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SWOT ANALYSIS: WAL-MART STORES INC

[1]Nana Serwaa Ofori-Nyarko, [2]Fuzhong Wang, [3]William Ohene Annoh

Abstract: **The field of strategy has substantially evolved over the years and firms have developed an understanding of their competitive environment to develop corporate and competitive advantages and sustain their advantage in facing competitive threats (Casadesus-Masanell & Ricart, 2009). Globalization, deregulation and other drivers are profoundly changing the competitive game and companies are constituting their business models and redefining strategy to meet contemporary demands. Wal-Mart Stores, Inc (referred to as Walmart henceforth) is a wholesale/retail business that operates through: Walmart US, Walmart International and Sam's Club, as cited in (CNN Money, 2017).**

The following research work will use strategic analysis tools (specifically a SWOT analysis) to extensively examine Walmart's current position; useful frameworks will be utilized in this process, with reasons for selecting the frameworks used. The report will further identify Walmart's current strategy and briefly evaluate its sustainability, supported with relevant material to strengthen arguments and highlight any issues with the Walmart strategy.

Keywords: **Wal-Mart Stores, wholesale/retail business, SWOT analysis.**

1. INTRODUCTION

Walmart's Current Position

Amongst the three segments, Walmart's US store makes up a chunk of the revenues with profits from other segments delivering comparable sales growth although management is reducing new store openings as Walmart retrenches and emphases mainly on e-commerce (Bowman, 2015). With respect to e-commerce, the growth of amazon.com has contributed considerably to the decline of Walmart's low-price advantage; there have been poor customer satisfaction reports forcing Walmart to raise wages hence reducing profits.

Walmart is not known to follow product differentiation; however, it is making efforts in purchases to considerably increase product quality. Walmart houses its own brands which account for 40% of sales, with the most popular being the brand Great Value (Schuetz, 2015). Great Value sells groceries in baking, beverages, cookies and chips, among others, with other generic brands like Equate (consumable pharmacy, health and beauty items) and George (men clothing). Distribution strategies currently span from traditional stores (discount stores, etc.) and through its online platform (www.walmart.com) where clients can find weekly discounts, reviews and newsletters (Natto, 2014). Clients also enjoy free shipping for purchases exceeding $50 with systems that allow seamless tracking of orders after payment has been made.

The report will analyze Walmart's current position using a **SWOT** analysis**.**

SWOT Analysis

The internal and external forces in Walmart's strategy development are not constant, however, Walmart's growth depends steadily on its ability to exploit strengths and opportunities in the retail industry to ensure its continued leadership as the world biggest retailer (Smithson, 2017).

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Strengths

Walmart's strengths can be attributed to its organizational size which enables the company to withstand some threats despite its imposing weaknesses. Another key area on strength is its ability to manage costs due to the adoption of a cost leadership strategy (Jurevicius, 2017). This strategy emphasizes efficiency through the production of high volumes of standardized products, allowing Walmart to exploit economies of scale. According to Tanwar (2013), Walmart's success story is a classic example of an organization that rigorously pursued its core philosophy of cost leadership since day one of operations.

Weaknesses

In terms of weaknesses, Walmart shows weaknesses in human resource management practices (Crofoot, 2012). Walmart has dealt with labor relation conflicts especially in the US markets; in pursuit of its strategy to provide the lowest cost, the company has adopted some human resource policies that are not favorable to employees.

With a business model that can be easily replicated, Walmart has experienced thin profit margins; Walmart's guidance cut announcement, Charles Holley, Walmart's CFO acknowledged that "profits are not expected to move substantially upwards until 2019" (Bowman, 2015). Increases in operational competences and current import procedures of Chinese products in the US market has negatively affected Walmart's gross margins in certain product categories (Banjo, 2016).

Opportunities

Several opportunities exist in the market Walmart operates in. According to Marcilla (2014), a good chance for Walmart is to continue its investment in international operations (example: Brazil) because they grew at faster rates than home market sales. Foreign markets present new prospects for Walmart's growth with diverse experience as it will be expected to operate differently than in its home market. Walmart is the third principal US corporate user of green power thus there exists the opportunity to save electricity by creating self-sufficient supercenters and investing in renewable energy (Marcilla, 2014). This will improve Walmart's social welfare efforts and its reputation as it has already been criticized with bribery practices and poor working conditions.

Current trends depict an increment in the US online retail sector; according to Peltz (2017) traditional US in-store retailing is growing less than 25% per annum compelling retailers to close stores, however, e-commerce grows by 16% annually. E-commerce sales in 2017 are expected to hit $462 billion and soar to $789 billion by 2021. This gives Walmart the advantage of expanding and gaining good presence in the online retail market, alongside players like Amazon.

Threats

High international barrier threats and threats in international markets due to the constant changes in economies threatens Walmart's operations. Countries like China where Walmart purchases about 80% of all its merchandise is undergoing government policy changes to increase the value of Yuan) i.e. the national currency. Due to this, Walmart spend more for supplies that come in from Chinese providers (Zhang, 2006). There is also the threat of high resistance from local communities; Walmart impacts local retailers negatively causing them to lose clients and closing business after Walmart begins operations in their areas. This has caused a saturation in the market as Walmart often ends up competing with itself. Marcilla (2014) estimates "a fair amount of cannibalization going on when Wal-Mart opens up stores. In some cases, 20 percent of a new store's sales come from existing Wal-Mart stores."

Increasing concern of health issues may cause Walmart to lose some of its customer base as it has a very limited range of healthy grocery. Besides, competitors such as Target, Tesco and Amazon are making huge efforts to eliminate price differences enjoyed by Walmart – cost leadership is Walmart's main advantage therefore when this happens, Walmart will lose out on its current strategy and a large clientele base.

2. CONCLUSION

Walmart has been very successful as an acquiring company, and since reaching its objective of being the number one retailer in the U.S, it currently focuses more on expanding into the international market through mergers and strategic alliances. Their main strength is derived from its massive operational size, allowing it to enjoy very high economies of scale, with technology investments that have lead Walmart to cut costs and be the most affordable option.

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For Walmart to stay on top of the retail industry and achieve its key policy goals, the organization will have to increase efforts to work on its weaknesses, especially in its human resource management. This will safeguard their reputation and reduce the animosity and claims made against them by the unions.

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