Walmart.com Strategy Example

Sam Walton opened his first Walmart in Rogers, Arkansas in July 1962. From the outset, Walton's vision was to provide outstanding customer service at everyday low prices. While many contemporaries viewed these two goals as diametrically opposed , Walmart has taken this mantra to become the market leader in traditional retail.

Walmart has since expanded their presence to an incredible scale. Each week, Walmart serves over 270 million customers across its 11,718 stores. It is now the largest employer in the world with over 2.3 million staff members. Walmart also has a considerable e-commerce presence with over 68 different web properties in 29 countries, as well.

In 2017, Walmart achieved $470 billion in revenue. Based on their most recent 10-K, Walmart's revenues were earned through its three primary business units:

Walmart US
Walmart International
Sam's Club

For the purposes of this report and analysis, we will focus on Walmart E-Commerce business and specifically its strategy to counter Amazon's rise. While Walmart's total revenues dwarf Amazon's performance, Amazon is dominating Walmart in the e-commerce segment. Since e-commerce continues to grow at a faster rate than traditional brick & mortar retail, Walmart needs to address this threat from Amazon, an extremely aggressive retail competitor.

This report will examine the current issues and challenges facing Walmart as they attempt to thwart this legitimate threat from Amazon based on Walmart's 2017 annual report along with analyzing their aggressive acquisition strategy in order to grow market share inorganically. This report will also discuss the e-commerce industry in general and perform a firm-level analysis describing the effectiveness of this strategic approach to catch-up to Amazon's dominance in e-commerce. We continue our analysis by describing the nine core building blocks of the Business Model Canvas for Walmart e-commerce as well as the key assumptions associated with each building block will be analyzed through the Reverse Engineering Strategic Option. We close the report with a discussion of the feasibility and sustainability of the proposed strategy initiatives.

Issue Statement Draft
E-Commerce performance

Walmart.com opened its e-commerce division in 1999 but experienced relatively slow growth. Despite being one of the world's most valuable companies by market value and one of the largest grocery retailers in the U.S. with 2017 revenues at $470 billion (Walmart 10-K 2017), Walmart has struggled to create a lucrative ecommerce business. According to eMarketer estimates, Amazon's e-commerce revenue was $101.5 billion, while Walmart's e-commerce business is estimated at $17.7 billion in 2017 (Green, 2017). While Walmart has dominated the traditional brick and mortar retail space, has struggled to compete with Amazon's rise due to a lack of expertise in e-commerce.

Another challenge Walmart faces is connecting with urban millennials in both the traditional brick and mortar space as well as the critical ecommerce segment as well. This gap has allowed Amazon to control this extremely lucrative market. Additionally, Walmart needs to find ways to capture a larger share of this market due to the larger annual income for shoppers at both Amazon and Target. While the average income of Despite the creation of their ecommerce platform in 1999, the company failed to connect and therefore had to go to extreme measures to catch up to Amazon and other online retailers.

Distribution centers Amazon utilized their platform to allow Chinese factories to sell directly online. They built fulfillment centers near major cities and utilized human personnel and technology to create a successful distribution plan. Walmart will struggle with meeting a similar distribution system. The company has over 11,500 facilities in the U.S., which has a successful delivery system. Walmart's significant challenge will be to build a logistical supply chain which delivers products not only factory to store, but factory to home. Add more for cost of building infrastructure. What is amazon's infrastructure cost vs Walmarts current? Find source!

Walmart adjusted their strategy in an attempt to inject innovation to their failing ecommerce segments. In 2015 Walmart utilized an important strategic option, corporate acquisition. Knowing Walmart itself was unable to capture a fraction of online sales, this strategy may be the best attempt to make a dent in Amazon's dominance. Walmart purchased companies Jet.com, Moosejaw, Bonobos, Modcloth, shoes.com, and hayneedle to enhance its online shopping experience, product assortment, technology, and corporate talent and expertise.

DATA Use it wisely pull more sources on this.

To date, Walmart has not successfully leveraged its access to customer data. Competitors such as Amazon, Kroger, and Albertsons have developed critical partnerships to store and react to consumer behaviors. Walmart's multi-year data journey hopes to capitalize in three areas: Online In-Store Shopping options, fresh product offering, and hyper-personalized promotions.

Customer Demos
Industry/Environment Analysis:

Below we will evaluate the attractiveness of the retail e-commerce industry using Porter's 5 Forces of Industry Structure model. Using Porter's model, we will examine the industry in terms of its competitive landscape, barriers to entry, supplier and buyer bargaining power, and substitution threats. This analysis will allow us to answer the fundamental question of whether or not the retail e-commerce industry is attractive and will be a viable and profitable place for Walmart to compete.

1. Competitive Rivalry: Moderate Force

The competitive rivalry force considers the effects that competing businesses within the industry have on each other. The main factors that contribute to the competitive rivalry force are diversity of competitors and industry growth.

Walmart faces strong competition in the e-commerce industry from multiple competitors including Amazon, Alibaba and Target which offer similar products and pricing. Smaller niche e-retailers that supply goods directly to consumers also pose a threat. In the past few years, Walmart has acquired various companies such as Moosejaw, Modcloth, and Bonobos to expand its offerings into more niche market segments such as fashion and outdoor goods which reduces this impact of this force (Most Innovative 2018).

Industry growth is a significant factor because online retailing and e-commerce is one of the fastest growing channels in retail (Company Profile 2017). Additionally, the e-commerce industry is not very consolidated and there are many small players in the market. Acquisitions are a viable way for large players such as Walmart to quickly gain market share (Clark 2017). As market consolidation continues, the impact of this force with attrition.

Diversity among competitors and industry growth foster competitive rivalries among e-commerce businesses. The competitive rivalry force is a moderate force overall.

2. New Entry Threat: Weak Force

The threat of new entrants force considers how likely new competition is to enter the eCommerce, and there are several factors. Companies seeking to enter the eCommerce industry need to consider brand development costs, distribution and economies of scale.
The cost of brand development has a large influence on new entrants into e-commerce and can make entering the market cost-prohibitive. It would take huge sums of money and effort for new entrants to create a strong brand and take enough market share to compete with Walmart e-commerce.

Distribution is an important consideration for companies wishing to enter the e-commerce industry which can be quite costly if outsourced and fragmented. Walmart's offline retail business has more than 6,200 physical retail locations internationally that it can use as distribution and pickup points for its e-commerce business which reduces supply chain costs (Company Profile 2017).

Finally, Walmart has enjoys high economies of scale between its e-commerce, and its brick and mortar business. These economies of scale allow Walmart to maintain low, profitable pricing, and it would be very difficult for new entrants to be competitive without achieving similar economies of scale.

The costs of brand development, distribution and reliance on economies of scale create a high barrier for new entries into the e-commerce market. The threat of new entry is a weak force overall.

3. Supplier Bargaining Power: Weak Force

The supplier bargaining power force considers the influence of upstream suppliers on the business. Some of the factors that influence Walmart e-commerce in this regard are forward integration, economies of scale and switching costs.

Suppliers in e-commerce industry are able to exert a moderate force via forward integration. The costs and ease of supplier forward integration in e-commerce is relatively low compared brick and mortar retail where forward integration is requires large amounts of capital and is difficult for suppliers. Forward supplier integration allows suppliers to sell directly to consumers and bypass Walmart if it is not willing to negotiate (The Next Big E-Commerce Wave 2012)

However as a large established player in the market, Walmart is able to exert strong control over its suppliers by leveraging its scale. For many suppliers, Walmart is a large client and can demand special pricing and terms by leveraging its economies of scale and scope across its business lines.

Further, many of the products that Walmart offers can be supplied by multiple suppliers or easily substituted, and Walmart can switch from one supplier to another without incurring major costs. The low switching costs reduce suppliers bargaining power of Walmart.
Supplier forward integration poses a moderate threat to Walmart e-commerce, but economies of scale and low switching costs weaken suppliers bargain power. The bargaining power of suppliers in e-commerce is a weak force overall.

4. Substitution Threat: Weak Force

The threat of substitutes force considers how easy it is for alternate products or channels to take market share. Some factors that influence the company in this regard are low switching costs, high availability of substitutes and relative price.

In the e-commerce market, customer switching costs are typically low and it is simple to change from one site to another site of physical retail location. Many of the products that Walmart sells are also available from its e-commerce competitors such as Amazon as well as from its brick and mortar competitors. Walmart does not offer a membership program similar to Amazon's Prime and Target's RedCard program which would increase customer switching costs to Walmart's detriment.
The low switching costs and high availability of substitutes creates a moderate force on e-commerce businesses. However unlike other e-commerce competitors, Walmart's volume between its e-commerce, and brick and mortar businesses allows the company to keep low pricing relative to potential substitutes.

The threat of substitution is a moderate force overall.

5. Customer Bargaining Power: Weak Force

The customer bargaining power force considers the influence of downstream customers on the business. Some factors that influence the company in this regard are high access to data, and low switching costs.

E-commerce customers are well informed and product data such as reviews and price comparisons is convenient to access. Further, switching costs are very low in e-commerce and it is easy for customers to switch to another retailer. However, Walmart's Everyday Low Prices strategy, which is sustained by its massive scale, reduces buyer bargaining power because buyers are unlikely to find better pricing elsewhere.

Customer bargaining power is a moderate force overall.
Is Retail E-Commerce Attractive or Not?

After applying Porter's Five Forces, we believe that the retail e-commerce industry is would be attractive to Walmart with two weak forces and three moderate forces. It is likely that Walmart's business will remain profitable over time even as the industry continues to develop because its primary value chain activities are far downstream between distribution and sales. The retail e-commerce industry is an attractive industry for Walmart to compete in.

Future Strategies:
Strategy Options:
Crucial Assumptions and Testing:
Anticipated Reactions from Competitors:

Firm Analysis

Walmart is the largest retailer in the world with a revenue of over $500 billion which is more than three times the amount of e-commerce giant Amazon. 90% of the US population lives within 10 miles of a Walmart bigbox depot, and 70% within 5 miles of any Walmart brick and mortar locations. The trend of online purchasing increasing over the last decade has caused their focus to shift to building out this infrastructure into a competitive channel. In 2007 Ecommerce sales in the US were reported at $136.4 Billion and by 2017 that number had more than tripled to $453.46 Billion (digitalcommerce360). The potential for growth in this industry is extremely high and with the existing infrastructure that Walmart has in place, makes them a threatening strategic competitor to all ecommerce companies from the small mom and pops to large retailers such as Amazon. As of 2017, Walmart holds the fourth largest segmentation with a market share of 3.7%, behind Apple with 3.9%, Ebay with 6.6%, and Amazon with a huge advantage at 43.5% (Forbes.com, Walter Loeb 2018).

Walmart is a conglomerate holding company, currently focusing on strategic acquisitions to improve their presence in the e-commerce arena. In 2016 Jet.com was acquired by Walmart Inc. to help improve their e-commerce infrastructure, gain a new client base, and corporate talent. This merge will give Jet patrons the value and discounts of a Walmart without the negative connotations of being a Walmart patron. Jet.com uses specialized analytics and pricing strategies which discounts large similar-item purchases. Products that are shipped within the same facility and by removing additional features such as return policies utilizes analytics to lower costs. Jet.com attracts an urban, higher value customer segment who values convenience more than price point. They have already invested marketing into dense, highly developed tech markets such as New York. The Marc Lore, co-founder of Jet.com, is now CEO of Walmart Ecommerce division. Lore brings his expertise being in the tech space for almost 20 years and being an online retail entrepreneur, whose businesses have been acquired by companies such as Amazon. Through Lore's advice earlier this year Walmart acquired Flipkart, an online shopping platform with over 100 million users.

In 2017, 25% of all online purchases in the Walmart family were generated from the Walmart Grocery division. Amazon's seeing opportunity purchased Whole Foods giving them a produce division and a brick and mortar infrastructure to store and distribute product. As for direct numbers, Walmart has over 6,300 locations domestic and internationally compared to Whole Foods at under 500 which positions them to increase turnover times for ecommerce transactions by having a large amount of merchandise in their stores available for pick up and same day deliveries. Walmart went onto the offensive by launching four private label brands, one in the bedding category, that they will only be offering though ecommerce channels in the attempt to drive more users to their site by having unique content. By being such a retail giant, Walmart has a large amount of buying power leveraging suppliers prices and protecting them from competition by driving down prices. The use of innovative technologies such as blockchain to aid in logistics, is keeping them competitive.

Areas for improvement/Change:

What Walmart needs to improve in is managing, collaborating, and data compilation from all their subsidiaries in a synergistic approach. Brand image segmentation is important, but on the backend, data can be used and distributed to affiliates. For example, The Walmart application is well adopted with their customer base, but the analytics is not being transferred to all the affiliate companies. Amazon is doing this with every industry that they service with Amazon Web Services, which gives them a strategic advantage on many industries.
Walmart acquired VUDU in 2010 to compete in the online streaming industry with Netflix and Amazon Prime Video. Over the last 8 years, there has been no content that drawn customers to use/watch this service. This is getting away from the prime business of business to consumer sales that Walmart is a master at servicing. Add-on web services extend Walmart into an arena that doesn't create new value or greater market share. Walmart has proven strength in being a retailer, so we recommend that they focus on their core models and develop it in the e-commerce space to gain more market share.

How to win

Walmart is threatened by the Amazon's alarming growth and diversity of product reach. Strategic partnerships are essential for Walmart to compete and be successful in the long term in this arena. Amazon, a web-based company, has their own infrastructure built around the Amazon Web Services (AWS) platform where they are managing their systems and gathering data. Currently, Amazon controls about 33% of the market share of cloud infrastructure space where they are managing and collecting data on multiple businesses. Walmart partnered with Microsoft to transition their services onto Microsoft's cloud infrastructure, Azure, which holds about 13% of the market share.

Transitioning their platform onto the cloud, Walmart can improve supply chain logistics and generate a substantial amount of customer data that the artificial intelligence driving Azure will be able to analyze.

Walmart will become a competitor by appealing to millennials who recognise and use innovative and efficient technology. Upgrading and simplifying the Walmart app is essential to competition. Doing a comparison, purchasing a item on Walmarts platform takes 8-10 clicks which can be done in Amazon in as few as 3. It is easy to browse for items on the platform such as the retail experience but for the user who is looking for a one item purchase, it can be hassle some. Walmart is implementing in store pickup towers that will be available to 40% of the US population by 2019 that will include geofencing to notify employees when the customers arrives for pick up. This means that when I customer enters a location with their mobile device, stores will be notified by receiving a ping. Using more innovative strategies,
Walmart plans to successfully combine the experience of shopping for groceries and items in one platform, Jet.com, that no company has done successfully online.

What the challenges of e groceries and what they are doing about it...