

## Chapter 1-2: Critical Thinking Questions

Read the following case study and answer the questions that follow.

### Walmart Gets Serious about E-Commerce

As the world's largest retailer, Walmart has built thousands of brick-and-mortar stores in the United States, Mexico, and elsewhere. Although a success story when it comes to traditional retail locations, Walmart has struggled with its e-commerce efforts, with recent online sales accounting for about 3 percent of the company's \$300 billion in annual sales. The company has tried several different e-commerce strategies in the past, but none of them was an overwhelming success. Some company insiders objected to the pricing strategy used for online purchases; they were fearful that Walmart's lower prices online would take customers (and sales) away from the retail locations.

Doug McMillon, Walmart's CEO since 2014, believed a significant change was needed in the company's e-commerce business, and he recently made changes in a big way. Over the past two years, Walmart spent billions to acquire several online companies to expand its e-commerce business in an effort to take a small bite out of retail giant Amazon's success. In 2016, Walmart purchased Jet.com, an e-commerce site that sells a little bit of everything (books, clothing, electronics, etc.) at discount prices. Once the \$3 billion acquisition was completed, Jet's co-founder and CEO, Marc Lore, who now runs Walmart's e-commerce platform, worked with McMillon to identify other established online companies to add to their e-commerce portfolio and add they did. First Walmart purchased footwear e-tailer ShoeBuy for \$70 million in January 2017. The following month, Walmart bought outdoor specialty retailer Moosejaw for \$51 million. Then in March,

Walmart paid \$75 million for ModCloth, an eclectic shopping site for women's fashions. Walmart is also said to be in negotiations to buy Bonobos, a hip fashion retailer geared to millennial males. Reaction to the acquisitions has been mixed, depending on whom you ask. Retail analysts applaud the company's radical move, pointing out that several well-known traditional retailers have closed their doors or filed bankruptcy because they failed to take part in the e-commerce revolution. Fashionistas, on the other hand, are lukewarm about the move. However, McMillon's decision to allow online retailers to operate independently may help retain loyal customers. The new e-commerce strategy may also lure typical in-store shoppers to take advantage of the expanded offerings available through both Walmart.com and Jet.com.

### Critical Thinking Questions

1. What are some advantages of Walmart purchasing established web businesses?
2. What impact is Walmart's acquisition of nontraditional retailers likely to have on the shopping habits of Walmart's customers?
3. How will the aggressive e-commerce plan implemented by Walmart affect operations at its retail locations?