

Wal-Mart Supply Chain Management

Hassan Natto

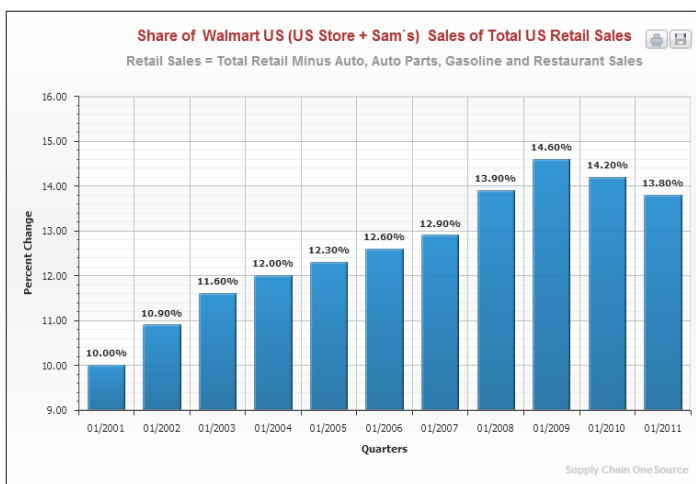
Abstract: A retail store network founded by Sam Walton is operating at 6500 locations globally with the support of 1.8 million employees. The main strategy of Wal-Mart is the provision of best quality of merchandise and services at lowest affordable prices for consumers. Their everyday low prices (EDLP) technique is used over all discount stores especially of apparel, small appliances, housewares, electronics, even hardware and majorly at grocery stores. Wal-Mart also has a lot of competitors located in every category of stores.

Introduction

Wal-Mart is the largest retailer operating from 15 countries and according to them, Supply Chain management is the main source through which their organization grows and achieves this status.

Even they claim that other retailing organizations are copying their strategies in retail and supply chain like shared sales data with suppliers, deployment of RFIDS and bar codes, enabled self-distribution with in-house transit and fully digital point of sales to manage the inventory levels. In the process of supply chain management there are certain functions that are to be focused like the purchasing of the products from the suppliers and wholesale dealers. The next phase is of distribution which requires an efficient strategy through which costs could be reduced and to use best transit modes at least cost.

When the product is ready to be sold at any point of sale, its retail strategy should be formulated as at these stores, the products are to be sold mostly at bulk level. The retail strategy comprises of all operations from the level of logistics to store level and assists in reducing the operating costs. Wal-Mart is very famous for deploying Just-in Time process in their supply chain management that reduces a lot surplus costs by stocking bulk of not required products. Using the immensely strategic and intellectual supply chain processing system, Wal-Mart has managed to achieve a significant share within the US stock market that can be viewed in the progressive manner in following figure.1



Supply Chain Description

When Sam Walton started establishing the chain of Wal-Mart Stores back in 1962, he possessed an efficacious chain of stores under the Ben Franklin Stores flag, a franchisor of mixture stores in the United States. In spite of the fact that he was under contract to buy the vast majority of his stock prerequisites from Ben Franklin Stores, Walton was fit to specifically buy stock in mass from revamped suppliers and after that transport the aforementioned merchandise to his stores straightforwardly (Andel, 1995).

Whenever Walton acknowledged that another drift, rebate retailing—dependent upon driving towering volumes of item through ease retail outlets—was clearing the country, he chose to open up huge, warehouse-style saves keeping in mind the end goal to contend. To stock his revamped warehouse-style stores, at first named “Wal-Mart Discount City,” Walton would have done well to step up his stock acquisition exertions. As none of the suppliers were eager to send their trucks to his stores, which were spotted in provincial Arkansas, in such circumstance, the self-distribution was the only way out.

As Wal-Mart developed in the 1960s to 1980s, it started extracting the advantages from better transportation facilities and the failure of it is contenders to respond to updates in enactment, for example the evacuation of resale value upkeep, which had averted retailers from marking down stock (Andel, 1995).

Following are some of the important entities that developed within the Wal-Mart supply chain as it started progressing and developing (Barry, 2006).

Purchasing Power and Capability

As the purchasing power of Walton expanded in scale, Walton and his senior administration crew could travel to establish new offices in New York City, removing the role of the mid-agents or the wholesale dealers. Wal-Mart's U.S. purchasers,

found in Bentonville, went with suppliers to guarantee that the right intermingles of staples and unique things were requested.

As time passes, a large number of Wal-Mart's most vast suppliers had business settings in Bentonville, staffed by investigators and administrators supporting Wal-Mart's business. Still having the same mechanism, Wal-Mart is often viewed and perceived as a negative entity for the suppliers, yet

its effective strategy has enabled them to harvest significant profit.

Distribution

Wal-Mart's 75,000-employee logistics division and its informative data frameworks division incorporated the most substantial private truck armada worker base of any solid 7,800 drivers, who conveyed the dominant part of stock sold at saves. Wal-Mart's 114 U.S. dissemination centers, placed all through the United States, were an intermingle of general stock, nourishment and delicate products circulation centers, handling over five billion cases a year through its whole grid.

Strategic Approach for Retailing

As the distribution centers of Wal-Mart had been closer to real time information processing units of each store; the merchandise can be placed within the stores automatically. Similarly, the information systems at the store level, permitted makers to be informed whenever a thing was obtained. In foresight of modifications popular for certain things, cohorts had the power to manually include requests or override looming conveyances.

Conversely, a large portion of Wal-Mart's retail contestants did not give marketing obligation to passage-level representatives as promoting templates were sent to stores through head office and were wanted to be emulated correctly. To guarantee that workers were maintained, administration imparted in-depth information systems about day/week/month save bargains with all representatives throughout every day in an informal meeting of about few minutes.

Information Systems

In contrast to this management endeavor, the analysts assessed the Wal-Mart's inventory network force to co-ordinate the stream of features from suppliers' industrial facilities and determined any store network issues, from schedule issues for example, guaranteeing that items were available for pickup by Wal-Mart's trucks, and orchestrating the profit of damaged items, to final-moment issues for example, maintaining sudden spikes popular for famous things. Whenever Wal-Mart purchasers met, on an often premise, with a supplier's deals groups, two paramount themes of assessment were the

supplier's out-of-stock rate and stock levels at Wal-Mart, evidences of how well recharging was being taken care of. Suppliers were furnished with focuses for out-of-stock rates and stock levels.

Company Supply Chain Strategy

According to the coverage of a recent event, it was announced by the management of Wal-Mart to their suppliers that they can audit and disclose the costs of their products, in other words Wal-Mart invited 100,000 corporates globally to audit and evaluate their environmental and social strengths which could lead the relevant businesses to decrease their wastage after the evaluation and improve their returns.

The corporate critics who always keep evaluating the strategies of Wal-Mart praised the management of Wal-Mart for this act but they knew that Wal-Mart has a wider goal behind this plan. Wal-Mart designs to consolidate information on water usage, environmental friendly gas discharges, strong waste grounding, and worker morals into a database imparted worldwide, which the group stated might be utilized to shape the first file of a feature's essence cycle sway.

According to Wal-Mart "Our goal is not to create our own index, but to spur the development of a common database that can be used globally, a standard for all of us in the future to rely on," said Mike Duke, president and chief executive officer of Wal-Mart Stores, Inc., at a meeting of employees, suppliers, academics, and environmentalists on Thursday at the company's corporate headquarters in Bentonville, Arkansas. "Customers want and will expect retailers to have greater transparency in the future. This is going to accelerate. We might as well get used to it." ² It is under the planning of Wal-Mart that Lifecycle Assessments (LCAs) would be responsible for the provision of information regarding labeling found on the product.

Other than this Wal-Mart facilitates their customers in relevance to some categories of products that they can evaluate that information by scanning them on the PDAs and evaluate the given content on the packaging. Promoting this plan, Wal-Mart states that "A consumer will be able to see the cotton farm, maybe even the farmer who raised the cotton," said John Fleming, the company's chief merchandising officer. "The consumer of the future will be able to see, whether from the sea or the ground, where that product came from." ³

The feedback that was received for this category of products was very positive but it also gave that information to customers that were even ethical from environmental point of

3. <http://www.worldwatch.org/node/6200>

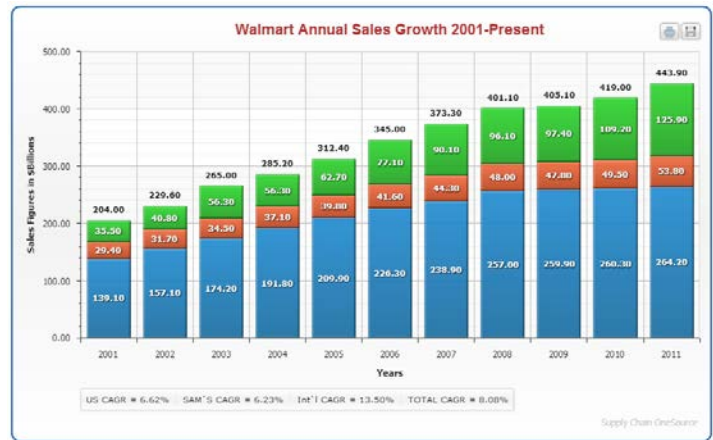
view but somehow sales were reduced for some of the products and for that case Wal-Mart was held responsible.

On the other hand Wal-Mart was just focusing on the value that they were providing to their customers, according to an individual from Wal-Mart, "As you look through the details, there is so much hidden cost, so much inefficiency," Duke said. "A lot of this can help us be more productive, to lower costs, to give the customer better quality, and to live in a more sustainable world." ⁴

Company Supply Chain Effectiveness

Wal-Mart has become the largest retailer with the most rapid expansion in their discount provision network and all of this has happened through proceeding in reducing the surplus costs in all their operations and inhibiting the marginal expansions. All this has resulted in to an increase in their net income by 25% that has been now \$1.6 billion and 18% market share is possessed by the discount department of their network. Wal-Mart has been always stronger than its competitors as it has bonded the most powerful relation with every kind of suppliers, though their always customizing operations and giving a spacious platform to brands to market their branding and by consolidating with the industry on individual level.

Wal-Mart also looks after the demands of their customers; this also keeps an efficiency level in their stocks and let the suppliers know about the sales of their products on run-time. After an overall research it could be said that, Wal-Mart is able to lead the market of retail business by possessing some qualities or strengths as compared to others. These strengths are that, the supply chain dept. (Barry, 2006). of Wal-Mart keeps track of the demand of each product, tracking their movement from other stores too which defines which region requires which sort of product in which amount, by the deployment of a very effective information system that secures all sort of transits and transactions, not only this but also analyses the sales, trend of customers in reference to market information and also by becoming a middle party between the distributors and the wholesale dealers. The growth and tremendous progress of Wal-Mart can be observed from the following growth chart.⁵



Future Work and Discussion

Wal-Mart has a firm belief that they could progress only by developing long-term relationship with their suppliers so information sharing could be more credible and easy. Other than these routes in transit system are designed very efficiently and their vehicles are integrated with special navigational devices that keep their transportation system in record.

Now some weaknesses were also observed in their operating cycle, discussing them could be utilized as for recommendations for their supply chain process. Wal-Mart deploys a system in which distribution warehouse is linked directly to the shipment party; along this the individual warehouse is also linked to the shipment party. It increases the operational costs as one shipment is linked to the distribution warehouse and when the order is received, it is selected and again packed and again then shipped individually to their stores location. This process increases the time and costs of the transit. In this process at distribution level the storage was also evaluated the storage levels or orders quantity of that specific product.

This whole process should be reengineered, time frame should be defined and the distribution center and the individual store for every product should be cross docked on a specific time frame of 2 days in contact with the shipment independently within the both platforms so cost and time could be saved, this would create a good communication channel of the retailer with the manufacturer directly as the shipment would not be then delayed by the manufacturer as they are already aware of the demand at the point of sale, their distribution would be independent from the Wal-Mart and would reach more efficiently at the individual store.

Other than this the Quick Response system of Wal-Mart is effective but with the deployment of latest technological equipment all system involved in this program could communicate with each other to reduce lying issues and the common factor in all three systems; Vendor managed QR, Just-in Time System and Wal-Mart managed QR is the role of

5. <http://www.scdigest.com/ASSETS/FIRSTTHOUGHTS/12-07-26.php?cid=6047>

supplier and this could be made more effective if the supplier is aware of the inventory and sales so could increase their provisioning of the products from the vendors. Last but not the least, this all could take place if the Human resource of Wal-Mart could cooperate with all these strategies and by keeping the employees involved in their tasks by motivating them by certain techniques and by letting the employees even know about the in-depth information about the customer's trend and demands.

References

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