

walmart

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Wal-Mart Research Analysis Report

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Abstract

Wal-Mart Inc. is a multinational retail co-corporation which is based in America and it runs hypermarkets chain, grocery and also departmental stores hence one of the largest retailers in the world and fifth largest corporation globally in terms of sales revenue (Fortune Global 500, 2020).

Wal-Mart was started in 1962 by Sam Walton which was later on incorporated under Delaware General Corporation law in 1969. It was later on listed in the Exchange market of the New York Stock in the year 1972 and listed the most profitable retailer in 1989.. The first stores to be opened were limited to a geographical area but later on spread to the coastal regions then overseas.

Wal-Mart currently operates in different countries under various names with 10,526 stores and clubs globally. Being the largest retail shop in the world, it offers a wide range of products such as electronics, home and furniture, clothing, footwear, jewelry, toys among other items. Wal-Mart also offers a diverse range of services which includes among others Pick up Today, Wal-Mart money card, Walmart.com and finally Wal-Mart Pay

The market report showed that some subsidiaries performed really poorly for instance in Japan whereas others performed profoundly in Canada and the United Kingdom.

Resources

Wal-Mart's VRIO framework, which is the question of Value, Rarity, Imitability and Organization, has helped the company to achieve sustainable competitive advantages such as:

Merits

Wal-Mart's strong bargaining power. Being the lead retailer in the world, and especially in the United States, it purchases goods in bulk from its suppliers at very low costs. This price advantage is passed on to their customers through the Everyday Low Prices (EDLP).

Its brand equity has also made it challenging to its competitors both locally and internationally. The low prices on products, excellent customer service as well as exemplary engagement with customers have made it gain a lot of popularity among its customers.

Excellent inventory management, Wal-Mart may have a network of suppliers and stores around the world but it behaves as a single entity. Thus, advanced technology methods such as cross docking have made it possible to keep efficient inventory by eliminating factors such as transportation costs and management costs. The company has also invested in technology innovation to improve management, delivery, merchandising, customer service as well as other areas.

Although growth in E-commerce sector has only made a small impact on the net revenue of the company, which was reported to be at 514.4 billion US dollars (Fiscal report 2019). It is also believed to undergo rapid growth in the near future and compete with other brands such as Alibaba.

Wal-Mart sell a variety of merchandise both is small and large quantities which make it easy for customers to access their goods.

Human resource-with over 2.2 million employees globally and about 1.5million employees in the United States, the company has invested in technology to train all their employees. The employees are also motivated with incentives such as salary raise and promoted to higher ranks.

The VRIN framework for 'Valuable, Rare, Inimitable and Non-substitutable enabled Wal-Mart to easily evaluate its value proportion with its competitors such as BestBuy and Amazon. Despite the Pros and Cons of Wal-Mart, it still emerges to be the best retail store in the world.

Demerits

Bad health care coverage, It has been reported that Wal-Mart offers worst health care policies which has forced their employees to seek for health insurance from government funds such as Medicaid.

Anti-employee policies, it has also been reported that Wal-Mart's workers are mistreated as they work for the interest of the company and its personal gain and not their own welfare.

Racism, Wal-Mart has been taken to court several times due to racism and gender discrimination claims. It was also reported that they hired illegal citizens to clean after working hours at very low charges.

Environmental unfriendly operations, A policy had to be placed by the Pennsylvania Department of Environment Protection (PDEP) as a result of Wal-Mart's violation of water quality during construction.

Network Systems

With a network global space, Wal-Mart has over 2 million employees operating in more than 10,000 stores. For its operations to be effectively employed, strategies such as the Marketing mix strategy have had to be employed. The core principles of a marketing mix include Price, Product, Promotion, Place and the people.

Price, the positioning of the prices of the products has been achieved by having customer friendly prices that maximize profits when sold in bulk. Wal-Mart also allows various purchasing options such as cash and credit cards. A universal barcoding technique is employed to allow for lower prices on products.

Product, Wal-Mart sells goods both in small and large quantities. The company has also maintained a strong relationship with its suppliers for a very long time.

Various promotional strategies have been put into place for instance discounts on goods, secure online shipping for online buyers, diversified advertising platforms as well as encouraging customers slogans such as 'lowest price store'.

Location/Place, Wal-Mart's geographical accessibility is a key factor to its growth. Stores are located in areas which make it convenient for one stop shopping as well as collecting their orders. Advanced technology has enabled them to keep track of their customers and keep proper inventory.

People, without the people to purchase the products, the company's existence would be considered null. People help run the sales effectively by purchasing the products either physically or virtually. Since Wal-Mart has stores all over the globe, it is able to reach a variety of ethnic groups and age. The target appeals to a range of customers such as men, women, kids, families and teenager.

Timelines and Targets

Is Wal-Mart experiencing more profits or losses? What are the various risk factors faced by Wal-Mart and how do they cope with them? Well, just like any other business in the world, Wal-Mart has had its fair share of profits and losses. Such outcome may be due to unpredictable risks for instance the global pandemic Covid-19, natural causes such as earthquakes, floods and tsunamis.

As much as these risks have adversely affected operations in Wal-Mart, some have resulted to positive results. For instance, when the Covid-19 Pandemic began in 2020, so many companies were forced to downsize employees while others had to completely shut down. So many Wal-Mart stores were lucky to continue operating although with reduced revenues while others had to be shut down due to high rise of vandalism due to riots and looting.

About 1% of the losses that occurred were due to theft cases. Some shoppers felt an urge to slide an item into their pockets without paying. This contributed to about 3 billion US dollars lost through theft (Fiscal report, 2020). Also, the stores were limited on the number of operating hours thus there was a change in pattern by consumers.

Whereas a lot of people were forced to evacuate, some saw the need of stocking up their shelves with staple supplies such as groceries and toilet paper. Therefore the demand for products lead to an increase in sales hence recorded a 23% increase in e-commerce sales at the end of second quarter (Fiscal report, 2020). This success was mainly contributed by the one stop shop buyers and online shoppers.

Not so many would see the pandemic as a 'blessing in disguise' as a lot of business owners are now aware of the terms and measures they can take when such a pandemic occurs again so as to avoid huge losses.

Wal-Mart's aim is to become a regenerative company that priorities people and the conservation of the planet by selling sustainable products and reducing waste and emissions. Wal-Mart's aim is to achieve zero emissions globally by 2040 without relying on carbon offsets (Wal-Mart's Sustainability Timeline Report, 2020)

Funding and budgets

Wal-Mart a Public-traded that is family owned Company with common stocks that are listed for trading on the Exchange market in New York Stock under the symbol 'WMT'. The Wal-Mart family is said to own 50.85% of the total shares. Wal-Mart common stock has been reported to have 217,840 shareholders as of 18th March, 2020. Which is the main source for funding the company?

Wal-Mart has been reported to revive 6.2 billion dollars every year from the federal government. It also has a primary charitable organization, The Wal-Mart Foundation which is the lead

organization in fighting hunger in the United states with at least 1 billion US dollars donated to buying meals across the country.(Tax fairness report,2014).

Wal-Mart is committed to have its customers save money every day through employing the Everyday Low Prices. Their strategic plan is to increase their capital by investing more in e-commerce, technology, supply chain and invest less on stores and clubs as compared to previous years. The change in investment will ensure an increase in the net income by increasing Returns on assets (ROA) and Return on Investment (ROI).

The Wal-Mart United States Segment is reported to record the highest amount of sales followed by non-US operations and Sam's club respectively. This is primarily due to the high number of stores around the 44 US states.

The company's strength and stability is due to liquidity sources which fund all operations. The remaining cash flow is then used to fund the dividends in WMT and support other long term cash flows. With such great cash flows and access to capital markets, Wal-Mart will be able to re-finance its debts, pay dividends, expenses, re-purchase shares and fund other large operations.

The table below shows the division of Income, Revenue, Equity and Assets of the company.

WALMART STOCK.	AMOUNT IN US DOLLARS.
Current Revenue.	559.2 Billion.
Operating Income.	22.5 Billion.
Net Income.	13.70 Billion.
Total Assets.	252.5 Billion.
Total equity.	87.53 Billion.

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