

MARKETING MANAGEMENT



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Short Description

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case study

Description

Case NO. 6

MARKETING SPOTLIGHT- WAL-MART

Wal-Mart Stores, Inc., is the largest retailer in the world, with sales of \$259 billion in 2003, 1.5 million employees, and 4,300 facilities. Each week, over 100 million customers visit a Wal-Mart store. Sam Walton founded the company in 1962 with a simple goal: Offer low prices to everyone. His notions of hard work and thrift continue to permeate Wal-Mart today, although he died in 1992. Employees see their jobs as a mission “to lower the world’s cost of living.” Wal-Mart’s philosophy is to enable people of average means to buy more of the same products that were previously available only to rich folks. The company works hard at being efficient and using its buying clout to extract lower prices from suppliers, and then passes those savings on to customers. Wal-Mart succeeds in the competitive American retail market for several reasons. First, its low prices, vast selection, and superior service keep the customers coming in the door. But one of Wal-Mart’s biggest strengths is not even inside the store. Its unrivaled logistics ensure that it can keep prices low while keeping the right goods on the shelves. As the biggest retailer in the United States, Wal-Mart’s logistics demands are considerable. The company must coordinate with more than 85,000 suppliers, manage billions in inventory in its warehouses, and bring that inventory to its retail shelves.

To streamline these tasks, Wal-Mart set up a “hub-and-spoke” network of 103 massive distribution centers (DC). Strategically spaced across the country, no store location is more than a day’s drive away from a DC. Wal-Mart is known as “the king of store logistics” for its ability to effectively manage such a vast network.

Sam Walton was something of a visionary when it came to logistics. He had the foresight to realize, as early as the 1960s, that his goals for company growth required advanced information systems to manage high volumes of merchandise. The key to low-cost retail is knowing what goods would sell and in what quantities – ensuring that store shelves never have too much or too little of any item. In 1966, Walton hired the top graduate of an IBM school and assigned him the task of computerizing Wal-Mart’s operations. As a result of this forward-looking move, Wal-Mart grew to be the icon of just-in-time inventory control and sophisticated logistics. By 1998, Wal-Mart’s computer database was second only to the Pentagon’s in terms of capacity.

Wal-Mart’s logistics success is astounding considering its size: Over 100 million items per day must get to the right store at the right time. To accomplish this goal, Wal-Mart developed several IT systems that work together. It all begins at the cash register or point-of-sale (POS) terminal. Every time an item is scanned, the information is relayed to headquarters via satellite data links. Using up-to-the-minute sales information, Wal-Mart’s Inventory Management System calculates the rate of sales, factors in seasonal and promotional elements, and automatically places replenishment orders to distribution centers and vendor partners.

Wal-Mart uses its information systems for more than just logistics. Suppliers can use its voluminous POS database to analyze customers’ regional buying habits. For example, Proctor & Gamble learned that liquid Tide sells better in the North and Northeast while Tide powder sells better in the South and Southwest. P & G uses information such as this to tailor its product availability to specific local regions. This means that it delivers different Tide products to different Wal-Mart locations based on local customer preferences. Wal-Mart’s may look the same on the outside, but the company uses its information systems and logistics to customize the offerings inside each store to suit regional demand.

Wal-Mart continues to grow. Despite already having 3,200 stores in the United States, Wal-Mart plans to add another 220-230 Super centers, 50-55 discount stores, 35-40 Sam’s Clubs, and 25-30 Neighborhood Markets in the United States alone, and an additional 130 units internationally. If Wal-Mart maintains the average growth rate of the past 10 years, it could become the world’s first trillion-dollar company.

Discussion Questions

What have been the key success factors for Wal-Mart?

Where is Wal-Mart vulnerable? What should it watch out for?

What recommendations would you make to senior marketing executives going forward? What should the company be sure to do with its marketing?

Details

1. Case study solved answers

2. pdf/word

3. Fully Solved with answers