

Wal-Mart's SWOT Analysis

Company Background

Wal-Mart is an American based multinational retail chain. It is the largest retail chain in the world, in terms of revenues, having recorded revenues of over \$440 billion in the 2011/12 financial year (Wal-Mart Stores, 2012). The company was established in 1962 as single retail stores and has exhibited growth ever since. Currently the retail chain runs over 10,000 stores in 15 different countries where it operates under different names (Wal-Mart Stores, 2012). Though the company is public listed in the New York Stock Exchange, majority of its share (48%) are owned by the Walton Family. Wal-Mart mission is to help people live better lives by enabling them to save money.

Strengths

One of Wal-Mart key areas on strength is in the company ability to manage its cost. Wal-Mart has always relied on a cost leadership strategy to enhance its competitiveness in the market (Wal-Mart Stores, 2012). Cost leadership is a business concept that focuses on reducing organization costs through promoting efficiency and size. Wal-Mart has so far been very successful in implementing this strategy.

Wal-Mart has always strived to improve the efficiency of its supply chain in do to keep the cost of operation down through technology and other strategies. Wal-Mart low cost strategy has worked well for the company as it has enabled the company to deliver its services to the customers at relatively low cost (Wal-Mart Stores, 2012). This has given Wal-Mart a competitive edge over other retail companies. Today, Wal-Mart enjoys the biggest share of the World retail market due to its ability to deliver fair prices to the customers.

Another key area of strength for Wal-Mart Stores is having greater financial strength. A Wal-Mart Stores, Inc has enjoyed a period of financial stability for the last three decades. In the last financial years, 2011/12, the company earned \$ 440 billion in revenues and over \$ 15 billion in profits (Wal-Mart Stores, 2012). The good financial position presents Wal-Mart with various advantages over its competitors. One of these advantages enjoyed by Wal-Mart due to its financial strength is ability to conduct rapid expansions.

Wal-Mart is widely known for its aggressive expansion strategies. The company's financial position gives it the power to take over smaller stores or open up new stores in areas that present good business prospects (Griffin, 2011). This rapid expansion has increased the company share in the market as well helped the company to increase its revenue. The rapid expansion has also supported Wal-Mart low cost strategy by giving the company the advantages of economy of scales and huge bargaining power over the suppliers. The good financial position means that Wal-Mart is in a better position to invest in activities such as marketing and technology.

Weakness

Wal-Mart has also shown a weakness in the area of human resource management practices. Wal-Mart's pursuit of its low cost strategy has seen the company adopt some human resource policies that are not favorable to the employees. In several occasions, Wal-Mart has had to deal with labor relation conflicts especially in the United States market. In many of these occasions Wal-Mart has been accused of poor remuneration of workers and long working hours (Banjo, 2012). Wal-Mart weak HR policies have had various impacts on the company. One of these impacts is tarnished image of the company.

The battle between employees and labor union is spoiling Wal-Mart brand in the market. This has threatened the company market share as some customers do not want to be associated with a company that oppresses workers. In some instances the company has had to pay civil penalties for violating employee's rights. In May, 2012, Wal-Mart was ordered to pay \$4.8 million as back wages, damages and civil penalties for failing to pay overtime to its employees.

Wal-Mart also has a problem in managing customers' experiences. Though, the company has managed to attract a large number of customers through its cheaper prices, various reports indicate that the company does not provide the most satisfying experience to customers. A survey conducted by ABC (2010) ranked Wal-Mart second last among US 11 major

retail stores in terms of providing quality experience to customers (Kushner, 2010). Stores were rated according to attributed such as; speed of service, ease of returning items, value, problem with staff and product quality. Poor customer experience is also costing the company a considerable portion of its Market share.

Opportunities

There are various opportunities for Wal-Mart to enhance its competitiveness and promote further growth of the company. One of these opportunities is improved economic conditions in the emerging markets. Wal-Mart largest portion of trade is conducted within the US and the European market (Kiran & Jhamb, 2011). However, there are other emerging markets that also present good economic prospect for Wal-Mart. These markets include;

China

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Brazil

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South Korea

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South Africa

and other African and Asian Countries. These emerging markets have exhibited strong economic growth in the last decades increasing the purchasing power of consumers.

Though, Wal-Mart is present in China, Brazil and South Korea the company can capitalize on the economic growth in these country by establishing additional stores (Kiran & Jhamb, 2011).

There also numerous other markets in Asia, Africa and

South America

that are yet to be exploited. These markets are characterized by high economic growth and less competition and therefore present good prospect for Wal-Mart.

There is also an opportunity for Wal-Mart to expand its product line outside the traditional products. Retail chains in America and around the world have always concentrated on offering household goods such as food stuff and furniture (Gogoi, 2007). However, retail stores are also in a good position to provide other services due to their access to a large number of customers. Wal-Mart has been exploiting the possibility of establishing products such as healthcare, banking and internet (Gogoi, 2007). Plans to introduce low cost in-store clinics at Wal-Mart stores are underway. Apart from increasing revenues sources, this move would benefit

consumers especially those in remote areas (Gogoi, 2007). The company should also consider establishing banking and internet services especially to individuals in remote locations.

Threats

Wal-Mart is faced by various threats. One of these threats is economic crisis in Wal-Mart's major markets. The United States and Europe have always formed the bulk of Wal-Mart trade (Wal-Mart, 2012). However, these markets have experienced economic downturn in the last five years. First, it was the US economy in 2008 and now it is the European credit crisis (Liedtke, 2011). The economic crises are causing massive job loss and diminished economic opportunities in these markets. This economic trend is threatening to affect Wal-Mart operations as they are affecting the purchasing power of citizens.

Increase competition in the retail industry is also a major threat to Wal-Mart. Though Wal-Mart is the largest retail company in the world, there are other companies that are also growing. These are such as; Target, Costco and Tesco (Watson & Ahn, 2009). These companies have gained the financial strength to replicate Wal-Mart strategies including aggressive expansion and cost leadership and thus eroding Wal-Mart competitive advantage. Wal-Mart is also facing stiff competition from small local retailers who enjoy advantages such as better knowledge of the local markets and low logistics cost (Watson & Ahn, 2009). Increased competition is threatening to decrease Wal-Mart market share as well slowing down the company's growth.

Conclusion

This paper presents SWOT analysis of Wal-Mart Company. Several areas of strength have been identified including; low cost and good financial position. A couple of weaknesses have also been noted which include poor human resource management practice and relative poor customer experience. The company needs to embark on strategies that will enhance these strengths and improve in the weaknesses. Wal-Mart Inc is also present with opportunities which originate from strong economic growth in the emerging markets and availability of alternative

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