulk. Economies of scale are a key advantage for a business because it lowers a firm's cost per unit (Tutor2u, 2012). Wal-Mart has been able to differentiate its product offering by providing its customers with a higher variety of items at lower prices. The neighborhood store format threatens Wal-Mart's corporate culture and its long term success in the retail industry. The retail industry generated revenues in the United States of \$4, 691 billion in 2011 (Plunkettresearchonline, 2012).

- What challenges can Wal-Mart expect with its international expansion efforts?

Wal-Mart should expect a variety of challenges in its international expansion efforts. The first challenge the company faces is being able to carry over its US brand value into the international markets. Wal-Mart has gained its brand value through the accumulative efforts of its founder, managers and employees for over 50 years. Once the company started to operate outside the United States the company had to start from scratch by building relationships with a whole new set of customers from a different culture. Another major challenge that Wal-Mart faces in its international expansion plans is adapting to the culture of other countries. The firm must learn the labor laws of other governments and fully comply with them and with other governmental regulations. The firm must adapt its logistics to operate in a foreign location. Wal-Mart also has to learn to do business with new suppliers in order to provide its customers with a wide selection of items. Other challenges associated with international expansion include compliance with tax laws, dealing with foreign exchange fluctuations, and learning about the customer's buying behaviors and preferences

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