A Marketing Strategy Analysis of Walmart

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Abstract. With the acceleration of the globalization of the world economy, Walmart has always led the retail industry and continuously develops new industries. But Walmart's development is not smooth sailing. This paper has extracted some successful experiences in Walmart's growth process, and the strategies adopted in difficulties and put forward some suggestions on a plan based on the analysis of the status quo. This paper is divided into two parts to analyze Wal -Mart's market strategy. First of all, the first part introduces the industry cycle in detail, the integration of the upstream and downstream industries and successful experience, and uses Pestle to analyze the challenges of entering the Indian market and uses SWOT to analyze the current situation of Walmart. In the second part, the financial reports and data analysis of the financial comparisons among industrial peers in terms of liquidity, profitability, efficiency, and solvency and the strategic plan of Walmart in recent years.

Keywords: Walmart; marketing strategy; industry analysis; operation analysis; financial analysis.

1. Introduction

Walmart is a global American chain of stores and the largest company in the world by turnover. It is the world's largest employee company and leads the company to become one of the most important 500 companies in Fortune. It mainly operates in the retail industry and has four main business models: Walmart Shopping Mall, Sam's Club, Walmart Store, and Walmart Community Store. Through the mission statement of "Everyday Low Price", Walmart continues to develop. In 2018, Walmart acquired Flipkart and laid the foundation for opening up the Indian market.

1940-1962 was the initial period, Walmart started in a small town. After Sam Walton joined the department store and began to get into retail, he ran a grocer in the town as a sole proprietorship.1962-1979 was the growth period, from a small township shop to a regional hegemon [1]. Since the United States began to face recession and inflation, consumers reduced their purchases of goods. While the cost of manpower, rent, interest, and other costs rose, Walmart expanded rapidly around the distribution center in a gradually filling up fashion, from the urban-rural area expanded nationwide and became the dominant regional retail company. The years 1991-2010 were ripe: for international expansion [1]. The U.S. retail market is saturated, relying on the expansion of international markets to promote the company's sustainable development. in 2011 to the present is the era of e-commerce. Walmart has elevated global e-commerce to a strategic height and acquired e-commerce on a large scale [1].

2. Industry Analysis

2.1 Industry Upstream and Downstream

Walmart adopts special competitive means after integrating the upstream and downstream of the industrial chain. Unlike traditional enterprises that exploit consumers through monopoly price increases, but through monopoly to reduce prices, there are promotional activities almost every month. The price reduction is so large that other retailers are on pins and needles. Not only do upstream farmers benefit, but downstream consumers also benefit. As the scale of business continues to expand, other enterprises in the middle of China's industrial chain are being forced down. Soon after, when there were no other big middlemen and retailers, suppliers had to supply Walmart for scale. Taking agricultural products as an example, Walmart directly supports the most upstream planting link, selects a place with low prices, plants a large number of designated vegetable varieties, and uses the advantages of a perfect logistics system to directly distribute vegetables to large cities at low prices, which also reduces the price difference earned by middlemen and truly achieves the purpose of low cost.

2.2 Industry Structure

Walmart faced competition with Amazon and began to acquire e-commerce such as Jet.com and Flipkart on a large scale, shifting to the direction of the platform. However, due to the impact of e-commerce Walmart's sales and performance growth have almost stagnated. Walmart adopts a multi-format and information-based strategy. Walmart completed the acquisition for $16 billion, owning about 77% of Flipkart [2]. The entry into India has become Walmart's bulwark in the broader Asian market. If Walmart misses India, it will not only miss out on the future retail market of the world's most populous country but also worry about losing its position as a global retail giant. There are also many challenges when entering the Indian market. First, political implications. Foreign direct investment (FDI) is severely restricted in India's multi-brand brick-and-mortar retail sector. Many believe that Walmart's acquisition of Flipkart will put significant pressure on domestic e-commerce and reduce local e-commerce revenue. They argue that the deal goes against the interests of Indians and will lead to a double-headed rift between two American companies, Amazon and Walmart. Third, social impact. Coupled with the impact of the new crown pneumonia, many physical stores have been closed. The main entity operation model is forced to switch to the e-commerce model While online stores have also been affected, the shipping of supplies and general shopping still rely on online shopping. It is also necessary to flexibly plan the logistics system of the Indian market according to local conditions Compete online. In general, the world has shifted from brick-and-mortar retail to online stores. When mass online retail is mentioned, the first thing that comes to mind is Amazon. That makes Amazon Walmart After entering the Indian market, it also faces the main competitors of the local e-commerce shock.

3. Operation Analysis

3.1 “Everyday Low Price”

Walmart has put forward the slogan of "consistent price every day" in terms of marketing expenses and administrative expenses from the purchase channel and distribution method. Founder Walton said that their service purpose is to help customers save money and win the trust of customers. That's what he said, and that's what he did. The rigorous attitude of the purchasing staff and the perfect logistics system are the key factors for low prices. Every month, Walmart has promotions to reduce advertising costs through a variety of promotions. Adhere to the action line of absolute copying, fast store opening, small profits but quick sales, and scale winning. This direct line of action also runs through the company's business philosophy, low prices, and one-stop shopping concepts directly poking at the preferences of customers.

3.2 Multi-Format Development: Focusing on Customer Experience

Walmart competes in multiple retail segments, including grocery stores and e-commerce. Now, customers can take out their mobile phones and quickly check out of the store through the dedicated channel of "Scania Shopping" with just a few finger touches, improving the customer shopping experience by solving the pain points of customers queuing up to checkout. In addition to "scan code purchase", it has also launched online order delivery to home to provide customers with more convenient services. On the one hand, Walmart promotes the digital transformation of offline stores and expands its regional space for online order picking, and on the other hand, it deploys a cloud warehouse network [3]. Through the cooperation with Dada-JD.com, as long as there are Walmart stores or cloud warehouses within 3 kilometers of the customer's area, they can place orders online and purchase Walmart products and deliver them to their homes within one hour.

3.3 Speed of Conveying Information and Feedback: Improving the Operational Efficiency

Advanced technology is a solid guarantee. Although Walmart is a retail industry, it has never stopped pursuing high technology and constantly trying to apply advanced technology to its business. Thanks to the world's leading information system, Walmart can exchange product information and data at any time with its stores worldwide and suppliers in various industries. A "Seamless point-to-point" logistics system and perfect replenishment system can enable information sharing among members in the supply chain to maintain a long-term and stable strategic partnership. In distribution, Walmart shares delivery costs with suppliers and has a strong transportation fleet.

3.4 Suggesions

Even though Walmart has achieved a lot, there are some suggestions for improvement in our current analysis [4]. Walmart's income is the most in the world and has a strong financial situation, so that its footprints can not only spread all over the world, but also invest in growth plans, resist economic recession and fund stock repurchase. But Walmart's margins are low compared to its competitors, which limits its ability to better invest in growth initiatives. By raising quality standards, Walmart can attract more high-end customers and enhance its brand image by focusing on sustainability initiatives and being more socially responsible. The company's ample supply and logistics chain allows it to source products at lower costs and sells them at competitive prices Walmart has a strong customer loyalty program and a large customer base, but the company is highly dependent on the U.S. market and the real economy, which makes it vulnerable to the country's economic downturn. The global retail market presents a significant opportunity for Walmart to increase revenue. And e-commerce is in a booming period, and companies can increase revenue by expanding e-commerce capabilities and entering new markets.

Intense competition from Amazon and other retailers poses a significant threat to Walmart's growth, as well as customer churn and a convenient shopping experience, which will need to be improved in the future. In the face of more uncertainties in the future, it is also necessary to adapt and respond flexibly. Economic uncertainty could lead to lower consumer spending and international trade tensions could increase tariffs and affect Walmart's procurement costs.

4. Financial Analysis

Walmart (WMT) has always been the leader in offline retail, and its rivals are Amazon (AMZN) and Target (TGT). Although their customer base and positioning are slightly different, the fact is that they are all leaders in the US retail industry. Walmart will be compared to the latter two with a common financial analysis to assess Walmart's performance. The data of the financial analysis below are all from the official financial reports of each company. For the convenience of comparison, the average value of the 2020-2022 fiscal year is used below. The average of 2020 and 2021 is used for AMZN due to the difference of the end day of the fiscal year between it and WMT, TGT. The end day of the fiscal year is 1/31 for WMT and TGT,12/31 for AMZN [7-14].

4.1 Liquidity

In the comparison of the three, it can be seen that in the part of the current ratio, only AMZN has reached the reasonable value that is generally accepted, which is about 100, the actual value has reached 109.3, while TGT is acceptable at 97.25, and a bit dangerous for WMT, reaching 89.82. At the low point, this figure is enough to cause investors' doubts. In the quick ratio, the three companies have all reached the generally accepted reasonable values, WMT is 118.73, AMZN is 133.99, and TGT is 105.62, which shows that these three companies should all have good liquidity at present. Furthermore, AMZN seems to have a large number of cash flows. There are several things worth to mention. The first one is that the current ratio of WMT is low, this may be caused by WMT's large investment in hardware equipment in recent years to improve operational efficiency.

The following one is that both values of AMZN show that it has a lot of cash flow, is it a good phenomenon or not? Before talking about this, AMZN founder Bezos's letter to shareholders in 2004 must be mentioned at first: "The ultimate financial measure of AMZN, and the one wanted to promote most for a long time, is free cash flows per share. What does this mean? Generally speaking, investors prefer to use the most direct concept of EPS, that is, earning per share, to evaluate whether a company can create benefits for its shareholders. But Bezos has a different opinion on this. He believes that the concept of EPS can only show the value of the company's presentation, but the stock is more about the future, and he believes that it is necessary to see whether a company can generate profits in the future, and the most direct way is to observe the cash flows it has. Therefore, he set the company's financial goal as having high cash flows instead of high EPS. In conclusion, if looking from this point of view, AMZN does have good financial capabilities. It is also fulfilling its commitment to its shareholders [6].

4.2 Profitability

In ROA, all three have a fairly good performance. WMT and AMZN handed in 7.61 and 8.49 respectively, and TGT gave an even higher return rate of 11.18, indicating that TGT may have better management of overall assets. In the Gross margin, WMT and TGT are relatively similar, at 24.87 and 29.52, respectively, while AMZN reaches an astonishing 40.8. This may be related to the respective marketing strategies of the three companies. For the growth rate of the Gross margin, when looking into the growth rate of the gross margin, WMT has the lowest number of 3.69, while TGT goes to 12.2 and 31.07 for AMZN, which is a prominent performance. There are several things worth to mention. The first one is that TGT has an overall better return on assets than WMT and AMZN. The following one is that performance of AMZN on Gross margin is very prominent, which shows the difference between the three marketing strategies.

WMT adopts a marketing strategy of small profits but quick turnover, which is also in line with its "cheap every day" slogan and its great system of selling various daily groceries. So far, AMZN has an overwhelming market share advantage in online sales in the United States. In addition, they continue to focus on using membership and additional logistics services to effectively maintain or even increase customer stickiness. In contrast, TGT is mainly aimed at middle and high-level consumer groups. Although the overall capital and scale are not as big as WMT and AMZN do, however, it shows better asset management and a high return rate, which indicates that it is definitely a very respectable opponent and could potentially pose a threat to either WMT or AMZN.

4.3 Effiency

The asset turnover rate shows how efficiently a company utilizes its assets to make a profit. The rate of WMT goes to 2.26, which is slightly higher than 1.16 for AMZN and 1.88 for TGT. It means that during FY2022, WMT has made their assets time 2.26 compared to FY2020. The receivable days indicate the ability of a company to have its receivables on time. WMT has receivable days of 4.42 on average. The one for TGT is quite close to WMT, which is 4.40 on average. AMZN does not do well as the others do, its receivable days have 21.66 days on average. It can be seen how long a company needs to clear out a cycle of their inventories. For WMT, it takes about 41 days, and it takes respectively 36 days, and 58 days for AMZN and TGT. There are several things worth to mention. WMT has a relatively higher asset turnover than other. Accordingly, on average, AMZN seems to spend more time dealing with its receivables compared to its peers.

4.4 Solvency

The debt ratio indicates the proportion of debts in the total assets. However, there is no absolute standard for it. As long as the company still makes a good return on assets, it would be alright to have a high debt ratio. The three companies have close debt ratios, respectively 67.46 for WMT, 69.03 for

AMZN, and 73.44 for TGT. Accordingly, they all have a fairly good ROA, so the high debt ratio does not pose a big threat to the companies. In opposition, it would certainly help accelerate the expansion of the business. Thing worth to mention is that although the values of the three companies in the debt ratio part are pretty high, considering that in the previous asset liquidity, WMT, TGT, and AMZN all performed well, and these three companies are all leading companies in the industry, which makes them easier to obtain the trust of banks and investors and this the relatively large amount of loans. In conclusion, the debt part should not arouse too much concern.

5. Strategic Plan

The transformation of e-commerce is well-going so far, while the advertising and B2B business are good developed. In recent years, Walmart in America (WMTA)'s offline retailing has gradually become saturated, and it is expected to have a trend of decline in the forecasting future. It is actively exploring e-commerce, advertising, and third-market, in other words, B2B market businesses, these are expected to take the main profit part of WMTA's future business performance. For e-commerce, WMT develops not only online shopping but also e-pay, which possesses tremendous profits. Take India for example, WMT has done an acquisition acquiring eBay in India and this gained big profits. Walmart Connect, which is in charge of the advertising business, has made a 95 percent growth in the second quarter of FY2022, which is quite rapid growth, with the estimation that it would continue expanding at the pace of at least 1 year.

WMT has started exiting the gradually-saturated market like Japan and the UK since 2020 and moving to fast-growing emerging markets such as US e-commerce, Central America, and India. Aggressively expanding the market of a developing country, Walmart International (WMTI) has watched the potentially high profits due to the big amount of population and remaining fierce growth such as Latin America, China, and India. For WMTI in FY2022 Q2, the annual revenue growth has reached 25%, however, it is not only because of the entering the booming markets but also somehow of the dollar depreciation.

Internal operation optimization, actively developing AI and putting it into actual operation. Since 2018, WMT has actively introduced new AI and technologies to greatly improve the management systems of manpower and inventory management, therefore reducing operational costs but remain an ever-better efficiency. WMT is actively developing its own AI and trying to put it into practical use. For example, through the combination of cameras and AI, the sales situation of goods in each store can be well observed and recorded in the system, then the corresponding sales strategy can be customized for the stores and the quantity of the next product purchase can be evaluated. In terms of logistics, it also uses a combination of cameras and AI to create an APP named Eden to judge and estimate the freshness of agricultural products to reduce losses and waste during transportation. Accordingly, it has saved WMT about 86 million during the six-months trial period. And these investments also began to take effect gradually after about 2018. It can be seen that there is a steady decline in the operating expense rate of WMT.

6. Conclusion

After going through the three stages of today, the initial period, the growth period, and the maturity period today increase its low-cost advantage through industrial upstream and downstream integration and rapid mergers and acquisitions Walmart, which has strong capital and is a dependent and high-tech supplier, also faces low-key problems and over-success in the US market. Develop the era of high-end customer business to expand market share and seize market opportunities.

In the financial analysis, it can be seen that Walmart has a good overall performance. In the part of liquidity and solvency, although Walmart's liquidity is slightly insufficient, it still has enough financial capacity to bear the possible damage or risks. In Profitability, although Walmart and have a relatively poor ROA and gross margin compared to its peers, this can be partly attributed to Walmart's strategy of small profits but quick turnover. In addition, daily groceries account for a considerable part of Walmart's sales, which have a lower gross margin than other products. Furthermore, when looking at the effiency part, it can find that Walmart has better performance than peers in asset turnover or inventory days, showing that Walmart has stable and excellent sales abilities. Finally, in the part of future outlook, although Walmart has firmly ranked first in offline sales in the United States, it has not slackened but continued to invest in and improve related hardware equipment to improve operating efficiency and lower costs, which is It's what investors want to see. In addition to traditional retail, Walmart has also aggressively entered the e-commerce market, including online sales, online payment, advertising, and B2B platforms, and all of them have achieved good returns. Last but not least, the international market is also actively shifting from developed countries to emerging markets such as Latin America and India to pursue higher returns. In conclusion, Walmart did a great job for the years during the pandemic and has furthermore showed not only its resilience as an industry leader but also the foresight of an international business giant.

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