

Wal-Mart Supply Chain Research Paper

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The Wal-Mart logo is displayed in white, bold, sans-serif capital letters on a blue background. The word "WAL" is followed by a white five-pointed star, and "MART" follows. A registered trademark symbol (®) is located at the top right of the "T".

WAL★MART®

Save money. Live better.™

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Company & Division

Sam Walton opened the first Wal-Mart store in Roger, Arkansas in 1962. Walton was dedicated to making a difference in the lives of valuable customers for a lifetime. “Sam Walton's visionary leadership, along with generations of associates focused on helping customers and communities save money and live better (Walmart Corporate. Our History).” This rich heritage defines who Wal-Mart is and what they do today. 52 years have passed and Wal-Mart has expanded to a global marketplace serving 26 countries, over 160 Distribution Centers and 17,000 retail stores scattered throughout the US. From the beginning in 1962 to present day, Wal-Mart has grown into what is referred to today as one of the greatest Supply Chain Companies in existence.

Vision/Mission

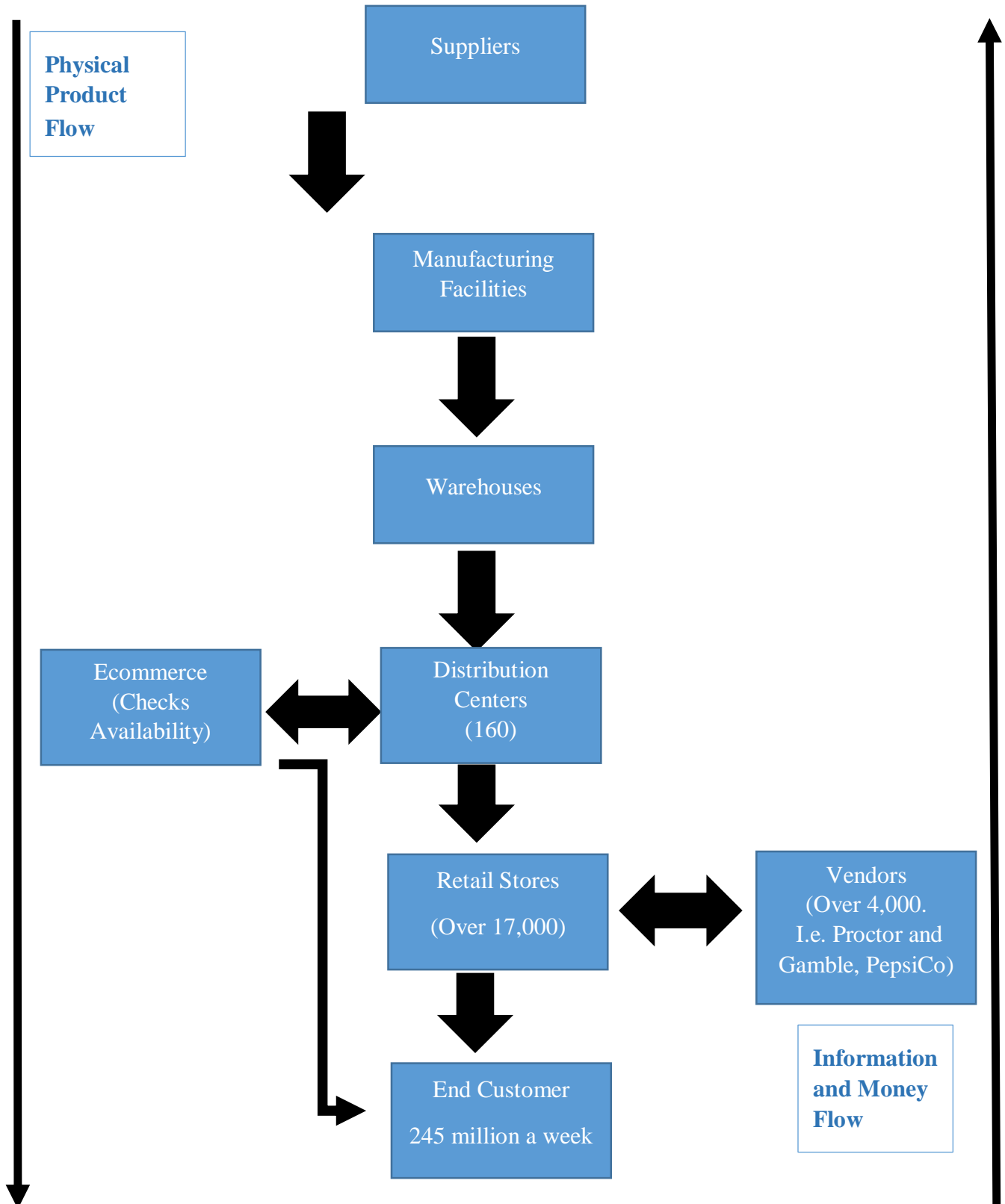
The vision of Wal-Mart is to be the largest, most effective retail organization in the world, and to offer a large assortment of quality products while providing efficient service. (Researchomatic, 2013) When thinking of Wal-Mart, the first thing that comes to mind is the yellow starburst and the flat baby blue bold letters. What does not grab the attention of consumers are how the products that are on the shelves make it to the stores. Wal-Mart has improved the system, and rewritten how the supply chain works for business of moving products across county and into retail stores. As a leader, they are continuously improving operations to reduce cost and pass the savings on to the consumer. Wal-Mart's 2013 mission statement “We save people money so they can live better” (Wal-Mart, 2013) sums up their success in one short phrase.

Company Structure

Wal-Mart corporate structure is composed of three divisions: Wal-Mart Retail stores, Sam's club, and Wal-Mart international. The company has several different store structures: Supercenters, Market Centers, Sam's Club (discount center) and Wal-Mart international. Wal-Mart decided to extend the organizations global presence in 1991. Outside the United States Wal-Mart operates in 26 countries. It considered the fastest growing division of the business. Sam's club is a chain of warehouse that sells groceries and merchandise in bulk. Sam's club is the only division of Wal-Mart that requires a membership. There is a benefit Wal-Mart has in the design of their organizational structure. They are able to specify the market and satisfy the

customers demand for products; Wal-Mart is able to change business practices within the areas that they operate.

Supply Chain Diagram



The Wal-Mart Supply Chain is a technologically based system. It is very in depth, and intellectually guarded. The proficiency that Wal-Mart has, and the volume of output it produces from their manufacturing facilities and vendors is truly astonishing. At the start of their supply chain is their raw material suppliers who send raw materials to Wal-Mart's manufacturing facilities in China. The transportation here is under a third party logistics company. From here, the manufactured goods are shipped overseas via their third party logistic company to warehouses in the United States (University Alliance, 2014). These warehouses then ship goods to Distribution Centers (DC). In total Wal-Mart has 160 distribution centers that are separated by geographical locations in the US to feed the retail stores through cross docking. The time spent in the warehouses is less than 48 hours (University Alliance, 2014). Wal-Mart's emerging Ecommerce market that serves 11 countries outside the U.S. views the available inventory in the DCs and ships the desired product to the door of the customer instead of going to the retail stores. There is an option if the customer chooses to ship their product to the store. With over 17,000 retail stores to choose from this is a viable option. Vendors work in close communication with retail stores, because some vendors actually go into the retail establishment or ship product to the retail stores when product is demanded and stock the shelves. From the DCs to the Retail stores, Wal-Mart employs over 6,000 private fleet drivers to deliver products to the retail establishments (University Aliance, 2014). The desired product is then picked from the shelf, and purchased by the customer. The information and money moving up the supply chain will be discussed in the order-processing segment.

Customers

Wal-Mart has customers that include all cultures, races, age groups, and genders. Wal-Mart's are generally accommodating and targeting lower income level geographical location, since they have lower prices than competition. There is no definition of whom a Wal-Mart customer is. Wal-Mart is known for having low prices guaranteed and this is what brings in the abundance of more than 245 million customers per week. These customers visit more than 11,000 Wal-Mart locations in the US, over 6,100 retail locations located in 27 countries outside of the US, and 11 countries served via Wal-Mart's Ecommerce business (Wal-Mart Inc. 2014)

Order Processing

Wal-Mart's order processing is fulfilled by an integrated technology imbedded in the products taken off the shelf by the customers. As the product is scanned using the SKUS the inventory level on the Point of Sales System drops and is connected to a system called Retail link that takes the SKUs scanned and sends them up to Wal-Mart's satellite system giving vendors and suppliers real-time data. This data tells vendors what products are being purchased, at what quantity, and when to restock the stores levels. This is an advantage to vendors so that they know what products to continue supplying and what products to pull form the shelves. The orders are then processed for vendors and Wal-Mart acts as the middleman just reserving the shelving space for the vendors and getting the percentage markup agreed upon in contracts. With the order processing, Wal-Mart corporate offices are also able to receive the data and know what products to purchase more of in bulk, to keep costs down. Collaborative planning, and forecasting and replenishment also aids in order process and is a vital part of Wal-Mart's order processing by forecasting data from the Retail link and Satellite data (Gilmore, 2012).

Customer service metrics are received by customer feedback upon returns. The service metrics can be determined by the number of returns made to the store, for what reason. This data can be implemented into the system to further grow the customer service department. "In 2008 Walmart surveyed their customers and found out they disliked a cluttered store with overstocked shelves, pallets of product and heavily stocked and promoted items at the end of the aisles (end-cap displays). They remodeled their stores and customer satisfaction levels increased (Shep Hykan)."

Procurement

Wal-Mart's procurement practices have gone through multiple changes over the years and an aggressive change came back in 2010 when Wal-Mart decided to overhaul its global purchasing practices. "Wal-Mart's new global sourcing strategy involves the creation of Global Merchandising Centers, a change in leadership and structure, and a strategic alliance with Li & Fung, a global sourcing organization" (Wal-Mart 2010). The Global Merchandising centers will be in areas that already specialize in their respective products. For example, England will carry a lot of the general goods and clothing; while Mexico's global merchandising center will house produce. The global merchandising centers will help Wal-Mart manage their suppliers better (no abundance of third party logistics companies and plethora of suppliers to have to manage) thus leading to cost savings. Not only cost savings will come from cutting out the middleman, they can also get more of a VIP relationship with their merchandisers, as the Supply Times puts it "The logic is simple: by eliminating layers of middlemen, Wal-Mart can detail what it wants and manufacturers align themselves accordingly." (Supply Times, 2010).

Wal-Mart decided to all but eliminate using third party logistics companies to let them gain more of a competitive edge and add more to their profit baseline. "Mr. Castro-Wright has estimated that shifting to direct purchasing could reduce costs by 5-15 per cent across the supply chain within five years – suggesting potential savings of \$4bn-\$12bn if the retailer were to meet its long-term goal of shifting to sourcing about 80 per cent of purchases directly" (Birchall 2010). Wal-Mart is a massive firm and has the financial prowess and logistical capability to make such a drastic move to essentially cut out the middleman. This shift to direct purchasing can help save them billions as well as give them a little more control over their suppliers, but it is not entirely a win-lose relationship. Proctor and Gamble have said in the past that simply having the exposure inside the retail behemoth is worth the cost of business with them. These suppliers do not make much of a profit when they supply goods to Wal-Mart, but they make enough to keep the lights on at their facilities, but the brand recognition gained by collaborating with Wal-Mart is worth it.

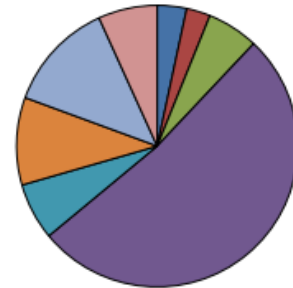


Components

Divisor: 63352530.29500000

as of: 04/04/2012

Name	Ticker	Wal Mart Exposure	Weight
Boulder Brands Inc.	BDBD	19%	0.26%
Cal Maine Foods Inc	CALM	3%	5.61%
Church & Dwight Co	CHD	9%	3.96%
Clorox Co	CLX	4%	5.74%
Cott Corp [US Listing]	COT	2%	6.51%
Dean Foods Co	DF	16%	0.95%
Diamond Foods	DMND	19%	0.23%
Energizer Hldgs Inc	ENR	13%	2.92%
Flowers Foods Inc	FLO	11%	3.96%
Green Dot Corp	GDOT	1%	6.78%
General Mills Inc	GIS	10%	3.88%
Hasbro Inc	HAS	13%	1.79%
Hanesbrands Inc	HBI	5%	5.91%
Helen of Troy Ltd	HELE	13%	2.02%
The Hillshire Brands Co.	HSB	5%	5.24%
Jarden Corp	JAH	13%	2.75%
JAKKS Pacific Inc	JAKK	6%	3.57%
Kellogg Co	K	13%	1.92%
Kraft Foods Group Inc.	KRFT	7%	4.71%
Lancaster Colony Corp	LANC	12%	3.11%
Leapfrog Enterprises Inc	LF	9%	3.14%
Snyders-Lance Inc	LNCE	19%	0.56%
Mattel Inc	MAT	14%	1.56%
Prestige Brands Holdings	PBH	17%	0.96%
Post Holdings Inc.	POST	12%	3.23%
Perrigo Co	PRGO	13%	2.41%
Smucker J.M. Co	SJM	4%	5.76%
Spectrum Brands Holdings Inc	SPB	9%	4.53%
TreeHouse Foods Inc	THS	15%	1.37%
Tootsie Roll Industries Inc	TR	8%	4.66%



- Biopharmaceuticals 3.37%
- Diversified Consumer Products 2.75%
- Apparel and Accessories 5.91%
- Food, Beverage and Agriculture 51.96%
- Household Products 6.55%
- Leisure Goods 10.06%
- Personal Care and Cleaning Products 12.62%
- Business and Public Services 6.78%

Components classified according to the Revere International Sector Classification (RISC™) system

Base Date: July 1, 2002

Base Value: 25

(ISE, 2013)

As mentioned above, Wal-Mart has tremendous buying power, Procter and Gamble makes little to no money selling their goods to Wal-Mart, but having their products on the shelves of the retail giant makes it worth it. In the diagram above are Wal-Mart's suppliers and the percentage of their business that flows through Wal-Mart retail outlets. The reader can see these companies are extremely dependent on Wal-Mart. The more Wal-Mart has these companies eating out of the palm of their hand, the more buying power they have during the buying process.

They have also cut out a lot of waste with the implementation of their Electronic Data Interchange practices. Wal-Mart was ahead of the game back in the 1980s when they “purchased a satellite ...and by 1988 held the largest privately owned communications network in the country to handle Electronic Data Interchange (EDI)” (Khaade, Lovas, 2010). By getting ahead of their competitors and implementing Electronic Data Interchange, Wal-Mart was and still is able to run a remarkably efficient supply chain. Now their suppliers can just log into Wal-Mart’s EDI system and check to see if they need to re-stock their products; that way the suppliers do not need to spend all that capital on forecasting.

Wal-Mart has over 57,000 suppliers in the US alone (Schmitt, 2009). “Wal-Mart generally starts out smaller suppliers in a local market, delivering goods to up to 50 stores, as a test run. If the supplier provides a high-selling product and proves reliable, it might be considered for national distribution” (Schmitt, 2009). That previous quote from the Business Week article shows how Wal-Mart is committed to building up small suppliers, but only if the suppliers show they have the ability to grow. Wal-Mart has a tremendous amount of buying power; this allows them to be very picky when it comes to supplier selection. With this power they have encouraged their suppliers to lower their prices and become more eco-friendly, they have trended toward a green supply chain in recent years (this offers tax breaks from the government and also helps out the environment) for benefits and to also become known as a more sustainable business.

Wal-Mart pays its suppliers “within 30 to 45 days” after receipt of purchase order (Schmitt, 2009). The basic way that a supplier becomes a Wal-Mart supplier is for them to complete a series of steps. These steps include evaluate their own company to see if they are capable to become a Wal-Mart supplier, ensure their company has a federal tax number, ensure their company has a Universal Product Code membership number, acquire a Dunn & Bradstreet number if they have none, ready picture and product information of your product, then begin initiation of product submission. If their product passes all those steps, the supplier is invited to Wal-Mart’s headquarters in Bentonville Arkansas to pitch their product, within a week or so of the pitch Wal-Mart will make its final decision on the supplier to decide if they want to work with them or not (Wal-Mart .com, 2014).

Inventory

Wal-Mart currently has a large amount of inventory on hand; due to this fact, Wal-Mart decided to increase capital expenses that lead to improved operations. By investing billions, Wal-Mart has improved their tracking and inventory management, which has led to stronger, accurate sales forecasting. Wal-Mart invested in improved technology so the company could reduce inventory waste by allowing stores to manage their own stocks by reducing pack sizes across many product categories, and timely price markdowns (Mohan Chandran). In 1983, Wal-Mart had the first satellite communication where Walton described it, "I can walk in the satellite room, where our technicians sit in front of the computer screens talking on the phone to any stores that might be having a problem with the system, and just looking over their shoulders for a minute or two will tell me a lot about how a particular day is going. On the screen, I can see the total of the day's bank credit sales adding up as they occur. If we have something really important or urgent to communicate to the stores and distribution centers, I, or any other Wal-Mart executive can walk back to our TV studio, get on that satellite transmission, and get it right out there. I can also go every Saturday morning around three, look over these printouts and know precisely what kind of work we have had."(Bob, Ortega 133)

Wal-Mart has different processes and methods of tracking and managing inventory. For example, at the Wal-Mart stores the employees use a machine that is known as the "Magic Wand." The Magic Wand is a mini computer that can be held in one's hand and it helps keep track of the merchandise that is in the store, and at the distribution centers. In addition, it keeps track of the incoming merchandise that will be delivered to the store.

Wal-Mart also uses the Point-of-Sales (POS) system, Voice-based Order Filling (VOF) and Massively Parallel Processor (MPP). The POS is used to track what has been sold, and what is on the store shelves. The VOF is used in the grocery distribution center. Employees responsible for picking can use the VOF to verify the quantities that are being picked. VOF can also provide details of a product such as type, price, etc. The MPP system is used by Wal-Mart to track all movement of inventory and stock levels (Fay, Oshi).

Wal-Mart also has invested on a retail link system, which is used by suppliers to manage their own products at the Wal-Mart store. The Retail Link System is known as vendor management inventory (VMI) (University Alliance,2014). It has been beneficial for many companies because it improves the companies' supply chain by working directly with the

manufactures. The Retail Link System houses information of inventory levels at retail stores, sending the information to the Satellite and to the vendors to give information such as live quotes, and current inventory levels. Using VMI, suppliers can refill the merchandise without waiting for the customer's orders or approval. According to the Business Dictionary, the supplier can do one of two things when they are using VMI. The first one is that suppliers can monitor the customer's inventory using their own employees. The second one is that suppliers receive stock data from the customer through the information received from the Electronic Data Interchange (EDI), which is the one that Wal-Mart uses (Dictionary). According to Wal-Mart corporate website, they worked with more than 3000 suppliers (Wal-Mart 's Supplier Diversity Program). Suppliers can be local or can be located in another state or country. This method has helped Wal-Mart suppliers, warehouses and retail stores work as a single company. Not only that but VMI has also helped Wal-Mart to have a manageable method of performance and lower the merchandise cost, while having the product at the right place at the right moment. (Wal-Mart 's Supplier Diversity Program)

Manufacturing

Wal- Mart is a company that cares about their customers and the community. Merchandise that is manufactured and sold at Wal-Mart includes food, apparel, electronics, home products and automotive services. Wal-Mart's goal was to keep prices low compared to competitor's prices. In order to keep low prices, Wal-Mart negotiated with the manufacturers to have a lower price. Manufacturers then would negotiate with the suppliers to knock down the prices of the materials since they are buying in bulk quantity. Due to the negotiation that Wal-Mart had with the manufactures, many of these companies had to open their factories where the production of the product or labor is cheap. For example, many manufactures that do business with Wal-Mart had to move their factories to countries like China.

Wal-Mart believes that they can create more jobs in the United States by supporting American manufactures. Sam Walton in the 1980s founded a program called "Bring it Home to the USA". The program consists of Wal-Mart paying five percent more to suppliers that made their merchandise in the United States (Hindery, Leo 123). Also, the most recent program is "Buy America" which consist of creating more jobs in the USA. According to Wal-Mart's manufacturing commitment, they will spend their money buying from companies that produce their products in the United States in order to produce more jobs in the country. Since 2013, Wal-

Mart has done some progress by doing business with new suppliers. According to Greg Hall, Vice President of U.S. sourcing and manufacturing at Wal-Mart U.S., said “The world's No. 1 retailer will work with the federal and state governments to attract more manufacturing plants back to the United States” (Starner Ron). This means that Wal-Mart will keep progressing and for them to succeed they will work with suppliers and government in order to succeed.

Logistics Facilities Networks

Wal-Mart has one of the most extensive distribution networks in the country. This distribution network includes over 42 general merchandise distribution centers, 42 grocery distribution centers, seven fashion distribution centers, eleven import distribution centers, 26 Sam's club distribution centers, 25 specialty distribution centers, and nineteen cross point distribution centers; totaling to 158 Wal-Mart centers that when combined span over 119 million sq. feet.

Wal-Mart tends to place its distribution centers close to other stores and as such, the average distance for general merchandise distribution centers is 124 miles (*MWPVL*). The general distribution centers are mainly used as part warehouse and part cross-dock for the trucking fleet. This allows Wal-Mart to implement JIT shipping methodologies from their warehouses to their super centers and replenish stock faster (*Souza*).

In addition, Wal-Mart owns and operates their own trucking fleet which allows them to ship products on their own schedule and cheaper compared to suppliers-to-store shipping (*Wal-Mart Logistics*). To this end, Wal-Mart uses center point distribution centers, which consolidate goods from suppliers before shipping them to distribution centers to then be shipped to retail stores. This helps reduce transportation costs since instead of having the suppliers ship inventory to the various distribution centers, they instead ship to one of nineteen strategically located center point centers. There, the inventory is consolidated into larger shipments to be shipped out to general distribution centers as a means of cost reduction (*MWPVL*).

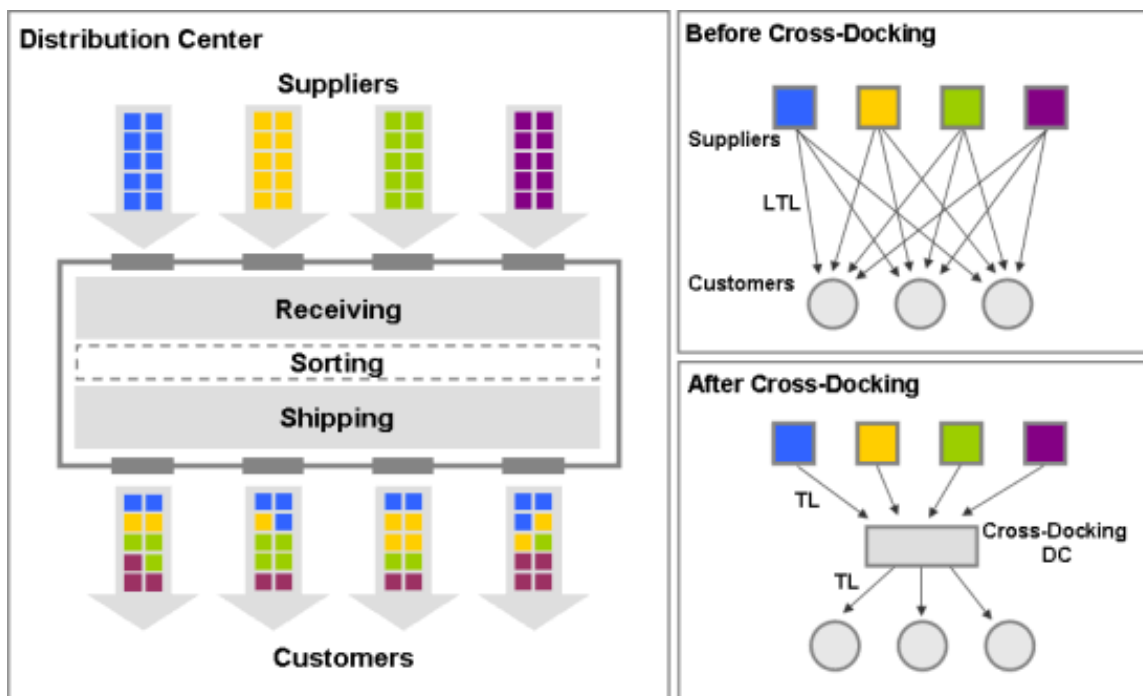
Wal-Mart also makes use of specially designed grocery distribution centers. Due to the quick perishability of the items, each of the distribution centers is located on average 134 miles away from a store. Wal-Mart has also moved towards more automation in these locations; using automatic cranes and barcode scanning to store large pallets (*MWPVL*). Of the 42 grocery distribution centers, six are completely automated with inbound and outbound shipment handled

completely by computers. However, the cost of such implementation is so high that the remaining 34 distribution centers are still staffed conventionally.

Transportation

As retail, giant Wal-Mart has earned the title as the top revenue earning company since 2007. Wal-Mart is considered “best-in-class” company for supply chain management (J. Alyea, 2012). Their ranking places them on the top of the Fortune 500 rankings passing many of the top grossing companies globally. With a fleet of approximately 6,000 semi-tractor trailer trucks their efficiently surpasses many of its competitors (Wal-Mart, 2013). One of the reasons for the success of Wal-Mart and their ability to reach out to household across the country is the ability to strategically put distribution centers in areas to maximize an area to place retail stores. Wal-Mart’s ability to utilize high efficient automation technologies in their distribution centers allows them to operate effectively 24 hours a day 7 days a week servicing their fleet to deliver products to retail stores (J. Alyea, 2012).

There are more than forty regional distribution centers for products that are imported from outside of the United States and there are more than one-hundred and forty distribution centers for domestic movement.



The company's distribution network is made up of a hub and spoke system, which has proven to be successful in the reduction in transportation cost, and improves cycle times, and limits the amount of storage. Inventory is not stored in Wal-Mart's distribution centers. Wal-Mart's fleet of 6,000 trucks and trailers are used to pick up goods directly from the manufacturers warehouses, eliminating intermediaries and increasing responsiveness. The use of company owned trucks raises transportation cost but in the end justifies the reduced inventory cost. Merchandise is brought in by truck, sorted, and delivered in a short amount of time, usually less than 48 hours (J. Alyea, 2012).

Wal-Mart's transportation operations are one of the most important parts of the company's growth and progression. They take great pride in the quality of drivers that transport products nationally. A strict policy is in place for the hiring of drivers, the company only hires experienced drivers who have an exceptional driving record and have driven more than 300,000 miles without any accident. (J. Alyea, 2012)

Since 2007, Wal-Mart has delivered more than 830 million cases of products while driving 300 million miles less than in the past. (Wal-Mart, 2014) They have been making changes over the past several years to put in place an organized structure to reduce the amount of waste. In order to do so they are designing new trucks and using streamline trailers that are filled to capacity both inbound and outbound to cut down on the amount of maintenance and fuel cost. Their vision is to "become invested in green" to build on the company's reputation (AP, 2012).

Information Systems

Wal-Mart has always had a strong push for more computer information sharing between Wal-Mart and its suppliers. They were one of the first companies to push for Universal Product Code bars throughout all of their stores, create collaboration with suppliers via Retail Link, and is in the process of implementing RFID chips throughout their supply chain. (Traub)

One of Wal-Mart's greatest strengths early on was to implement Universal Product Code bars throughout the entire company. This allowed managers to quickly perform inventory by scanning the codes and storing the information into a central computer rather than hand counting the pallets. It also allowed regional managers to quickly analyze the inventory count of all of their stores at once, which allowed them to create accurate forecasts quickly. (Traub)

The most important piece of technology though, is the creation of Retail Link. Retail Link is a portal designed to connect Wal-Mart to their suppliers letting them view the inventory

count of their products at each store. It brought together information between Wal-Mart and its many suppliers allowing multiple companies to collaborate electronically without having to send data back and forth between multiple parties. This allowed for suppliers to adjust production quickly and make more accurate predictions based on the sales data from Wal-Mart. (Peterson) This also allows Wal-Mart to press their suppliers to be more competitive by showing them the data on their competitors.

Wal-Mart is currently in the process of implementing RFID throughout their systems. Though they have tried in the past, the implementation mandate from Wal-Mart did not work out as planned due to various reasons. (Baichen) However, a decade has passed since Wal-Mart's last attempt and since then the price of RFID chips have fallen from dollars to several cents making them much more cost efficient. The advantages of RFID chips are that they work by near field communications with an RFID scanner. Similar to a bar code scanner, the RFID scanner reads the information stored on a RFID chip when it picks up on the signal, but an RFID scanner only has to be near the chip to read the information. (O'Conner) This means that the employee doing inventory count no longer has to manipulate each item in order to find the bar code in order to scan it, and since the RFID chips can indicate they have been read that means less mistakes by rescanning the same item. By implementing RFID chips instead of the traditional bar code, inventory count be done multiple times a year compared to once a year. (O'Conner) This means more up to date information for Wal-Mart and its suppliers and less time spent scanning barcodes

Uniqueness

One small thing that Wal-Mart does that seems to be unique to itself over its competitors is that "Wal-Mart trains people in supplier companies. Wal-Mart has partnered with Accenture to create a six to twelve month program that finishes in a four-hour exam known as the Supply Chain Academy (SCA)" (Khaade, Lovas, 2010). This allows for Wal-Mart to train their suppliers on their supply chain specifically, thus helping clear up issues between working with another business before any of said issues even arise. This is an easy way for Wal-Mart to manage its suppliers to make sure both parties involved in the procurement process are on the same page.

Wal-Mart's use of Global merchandising centers and ridding its supply chain of the middlemen is another unique activity in its supply chain. They do whatever they can to cut costs for their end customers, which falls exactly in line with their mission statement so even though it

may be seen as bullying the market for the lowest possible price they are sticking by their mission.

What makes Wal-Mart so unique compared to other large networks is their willingness to implement new technology even if at big costs. They installed one of the largest private satellite systems in the United states (Experience Walmart's History), the first company to implement a Universal Product Code bar throughout all of their stores, and the first store to create a massive collaboration network between suppliers and Wal-Mart via Retail Link. They are also in the process of implementing RFID tags to replace barcodes and in the process of creating fully automated warehouses. Wal-Mart's willingness to take innovative risks to their supply chain has allowed them to grow to the largest retailer in the United States.

Wal-Mart is a unique company because inventory is not only manageable with technology but also consists of a great communication and help from the distribution centers that Wal-Mart has across the United States. Due to the excellent inventory management methods, Wal-Mart has success and has a better control over selection in all stores. Not only that but most importantly they have low cost for inventory and products, which allows Wal-Mart to sell products at a lower cost. Wal-Mart stores dominate different sales sectors. Wal-Mart is distinguished from its competitors because they know how to negotiate with suppliers to lower their product prices. Other companies also ask suppliers to reduce their price. At the end, Wal-Mart offers a lower price for products compared to its competitors.

Wal-Mart has a unique order processing system in place. With so much volume, Wal-Mart has come up with an innovative technology using SKUs to scan product and keep track of inventory levels in their Point of Sales System. This Retail Link then can send this information to Wal-Mart vendors and corporate headquarters as well as manufacturing facilities via Wal-Mart's satellite. This is what makes their order process system so unique.

Competition

Wal-Mart is essentially the bar that their competitors are trying to reach but they do have competitors. Wal-Mart is in the Department/Specialty Retail Market sector and has a market cap of \$288,092,788 (NASDAQ, 2014). Their main competitors are Costco Wholesale Corporation (market cap of 62,290,627), Target Corporation with a market cap of \$46,894,984, and Macys Incorporated with a market cap of \$22,971,423 (NASDAQ, 2014). The reader can see by the vast difference between the market caps Wal-Mart is miles ahead of the competition.

Current/Future Challenges

Despite Wal-Mart being so ahead of its competition, it does face a myriad of challenges, now, as well as in the future. Wal-Mart was in the news as recently as 2013 for a challenge that they and other large manufacturers are facing. In April of 2013, Wal-Mart was exposed when a fire at one of the manufacturing facilities in Bangladesh killed nearly 300 workers (Manik, Greenhouse, Yardley, 2013). Wal-Mart has since taken steps in an attempt to look more responsible by improving the inspections and conditions of their overseas manufacturing facilities; “of the 200 or so factories inspected, 34 moved from a D or C rating to an A or B rating. But how many did not? According to my own count, of the 75 factories listed now, only four were initially given grades of B in both building and electrical safety” (Berfield, 2013). They need to drastically improve the company image and create a sustainable supply chain in order to keep the faith of their shareholders. Because Wal-Mart is such a big corporation, it is quite difficult for them to properly manage all of it, this is another major challenge. Due to them being industry leaders, all eyes are on them; this means Wal-Mart must take extra caution when watching over their own supply chain.

One more challenge that Wal-Mart is currently facing is with how they purchase/procure inventory for their overseas stores. After opening storefronts in India and China Wal-Mart has found out that the local cultures see “Large stores are looked upon as being expensive – it is the smaller neighborhood stores that are viewed as offering lower prices since the customer believes their expenses are lower” (Loeb, 2014). This means that Wal-Mart cannot quite stick to its strategy of ordering in bulk, “Wal-Mart supply chain offers wonderful price advantages via bulk purchasing. In both China and India, food is generally not bought in bulk because customers feel

that they can find fresher items in smaller stores and in small quantities. The challenge is that Wal-Mart has to convince their potential customers of the quality and freshness of the food, and that the general merchandise offered is of high quality despite its low price” (Loeb, 2014). Thus, Wal-Mart must figure out a way to conform to the local culture, even if it means they have to change the way they purchase and store inventory.

Recommendations for Potential Improvement

Wal-Mart is miles ahead of its competition in nearly every facet. Their market share is astronomical and they have great buying power. However, there are some areas in which our group feels they can improve. Wal-Mart sticks to its guns when it comes to following its mission of Low Prices Everyday. Low Prices are good, but they are known to bully suppliers and have low wages and poor working conditions overseas in the manufacturing plants for their private label products. Wal-Mart needs to begin improving their company image a little further, and show that they are a sustainable business – or one that is socially, economically, and environmentally responsible. They have already begun the environmentally friendly part by way of making more green products available in stores and greening their trucking methods (which they believe will even help them save money in the long run while helping the environment in the process). Wal-Mart badly needs to improve its manufacturing facilities overseas, when the 300 or so workers died in Bangladesh, it was at a facility that Wal-Mart products were made in, this shows little social responsibility on their part and they received a lot of bad press. While they improve the conditions, of their manufacturing overseas, some costs may go up but the press they receive over doing good will more than pay that opportunity cost back. Wal-Mart also needs to figure out how they want to approach cultures abroad and form their supply chain around it. As of right now Wal-Mart is still working on building more their smaller Neighborhood Markets storefronts overseas in Asian countries that perceive big stores as being expensive. The smaller stores means they should move away from buying in bulk for cheap, and move toward more use of EDI and build manufacturing facilities close by to insure JIT inventory. Another issue is that Wal-Mart has high capital tied up in the thousands of retail stores. They are able to afford to abandon old buildings and start fresh. The buildings often times sit abandoned until other smaller chains can afford to purchase these. This does not fit economically with their missions of green and sustainability. They are just letting buildings deteriorate instead of refurbishing them and

improving their image. Lastly, Wal-Mart can improve upon its customer service metrics and really making sure that their customers are happy, while saving money. If their customers are not happy, then they will not be in business. Developing a system such as feedback at the register or giving a gift card for filling out a questionnaire could go a long way.

Team member Participation

Erich completed the Vision/mission, Company Structure (Division, Global Reach, etc), and the Transportation Methods sections.

Ilse completed the Inventory, and Manufacturing sections.

Nathan completed the Logistics Facilities Network, and Information Systems ERP, Software sections.

Jeremy completed the Procurement, Uniqueness, Competition, Recommendations for Potential Improvement, and the Current and Future Challenges sections. He also aided in working on bibliography and end editing/proofreading. Jeremy also created the PowerPoint.

Tyler completed the Company/Division, Supply Chain Diagram, Customers, Order Processing, the Recommendations for Potential Improvement, References within document, Bibliography, Which team members did what part, Compilation of final document, Editing, and Proofreading.

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