Technology and Organizational Strategy a Case of Walmart

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Abstract

The impressive growth of Walmart is an example of an organization exploiting its capabilities and competencies to build and maintain a dominant footing within its industry. This report willbriefly analyze the retail industry as a whole to determine the strategic options available to players within the industry, as well as analysis the core competencies of Walmart. The industryanalysis examined the supply chain, new entrants and competition within the retail industry.

The core competency review analyzed key business functions to determine if Walmartdemonstrated a unique positioning of its internal resources.

Within the industry analysis, it was determined that, while the retail market appears to be a highly attractive one with apparent low pressure along the supply line, the reality is an industry marked by fierce competition that is going through dramatic change. In addition, despite the success demonstrated by large retail chains, none have the size and profitability of Walmart. It isdetermined that Walmart's ability to leverage this industry is due more to its core competency than to industry attractiveness.

To determine the core competencies of Walmart, this report examined the key business functionsof Walmart and determined that there are five areas that deserved a more in-depth review: purchasing; distribution & warehousing; IT; in-store operations and organizational/managerial structure. These core competencies allow Walmart to negotiate lower prices, identify and resolvestore/sale issues and deliver product all at a rate or level that is vastly superior to their competition.

While Walmart success with the traditional brick and mortar discount retail model is unquestioned, there are concerns with respect to the urbanization of its core markets (US, Mexico & Canada), as well as the growing threat of E-commerce retailers such as Amazon. In order to combat this, it is recommended that Walmart leverage its IT communication capabilitiesto extend its web and mobile product offerings. This report will also discuss the use of alternative store formats within urban areas, making use of its impressive distribution network toaccess markets that have been met with resistance.

Organization Background

Since its beginnings in 1962, Walmart has had an unparalleled history of success and rapid growth. Walmart has grown from humble beginnings as a lone discount retailer in the small townof Rogers, Arkansas into the dominant player of the retail industry. By 1970, in only years, Walmart had grown to 30 stores with its own distribution system and fleet. Within another 10 years, it had reached 330 stores across the South and Midwest states. Today, Walmart is the largest private sector employer with 2.2

million employees (Grant) and posted over $466 billion in sales in fiscal year 2013.

The success of Walmart is not typical of other organizations operating within the industry. Whilesome companies marginally outperform with respect to financial and operational ratios, Walmartconsistently outperforms its competition and is usually found within the top performers regardless of what indicator might be used.

TABLE 4 Wal-Mart and its competitors: Performance comparisons ($billions except where noted)

	Wal-Mart		Target		Dollar General		Costco[a]	
	2010	2011	2010	2011	2010	2011	2010	2011
Sales revenue	418.90	443.80	65.70	68.40	13.04	14.81	76.26	87.05
Operating Income	25.50	26.50	5.20	5.30	1.27	1.49	2.08	2.44
Total net income	16.90	16.30	2.90	2.90	0.63	0.77	1.32	1.54
Inventories	36.44	40.71	7.50	7.90	1.77	2.01	5.64	6.64
Total current assets	52.01	54.98	17.20	16.40	2.37	2.28	11.71	13.71
Total assets	180.78	193.41	43.70	46.60	9.55	9.69	23.82	26.76
Total current liabilities	58.60	62.30	10.00	14.20	1.37	1.51	10.06	12.05
Long-term debt	40.69	44.07	18.10	16.50	3.29	2.62	2.14	1.25
Total liabilities	99.30	106.37	28.10	30.70	6.86	6.53	12.89	14.19
Shareholder's equity	71.25	75.76	15.40	15.80	4.05	4.67	10.83	12.00
Financial ratios								
Gross profit margin (%)	24.91	24.80	30.44	30.12	32.04	31.73	10.83	10.69
Operating margin (%)	6.09	5.97	7.91	7.75	9.77	10.07	2.72	2.80
Net profit margin (%)	4.03	3.67	4.41	4.24	4.82	5.18	1.73	1.77
SG&A[b] expense/sales (%)	19.67	19.41	20.40	20.61	22.24	21.67	10.28	9.97
Depreciation and amortization/sales (%)	1.81	1.83	3.04	3.07	1.32	1.76	1.04	0.98
Total asset turnover	2.32	2.29	1.50	1.47	1.37	1.53	3.20	3.25
Inventory turnover	11.50	10.90	6.09	6.05	5.02	5.03	12.06	11.71
Long term debt/equity	0.57	0.58	1.18	1.04	0.81	0.56	0.20	0.10
Current ratio	0.89	0.88	1.72	1.15	1.73	1.51	1.16	1.14
Operating income/assets (%)	14.10	13.72	11.90	11.37	13.30	7.91	5.56	5.76
Return on equity (%)	23.72	21.52	18.83	18.35	15.49	16.42	12.22	12.85

Notes:
[a]FY ends in August.
[b]SG&A: sales, general, and administration (cost of doing business).

This dominance of the industry with respect to financial ratios is all the more impressive when consideration is given to the sheer size of Walmart when compared to its other competitors.
Referring to the table above, in 2011 Walmart had sales revenue and inventory five times that ofits nearest competitor Target. In addition, shareholder equity for Walmart ending 2011 was also five times greater than that of Target. As previously mentioned, Walmart's consistent outperformance and dominance in this industry sector cannot be attributed to industry performance alone - in short, Walmart is different, because it leverages its core competencies in a different and superior manner.

Walmart has achieved this impressive growth despite operating within an industry that has proven to be very challenging. An analysis of the retail market reveals some trends and issues that are of concerns. While large established retailers operated in an industry marked by low threat of new entrants and a marked advantage when negotiating with suppliers, the pressure on these retailers is significant. Rivalry is fierce amongst competitors as market growth is limited and concentration of industry firms continues to increase. In addition to the competition amongstrivals, buyer information and low cost of switching puts pressure on retailers to lower prices andimprove quality. A fuller industry analysis can be found below.

Rivalry

Since 2001 the retail industry has had a relatively low market growth rate. The rate of growth hasbeen relatively stable between 3-8% with the exception of the recession of 2008 that saw a drastic drop. From 2008- 2010 sales dropped to -10% and have since returned to recent historicallevels.

Another trend that will have on going effects of the retail industry is that the industry is becoming increasingly concentrated. The number of independent retailers is on the decline withmore and more of the market being controlled by large established chains such as Kmart, Targetand Walmart.

The result of these trends is that the retail market is one of fierce competition amongst an increasing smaller number of established firms. While the force of rivalry within this industryupon individual players will continue to be high, it is a historically stable industry. With the exception of external events such as the 2008 credit crisis, the retail sector should remain predictable with respect to growth and trends.

Buyers

Consumers within the retail industry are marked by a high rate of dispersion and individuality.Preferences and values will vary greatly from person to person. In addition, due the extremely small number of buyers

(1 unit) compared to providers, shoppers have low bargaining power. While an individual buyer has low bargaining power within the industry, the high quality of available information and low cost of switching means that buyers can compare retailers alongany criteria (price, quality, etc). When viewed as a group, buyers put great pressure on playerswithin the industry, which results in a high need for retailers to compete for business.

Suppliers

Suppliers to the retail industry can be viewed in two broad categories; product suppliers and labour suppliers. For the most part, suppliers of products can be viewed as analogous to buyers. There are a large number of suppliers in relation to retailers. This creates an asymmetry in bargaining power in favor of the individual retail operation. Attempts on the part of suppliers tooperate as a larger collective have been largely unsuccessful and retailers play suppliers off one another in order to establish a low price.

There has been a great deal of pressure on the retail market to unionize its labour force. Like the attempts on behalf of the supplies of products, this has been largely unsuccessful and retailers continue to keep wages low (Grant, Need page number). The probability of this trend to continueis difficult to predict as political and economic influences continue to shift. For the present, the ability of suppliers to apply force on retailers remains low.

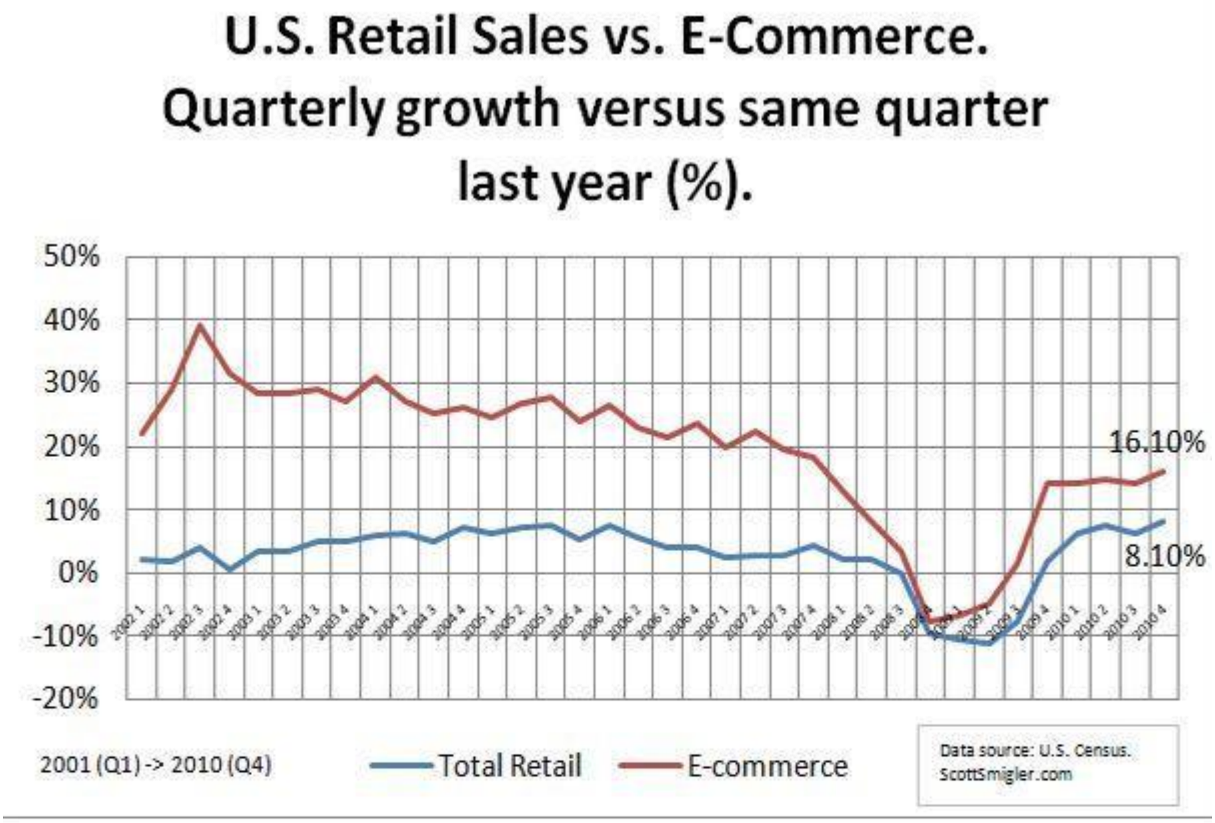
New Entrants

At first glance, the retail industry appears to be an attractive for new entrants as the cost of entry and exit into the market are low. In order to start a retail operation, all one needs is a shop, inventory and sales people, all of which are easy to find and obtain. Similarly, in order to exit theindustry, one simply needs to sell of the inventory, lay off staff and close up shop. Thus, resulting in a high threat of new entrants and subsequent on established retailers to lower prices.

Large established firms have off-set this threat through well-known retaliation practices. In addition the economies of scale and the concentration of buying power of the large established retailers' have created an industry where the time between entry and exit is short for independententrants with very few being able to grow to a size that allows for an even playing field. As such,while the market appears to be ripe for new entrants, very few actually last enough to become a threat to the established firms.

Substitutions

As previously mentioned, the switching cost for buyers within the retail market is low. Traditionally this has been due to the large number of traditional brick and mortar retailers. Players with the industry vied for business via differentiation (price vs. quality), loyalty programs and brand marketing. However, the trend towards market concentration over the recent past has had diminishing effect on the threat of substitutes. This would be fine and well, if not forthe advent of e-commerce and its profound effects on the retail sector.



Whereas the brick and mortar retailers have seen market growth in the range of 3-8% over the recent past, e-commerce retailers have significant higher growth rates. The high water mark for e-commerce growth occurred in 2002 with sales increasing year over year by an impressive 40%.The levels have since tapered off, but are consistently larger than traditional retail by a factor of two.

Another visual can be seen below that shows the percent of increase in sales since 2003.

While e-commerce retail has grown almost 300% since 2003, the offline or brick and mortar retail has remained consistent. This disparity can partly be explained by the exceptional growthof a few e-commerce retailers such as Amazon.ca. If this trend shows a clear current and future pressure for Walmart's operations. Recent price comparisons have shown certain items on salefrom Amazon are 15-20% cheaper than the same items sold by Walmart, eroding one of their key customer selling points, and putting real pressure on Walmart's margins to compete.

Organization and management systems/style

Sam Walton has left an enduring legacy at Walmart. The culture he nurtured is deep rooted andremains a core competitive advantage for Walmart's continued success. Walmart strives to maintain a well-connected and strong community throughout its extensive workforce and theseideas and actions which are 'the Walmart way' are easily described, but almost impossible for competitors to reproduce within their own organizations. Moreover, these values have proven tobe scalable, and have only recently come under scrutiny for some change.

Upper management is engaged to remain in close communication with the stores for which they are responsible. The pyramidal structure of store managers reporting to district managers in turn reporting to regional VPs, linked with a fast response ethos leads to a highly connected organisation with the individual stores in close communication with the headquarters in Bentonville. The VPs have no fixed office location in their region, but are constantly visiting stores and centres in their respective regions and then heading back to the headquarters on Fridayand Saturday to discuss and review their observations and findings from the field in that week.

Similarly sales results for the week, available through Walmart's incredibly real time data handling capabilities, are presented and discussed to allow the VP's to then disseminate this information and guidance back down the chain to their regional managers, planning for the coming week. The Saturday meeting is also an opportunity to engage the employees with motivational speakers, cross communication, education - all things to further enhance the community feel.

Analysis

Walmart core competencies

Walmart's history is one of thrift, partnership and a sprit marked by a philosophy of personal ownership. The idea of "Everyday Low Prices" and "Save Money, Live Better" is a serious commitment on behalf of all Walmart associates and begins with the unique relationship with itsvendors.

Purchasing

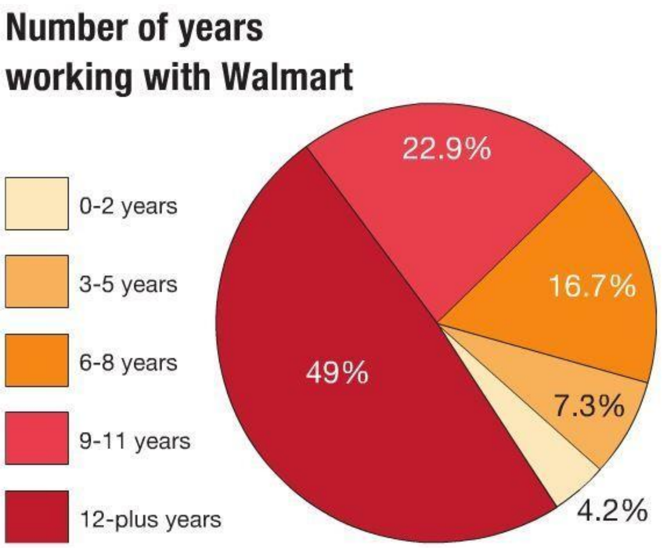
The Walmart slogan of "Save Money, Live Better" recently replaced the long-time slogan "Every day Low Prices". Walmart commitment to providing its customers with the lowest possibleprice is made possible by its commitment to extracting the lowest possible price from its competitors. Despite an understanding that a Walmart will place pressure upon a supplier and thesense of fear that has upon some smaller, less experienced suppliers, people still put a high valueon working with the retailing giant as a "Supplier-Partner." This is due to the unparalleled accessto consumers that is made possible by having their product on Walmart shelves. This is not a matter of perception; a recent study showed that Walmart suppliers demonstrated market shares of almost three times their non-Walmart supplier counterparts (Mottner & Smith). These economies of scale provided by Walmart size gives the retailer a strategic strength when negotiating.

Walmart has placed its unique stamp on the negotiating process itself. To begin, the purchasing process is extremely centralized with all negotiations taking place on "Vendor's Row" (Grant). The furnishings of which are sparse, the effect of which makes the negotiating process uncomfortable for vendors and reinforces Walmart's commitment to thrift. Walmart negotiationtactics are highly effective and Walmart suppliers have lower margins than non-Walmart vendor(Mottner & Smith). The ability to negotiate in such an aggressive manner is supported by Walmart commitment to limit the amount of product lines from anyone supplier to 2.5% of totalproduct mix (Grant).

Once a vendor is accepted into the Walmart family, the relationship becomes one of long-term partnerships. A recent survey of Walmart suppliers showed that almost 50% of vendors had been with Walmart more than twelve years, while only 4.2% reporting working Walmart for lessthan two years.

Not only is the partnership marked by a length of time, but by proximity as well. Walmart began encouraging vendors to operate out of their Bentonville headquarters with P&G and in 1993 hadover 70 P&G officer within its walls. In addition, vendors are invited to use Walmart's "Retail Link" data interchange so vendors can monitor inventory and sale levels directly without needingto reply on order forms or weekly reports.

Walmart's purchasing process and competencies have evolved over a prolong period of time andnow provide a substantial competitive advantage over its competition with respect to cost of products, faster restocking times, as well as lower and more locally focused inventory levels.



Distribution and warehousing

Walmart has a proven competitive advantage in its distribution and warehousing function through the control of supplier delivery, its hub and spoke distribution model, the control of import logistics, and the pioneering unique new technology throughout its supply chain. Walmartwas the first retailer to use RFID tags to track inventory and use it as a logistics management control system.

Control of Supplier Deliver

Unlike competitors, 82% of Walmart purchases are shipped to directly to Walmart's own distribution centers (DC) and from there to individual stores via Walmart. This is in sharp contrast to other discount retailers that rely on suppliers to deliver goods to their stores. Thisdistinctive resource allows Walmart to focus on increased logistics quality such as improvingmore tightly packing stores leading to increased inventory turnover

Hub and spoke system

Walmart has a well-established hub and spoke system, where its Distribution Centres act as Hubsand its fleet of vehicles act as spokes. Most DC is over are over 1 Million square feet and operate 24 hours a day. Each DC supports 75-110 stores within a 200 mile radius. The groupings of stores allow Walmart trucks to deliver partial loads to multiple stores. Walmart utilizes a cross docking systems which allows inbound trucks to be unloaded and reloaded on outgoing truck without having to enter goods into warehouse inventory. This system uniquely allows Walmart to supply its individual stores quickly and with the right amount of products as required.

Import logistics

Walmart took control of import logistics in in contrast to their competition. They purchase directly from overseas suppliers rather than through importers which gives them a competitive advantage since they can keep a higher margin. In 2002 they established two export locations in China, one in Shanghai and the other in Shenzen. They then established a foot 4 million squarefoot import distribution centre Baytown Texas.

Radio Frequesncy Identification (RFID)

Walmart and other retailers have been using RFID to track pallets in transit and warehouse. In 2010 Walmart started to roll the usage of RFID in individual clothing and other goods. Other firms that had rolled this technology had realized sales increase by as much as 14%. Walmart encourages its suppliers to place these tags at point of manufacture. This allows works to scanentire stacks of clothing at any point along the value chain to insure the right quantity and sizesare available (Bustillo, 2010).

Information and Communication Technology

Walmart has always been a pioneer in the implementation and use of Information and Communication Technology (ICT) in the retail sector. They have used Technology as to enhance customer engagement in unique ways, thereby giving them a competitive advantage over their competitors. Early on Walmart implemented Electronic Data Interchange (EDI) to connect their internal systems with their vendors. Walmart built on this advantage by implementing company wide Point of Sale (POS) Systems, Satellite communication transmissionand Data Mining technology in an enterprise manner which gave them further competitive advantages.

Infrastructure

As an early adopter, Walmart was one of the first to use computers for inventory control, Electronic Data Interchange, bar scanning for POS and inventory. Their infrastructure grew in1994, when they invested $24 million into their own private internal satellite system. As the backbone for its IT infrastructure, Walmart used it for data transmission of inventory control, credit card authorization and other support functions.

Point of Sale Systems

Pivotal in Walmart's Information Technology was its Point of Sale (POS) System. With a linkage to it's other supply chain systems it is able to restock shelves quicker than their competitors. The POS data was also used in planning store layout and place items that arepurchase together nearby and high margin products in high traffic locations.

Data Mining

In 1990, Walmart pioneered the use of Data Mining in retail by analyzing data from it's Point of Sale System. They began to analyze the relationships between items in shopping carts. They used this information in predictive algorithms to better determine demand of individual products and help in the placement of products. Currently they are getting 8.4 million updates a minute into this system. This volume and frequency of updates allows Walmart to predict sales (based on historic trends and external factors) and plan shipping and inventory requirements to the individual store.

Integration of Walmart's value chain through IT with Hub and Spoke system. Speed is its mainadvantage at which Walmart excels. These technologies collectively allow Walmart to generate reports and track sales a week ahead of their competition. IT is a competitive capability whichallows Walmart to get the right product to the right stores and into the hands of the customers.

Instore operations

Walmart's utilization of its core competencies is definitely pronounced in its in-store operations.

Technology and point of sale systems

Use of technology is definitely present at POS where uniform product code ensures up-to-date and accurate pricing on products. This system of tracking the products improves efficiency andcommunication between staff and customers. It also allows for an efficient inventory tracking and product restocking, enabling Walmart to stay ahead of it's competitors by knowing ahead oftime what the customer will want and need when coming to shop.

Employees

People are key to Walmart's business. This can't be more visible than in the stores and on thefloor. "Walmart's human-resource practices were based upon Sam Walton's beliefs about relations between the company and its employees and between employees and customers." (Grant). Every customer that visits a store is to be greeted and welcomed. All the "associates" onthe floor are to have a pleasant attitude and willingness to help the customer. This what builds and adds to Walmart's brand – the way the customers are treated. Employees, therefore, and therelationship that exist between them and the customers, build on

Walmart's core competency.

Operations

Walmart's leadership values: Respect for the individual; strive for excellence & serve your customers are strongly embraced by the Walmart management team. The in-store management team are required to act as coaches, leading by example through their interactions with both customers and staff. The managers are also expected to know each in-store associate's name as well as a little bit about their background. This 'personalization' helps create the feeling of community and teamwork which the organization strives to achieve. The employees of Walmartare known as associates, a term designed to engage each employee in the spirit of the business, and is also tied into the profit-sharing plan through which each staff member can earn a share ofthe profits when the company meets pre-determined goals. Similarly, many Walmart managers and senior leaders worked their way up from the 'shop floor' therefore showing how the organisation looks to promote and grow from its employee pool.

VIRO Analysis

Having a competitive advantage leads to current profitability. Having a sustained competitive advantage, meaning resources and capabilities that are distinct from your competitors leads to a sustained position as a market leader. Firm resources are segmented into three categories of physical,human and organizational resources (Barney, 1991)

Walmart have a sustained competitive advantage in many of its core competencies as addressedabove. This analysis has been compiled into a VRIO framework (Barney, 1991).
VRIO represents the following:

V - Value

Is a resource valuable? Does it help meet an external threat or enhance an internal opportunity? Valuable resources enable the firm to improve efficiency and effectiveness within their corporate strategy (Barney, 1991)

R - Rarity

Is the resource rare? A resource is rare when it is not possessed by a large number of other firms. An example of rare resources could range from access to customer data; raw materials ormanagerial talent.

I - Imitability

Would it be costly for a competitor firm to imitate the resource. Three reasons a firm could have an advantage is first, historical. The competitive advantage could be first to market, proximity or access to resources such as raw materials or managerial talent that would be costly for a competitor to gain that advantage. The second advantage to sustained competitiveness of a resource is causallyambiguous. This is an advantage occurs when all competitor firms do not fully understand the relationship between a firm's use of a resource and its competitive advantage. Finally, the thirdreason is the social complexity of the competitively advantaged firm. (Barney, 1991)

O - Organization
Is the organization structure in place to exploit its values and culture against competitor firms? Thefirm can have a sustained competitive advantage through brand awareness; reputation; community involvement to how it manages its information data. (Barney, 1991) The following chart compares Walmart's core competencies in terms of the VRIO framework. Asper the analysis, it can be stated that Walmart has a current competitive advantage with In-Store Operations and IT. However, Walmart has a sustained competitive advantage in Purchasing, Distribution and Warehousing and Organizational and Management Systems.

KPI	Valuable	Rare	Imitable	Exploited	Advantage
Purchasing	YES	YES	NO	YES	●
Distribution and Warehousing	YES	YES	YES	YES	●
In-Store Operations	YES	NO	YES	YES	●
IT	YES	NO	YES	YES	●
Organizational and Management Systems	YES	YES	YES	YES	●

SWOT Analysis
By doing SWOT analysis, we are taking a closer look at the organization itself and explore the internal factors that will aid in maintaining its competitive advantage (strengths and weaknesses)and external factors that might threaten its position in the market or reveal an opportunity (threats and opportunities).

Walmart has quite a few strengths. First of all, Walmart has a distinctive competence in supply chain management as discussed earlier in the paper. Walmart also has proprietary technology that it uses exclusively, e.g. satellite. By being one of the biggest retailers, Walmart has an abilityto negotiate prices with suppliers thus exercising bargaining power. Other strengths that Walmarthas, and these are directly related to the core competencies, are distribution and warehousing, employee relationships and human resources management, and a good variety of products to satisfy the needs of versatile customer base.

Despite its size and power, Walmart does have a few weaknesses. International coverage caused Walmart to "lose grip" of management meetings. Whereas in the past, all the managers used to get together on Saturday mornings, with the opening of more and more stores, this was no longerfeasible. Some managers viewed this shift as a negative change and an attempt of Walmart to cutcosts. Another weakness Walmart has at the moment is a low employment count which leads to some 'empty shelves'. According to recent reports, Walmart has cut employee hours so deeply that it doesn't have enough associates on hand to get stuff from back-of-the-store staging areas tothe shelves (Saportio, B.) On an international front, Walmart was not able to tackle South Koreanand German markets and so it needs a better strategy for these markets. Outside of U.S., overall, Walmart has a low market share.

Walmart has the following opportunities: expand operations in international markets, e.g. Middle-East, Asia; devise a home delivery system for customers who want to order from home and have the merchandize delivered to them; build Walmart's own brand; and acquire or partnerwith home hardware stores such as Lowe’s.

Some of Walmart’s threats are: other competitors on the market such as Target; customers switching to other stores such as Shoppers Drug mart for accessibility and convenience; attacksfrom labour unions; and international political trouble.

Below is a more detailed analysis of threats and opportunities Walmart is facing.

Identify Threats and Opportunities

In an ever-changing business environment with customer expectations also constantly changing, Walmart definitely needs to take measures to sustain its recent performance and defend against competitive and other threats. As stated in the article by Prahalad and Hamel, “The real sources of advantage are to be found in management’s ability to consolidate corporate-wide technologies and production skills into competencies that empower individual businesses to adapt quickly to changingcircumstances.” One thing Walmart definitely needs to do is stick to it’s core competencies of distribution and warehousing, integration of IT into it’s supply chain management, and Human Resources management. Walmart’s most valuable resources at the moment are: distribution network, warehouses, proprietary technology, employees, and reputation (intangible asset). Walmart needs to continue utilizing the current resources and capabilities in order to stay on top of the competition. Nonetheless, new ideas of doing business constantly come to the retail market andWalmart definitely needs to think ahead and think how consumer thinks.

To support and utilize it’s core competencies and capabilities, Walmart could take on a few opportunities. One of them could be to get into a new market such as hardware. To do that, initially Walmart could offer to be a supply chain management consultant to a large hardware distributor andeventually learn and take on the segment of that market. Walmart, having the infrastructure in place,could invest in a conference centre that would allow its employees to still hold Saturday morning meetings but now virtually. In doing so, Walmart will continue with it’s tradition of getting all the managers together to go over sales numbers, at the same time maintaining that culture of closeness and communication it always strived to have. And finally, Walmart could expend it’s web offerings to have products delivered to the customer’s home directly. This option will give people more incentives to buy from Walmart, especially those people who live in busy downtown areas and don’thave the time to drive to a Walmart location.

The main idea of sustainable growth here is to innovate but with existing core competencies. Do what you do best but in a different way, offering new products and services and always deliver valueproposition to the customers.

Alternatives/Options (Core Competencies)

Below are different courses of suggested action that could be taken by Walmart to improve customer satisfaction, market share, reduce costs and increase quality. We examine the expectedimpact of these potential courses of actions through a Ranked Weighted Matrix of Alternatives utilising the following criteria:

Extend mobile & web offerings
- Online shopping store
- Location based offerings through smart phones

Extending Operational Logistics to other Firms
- Build on existing procurement practices/relationships with suppliers
- Extend best practices in distribution/warehousing to other firms
- Vertical integration?

Video - Conferencing Infrastructure
- Integrate all markets internationally with Corporate HQ
- Collective gathering re-emphasizing corporate values

Different Merchandizing Formats
- New markets e.g. urban, emerging, airports, LBS kiosks
- Small store formats to compete in urban markets and new emerging markets wheretraditional large format store don't work.

Decision Criteria
The below rankings, with the multiplier indicate in brackets (x#), were used to apply importanceto specific criteria based on the assumptions noted with each factor and plugged into the table toarrive with total weighted rankings to reflect the suggested best course of action.

Improve Customer Satisfaction (x5)
- Cost of the acquisition of a new customer is huge
- Key metrics throughout all Walmart literature.

Increased Market Share (x5)
- Increase market share is critical to Walmart
- Walmart has focused on growth as a core strategy to leverage their advantages.

Cost of Implementation (x4)
- The lower the cost, the lower the price to the consumer - core to Walmart's success
- The board of Walmart is cost sensitive

Increase Product Quality/Variety (x3)
- bringing value to customers is a key Walmart value

Minimizing Cost (x2)
- Minimizing overall cost will have a direct impact on Walmart's bottom line.
- Keeping cost down will allow Walmart to pass savings on to customers

Increased sales (x1)
- Increased sales is an important factor in all Walmart actions

Ranked Weighted Matrix of Alternatives

Alternatives **Criteria**	**Extend mobile &web offerings**	**Extending Operational Logistics to other Firms**	**Video Conferencing Infrastructure**	**-Different Merchandizing Formats**
Improve Customer Satisfaction (X5)	3 (15)	1 (5)	1(5)	3(15)
Increase Market Share (X4)	3 (12)	2 (8)	2(8)	3(12)
Minimize Cost(X4)	1(4)	1(4)	2(8)	1(4)
Increase Product Quality or Variety (X3)	2 (6)	1 (3)	1(1)	1(3)
Cost of Implementation(X2)	3 (6)	2 (4)	2 (4)	1 (3)
Increase Sales(X1)	3 (3)	2(2)	2(2)	3(3)
TOTAL	**12 (46)**	**7(28)**	**8 (28)**	**11 (40)**

Conclusion & Recommendations

Walmart has had incredible success with its large format warehouse discount retail model. It isnow entering a moment of saturation with this format and has not been able to penetrate some markets with this model. Case in point is Germany where after years of disappointing sales it sold it's operations. E-commerce is a growing threat for Walmart as retailers such as Amazon find ways to compete by offering competitively priced goods with next day delivery.

In order to combat these two trends we recommend that Walmart leverage its Information Communications Technology capabilities and extend its web and mobile channels to counter thisthreat. As seen in the image below there are numerous formats that offer consumers various methods to interact with a retailer beyond its bricks or clicks offerings. We also recommend that Walmart explore alternative store formats in new areas that are not its tradition warehouse concept. In urban areas where land is a premium small format stores could augment existing warehouse stores and enable quick shopping trips for the daily basics while standard Walmart stores and Sam's Club.

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