

# Evaluation of Walmart's Business Portfolio in China During Covid-19

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**Abstract.** Due to the impact of the epidemic, the survival environment of China's traditional retailers has changed greatly. In addition to the increase in operating costs such as rent and labor, they are also facing the impact of the new retail format of online shopping. How to break this situation has become an urgent problem for retailers to solve. The main purpose of this article is to analyze Wal-Mart's business portfolio in China and to provide some references for Wal-Mart's future development in China. By analyzing the marketing mix strategies used by Wal-Mart in China, this study can identify the benefits and shortcomings of these strategies in China, add self-checkout to optimize consumer shopping after the epidemic, share inventory across industries to avoid excessive stockpiling, and strengthen localized marketing in China to attract consumers, enhance Wal-Mart's competitiveness in the industry, and contribute to the development of China's retail industry after the epidemic.

**Keywords:** Marketing; business management; improvement strategies; Walmart.

## 1. Introduction

The covid-19 epidemic has hit the global retail industry. The global recession caused by the epidemic poses a huge challenge for retailers. Moreover, China's retail industry still maintains stable growth and shows an accelerated transition to a new retail industry in a complex situation where the consumer market is gradually recovering and still faces uncertainties. Total retail sales of consumer goods grew 12.5% year-on-year in 2021, up 10.7% from 2019, continuing to grow at a faster pace [1]. Meanwhile, as China's foreign economic policy continues to be liberalized, more and more companies are targeting China's new retail market. Foreign retail companies are entering the Chinese market at a faster pace and with more types, providing a variety of new retail formats to emerge and flourish in China.

China's retail industry presents many more hot spots and highlights in the epidemic. From the exploration of warehouse membership stores, as well as fashion retail's national trend marketing. China's policies are also actively promoting the high-quality development of the retail industry, making its due contribution to meeting consumers' pursuit of a better life. The rapid development of new retail is a pressure on the traditional retail industry. These businesses are simultaneously challenged and under pressure in several areas of the supply chain as cross-regional sourcing is constrained by transportation regulations and the distribution capacity is overwhelmed by the pandemic.

In 1996, Wal-Mart officially landed in the Chinese market and opened its first Wal-Mart and Sam's Club stores in Shenzhen, and its expansion and business model became a model for Chinese retail enterprises to follow. After entering the Chinese market, Wal-Mart had a record of adding more than 40 new stores every year. After more than 20 years of development in China, Walmart operates a variety of businesses and brands in China and has now opened more than 400 malls and 20 distribution centers in more than 170 cities in China [2]. During the epidemic, Chinese shopping behavior is changing dramatically. Over the past few years, full-category, high-quality, cost-effective warehouse membership supermarkets have become the preferred venue for consumers. The warehouse membership supermarket market grew by 12.3% annually in 2021 and reached a value of 30.43 billion yuan. Forecasts predict that the market would grow to 33.5 billion yuan in 2022 and to close to 40 billion yuan in 2025 [3]. As a result, Walmart's Sam's Warehouse member stores have become an important consumption scene for the new middle class and young people, while also

becoming a window to reflect consumption trends. Behind this is, on the one hand, the increased purchasing power of Chinese consumers and the growing acceptance of paying for memberships and services. On the other hand, the recurrence of the epidemic is causing consumers to continue stocking up on large packages of food and home care products.

Wal-Mart has brought a new impact to China's retail industry and introduced new development strategies and new ideas for the development of Chinese business. The survival and development of the retail industry is an issue that consumers, entrepreneurs, experts, scholars, and the government have always been concerned about. It is of great theoretical and practical significance to study the development status of Wal-Mart, a hypermarket in China, and analyze the problems in marketing as an example to explore the opportunities for Wal-Mart's development and to make analysis and predictions on the development trend of China's retail industry. Therefore, this paper hopes to examine and analyze the business of Wal-Mart, a foreign-funded retail enterprise, in China, to explore its competitive advantages and point out its problems, and to put forward some reference suggestions for Wal-Mart and the Chinese retail industry, considering the market situation in China. The first section of this paper introduces Wal-Mart's overview. The second section is an analysis of Wal-Mart's problems in China, taking marketing strategy as an example. The third section is to state Walmart's internal and external opportunities and challenges through SWOT analysis. The fourth section is to propose relevant solutions and improvement suggestions, as well as Wal-Mart's future development direction.

## **2. Walmart China Marketing Mix Strategies**

### **2.1 Product Strategy**

Since entering the Chinese market, Wal-Mart has been focusing on brand building and providing people with products of good quality and affordable prices. It mainly provides more than 10,000 kinds of goods such as fresh food, clothing, and home appliances, and provides additional services such as borrowing shopping carts, borrowing umbrellas, changing pant legs, and microwave heating. All Wal-Mart stores are unified in terms of stock, price, and design. This has saved a lot of intermediate costs and product costs, enhanced Walmart's brand influence and market competitiveness in China, and allowed Walmart to be recognized and chosen by an increasing number of consumers. Wal-Mart has established tougher product quality requirements, mandating that all products that are approaching their shelf life to be removed from the shelves in a timely way, especially prepared meals with a short shelf life. This is due to the stringent modification of China's market surveillance system. According to Walmart, products must be destroyed if they cannot be sold out on the same day. However, this leads to waste and is contrary to the "double carbon" policy in the Chinese market and the Anti-Food Waste Law. This will limit the sustainability of Wal-Mart's business in the Chinese market.

In Walmart's hypermarkets, its own products "Great Value", "Marketside" as well as the "George" are not available in China. Many foreign imported products are not recognized by consumers in China, and the prices are high. Secondly, there are also problems with some of the products displayed, although the layout of the store highlights casual and empty space. But this does not consider the shopping habits of Chinese people. In the United States, if a man comes to buy diapers, he will take some of the beer when he sees it. While in China, such a placement would be considered unreasonable, in the food area but setting up cleaning supplies, will bring customers discomfort, and the field merchandise classification signs are not obvious, for customers in the shopping process added difficulty. Chinese people prefer to go to the close display of goods, and sales atmosphere in the purchase of goods, so in the product display and arrangement, how to better adapt to the Chinese market, to attract customers, Wal-Mart there is still room for improvement.

Since the epidemic, several Wal-Mart China stores have provided material security in accordance with relevant government departments. To ensure an adequate supply of materials, meat, eggs, vegetables, rice, flour, grain and oil, and other livelihood commodities were stocked at 3-5 times the

usual level. Wal-Mart Sam's stores also increased the supply of easy-to-store and easy-to-prepare prepared dishes. The store also increased the supply of easy-to-store and cooked pre-made dishes, which helped to ensure the daily life of residents.

## 2.2 Place Strategy

Wal-Mart has placed its retail establishments in busy metropolitan regions with high income, strong consumer demand, and a dense population. Currently, Wal-Mart is opening chain shops mostly in urban and rural regions with established economies and easy access to transportation, which lowers the investment cost of retail outlets and improves operating cost management.

With the development of information and network, omnichannel consumer groups have been gradually formed. Under this trend, Wal-Mart has used big data and mobile social networks to create a marketing platform that combines online and offline, changing the original marketing model to carry out omnichannel marketing. Walmart has continuously explored the omnichannel retail marketing model by taking advantage of its own capital and supply chain and has achieved certain results in the Chinese market. The development of online sales channels has broken the restrictions of geography and time, making it possible to reduce marketing costs while improving the convenience and diversity of marketing, and strengthening the interaction with customers, which has a positive effect on enhancing Wal-Mart's marketing effect.

Walmart Online Supermarket, as an important segment of Walmart's Omni-channel retailing, is especially reflected in the presence of Walmart's official flagship store in JD Mall. Through JD Logistics, the official Walmart flagship store reaches consumers across the country, so that even in cities without physical Walmart stores, consumers can enjoy Walmart's good products and convenient services. According to the shopping habits of Chinese consumers, Walmart's official flagship store "moves" more than 10,000 kinds of high-quality products sold in stores online, and the store is open all year round to provide customers with personalized information and product recommendations so that customers can enjoy the convenience and smart shopping at the same time Save money.

With the strategic cooperation between Walmart and JD, Walmart's official overseas flagship store is stationed on the JD platform. In the face of the upgrading of the domestic retail market and the growing demand for imported goods, Walmart's cross-border e-commerce in China, with its global supply chain advantages, will bring more overseas products to the Chinese market and is trusted by customers for its 100% authentic guarantee, favorable prices, and attentive service.

Despite the escalation of China's epidemic prevention and control measures, Walmart's overall online orders remained unaffected, with a 97% on-time fulfillment rate, ensuring consumer experience and business volume. In the face of surging demand, Walmart leveraged its efficient and flexible resource allocation and supply chain capabilities to secure several reserve suppliers to protect procurement needs.

## 2.3 Price Strategy

In China, Wal-Mart has been in constant friction with its suppliers. Although Wal-Mart has been advocating no entry fees, it hopes to lower product prices by discussing the waiver of entry fees have not materialized as its rivals are earning significant revenues by charging entry fees. In the purchasing process, Wal-Mart offered large orders to suppliers, but the prices of products were very low. Moreover, the loss of profit caused by the price reduction was likely to be borne by the suppliers, which led some suppliers to adopt various ways to delay the supply to Wal-Mart or even stop supplying to the stores. To compress the purchasing cost, Walmart advocates trading with suppliers in the form of cash settlement and provides suppliers with more market channels and management experience to improve the attractiveness to suppliers so that they are willing to reduce the purchasing price.

Wal-Mart's consistent "Daily low price" strategy has become a price disadvantage when it encounters "Chinese low price", especially in the retailing of fruits and vegetables. China's retail industry is so developed that it is more competitive than the United States. First of all, the Chinese

market has developed a multi-type competitive landscape of Chinese food markets, traditional department stores, and hypermarkets. For example, consumers can be satisfied with cheap and fresh fruits and vegetables in vegetable markets, but Wal-Mart does not have such cost-effective meat and vegetable products due to the supply chain. Walmart's "Price of the Day" is difficult to be effectively implemented in this regard.

To reduce costs and compress commodity prices, Wal-Mart invests little money in promotion. But in the Chinese market, this not only does not increase profits but also loses potential customers. Wal-Mart's popularity is mostly achieved by people's verbal publicity. There is very little advertising in the local media in China, magazines, newspapers, TV, and almost no Walmart presence. In China, most people visit supermarkets as a pastime with no direct purpose to buy, so the right and attractive advertising signs are the keys to boosting sales.

### **3. SWOT Analysis of Walmart**

#### **3.1 Strengths Analysis**

Firstly, Walmart is a famous global retail brand with sufficient capital and complete information of data and is expanding in a global scope. After years of experience and development, Walmart has a perfect information management system, a loyal customer base, and a strong financing capability and distributor network in China. Wal-Mart complies with Chinese policies and maintains good interaction with the government. This has resulted in an excellent brand image, good business credit, and aggressive company culture. With a large network of suppliers in China, Wal-Mart offers a diverse range of products and strives to be varied and unique in its product mix to meet the various preferences of its customers. Shopping at Walmart is a "one-stop" experience, where customers can buy all the goods they need at once, get timely information about new products, and enjoy additional services such as home delivery and free parking.

Wal-Mart has extensive expertise with big data and a global logistical network that is underpinned by cutting-edge IT. This technology makes it possible to understand logistical data such as the movement, sale, and storage of each product in each store across the country. An efficient purchase procedure is also improved by information technology. Wal-Mart becomes more competitive in the retail sector as a result.

In China, Walmart attaches importance to human resources management, promotes team spirit, and encourages communication between employees and leaders as well as among employees. Employees are treated as partners. According to everyone's interests and professional skills, work adjustment, vocational training, etc. are conducted. This not only enhances the motivation of employees and standardizes their working style. It also creates a friendly and caring working environment for employees, which enhances their self-confidence, sense of belonging, and cohesiveness. It has significantly reduced the talent turnover rate of the company.

With the development of Walmart's omni-channel model in China, Walmart China's third-quarter net sales grew 6.9 % and comparable sales grew 5.6 %. The e-commerce business in China performed well, with net sales accounting for 41% of Walmart China's total net sales, and its growth rate was 63% [4]. At the same time, Walmart China newly upgraded its global shopping business, introducing about 300 kinds of international famous brands and mid-to-high-end daily hot commodities, and officially launched a small program. After the upgrade of the global shopping business, the average daily sales in October grew by more than 46 times compared to the previous year. Walmart's global shopping makes Chinese consumers enjoy a more convenient shopping experience.

#### **3.2 Weakness Analysis**

One of Walmart's business strategies in China is to charge suppliers a high entrance fee and require the cheapest price to buy goods. So, it is inevitable that local procurement will be too much in pursuit of low prices and loosen the problem of product quality management. In this way, the discovery of product quality problems directly affects Wal-Mart's reputation. In Guangdong, China, Wal-Mart was

punished for selling beef that was 51 days past its expiration date, and a man found cockroaches in the promotional bread he bought at a Wal-Mart supermarket. There are many complaints about Walmart including issues not limited to the sale of spoiled products, the presence of foreign substances in food, false sales, and shopping cards [5]. This shows that Wal-Mart has outstanding problems in food safety.

The products offered by Wal-Mart span a broad spectrum of categories, including clothing and appliances. Comparatively speaking to retailers who are more narrowly oriented, Wal-Mart has a poor relative advantage. The "everyday low prices" approach of Wal-Mart is especially challenging to achieve in China due to the lower prices of goods on the Chinese market and the influence of Wal-Mart's international sourcing expenses on the prices of Chinese goods. Additionally, Wal-Mart lacks a fully functional high-tech, high-investment logistics center in China, which has an impact on its ability to reduce costs.

### 3.3 Opportunity Analysis

Physical retail still has irreplaceable competitiveness in the e-commerce era. Supermarkets and hypermarkets are still essential commodity distribution channels in China. The market size of supermarkets and hypermarkets has steadily increased in recent years, but the growth rate has slowed down. The market size of supermarkets and hypermarkets in China is 3.09 trillion RMB in 2021, with a CAGR of 4.67% during 2010-2021[6]. The Chinese government is currently promoting the urbanization process, which also drives the residents' spending power. The urbanization process in China has given rise to a middle and upper-income group, and the growing middle class is a very good growth opportunity for Walmart.

Various departments across China have introduced a series of policies and initiatives to stabilize growth and promote consumption to improve the quality and efficiency of economic operations. Despite the recent impact of the epidemic, consumption growth has been curbed to some extent, but overall, the characteristics of China's consumer market with high potential and strong resilience have not changed. As the policy measures take effect, consumption will continue to maintain the recovery trend. In addition, China has a mega domestic demand market formed by more than 1.4 billion people, including more than 400 million middle-income groups [6], with huge potential. The corresponding policies in China are very favorable for Wal-Mart.

From the perspective of retail data, post-epidemic retail performance is clearly differentiated. E-commerce performance continues to improve, while offline businesses are slow to recover, and the industry is undergoing digital transformation. Coupled with the continued shift of consumer shopping habits to online and driven by model innovations such as live streaming and group buying, e-commerce continues to maintain a high growth rate. New products and new models are sought after by Chinese consumers, and new types of consumption are developing rapidly in China. Emerging consumption represented by new products and new models has become a new growth point for the consumer market. 2022 Online retail sales of physical goods amounted to 2,525.7 billion RMB, up 8.8% [6], accounting for 23.2% of total retail sales of consumer goods. All these mean development opportunities for Wal-Mart.

### 3.4 Threat Analysis

With the continuous development of the new retail business; more and more retail companies are learning to improve through various aspects to retain their business stability, so Wal-Mart as the leader in the industry, its advantages and characteristics are constantly being emulated by companies. Yonghui Supermarket reaches customers through online channels such as the "Yonghui Life" APP and WeChat mini program has covered 995 stores and achieved sales of 3.68 billion yuan [7]. At the same time, traditional retail supermarkets, mainly hypermarkets, generally experienced a significant decline in sales due to the impact of community group buying and fresh food e-commerce. Wal-Mart was thus affected by competitors from all sides.

## 4. Recommendation

### 4.1 Optimize the Shopping Environment and Product Layout

After the outbreak, Walmart should be more committed to maintaining the safety of public places, ensuring the health and safety of employees, and strictly enforcing store cleaning and disinfection to create a healthy and safe shopping environment for customers and members. Such as adding self-checkout areas and installing transparent partitions in the supermarket. On the other hand, Walmart should add some music to enhance the shopping atmosphere in the store to regulate customers' emotions [8].

Considering Chinese shopping habits, Walmart should adjust its previously cold and empty product displays to prioritize slow-selling products and those with the greatest profit points for the supermarket, and group similar products together to make shopping easier for customers. Display seasonal products in places with larger spaces and higher customer flow, so those important categories are placed in conspicuous positions, which can attract consumers' attention, stimulate their desire to buy, and increase the chances of shopping. At the same time, adding big data, through calculation optimization can plan the walking route of most consumers and design the best placement of goods to reduce consumer shopping fatigue.

### 4.2 Strictly Implement Food Safety and Stable Supply Chain Logistics

In response to the problem that product quality is not guaranteed due to low prices, Wal-Mart should increase the supervision and management of suppliers and outlets. Walmart should outsource a professional team to carry out sales staff training and strengthen product shelf-life checks and increase penalties for those who fail to implement their responsibilities to further enhance the enthusiasm and initiative of food sellers in fulfilling their main responsibilities and to urge the industry to improve its food safety integrity and food safety management capabilities [9].

Additionally, Walmart could use the cross-industry inventory sharing approach to address the enterprise inventory and logistics' timeliness issue. Additionally, it can assist other sectors in resolving their issues with excess inventory, corporate inventory, and logistics. For instance, Walmart may collaborate with the restaurant sector to address the issue of enormous quantities of hoarded ingredients that cannot be used. This would help Walmart to manage its inventory and supply-chain issues. Wal-Mart should also advance digitization technology and improve it so that supermarkets can compete more effectively in the distribution of goods and logistics.

At the same time, Wal-Mart should reasonably assess the supply and demand situation to avoid blindly hoarding goods to produce waste, and for the daily supply of surplus food, it can cooperate with some charitable organizations to donate surplus food for families in need, empty nest elderly, migrant workers, people without fixed residence and other people in need.

### 4.3 Strengthen Localized Marketing

Advertising can stimulate and induce consumption. In the Internet era, Walmart should strengthen advertising on TV, magazines, and webisodes. By combining the habits of Chinese people watching movies and TV, cooperating with major video software and inserting advertisements into each video before it is played, it should adopt local Chinese elements or scenes with representative settings, similar to microfilm-type advertising campaigns, by combining local Chinese cultural traditions, from traditional festivals, traditional virtues, and thus adding the Walmart brand, this kind of situational advertising will make local national consumers reach This kind of situational advertising will make local consumers achieve emotional recognition and resonance [10].

In addition, Walmart can introduce unique localized advertising in new ways. The advertisements can use local Chinese dialects such as Shanghaiese, Minnanese, Sichuanese, and Cantonese to introduce and promote Wal-Mart supermarkets in different cities. This will achieve the purpose and effect of the advertisement and deepen the awareness of Wal-Mart in consumers' mind.

Walmart should appropriately add some thematic activities of price reduction promotions in the store to attract customers to come shopping, using more obvious colors or rich personalized billboards, and advertising slogans to introduce the supermarket today have those reduced-price items. And the store can invite human cartoon dolls to interact with consumers to arouse consumers' desire to buy reality.

## 5. Conclusion

Walmart has seen steady growth in China and maintained a more stable business scale under the epidemic, with continued stable prices and quality and quality omnichannel services, creating a better life for employees, customers, and local communities. Walmart has responded to the development trend in the context of the retail industry's transition by providing cutting-edge retail technologies and avant-garde retail concepts to the neighborhood. While fostering competition, it aids China in raising the level of operation and service standards in the retail sector, providing a reference for the future development of Chinese retail enterprises, and contributing to the common prosperity of the Chinese economy.

However, as Chinese consumers' demand for quality, especially food safety, continues to increase, coupled with the severe homogenization of front-end goods, companies are faced with multiple constraints. This suggests that strict management of the supply chain and training of staff are key steps to improving food safety and that the complexity of supplier relationships in the Chinese market will continue to make better supplier selection a challenge for the foreseeable future. This research only demonstrates the strengths and weaknesses of Walmart's marketing strategy portfolio business in China through the analysis of marketing mix strategies, which represent one branch of Walmart's total China business portfolio and can continue to be explored in future research regarding the development of other Walmart-related industries.

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