Porter's competitive advantage rationale

Life

The competitive advantage of Wal-Mart can be analyzed in two ways; temporary and sustained competitive advantages (Porter, 1985). Wal-Mart can expand the pharmaceutical offerings they have to venture in new market ofhealthcare. For instance, Wal-Mart can gain a temporary competitive advantage in the discount retail sector by being the only one in the sector to have pharmacy together with a medical clinic (Gordon et al. 2007, p. 1).

Being the single providers of such a facility, they will enable the customers to have convenience which will lead to a growth in their sales since customers will no longer need to leave the store in search for their medication (Gordon et al. 2007, p. 1). Next we have the sustained competitive advantage as another way of analyzing the competitive advantages of Wal-Mart (Porter, 1985). Going by the above example, by venturing into the field of health care at such an early moment (discount retail) Wal-Mart will gain knowledge about essential healthcare industry (Gordon et al.

2007, p. 1). This will permit the firm to form strategic partnerships which will enable it to offer healthcare services at reduced prices (Barney & Hesterly, 2008). The company has to take caution not to engage in imitation since imitation in the retail industry is bound to be unprofitable going by the example of K-Mart which attempted to copy Wal-Mart and almost faced bankruptcy (Gordon et al. 2007, p. 1). This means that Wal-Mart has to find innovative ways by which it can offer a variety of products and services at reduced prices.

Thus, by being the leading firm in the health care industry, the company will be in apposition to acquire sustained competitive edge in the industry (Gordon et al. 2007, p. 1). This competitive edge can be measured going by the market share and the sales growth of the company (Porter, 1996, pp. 61-79). From the above analysis, it is evident that Wal-Mart enjoys a sustained competitive advantage. This competitive advantage is brought about by the lowest-cost, one-stop-shop strategy (Hummer, 2006, p. 1). The company also enjoys many cost advantages based on its powerful buyer power arising from its economies of scale (Barney & Hesterly, 2008).

The company has successfully avoided issues of labor unions (Hummer, 2006, p. 1). At the same time, the business strategy of the company functions with the demand by the final consumers for consistent low-prized products (Porter, 1996, pp. 61-79). In the meantime, the company is consistently in a position to eliminate competition by establishing low prices and subsequently wiping out competition in the business (Kotler, 2003). Therefore from the analysis of Porter’s competitive advantages Wal-Mart Stores, Inc can afford to purchase Lianhua Supermarket Holdings Co. Ltd. , China’s #1 grocery retailer.