Walmart Inc.

Case Study Analysis

Team 6

Sumantra Chattopadhyay
[redacted]

Business Policy and Strategy
Dr. Crawford

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Executive Summary

This paper provides both internal and external situation analyses of Walmart Inc., which examine the company's most salient strengths, weaknesses, opportunities, and threats. This analysis concludes that the primary strategic issue Walmart faces is its subpar positioning in the global e-commerce space. This paper offers strategic recommendations based on our analysis and a final recommendation to Walmart's C-suite managers in the later sections. The final recommendation is twofold: First, Walmart should enhance its product recommendation algorithm using big data analytics and search engine optimization for each localized regional market. Second, the company should leverage its existing physical presence in emerging international markets to supplement the improved recommendation algorithm and drive global e-commerce sales.

Introduction

Walmart Inc. is an American multinational retail corporation that operates a chain of hypermarkets, discount department stores, and grocery stores in the United States. The company is headquartered in Bentonville, Arkansas. A major player in the hypermarket retail industry, Walmart is a large company with a strong global brand value.

This paper first presents an analysis of Walmart Inc and the retail industry's external environment using the PESTEL framework. Then, we use Porter's five forces analysis to determine whether the retail space is attractive to incumbents and new entrants and which key success factors drive profitability. Walmart's performance is then compared to the industry's key success factors and Measures to determine the company's strengths and weaknesses. Next, value chain, VRIN, and SWOT analyses are conducted to analyze the company's internal capabilities.

All this analysis showed that the primary strategic issue faced by Walmart Inc is its subpar positioning in the global e-commerce space. After considering several potential courses of action, this paper's final recommendation is twofold: First, Walmart should enhance its product recommendation algorithm using big data analytics and search engine optimization for each localized regional market. Second, the company should leverage its existing physical presence in emerging international markets to supplement the improved recommendation algorithm and drive international e-commerce sales.

Situation Analyses

PESTEL Analysis

This section analyzes the external factors in the retail industry which are impacting Walmart, Inc. The two most important external factors affecting the industry are presented here, but the full PESTEL analysis can be found in Appendix A.

Economic

The recent 2.7% annual growth in per capita disposable income from 2016 to 2021 and the 2.3% annual growth in consumer spending indicate that consumers are investing more in the retail industry (Thomas, 2021). This, combined with a 2.3% annual growth in the consumer confidence index, shows optimism about the overall retail economy (Thomas, 2021).

Environmental

Climate change will continue to impact and pose risks to the retail industry. Natural disasters driven by climate change, such as floods, droughts, and heatwaves, will affect retailers' facilities in the future (Shewmake, 2021). In addition to practical resource concerns, the industry faces environmental sustainability pressures. This includes sustainability within firms' operations, throughout their supply chain, and encouraging consumers to participate in environmental programs (Retail.2019). Retail is one of the leading industries in its use of renewable energy by installing solar panels and allowing these resources to power facilities (Top 5 environmental sustainability issues in retail. 2018). By reducing the burning of fossil fuels, firms are cutting back on greenhouse gas emissions while improving air quality and human health and minimizing their carbon footprint (Bollerud et al.).

Porter’s Five Forces Analysis

This section analyzes the competitive forces that shape the retail industry and comments on the industry's strengths and weaknesses to help determine if the industry remains attractive or not. The full Porter’s analysis can be found in Appendix B, but we highlighted the Threat of New Entrants and Intensity of Competitive Rivalry as the main drivers of profitability for the industry.

Threat of New Entrants

The threat of new entrants is moderate. It is relatively easy for new retailers to join the industry but hard to scale operations rapidly. Established companies possess sophisticated distribution networks and supply chains that are difficult for new entrants to replicate. Larger companies in the industry or specialized retailers offer a wide range of products to customers. However, these products are usually standardized between retailers, often through private labels. According to IBISWorld, “the average sector operator anticipated to spend just $0.07 on capital for every $1.00 spent on wages” (Thomas, 2021). This is a low capital intensity industry, but larger retailers often operate their own distribution networks, which would require more capital. Customers usually have little trouble switching from one retailer to the next. The government moderately regulates the industry, requiring legal teams to ensure companies comply with applicable laws and regulations. New entrants would have to navigate this legal environment to create and grow their businesses. Companies in the industry take note of and respond to competitor actions fairly quickly, given similar business models.

Intensity of Competitive Rivalry

The intensity of rivalry in the retail industry is high. The top competitors in the US retail industry are Walmart, Amazon, The Home Depot, Kroger, and Best Buy, with 6.7%, 5.9%, 2.4%, 2.4%, and 0.8% of the market share, respectively (Thomas, 2021). These companies are not equally balanced competitors, but together they make up approximately 20% of the total US retail market share. Customers face low switching costs as most products sold by the industry have low differentiation and are offered by other retailers. The retail market is expected to experience moderate growth at an annual rate of 3.2% from 2021 to 2026 (Thomas, 2021). Additionally, the retail market is expected to reach $5.5 trillion by 2022, a $0.2 trillion increase from the previous year (Thomas, 2021). Finally, the retail industry may be subject to moderate exit barriers as some firms are unable to break commercial leasing agreements and will keep physical locations open even if they are unprofitable (Exit barriers: What they are, and how they impact industry profitability.2021).

These forces of New Entrants and Competitive Rivalry drive the primary strategic issue; Walmart must find new ways to grow to rise above the fierce competition. The company must continue to outperform both industry leaders and new entrants to push its progress forward in an unattractive industry characterized by a moderate threat of new entrants and high intensity of rivalry.

Key Success Factors and Corresponding Key Success Measures

The full analysis illustrating Walmart's measures within its industry can be found in Appendix C.

Inventory Management

Measure: Cost of goods sold as a percentage of net sales

- Data from 2021 for all companies except for Kroger and Home Depot, which is 2020
- Walmart is slightly under the industry average in terms of managing its inventory costs

(*Home depot annual report for 2021*.2021; *Costco annual report for 2021*.2021; *BJ's annual report for 2021*.2021; *Walmart annual report for 2021*.2021; *Kroger annual report for 2021*.2021; *Target annual report for 2021*.2022)

WALMART	BJ'S	COSTCO	KROGER	TARGET	THE HOME DEPOT	AVERAGE
76%	82%	89%	77%	72%	66%	77%

Loyal Customer Base (Customer Relations)

Measure: Customer loyalty score

The data in the following table reflects 2021 Q2 performance:

WALMART	BJ'S	COSTCO	KROGER	TARGET	THE HOME DEPOT	AVERAGE
3.22	--	1.93	2.62	2.14	2.03	1.33

InMarket, a marketing firm that provides consumer intelligence reports, conducted a loyalty survey on the top ten retailers in the United States. The loyalty index measures the average number of repeat visits by consumers of each retail store within a defined timeframe (Malinowska, 2021). While the table only presents a few firms, the average reflects scores from all ten firms. Walmart's loyalty index is above the industry average of 1.33. Walmart was above-average, and it was also ranked first out of the ten retailers. Therefore, customer loyalty can be considered one of Walmart's strengths. Compared to the industry average, Walmart's stellar performance in terms of its KSMs shows that it can leverage its existing capabilities to combat its primary strategic issue of slow growth in already saturated retail markets.

Value Chain Analysis

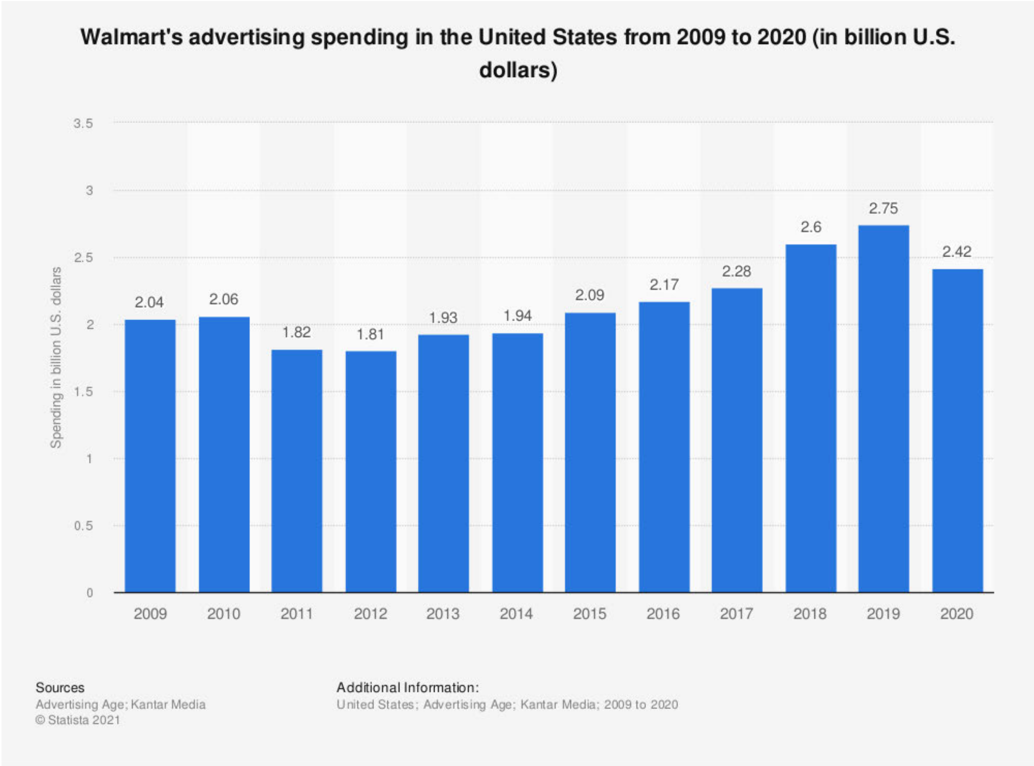
This section analyzes Walmart's internal strengths and weaknesses regarding its value chain. Distribution and Marketing & Sales are highlighted here, as these factors are impacting Walmart the most. However, the complete analysis can be found in Appendix D.

Distribution

Walmart uses an omnichannel distribution strategy, distributing its retail products through global stores and clubs, in addition to its e-commerce website (*Walmart annual report for 2021.*2021; Location facts.2022). Walmart's US operations use 156 distribution facilities to ship retail products from storage to brick-and-mortar stores across the country (*Walmart annual report for 2021.*2021). For e-commerce purchases, Walmart operates 32 fulfillment centers specifically dedicated to carrying out online orders (*Walmart annual report for 2021.*2021). Walmart owns and manages its private transportation fleet of 9,000 tractors and 80,000 trailers which move products from distribution centers to stores (About.2022).

Marketing & Sales

Walmart often runs advertisements, sales, and promotions to boost its revenue and brand awareness. In recent years, Walmart has spent over $2 billion annually on US-based advertising:



(Walmart's advertising spending in the united states from 2009 to 2020.2021)

As a well-established household brand, Walmart relies on word-of-mouth marketing in addition to its advertising spend.

In order to address the primary strategic issue, Walmart should leverage its distribution and marketing channels to branch into new business sectors and even international markets. Walmart's status as a household name with global reach means that distribution and marketing are essential to its growth.

VRIN Analysis

This section analyzes Walmart's internal resources to determine which of those resources contributes to Walmart's sustainable competitive advantage. The full analysis can be found in

Appendix E, but this section highlights Walmart's global brand value and large international supply chain as being the strongest providers of Walmart's sustainable competitive advantage.

Global Brand Value

Walmart's global brand value is valuable, rare, inimitable, and non-substitutable. This makes it a sustainable competitive advantage. It is worth $93 billion and has risen in value year after year (as shown in the Strengths part of the SWOT analysis). It is rare and costly to imitate for other brands that have less global reach than Walmart. This resource is non-substitutable because the company may not sustain its high revenue without a high brand value and loyal customers.

Large International Supply Chain

Walmart's large international supply chain is valuable, rare, and non-substitutable, but it is not imitable. Other large retailers can scale their supply chain as they expand internationally but it would take time to replicate the level of Walmart's supply chain. This resource is also a sustainable competitive advantage.

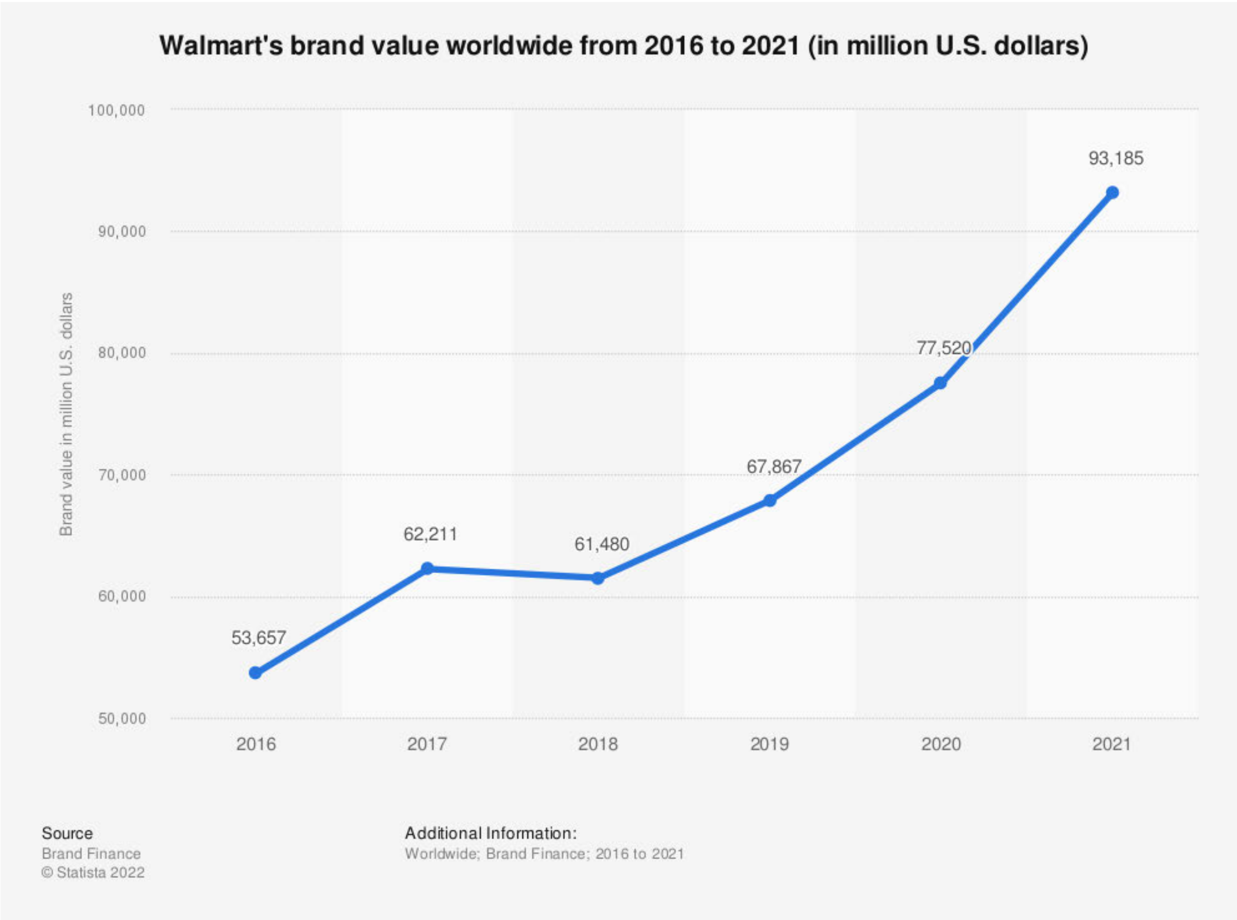
Walmart's existing valuable resources can be used to combat its primary strategic issue of slow growth in already saturated retail markets. Its high global brand value and large international supply chain will allow the company to scale in new lines of business quickly.

SWOT Analysis

This section highlights the most important aspects of the company's strengths, weaknesses, opportunities, and threats. The full SWOT analysis can be found in Appendix F.

Strengths

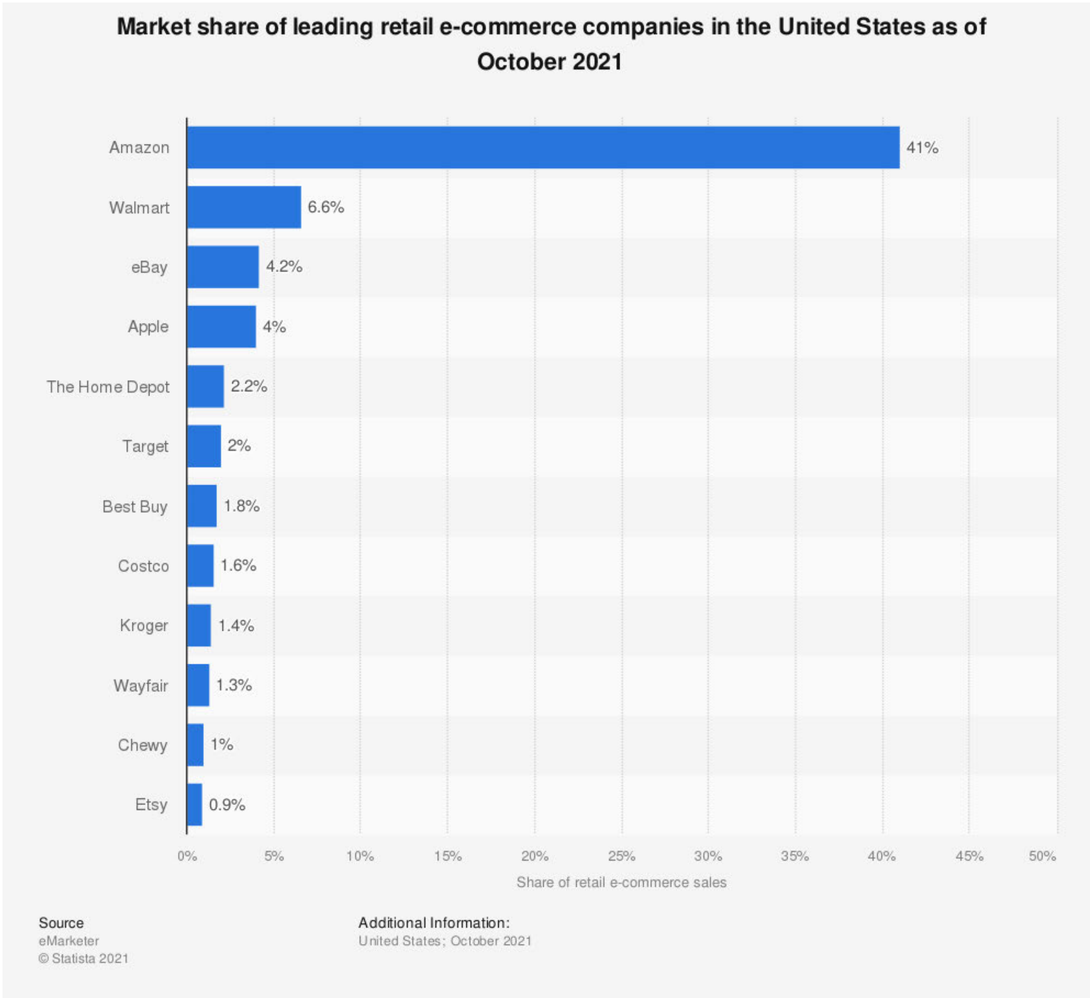
Walmart's global brand value has been trending steadily up in recent years, with the current value estimated to be more than $93 billion. As mentioned in the KSF section, Walmart has the most loyal customer base compared to its competitors in the industry. This loyalty explains the high global brand value. The company should continue to retain its loyal customers through new and innovative value product offerings and leverage this brand value to enhance revenue.



(Walmart's brand value worldwide from 2016 to 2021.2022)

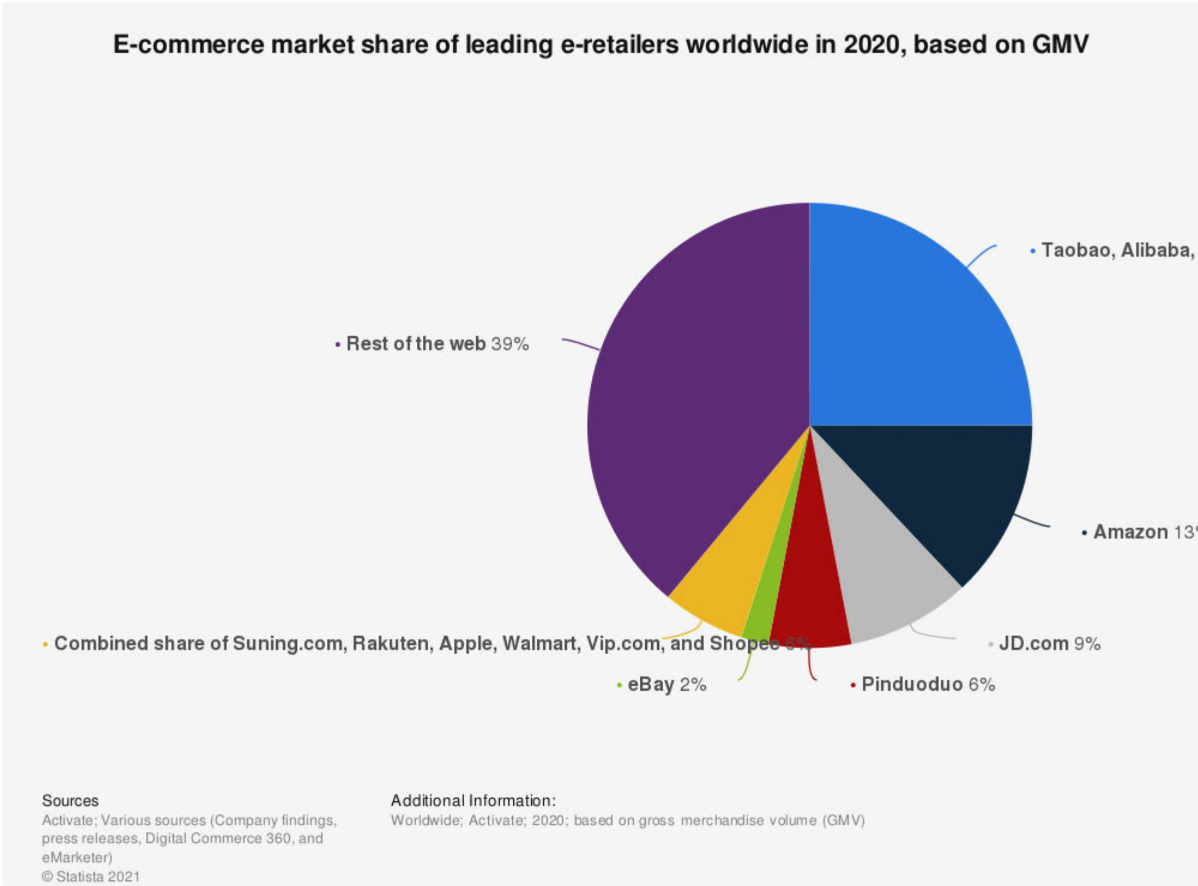
Weaknesses

- In the US domestic e-commerce market, Walmart has the second-highest market share (behind Amazon), but the sheer differential between first and second place is enormous. This weakness may indicate a lack of e-commerce focus within the company. However, aside from Amazon, Walmart is slightly ahead of its competitors in terms of domestic e-commerce market share.



(Chevalier, 2021)

- In the global e-commerce market, Walmart struggles to capture any noticeable market share. As shown in the below graphic, the combined market share of some major companies like Walmart and Apple amount to less than 6%.



(Coppola, 2021)

In terms of its overall strategy, Walmart's Cost-Leadership strategy makes its products attractive to customers looking for the lowest price. However, by definition, this strategy yields low profit margins, which the company could certainly improve.

Opportunities

Walmart can exploit opportunities in the social commerce (e-commerce on a social media platform) space to generate more sales, especially from an international market. Social commerce sales are expected to reach $363 billion in China alone in 2021, and given Walmart's existing global reach, it can exploit this social commerce opportunity to connect with more customers internationally (McKinnon, 2021). Further opportunities are analyzed in Appendix F.

Threats

Walmart's wide range of suppliers can cause a large amount of uncertainty for the company's supply chain. Walmart relies on the delivery of low-cost products in a punctual manner. Additionally, the supplier's image and reputation reflect upon Walmart, and they must ensure that certain values align. International suppliers come with risks like tariffs, timely delivery, international labor standards, foreign exchange risk, and more.

Because of Walmart's scope and scale, they face competition from retail stores of different types and sizes, and in different geographical locations. Online retailers, like Amazon, have been able to offer the same low prices on products with better quality customer service. Additionally, large mergers and acquisitions in the retail industry could threaten Walmart's brick-and-mortar business.

Primary Strategic Issue

The primary strategic issue faced by Walmart Inc. is its subpar positioning in the global e-commerce space. Given that e-commerce is a rapidly growing sector of the retail industry, Walmart may soon face a substantial risk to its business model if it fails to compete effectively in the international e-commerce space.

Despite its status as a major international player in the retail industry, Walmart holds a surprisingly weak market share in the international e-commerce space. Our SWOT analysis reveals that Walmart had a global e-commerce market share of under 6% in 2020. Competitors such as Alibaba, Amazon, and Taobao hold more than five times this market share combined.

Additionally, our Porter analysis showed that the external factors of New Entrants and Competitive Rivalry drive this issue. The company must continue to outperform both industry leaders and new entrants in order to push its progress forward.

Finally, our value chain analysis indicates that Walmart's extensive distribution and marketing channels hold untapped potential. Walmart's status as a household name with global reach means that distribution and marketing are essential to its growth.

Strategic Recommendations

The following actions are recommended to Walmart to solve the primary strategic issue, improving weaknesses, mitigating threats, and utilizing strengths and opportunities.

Recommendation 1– Walmart should leverage existing supplier relationships and brand image to carry specialty items. Walmart can either open specialty brick-and-mortar stores to hold these products or have dedicated sections of Walmart Supercenters for these specialty items. Walmart currently has partnerships with companies like Pizza Hut and McDonald's to have storefronts inside Supercenters. Similar partnerships could be made with brands that are considered more luxurious in order to drive new customers into Walmart stores who would not otherwise shop there and encourage cross-selling.

Recommendation 2– Walmart should invest in a greenfield venture to expand its brick-and-mortar stores, distribution centers, and network presence in key emerging markets around the world will help Walmart establish a stronger foothold in those areas. By maintaining efficient distribution lines, Walmart can leverage these resources to increase its e-commerce fulfillment operations by reducing delivery times while offering broader product depth. A greenfield venture will provide Walmart with the most control and highest potential rate of return while safeguarding its intellectual property in emerging markets.

Recommendation 3– Walmart should implement personalized, convenient differentiation processes that narrow down customers' options when choosing between alternatives. To accomplish this, Walmart can invest in improvements to their recommendation algorithm and utilize the power of big data analytics to cater their recommendations to each customer's individual preferences and purchase history.

In terms of search engine optimization (SEO), Walmart can boost e-commerce sales by localizing their recommendation algorithms to each region where they sell products. This will drive long-term growth and increased market share in the international e-commerce market.

Additionally, the Walmart recommendation algorithm can be optimized to push Walmart's new products and services. This way, customers will always know about Walmart's latest ventures. These additional capabilities will minimize decision fatigue, streamline the shopping experience for customers, and differentiate the Walmart experience from those of other superstores.

Final Recommendation

To remediate the primary strategic issue, Walmart must capitalize on its massive scale in order to efficiently outperform its peers in international e-commerce markets. From the three options above, our strongest recommendation is for Walmart to implement personalized, convenient differentiation processes that narrow down customers' options when choosing between alternatives.

To accomplish this, Walmart should improve its recommendation algorithm, which can deliver personalized shopping recommendations to the end-user of Walmart's web and mobile applications by utilizing the power of big data analytics. Each customer will have their individual preferences reflected through Walmart's recommendations. Walmart can then utilize these algorithms to boost international e-commerce sales. The company can further enhance global e-commerce sales by optimizing its search engine optimization (SEO) strategy by localizing its recommendation algorithms to each region where it sells products.

Additionally, the Walmart recommendation algorithm can be optimized to push Walmart's new products and services. This way, customers will always know about Walmart's latest ventures. These additional capabilities will minimize decision fatigue, streamline the shopping experience for customers, and differentiate the Walmart experience from those of other superstores.

This recommendation aligns with Walmart's vision statement to "be the destination for customers to save money, no matter how they want to shop". By creating more individualized recommendations, Walmart will offer customers a more personalized experience and directly fulfill each customer's unique needs.

Although this recommendation will add significant value to Walmart and maximize its technological capabilities, it cannot fully remediate the company's subpar performance in the international e-commerce space. In order to fully address the primary strategic issue, Walmart should also invest in the second recommendation. This involves a greenfield venture to expand the company's brick-and-mortar stores, distribution centers, and network presence in key emerging markets around the world.

This combination of chosen recommendations will contribute more value to the company than either recommendation would bring on its own. Both recommendations essentially maximize Walmart's existing resources and capabilities in order to increase its market share and international presence.

Appendices

Appendix A — PESTEL Full Analysis

Political

- Political pressure from grassroots activists and employees of large retail corporations to offer more employment benefits and compensation may lower profitability for the industry overall
- Lingering concerns about the massive scale of some companies in the retail industry raise anti-trust concerns that regulators in the US and abroad may choose to examine further
- The industry is affected by tariffs placed on international goods. Often, such tariffs are fickle because the political administrations that impose them will come and go.

Economic

- Annual 2.7% growth in per-capita disposable income from 2016 to 2021 in the US drives up consumers' capacity to buy more retail products (Thomas, 2021)
- Average 2.3% annual growth in the consumer confidence index from 2016 to 2021 in the US drives consumer spending in the retail industry because consumers are more optimistic about the state of the economy (Thomas, 2021)
- The average 0.5% annual growth in the number of US households, and the average 0.7% annual growth of the US population from 2016 to 2021 also drive more retail spending. However, the retail industry should not rely on growth in the US population to drive retail sales, especially because the growth is minimal (Thomas, 2021).
- Decline in wages in the industry (-0.6% annual growth from 2016-2021) did not increase profitability, which declined 2% on an annual average growth basis from 2016 to 2021. Given that IBISWorld projects faster annual wage growth of 2.5% from 2021 to 2026,

profitability may suffer. However, revenue is forecasted to grow an annual rate of 3.2% from 2021 to 2026 (Thomas, 2021).

Social

- Walmart has failed to appeal to specific international global sociocultural markets such as Germany. When the company attempted to expand into German markets in 1997, they failed to adapt their American-minded business model for a German audience (Mcdonald, 2017).
- More specifically, "[Walmart] failed to offer German customers any compelling value proposition in comparison with its local competitors" (Mcdonald, 2017).
- Walmart was forced to leave Germany in 2006, and this failed endeavor is still being discussed (Mcdonald, 2017).

Technological

- Walmart has digitally transformed their processes by implementing automation and robotics. By replacing human product line workers with machines, Walmart reduces costs and increases efficiency in one fell swoop.
- Many Walmart business areas benefit from automation, including but not limited to: order fulfillment, production assembly lines, warehouse management, and janitorial services to keep stores clean.
- E-commerce and online shopping drive a significant portion of revenue and profit in the retail space. According to a recent IBISWorld report, "E-commerce has substantially outperformed all other retail industries", and the proportion of revenue generated from online sales in the retail industry is estimated to continually grow (Thomas, 2021).

- More than 5% of Walmart's 2021 revenue was generated from online sales, which is significantly higher than the previous year (Thomas, 2021).

Environmental

- Climate change will continue to impact and pose risks to the retail industry. Natural disasters driven by climate change, such as floods, droughts, and heat waves, will affect retailers' facilities in the future (Shewmake, 2021).
- The availability of crude oil as a resource necessary for trucks needed to transport products from one location to another.
- Pressure from changing consumer preferences to ethically and sustainably sourced products
- Companies within the retail industry face pressures surrounding environmental sustainability. This includes sustainability within firms' operations as well as throughout their supply chain, and encouraging consumers to participate in environmental programs (Retail.2019).
- Retail is one of the leading industries in renewable energy– companies install solar panels to power their facilities (Top 5 environmental sustainability issues in retail. 2018). By reducing the burning of fossil fuels, firms are cutting back on greenhouse gas emissions while improving air quality and human health (Bollerud et al.).
- Renewable energy consumption in the United States is forecasted to increase by 47% from 2020 to 2030 (*Renewable energy in the united states.*2021).
- The retail industry contributes approximately 50% of total industrial carbon emissions (Bloch, 2021).

- Approximately 70% of a traditional retailer’s greenhouse gas emissions come from transportation (Briseño, Chegut, Glennon, Scott, & Yang, 2020)
- Approximately 1 trillion plastic retail bags are used around the world every year (Larsen).

Legal

- Walmart is currently facing a lawsuit regarding equal treatment of a Black female employee. The U.S. Equal Employment Opportunity Commission is filing the lawsuit on the basis that a store in Iowa refused give sufficient benefits and promotion opportunities on the basis of her race and gender (Segal, 2022).
- In 2018, Walmart paid a settlement of $65 million to approximately 100,000 employees in California regarding lack of sufficient seating for the cashiers during appropriate break times (Percannella, 2018)
- In 2021, the Pennsylvania Supreme Court ruled that Amazon must pay out more than $13 million to current and former warehouse employees that were not compensated for their time spent in security checks at the end of shifts (Towey, 2021). This case sets a precedent for Walmart– the company should avoid lawsuits like this, because they prove to be costly.

Appendix B — Porter's Five Forces Full Analysis

Threat of New Entrants

- **Economies of scale**—established companies in the industry possess (either through direct ownership on-premises or renting through a cloud provider) their own technology infrastructure. However, new entrants can also build their technology infrastructure fairly quickly, given its democratization through the use of public cloud providers like AWS, Azure, and Google Cloud. Established companies in the industry also possess sophisticated distribution networks and supply chains that are difficult for new entrants to replicate without facilitating good relationships with suppliers and distributors.
- **Product differentiation**—larger companies in the retail industry or specialized retailers offer a wide range of products to customers. However, oftentimes these products are fairly standardized between retailers. Sometimes, retailers attempt to differentiate by offering private label products and / or lower prices than competitors. Usually, when one large retailer attempts to differentiate with new technology features, such features are quickly copied by other large retailers.
- **Capital requirements**—companies in the industry seldom need large amounts of capital to get started or maintain their market share. According to IBISWorld, "the average sector operator anticipated to spend just $0.07 on capital for every $1.00 spent on wages. Generally, the capital costs retail operators experience are limited to purchasing fixtures and fittings to hold inventory, such as display shelves and racks, and cash registers" (Thomas, 2021). However, larger retailers often operate their own distribution networks, which would require more capital.
- **Switching costs**—customers usually have little trouble switching from one retailer to the next. The cost of products is the primary driver for customers switching from one company

to the next. However, those customers located in areas of the country with only one large retailer cannot easily switch to other retailers.

- **Cost disadvantages independent of scale**—companies in the retail industry usually develop proprietary technology to deliver their products to customers and manage the company's own management and supply chain challenges. Replicating that technology by new entrants may be challenging without hiring the people responsible for creating the technology in the first place.
- **Government policy**—the government moderately regulates the industry, requiring legal teams to ensure companies comply with applicable laws and regulations. New entrants would have to navigate this legal environment to create and grow their business. The retail industry's most relevant laws and regulations deal with anti-trust and anti-competitive behaviors, however specific subsets of the industry deal with a wide array of laws and regulations. All retailers (like many other industries) must also comply with regulations from the Occupational Safety and Health Administration (OSHA).
- **Expected retaliation**—companies in the industry take note of and respond to competitor actions fairly quickly given similar business models.
- Overall, the threat of new entrants is moderate. It is fairly easy for new retailers to join the industry but hard to rapidly scale operations.

Bargaining Power of Suppliers

- There are a large number of suppliers in the retail industry. Because of this, Walmart and other competitors in the industry face low switching costs. However, specialty retail products may be hard to acquire from many suppliers. Suppliers will prioritize maintaining a strong relationship with a large customer like Walmart.

Bargaining Power of Buyers

- Walmart has a large, diverse consumer base. The high diversity among customers makes it difficult for any one group to put significant pressure on a big retail company like Walmart.
- Since each individual customer provides a relatively small amount of revenue, the customer base as a whole holds very little power.
- Overall, the bargaining power of individual Walmart buyers is so weak to the point that it is negligible.

Threat of Substitutes

- There is no real substitute for the main service Walmart provides: retail (both brick-and-mortar and online).
- There are plenty of substitutes for each individual product sold by Walmart, but it's likely that very few of those products would match Walmart's low prices.
- These external factors result in a weak threat of substitutes; substitutes are not a significant concern for Walmart.

Intensity of Competitive Rivalry

- High levels of competition within the retail industry
- Low customer switching costs
    - Products offered by one firm can also be purchased from other retailers – the industry generally has low product differentiation
- Industry competitors compete on the following dimensions: price, product range, quality, brand strength, and location (Thomas, 2021)
- The major players in the US retail industry are Walmart, Amazon, The Home Depot, Kroger, and Best Buy (Thomas, 2021). The market share for each firm is as follows

    - Walmart: 6.7%, Amazon: 5.9%, The Home Depot: 2.4%, Kroger: 2.4%, Best Buy: 0.8%
- The major players in the US warehouse clubs and supercenter sector are Walmart, Costco, Meijer, and BJ's (Ardito, 2021). The market share for each firm is as follows
    - Walmart: 68.1%, Costco: 23.5%, Meijer: 3.6%, BJ's: 2.9%
- Moderate industry growth
    - The retail industry is expected to grow 3.2% annually from 2021 to 2026 (Thomas, 2021)
    - Market Size over the last 3 years and projected growth for 2022 (Thomas, 2021)
        - 2019: $5.6 trillion
        - 2020: $5.0 trillion
        - 2021: $5.3 trillion
        - 2022: $5.5 trillion
- Moderate exit barriers due to commercial leasing agreements
    - Some retailers decide to keep locations open, even if they are unprofitable, because of the inability or cost to terminate a long-term contract (Exit barriers: What they are, and how they impact industry profitability.2021)

Appendix C — Key Success Factors / Key Success Measures Full Analysis

Factor 1: Managing labor (and other administrative) costs

- Key Success Measure: SG&A expense as a percentage of net sales
- 2021 for all companies except for Kroger and Home Depot, which is 2020
- Walmart is above the industry average in terms of its SG&A expense as a percentage of net sales

(*Costco annual report for 2021*.2021; *Home depot annual report for 2021*.2021; *BJ's annual report for 2021*.2021; *Kroger annual report for 2021*.2021; *Walmart annual report for 2021*.2021; *Target annual report for 2021*.2022)

WALMART	BJ'S	COSTCO	KROGER	TARGET	THE HOME DEPOT	AVERAGE
21%	15%	10%	18%	19%	19%	17%

Factor 2: Managing inventory costs

- Key Success Measure: Cost of goods sold as a percentage of net sales
- 2021 for all companies except for Kroger and Home Depot, which is 2020
- Walmart is slightly under the industry average in terms of managing its inventory costs

(*Costco annual report for 2021*.2021; *Home depot annual report for 2021*.2021; *BJ's annual report for 2021*.2021; *Kroger annual report for 2021*.2021; *Walmart annual report for 2021*.2021; *Target annual report for 2021*.2022)

WALMART	BJ'S	COSTCO	KROGER	TARGET	THE HOME DEPOT	AVERAGE
76%	82%	89%	77%	72%	66%	77%

Factor 3: Ability to control stock on hand (capacity planning)

- Key Success Measure: Inventory Turnover Ratio

The data in the following table reflects 2021 performance.

Based on the data, Walmart falls below the inventory turnover average of 10.0. A metric below the average indicates that Walmart is not performing as efficiently as other companies. This may mean Walmart is holding too much inventory on hand, and needs to reduce its holding quantities in order to increase restocking cycles. Therefore, Walmart's inventory turnover can be labeled as a weakness.

(*Costco annual report for 2021*.2021; *Home depot annual report for 2021*.2021; *BJ's annual report for 2021*.2021; *Kroger annual report for 2021*.2021; *Walmart annual report for 2021*.2021; *Target annual report for 2021*.2022)

WALMART	BJ'S	COSTCO	KROGER	TARGET	THE HOME DEPOT	AVERAGE
9.4	10.9	12.9	14.2	6.7	5.6	10.0

Factor 4: Having a loyal customer base (Customer Relations)

- Key Success Measure: Customer loyalty score
- The data in the following table reflects 2021 Q2 performance.

(Wilson, 2021)

WALMART	BJ'S	COSTCO	KROGER	TARGET	THE HOME DEPOT	AVERAGE
3.22	--	1.93	2.62	2.14	2.03	1.33

InMarket, a marketing firm that provides consumer intelligence reports, conducted a loyalty survey on the top ten retailers in the United States. The loyalty index measures the average number of repeat visits by consumers of each retail store within a defined timeframe (Malinowska, 2021). While the table only presents a few firms, the average reflects scores from all ten firms. Walmart's loyalty index is above the industry average of 1.33. Not only was Walmart above-average, but it was also ranked first out of the ten retailers. Therefore, customer loyalty can be considered one of Walmart's strengths.

Appendix D — Value Chain Full Analysis

Finance

- Walmart improved its financial position over the last few years. In fiscal year 2021, it generated $36 billion in cash from operating activities. Cash and cash equivalents holdings of $17.7 billion as of January 31, 2021
- represented 7% of its total assets (*Walmart annual report for 2021.*2021).
- This cash generation (including debt-raising abilities) enables the company to support other value chain activities with the necessary resources. For example, Walmart can further develop its products and services, adding value to the customer. Walmart can also use this cash to expand its foreign sales through advertising & promotion.

Human Resources

- At the end of 2021, Walmart had 2.3 million total employees compared to the 2.2 million in 2020 (*Walmart annual report for 2021.*2021).
    - This growth came from Walmart's US operations as international employee count remained at 0.7 million in 2020 and 2021.
- Walmart offers its full-time employees the following benefits: 401(k) matching, health care plans, family support including maternity, parental and adoption benefits, discount on merchandise and fresh produce, paid time off, and quarterly bonuses (Working at walmart.2022)
- During the COVID-19 pandemic, Walmart provided extra pay and additional benefits to support its employees' health and wellness. These benefits totaled $1.6 billion (*Walmart annual report for 2021.*2021).

- Walmart provides its part-time and hourly associates with opportunities to grow into full-time roles within the company.
- 75% of Walmart's salaried store, club, and supply chain management employees started out in hourly roles (Working at walmart.2022).
- Each year, Walmart offers its internship program to undergraduate and graduate students to build a pipeline for new talent to convert to full-time roles (Working at walmart.2022).
- Walmart's education program, Live Better U, is a platform that allows employees to earn degrees and certifications in areas that directly benefit their field of work. As of 2022, 65,000 employees have engaged with the program (Working at walmart.2022).

Management Information Systems

- Walmart allocated 73% of its 2021 total capital expenditures for the US to eCommerce, technology, supply chain, and other related expenses, highlighting that these areas are its top priorities (*Walmart annual report for 2021.*2021).
- Given its wide-ranging global operations, Walmart should not outsource its MIS capabilities to another vendor. The benefits given to Walmart by deeply integrating information systems throughout its processes have allowed the company to operate at the scale it does now.

Supply-Chain Management

- As a merchandising company, Walmart's main supply-chain focus is on procuring finished goods to sell in its stores, which it does efficiently.
- Internationally, Walmart has approximately 2,800 suppliers, and provides a mutually beneficial relationship for all parties involved (Best, 2021).

- Walmart boasts that its suppliers meet their standards for their facilities, sustainability, and inclusion (Suppliers.2022)
- Because of its size and power, Walmart better controls the rate at which they procure their merchandise. Additionally, their power puts them in a position where suppliers will meet Walmart's large demands in order to maintain a high level of sales.
- Walmart also uses technologically advanced inventory management systems to ensure that inventory levels do not become too high or too low.

Operations

- In order to create its own Walmart-brand products, Walmart must convert raw materials into final goods.
- In this way, Walmart vertically integrates certain products in order to reduce supply chain costs and effectively lower prices for its customers.
- Walmart moves inventory (goods that were either manufactured by the company or bought from suppliers) from its warehouses into its consumer-facing brick-and-mortar stores
- Walmart employees at the company's warehouses and stores constitute a very important part of its operations, and represent the company to its customers.

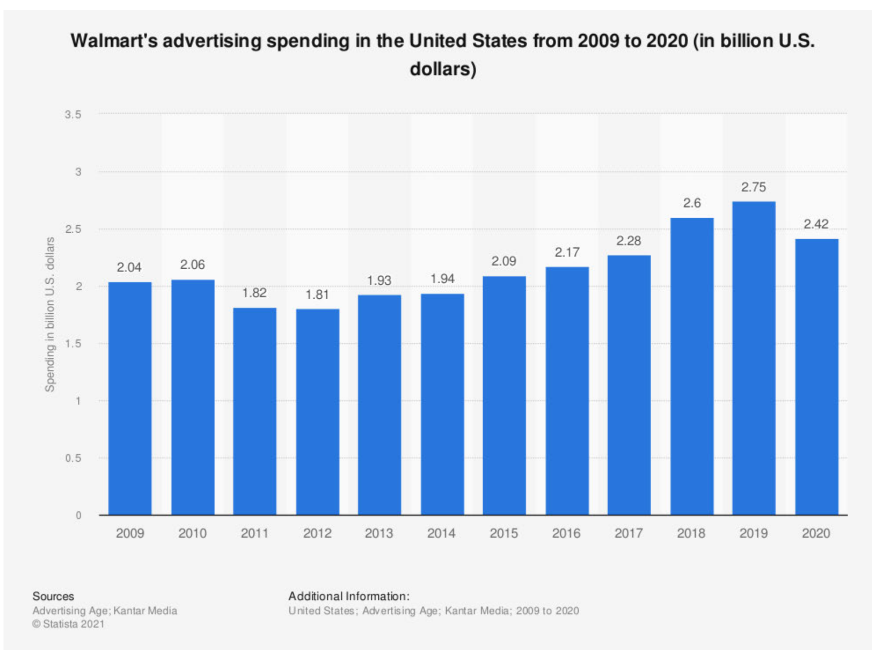
Distribution

- Walmart uses an omni-channel distribution strategy (*Walmart annual report for 2021*.2021). The firm distributes retail products through stores and clubs globally, in addition to its e-commerce website (Location facts.2022).
- Walmart's US operations use 156 distribution facilities to ship retail products from storage to brick-and-mortar stores across the country (*Walmart annual report for 2021*.2021).
- These distribution centers each support 90 to 100 brick-and-mortar stores within an approximate 150-mile radius (About.2022).

- For e-commerce purchases, Walmart uses 32 fulfillment centers that are specifically dedicated to carrying out online orders (*Walmart annual report for 2021*.2021).
- Walmart owns and manages a private transportation fleet, which moves products from distribution centers to stores. This includes 9,000 tractors and 80,000 trailers (About.2022).
- Walmart uses a technology system developed by Symbotic to sort, store, retrieve, and pack freight onto pallets all within the firm's distribution centers (Metzger, 2021). This system, combined with mobile robots, has optimized Walmart's efficiency in storing products and increased the speed at which products reach the shelves.

Marketing & Sales

- Walmart often runs advertisements, sales, and promotions to boost its revenue and brand awareness.
- In recent years, Walmart spent over $2 billion annually on US-based advertising:



(Walmart's advertising spending in the United States from 2009 to 2020.2021)

    - As a well-established household brand, Walmart relies on word-of-mouth marketing in addition to their advertising spend.

Follow-Up Service

- Walmart provides online customer service as well as a customer hotline for questions about orders and other issues.
- In addition, the company provides a space for the public to raise ethical concerns about their business– walmartethics.com

Appendix E — VRIN Full Analysis

Resource 1: Global Brand Value

- Valuable
    - Yes
- Rare
    - Yes
- Inimitable
    - Yes
- Nonsubstitutable
    - Yes
- Type of Competitive Advantage
    - Sustainable Competitive Advantage

Resource 2: Large International Supply Chain

- Valuable
    - Yes
- Rare
    - Yes
- Inimitable
    - No
- Nonsubstitutable
    - Yes
- Type of Competitive Advantage
    - Sustainable Competitive Advantage

Resource 3: Strong Bargaining Power with Suppliers due to Size

- Valuable

    - Yes
- Rare
    - Yes
- Inimitable
    - No
- Nonsubstitutable
    - Yes
- Type of Competitive Advantage
    - Sustainable Competitive Advantage

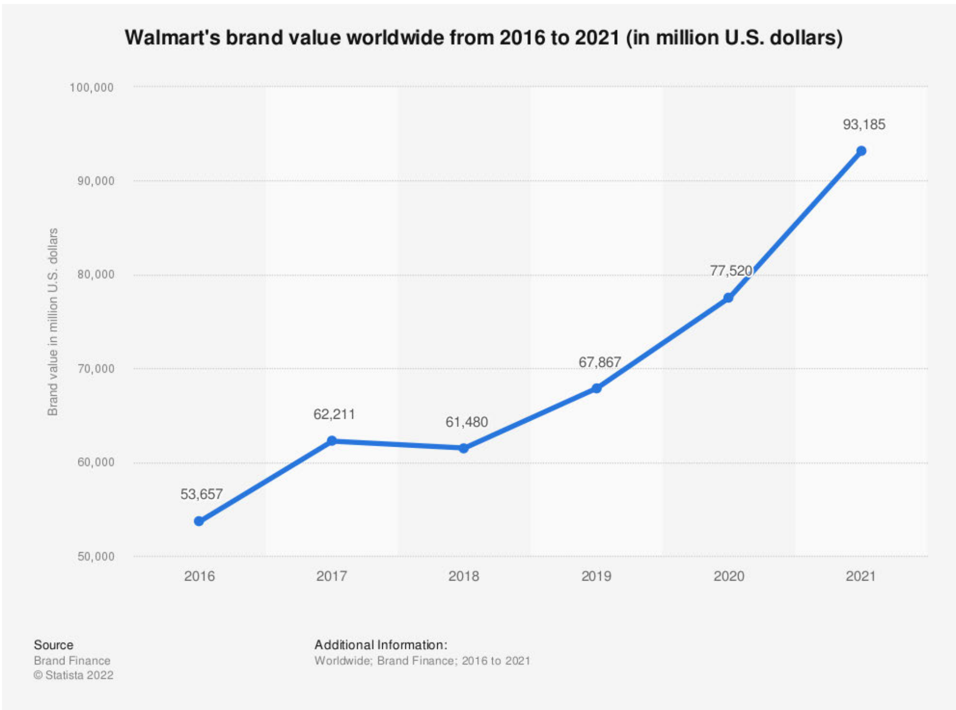
Resource 4: Pricing Strategies for Consumers

- Valuable
    - Yes
- Rare
    - Yes
- Inimitable
    - No
- Nonsubstitutable
    - Yes
- Type of Competitive Advantage
    - Temporary Competitive Advantage

Appendix F — SWOT Full Analysis

Strengths

- High Global Brand Value– Walmart's global brand value has been trending steadily up in recent years, with the current value estimated to be more than $93 billion.



(Walmart's brand value worldwide from 2016 to 2021.2022)

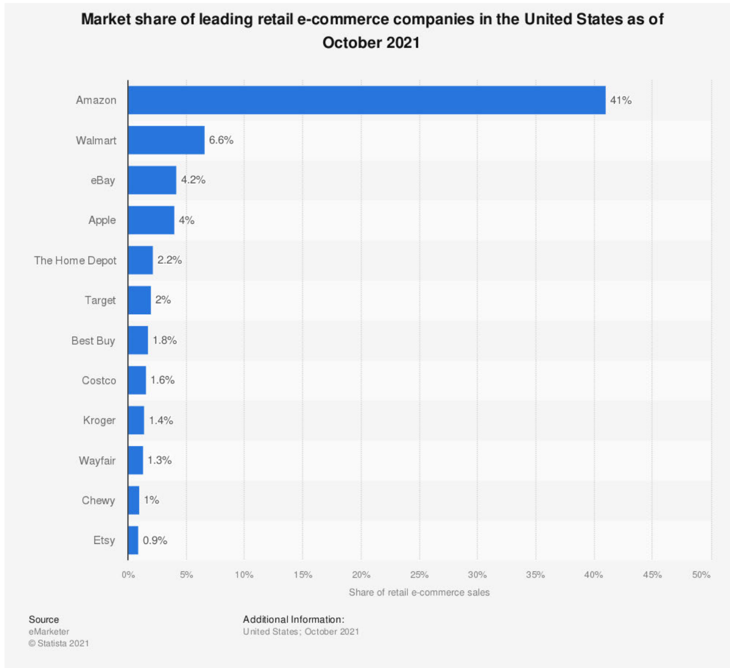
- Multi-channel sales– Walmart sells through a combination of brick-and-mortar and e-commerce channels. The company owns most of its real estate, which improves its financial flexibility. It serves over 240 million customers every week through 11,400 retail stores operating under 54 banners in 26 countries. Approximately 79% of the total merchandise is shipped through 156 distribution facilities that are strategically placed across the US. It delivers e-commerce orders through 32 e-commerce fulfillment centers. This diversity offered by multi-channel sales enabled the company to better weather the COVID pandemic when customers were restricted from in-person shopping (*Walmart inc SWOT analysis*.2022)

- Revenue Growth– “Strong revenue growth increases the company’s ability to allocate adequate funds for its future growth prospect. In FY2021, the company reported revenue of $559,151 million as compared to revenue of $523,964 million in FY2020, with an annual growth of 6.8%. On a CAGR basis, the company’s revenue increased 4.3% during 2019-2021” (*Walmart inc SWOT analysis.*2022).

Weaknesses

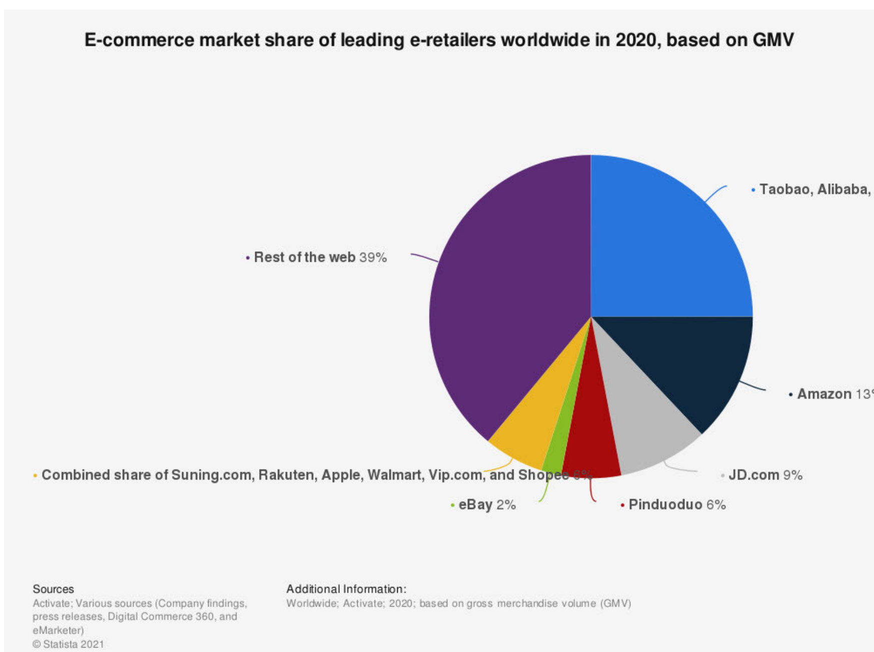
- Great Workplace- Walmart's pandemic-era Great Workplace program reduced workers' hours, while increasing their workload. It also included layoffs and pay cuts (Sainato, 2020). The largest corporate employer must treat its employees better in order to retain employees in the long term.
- Gender Discrimination- In 2001, six female workers sued Walmart for gender discrimination in terms of bonuses and promotions (Walmart lawsuit (re gender discrimination in USA).2017). This quickly progressed into a class-action suit that aimed to pursue justice for the 1.5 million female Walmart employees. As of March 2022, this lawsuit is still ongoing.
- In terms of its overall strategy, Walmart's Cost-Leadership strategy makes its products attractive to customers looking for the lowest price. However, by definition, this strategy yields low profit margins, which the company could certainly improve.

- Mildly weak market share in the US e-commerce space in 2021:



(Chevalier, 2021)

- Significantly weak market share in the international e-commerce space in 2020:



(Coppola, 2021)

- In addition, Walmart has become so large that many of its opportunities are already exhausted. It will be difficult for the company to find new ways to grow and expand.

Opportunities

- Walmart is exploring the social commerce (e-commerce that takes place on social media platforms) space by investing in TikTok. In 2021, Doug McKinnon, Walmart's CEO, said: "If you're watching a TikTok video and somebody's got a piece of apparel or an item on it that you really like, what if you could just quickly purchase that item. That's what we're seeing happen in countries around the world. And it's intriguing to us, and we would like to be part of it" (McKinnon, 2021). Walmart is already working with TikTok in the United States. The company can attempt to exploit this opportunity of social commerce on newer social media platforms to increase sales.
- Subscription models are increasingly being used by businesses to acquire new clients and lock in revenue. Walmart is no exception; they created a membership program that initially focuses on eCommerce delivery but will eventually expand to increase consumer loyalty. Walmart introduced Walmart+, a subscription delivery service, in September 2021. The annual fee for the new service is $98. Walmart+ members get unlimited free next-day and two-day shipping with no minimum order. Subscribers also get gas discounts and can use Walmart's Scan and Go app on their phone to skip the checkout line in-store. McKinnon said, "As time goes on, more and more of our consumers will want Walmart+ because it improves their lives… It's a critical component of our overall approach… This relationship will result in repeat business as well as data that will allow us to serve them even better and more personally" (McKinnon, 2021).
- "We recognize that scaling Walmart Insurance Services and other health-care efforts will take time, but we expect management to attempt to integrate them into its recently announced Walmart+ membership program once they are scaled," says Cowen & Co.

analyst Oliver Chen. “We believe that these healthcare services will set Walmart apart from its competitors.” Walmart is attempting to obtain its fair portion of the $3.6 trillion spent on healthcare in the United States each year. This is another service that will benefit Walmart's top and bottom lines while also increasing traffic to its stores (McKinnon, 2021).

Threats

- Risks Associated with Suppliers-
    - Walmart’s business heavily relies on suppliers to deliver products at a low cost and in a timely manner.
    - Suppliers also must meet regulatory requirements and general industry standards in order to uphold Walmart’s image.
    - International Suppliers come with additional risks, including timely delivery, international labor standards, currency exchange, and ability to meet demand.
- Intense Competition-
    - Walmart faces competition from companies that operate on a wide range of scale and scope, ranging in both size and products offered, making them a large target.
    - Online retailers like Amazon are able to offer the same low price without the hassle of leaving the home, as well as quick delivery times.
    - Large mergers and acquisitions in the retail industry could rival Walmart’s large presence in the brick-and-mortar retail space.
- Stringent Regulations-
    - Walmart operates across industries in both domestic and international markets, which increases the amount of regulations they must follow.
    - Regulations include “taxation, data protection, privacy, pricing” (MarketLine) and more.

- Additionally, legislation regarding taxes and workers' rights can have a large impact on Walmart's business (*Walmart inc SWOT analysis.*2022)

Appendix G — Vision, Mission, Purpose, Values

Vision

“Be the destination for customers to save money, no matter how they want to shop” (Walmart mission, vision & values.2022).

Mission / Purpose

“We aim to build a better world — helping people live better and renew the planet while building thriving, resilient communities. For us, this means working to create opportunity, build a more sustainable future, advance diversity, equity and inclusion and bring communities closer together. And at the end of the day, helping our customers save more of their hard earned money for the things they care about most. Because at Walmart, Live Better is what we do every day” (Purpose.2022).

Values

- Respect–We treat people with dignity, lead by example, and listen to each other. We seek and embrace differences in people, ideas, and experiences.
- Service–We put our customers first, anticipate their wants and needs, and exceed their expectations.
- Excellence–We are a high-performance team and expect the best from ourselves. We own our work and results.
- Integrity–We are honest, fair, and objective. We speak up about concerns and comply with all laws and our policies.

(Code of conduct.2022)

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