

MARKETING FUNDAMENTALS ANALYSIS AND EVALUATION OF WALMART- ASSESSMENT 1

BABM LCBB4004



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Introduction

In world-scale Walmart has over two million employees in 27 countries. With its large variety of products is placed as the second-largest retailer in the world right after Amazon (Best 2020). Walmart is a part of the United Kingdom's grocery market since 1999 when they buy the ASDA supermarkets chain. At the present time, ASDA is in second place, right after Tesco with control of 15% of the market share (Kollewe 2020).

The marketing is the process of a satisficing the needs of the customers by engaging them with the purpose of managing profitable customers relationships. The marketing has two main goals. The first one is to attract new customers by promising superior value and benefits for the stock or service that offers. The second one is to keep current customers by satisficing their needs, Kotler, P and Armstrong, G.M. (2016 pp. 29-30). The marketing process is the actions that a company takes to convert the needs of its customers to a profitable strategy.

Main body:

The process of doing it can be modelled as a series of steps:

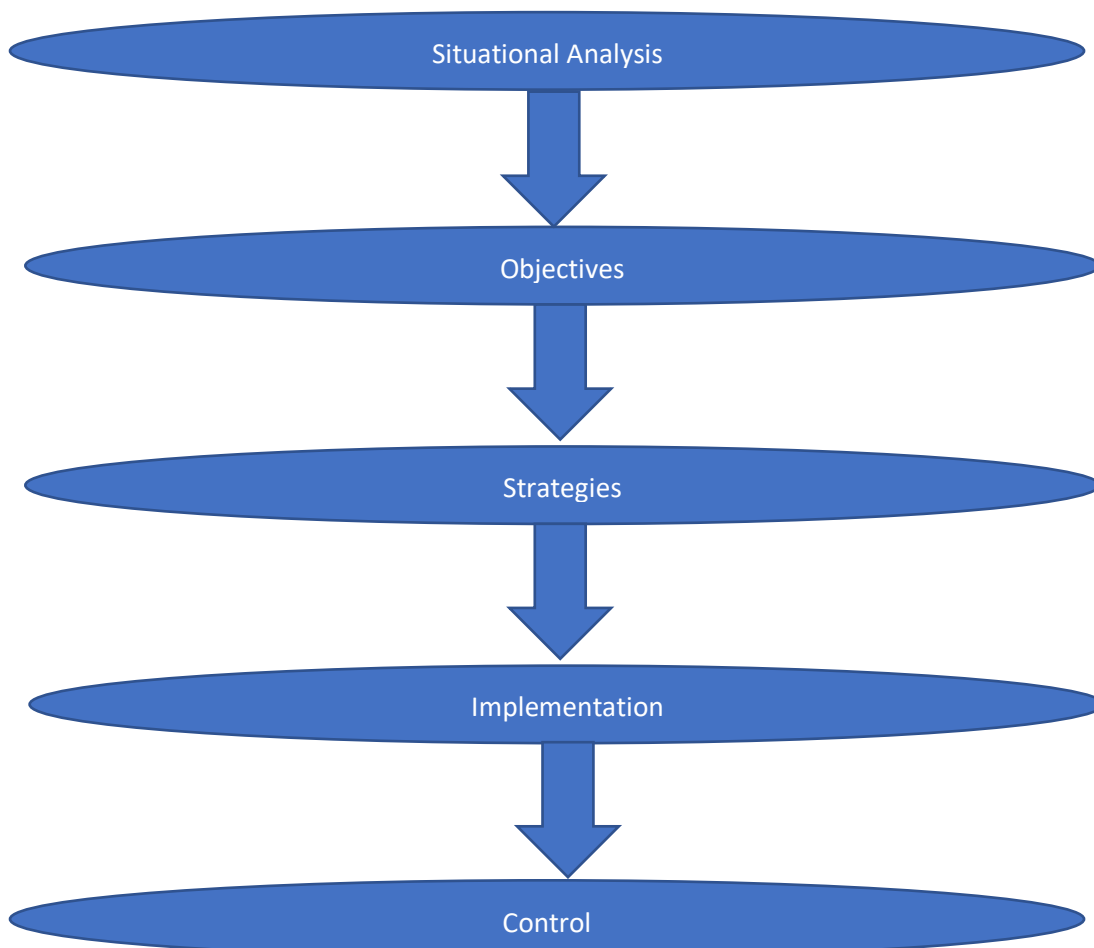


Fig.1 made by Ivan Georgiev ID: 1914979 'University of Wales Trinity Saint David'.

- Situational analysis – it is a process of exploration of external and internal factors which are affecting the organisation. It leads to a better understanding of the factors that will influence the future of the business
- Objectives – That are specific steps that the company will take to achieve its goals. Objectives are specific and tell you what the organisation will do to reach its targets.
- A strategy is a general plan or a set of plans to achieve organisational ambitions. In most of the cases, they are for a long period.
- Implementation – The process of putting the ideas into acting plans
- Control - Set of practices and methods employed by firms to monitor and control their marketing activities in realising their marketing objectives and strategy (Hartline and Ferrell pp. 30-323 2010).

PESTLE factors

Political factors: A worldwide company usually is highly sensitive on political forces. Brexit giving a great opportunities in front of the company because it is expected UK and USA to sing new trade deal that will remove taxations and VAT on food that is why I consider that the political forces at present and in close future will be favourable (Department for international trade, 2020).

Economic factors: The rate of inflation in The United Kingdom are still stable and they are in the precited 2%, which indicates that the buyers still have confidence and they have buying power which is in favour of the retailer such as Walmart (Bank of England, 2019, p.26). However, the statistics reveal to us that the costs for labour in the country are growing, but they still at levels lower than when Walmart take the decision to buy ASDA. That is why I consider these factors for favourable (Bank of England, 2019, p.25).

Socio-cultural factors: Walmart is represented in the market of The United Kingdom with their grocery stocks and their subordinate services are linked mainly with the food delivery and pharmacy. People will always have the need of food at present time I consider that these factors are favourable for the organisation (Asda).

Technological factors: Despite the that Asda investing in their producing technology and innovation they left far behind the others a way smaller in market share grocery chains. As Aldi, Lidl, Waitrose and others including their competitor number one Tesco (The telegraph reporters, 2018). These factors are unfavourable

Legal factors: The national minimal wages are growing each year, for the last five years the minimum hourly payment rise with £ 2.02 per hour which is growth with £ 0.404 per year (gov.uk). The trend is this growth to continue even though the Brexit and todays pandemic situation in the world. That is why I consider these factors for unfavourable for Walmart. It means that potentially their cost will increase more, and this can have negative impact overt the profit of the organisation.

Environmental factors: Walmart struggling with the fight with the waste, despite that they have a policy of zero waste landfill usage. The information that they are representing is controversial on one side they are telling that 90% of the waste has been recycled on the other side they telling that they can not calculate how much waste they do not recycle (Walmart 2020). This controversial information put them in bad position and that is why I consider this factor for unfavourable.

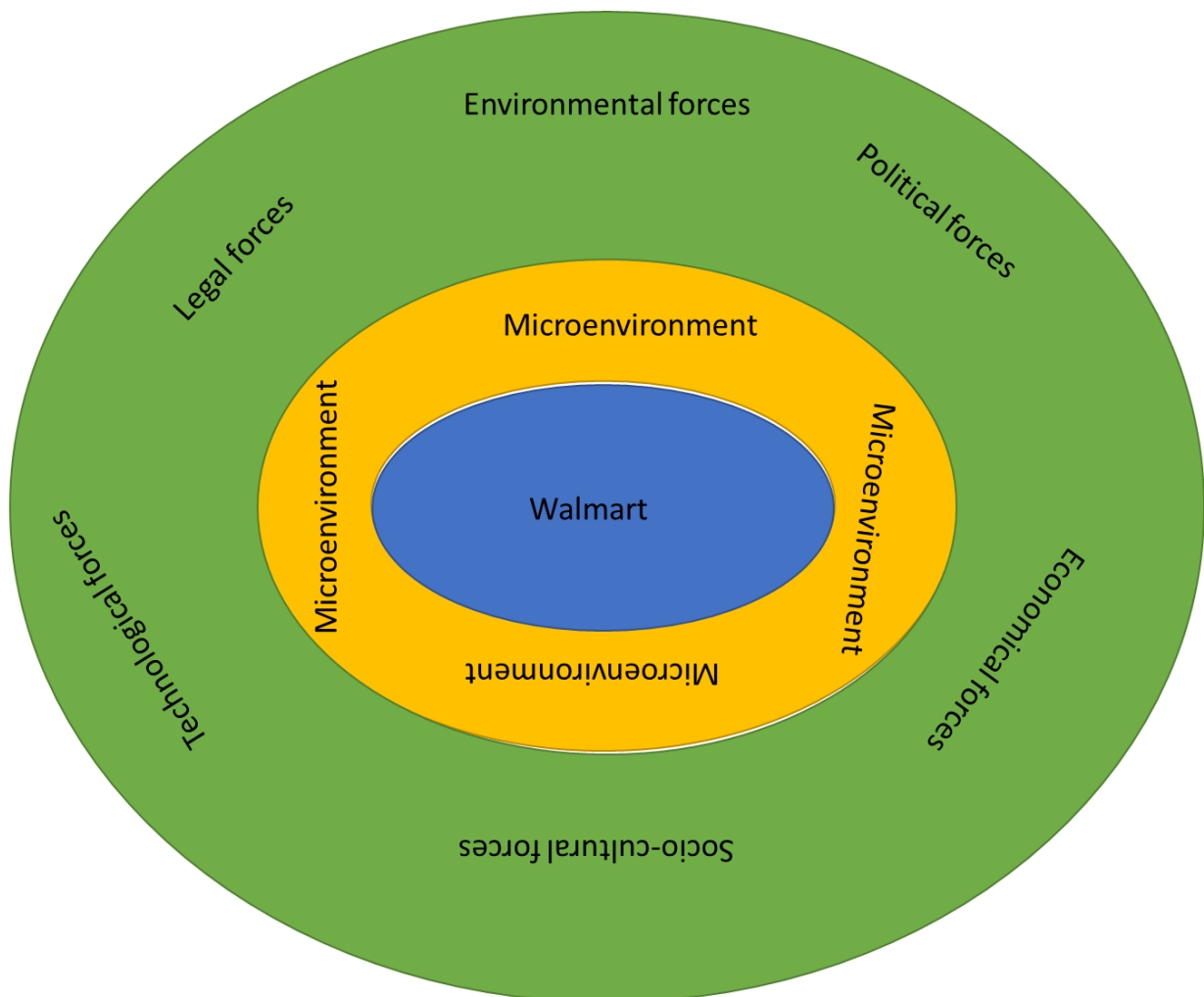


Fig.2 made by Ivan Georgiev ID: 1914979 'University of Wales Trinity Saint David.'

Porter's five forces analysis on Walmart

Porter's Five Forces analysis model is a strategic management tool, which helping us to evaluate the effects of external factors that establish the competitive environment of the industry. These external factors define the trading power of customers or buyers, the negotiating power of suppliers, the threat of replacement, the threat of new entrants, and competitive rivalry (Porter, 2008).

Competitive rivalry or competition

Asda represents Walmart in the United Kingdom's market, and it has powerful competitors in the face of Tesco, Aldi, Lidl, Sainsbury, Marks and Spencer and other reliable brands. Besides that, it has many small businesses that can offer the customers a better location and can attract them with this. I consider this force as strong.

Bargaining power of buyers

A large amount of population makes this force weaker on a world scale, but here in the United Kingdom in local scope, the buyers have significant power over the industry, that is why I consider this force for moderate.

Bargaining power of suppliers

The bargaining power of suppliers has a weak concentration in the retail industry environment. There are many suppliers in commerce. Large firms like Walmart can definitely affect these suppliers. Based on this circumstance, Walmart experiences the weak force of the bargaining power of suppliers.

Threat of Substitutes or Substitution

Some alternatives to Walmart's goods are easily accessible. However, the external factor of the low assortment of substitutes makes it difficult for buyers to move away from products offered from retailers like Walmart. Also, some replacements are more expensive than the affordable goods and services available at the brand's stores. In Porter's Five Forces analysis model, the mixture of these external factors lead to the weak threat of substitution in Walmart's industry environment.

Threat of new entrants or new entry

It is expensive to build a new competitor brand. Even so, some significant new entrants have the financial powers to build a strong brand name. As an example Uber eats may someday become 'Uber online grocery'. They already have a strong brand name, the delivery network and the capital of doing it. This circumstance exerts a moderate force over Walmart. The cost of establishing a new retail company and the expense of running it is low to moderate. For example, small retailers have low expenses of doing business relative to bigger companies. This condition makes it possible for various smaller retailers to compete with Walmart. Initial capital expenditure varies, but it is typically high in terms of financing for commercial space, equipment, and human resources, along with other variables. However, smaller new entrants can establish their processes with low to moderate capital spending. These external factors in the context of Porter's five forces analysis indicate that new entrants can keep operating and become possible threats to organisations like Walmart.

Advantages of Porter's five forces

The main advantage that this strategic tool give to a manager is an understanding of who are his competitors. It reveals more complicated and complex picture of the industrial environment. This tool gives to a manager the opportunity to take a snapshot and to see what is happening with his business.

It also gives the opportunity to be combined with managerial strategies. As an example it is a way more easier to segment your customers when a manager does know the bargaining power of its customers. It can be combined with different types of strategies, and it can be used as the main direction in short term goals (Porter, 2008).

Disadvantages of Porter's five forces

It is difficult for a manager in an international organisation to operate with Porets's five forces, because it is challenging to define the proper boundaries of an international organisation which operates in many countries and have a vast variety of products, goods and services.

This strategic tool gives us a snapshot of the past period of time, which means that it becomes very difficult to be used in a long term strategy, which means that this tool has a time limitations and it can be used mainly in short term goal strategy.

The other disadvantage of the Porter's five forces model is that it is difficult to identify all alternatives of the company that you are interested in. As an example is it a Google direct competitor of Apple, or it is a substitute product, it is hard for identifying using it Porter's five forces.

This strategic tool is not as flexible as it has to be, because it pays equal attention to all of the forces, ignoring the fact that some industries may be affected only buy two or three forces and instead to be concentrated over these aspects of the industry a manager who is using this model should waste time and resources to pay equal attention to all of them (Beattie, 2019).

The link between Walmart and the processes and stages of marketing

Segmentation strategy: Market segmentation is a practice that brand like Walmart use to divide their target market into smaller, more controllable groups of people based on common ground they share to optimise their marketing, advertising, and sales efforts (Farell, Harthline, 2011 p.152). Walmart applies psychographic and demographic segmentation strategies. It understands the mentality of the consumer and knows that the consumer wants everyday goods at the lower possible prices. That is why Walmart introduced the strategy of everyday low prices (Stern, 2018).

- **Targeting strategy:** Walmart use undifferentiated targeting strategy to reach the mass market in its global operations (Farell, Harthline, 2011 p.187).

- **Positioning strategy:** Positioning is defined as the act of designing the company offering and image to occupy a distinctive place in the target market mind. Walmart uses a pricing advantage to be sustainable in its business model (Stern, 2018).

The 4ps that Walmart use in its marketing mix

- **Product:** The strategy of the organisation is to provide a wide range of products to can reach maximum possible buyers enhanced by its pricing policy.
- **Price** – Walmart has an everyday low price policy witch provides a fast return of the investments of the company, and that would not be possible without the vast variety of products that they offer.
- **Place** – Nowadays, Walmart operates with around 11,500 stores under 56 banners in 27 countries and in 10 countries has eCommerce websites (Walmart(1), 2020). This factor supporting very well their strategy in combination with the large range of products ar lower price than the competitors
- **Promotion:** Walmart has its own in-store promotional activities which include sales promotions through product bundling and its pricing strategies. The online store of Walmart earns major profits from through customers placing online gifts (Forbes, 2020).

Conclusion

Led by one simple philosophy Walmark manage to survive two financial crisis in 1973 and 2007/8 (Bornadenko, 2020) and now it continues to adapt to the changing world who is going through the worldwide pandemic. Many companies may name themselves successful, but if I can measure the success with the time as a tool, I will consider that there are not many organisations like Walmart. That is proving to me that the strategy of adaptation combined with simple philosophy can lead to sustainable in the time success, measured by profit.

Recommendation

As a recommendation, I would like to recommend to Walmart continue to expand their delivery and store network, yes they are in 27 countries but it world scale the potential market is a way bigger with 195 countries in the world (Worldometers, 2020). There is a big market that is waiting for someone to come in, and of course, it has its own threats inside it.

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