

# ***Walmart's Successful Business Strategies Leading to Competitive Edge in the Retail Industry***

*Lymari Vélez Berríos*

*Master in Manufacturing Competitiveness and Quality Management*

*Rafael Nieves, Pharm. D*

*Department of Industrial Engineering*

*Polytechnic University of Puerto Rico*

---

**Abstract** — *Walmart Stores, Inc. is a multinational organization that has successfully managed to overcome market fluctuations and volatility throughout the years. Its business strategies and approach have granted continuous success by achieving net revenues of \$514.41 billion with 11,361 stores in 2019. This research elaborates on Walmart's business strategies throughout the years by reviewing Walmart's Annual Reports. The observations obtained from the annual reports are then compared against retail industry successful strategies and principles while assessing relevance. The research also evaluates possible correlation between the quantity of stores, net revenues and leadership (Chief Executive Officer). The research results displayed a positive correlation between the increment in store quantity and net revenues for the organization during the leaderships of Sam M. Walton, David D. Glass, H. Lee Scott Jr. and Michael Duke, but it showed weak or potentially non-existent correlation from 2014 to 2019 under Douglas McMillon's leadership.*

**Key Terms** — *business strategies, competitive advantage, retail industry, Walmart*

## **PROBLEM STATEMENT**

Building and sustaining successful organizations in today's volatile and competitive markets is a continuous challenge. Millionaire investments had rule from one industry sector to another in the pursue of productivity and performance optimization, but results had been varied. We are constantly surprised with countless new billionaire enterprise startups while others with solid history and reputation decline to the point of bankruptcy and shutdown.

Walmart, Inc. is a multinational organization with over 11,500 stores under 56 banners in 27

countries, and e-commerce websites in 10 countries, while employing 2.2 million employees throughout the world—1.5 million in the U.S. alone [1].

Walmart, Inc. started in 1962 after the inauguration of its first store in Rogers, Arkansas. Walmart's founder Sam Walton clearly established its business strategy. Walmart's vision is "Lowest Prices Anytime, Anywhere" [1].

The organization's unstoppable growth during the last 60 years had led the way in which many organizations conduct business today. Walmart, Inc., has positioned itself at the top-ranked company in the Fortune 500 list since 2002 to today (2020), including three fluctuations to 2<sup>nd</sup> position due to market fluctuations.

The research will evaluate with the strategy execution processes that have led to Walmart's competitive advantage while becoming top-rank in Fortune 500 for over a decade.

## **RESEARCH DESCRIPTION**

The research will analyze Walmart's business strategy and strategy execution while assessing potential correlation between strategy and business profitability success leading to competitive advantage.

Has the organization's success been driven by market predictions, organizational culture, or a more pragmatic approach through strategy execution processes?

The research will pursue the "behind the scenes" on Walmart, Inc.'s financial successes while measuring against established strategy execution processes, organizational culture, and/or innovative leadership. Successful enterprises are driving our world's economy and ruling while

maintaining competitive advantage. The research will analyze key drivers of Walmart's success.

It is estimated that 60-90% of strategy execution efforts fail to deliver the intended purpose [2]. The research will assess Walmart's strategy execution processes that had been categorized as "successful" throughout the years.

## **RESEARCH OBJECTIVES**

The objective of the research is to immerse the reader in Walmart's trajectory of business growth. The research will integrate key financial data obtained from Walmart's annual reports in combination to additional references while assessing key strategies throughout the years that led to "successes" in the path to competitive advantage and long-term success.

The research will compare data, including but not limited to company information, key financials, stores quantity, leadership, organizational culture and strategy execution.

Strategy execution processes will be defined, compared and analyzed against Walmart's successful trajectory. The observations resulting from this research will be presented by combining summary of strategies in chronological order, scatterplot diagrams and correlation analysis. This information is meant to serve as a reference guide for audiences starting new retail organizations or turning around existing companies.

## **RESEARCH CONTRIBUTIONS**

The research contributions are focused on increasing the availability of proven successful strategy execution processes while evaluating those processes against Walmart's successful strategies. Our complex and volatile markets are forcing organizations to change strategic direction rapidly and effectively. Walmart, Inc. has managed to adjust and react successfully to the fast-paced market's complexity and volatility since the first Walmart store opened in 1962. The organization successfully went national in the 1970s, expanded customer audiences in the 1980s through Sam's

Club and Walmart Supercenter, became America's number one retailer, expanded operations internationally in the 1990s, integrated new platforms to continue expanding its business online, in-store and committed to environmentally sustainability efforts in the 2000s.

The research will:

- Evaluate timeframe in which the organization's strategies gain momentum while net revenues (\$) trend increased exponentially.
- Evaluate Walmart's strategies against proven successful strategies established for the retail industry.
- Perform correlation analysis for several data sets, including correlation between store quantity, net revenues and potential impact of the Chief Executive Officer in net revenues results.

## **LITERATURE REVIEW**

Strategy execution has become one critical component to the survival of existing organizations and furthermore to sustain competitive advantage. Today's volatile market and unprecedented challenges are increasingly demanding more out of strategic leaders and organizations to keep the business afloat and profitable.

Walmart has managed to not only stay afloat, but to become a leader across multiple sectors, not only impacting customers, but also having a strong influence within suppliers' operations and becoming an eco-friendly company by reducing the adverse impact of its business on the environment.

What is the business strategy and strategy execution being pursued by Walmart's leadership leading to such organizational revenues, profitability, market growth and sustainability leading to competitive advantage?

The research applied seven strategic principles that had been proven to be successful in the retail industry. [3] provides detailed data in regards to successful business strategies and expands on principles such as Strategy, Customer Service,

Merchandising, Pricing, Marketing, Managing and Operations.

Organizations strive for competitive advantage through strategy execution. Organizational leverage will be developed by achieving the company's uniqueness while providing unique products and/or services or by providing similar products and/or services from competitors in different and more efficient ways.

Walmart, Inc.'s organizational leadership in more than one sector or industry has maintained a primary mission throughout the years and thus all business strategies had revolved around Sam Walton's main principle of "Lowest Prices Anytime, Anywhere" [1].

## **METHODOLOGY**

This research will be observational and retrospective in nature, since it will collect data readily available from archival databases, books and academic research.

### **Validation and Data Collection Techniques**

The dimensions to be evaluated and researched are Walmart's organizational successful strategies throughout the years. In addition, this research will explore successful strategies leading to competitive advantage. The research will evaluate data, including but not limited to company information, annual reports, key financials, organizational culture and strategy execution for a variety of strategic initiatives.

The business strategies will be presented in chronological order while the correlation studies will be performed by using the following variables:

- Independent variables:
  - Stores quantity
  - Leadership / CEO
- Dependent variable:
  - Revenue (in billions of \$)

The dependent variable will be measured and analyzed against each independent variable. The rate of success will be measured by net revenues

and organizational growth year over year, including count of stores that keep open.

### **Sampling Methodology**

The properties used in the sampling methodology include:

- Population: Walmart Inc.'s business strategy and strategy execution year over year.
- Walmart's historic revenues compared year over year.
- CEO as a measure of leadership
- The population will be statistically correlated to the organization's historic revenues. The statistical correlation analysis pursues to determine if specific business strategies had a direct correlation to annuals organizational profits.

### **Data Analysis**

- The data will be plotted in Excel spreadsheet and Minitab for correlation evaluation.
- Pivot tables will be developed to quantify and develop conclusions from the data

## **RESULTS AND DISCUSSION**

Walmart, Inc. is known within the retail industry for its competitive prices, innovation and competitive edge since 1962. The organization's continuous growth has sparked the interest of numerous investors, competitors and customers. Walmart's competitive advantage has spurred research, headlined news and inspired academic papers on to exemplary methods to successfully run the retail industry.

This research compiled data from various sources, including Walmart Inc.'s annual reports (form 10-K) available to the general public in the company's website. We read the shareholders' section of the reports since 1968. The data utilized for this research include Net Revenue (Sales), Units (Stores), CEO and key highlights from the letter to shareholders contained within the financial report.

"Walmart is an example of staying true to one vision... one timeless principle to deliver success"

[3]. “Everyday Low Prices” has been the core focus of Walmart’s strategic initiatives and improvement projects.

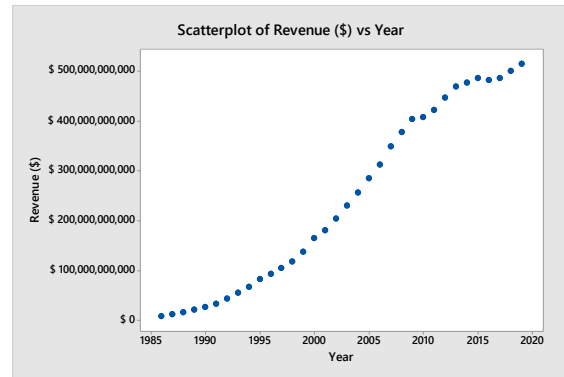
Strategy is considered the foundation and core focus to execute, sustain and adapt an idea to new circumstances or market volatility.

In strategic execution approach, it has been estimated that 60-90% of strategy execution efforts fail to deliver. The primary cause is attributed to the gaps and ambiguity about the different types of strategy execution processes and their strength in various [2].

Most of the strategies analyzed on this research were selected due to their long-term impact on Walmart’s competitive edge. Other business strategies initially pursued by Walmart were abandoned after some experimentation due to poor yields and/or lack of expertise or specialty in the sector undergoing through experimentation. We will not expand on the ineffective strategies or the novelty approach of ecommerce.

#### **Walmart’s Financial Results: Net Revenues (\$) YOY**

Walmart’s financial results displayed exponential growth trends in net revenues since the 1960s, but trend has shifted since 2016, the year when the organization experienced a slight drop of \$3.521 billion. In 1980, the organization officially transitioned from millionaire figures to \$1.248 billion. It was between the decades of the 1980s and 1990s that Walmart started to gain extensive territory and increased popularity (figure 1). This research will focus on the strategies initiated, developed and implemented between 1986 and 1996 with a long-term effect on the company’s revenues.



**Figure 1**

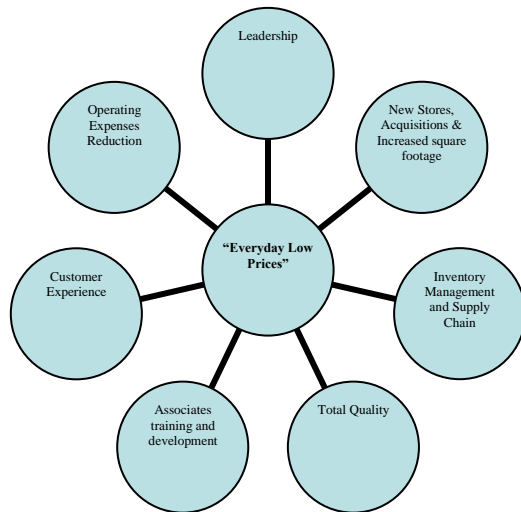
**Walmart, Inc.’s annual net revenues (\$) 1968-2019**

#### **Retail Business Strategies and Walmart**

[3] expands on the seven main principles for success from a strategic standpoint:

- **Strategy:** delivering a strong strategy is key to success.
- **Customer service:** treating the customers well.
- **Merchandising:** selecting and showcasing compelling products.
- **Pricing:** pricing them attractively.
- **Marketing:** engaging a competent team.
- **Managing:** being relevant to your customers.
- **Operations:** running the company soundly.

The information obtained from Walmart’s annual reports is aligned with the previously mentioned retail strategies (figure 2). Walmart’s strategies are aligned with the above principles while some strategies overlap in more than one of the seven principles. Walmart’s Strategies compared against strategic principles framework for the retail industry.



**Figure 2**  
Key Business Strategies highlighted in Walmart's annual reports from 1986 through 1996

### Strategy, Pricing, Marketing and Operations: Walmart's "Everyday Low Prices"

One of the key strategies of the organization is the unstoppable pursue of "Everyday Low Prices." It was the number-one driver that its founder, Sam Walton, was pursuing since the first store was opened. His mission was to provide the best retail option at the lowest possible price.

It's in 1986 when we can clearly identify a pattern and trends of exponential growth and momentum kickoff while gaining increased popularity and interest from customers and shareholders nationwide and in international segments.

It has been estimated that Walmart does save its customers approximately \$200 billion every year on food and other items [4].

The organization was perseverant while engaging on initiatives to seek cost reductions from suppliers and then passing those savings on to customers. In addition to the "Everyday Low Prices" strategy, there were several other programs to meet the competitive needs of the customers, including but not limited to:

- The Rollback program, a strategic approach to attract customers by offering and promoting discounts on specified items.
- In the late 1980s, the organization's office management personnel integrated a revolutionary program called Volume Producing Items (VPI). This program was mainly carried out by the employees' contributions through knowledge sharing in their individual markets based on locations. The office management team started to engage the employees from each store towards providing the "Hot" item of the week. The "Hot" item of the week was the item that sold the most during the week. The data were then distributed to the rest of the stores, providing competitive edge.
- The continuous approach of "Everyday Low Prices" drove initiatives to improve merchandising, expand brands, widen aisles and speed-up checkout procedures, which allowed the system to gain market share in slow economic environments in the 1990s.
- Sam's American Choice brand was first introduced exclusively for Walmart. This brand was introduced as a prolongation of the strategy of increasing branded merchandise produced in the USA and sold at "Everyday Low Prices."
- The organization understood its markets and local competitors with the objective of maintaining a competitive edge on items' prices.
- The implementation of self-service and cash-and-carry maximized sales volume and inventory turnover while minimizing expenses.
- "Satisfaction Guaranteed" by Walmart stores and Supercenters allow for the customer to return all products in their original packages for exchange or refund.
- In 1995, the organization built a second environmentally-friendly store. The first "evergreen" store design was located in Lawrence, Kansas. The store projected energy

savings exceeding \$100,000 by making this new Supercenter 30% more energy-efficient than typical stores.

### New Stores, Acquisitions and Increased Square Footage

In the late 1980s, the organization gave rise to an aggressive strategy of store expansions. The increased quantity of stores and extended footage in existing stores allowed for Walmart to continue leveling up in the net sales revenue scale ladder.

One of the original concepts that contributed to Walmart's square footage expansions and increased net sales was the "Hypermarket" experiment in 1988. It required some years to quantify the financial gains of the concept, but in 1994, the Walmart supercenters were classified as the right concept at the right time while meeting the one-stop shopping needs for a rising number of customers.

The organization invested around \$2.5 billion in capital investments, including distribution, transportation and infrastructure capability, to sustain growth, increase productivity and reduce expenses in existing operations.

The Walmart Supercenters reflected the founders' and leadership's vision of offering the customer a one-stop shopping alternative by introducing the departments of deli, fresh bakery and complementary convenience shops including hair salons, dry cleaners, optical shops and portrait studios. McLane and Western Merchandisers, some of the organization's specialty distribution subsidiaries, experienced record sales.

The organizational strategy to expand towards international markets gathers strength in markets such as Mexico and Puerto Rico. The Puerto Rican market was expected to offer significant learning opportunities in cross-cultural merchandising and operations, as well as oceanic replenishments.

"The experimentation of novel ideas and continuous improvement of proven ones have spurred our discount stores to an outstanding year" [5].

Walmart also stepped into new technology by integrating the largest private satellite

communication system in the US. The satellite linked all of the company's operating units and corporate office with two-way voice, two-way data and one-way video communication.

Sam's Club's innovative experimentation with full-line bakery, meat and produce merchandising, in addition to a carefully selected service to better serve the business member, was another accomplishment that gave the company competitive advantage. The successful strategy led to the rollout of 47 fresh departments in existing clubs. The conversion of Sam's Club to fully paid membership was a novelty widely accepted by the customers.

The scatterplot graph in figure 3 and table 1 show a positive correlation between the increment in store quantity and the net revenues for the organization. They shows a strong linear relationship. The correlation is statistically significant.

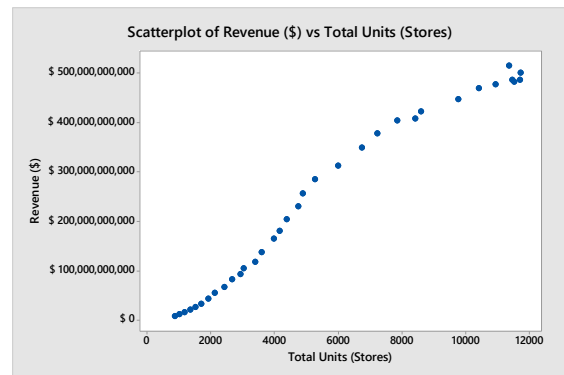


Figure 3  
Scatterplot graph: Revenue (\$) vs Total Units (Stores)

Table 1  
Correlation: Revenue (\$), Total Units (Stores)

|   |       |
|---|-------|
| Pearson correlation of Revenue (\$) and Total Units (Stores) Points | 0.985 |
| P-Value   | 0.000 |

### Customer Service

[3] expands on the customer service principle by delineating a set of guidelines to meet and exceed customer service in retail industry. The mnemonic G-U-E-S-T model is further explained:

- **Greet:** Welcome your customer within 10 seconds.

- **Understand:** Understand why the customer came to the store on that particular day.
- **Explore:** It's important to ask questions to find out what product will best meet their needs.
- **Suggest:** Confidently recommend 2-3 products that will meet your customer's needs.
- **Thank:** Show your appreciation and thank each customer for selecting your store, show them that they are valued to build loyalty and ensure all their needs were taken care of.

In the late 1980s, Walmart integrated the concept of "treating customers as our guests." The strategies towards customer service continue to build solid grounds by integrating friendly greeters at every store and club. The greeter welcomes every customer who enters the stores and clubs as a way of initiating and symbolizing the organizational commitment to exceed every customer's expectation. The improved apparel merchandise selection, better values and more name brand fashion were an additional initiative to improve customer experience.

### **Merchandising**

The inventories, stock management and distribution became a central component of Walmart's meeting customers' needs every day. The increased volume of inventories that arise from the early stages of the Rollback program, in addition to the fast-paced expansion of stores and square footage, demanded new strategies on stock levels.

In the mid-1980s Walmart invested in a new bar code technology system that was going to cut costs by providing increased accuracy on inventories, increase productivity by eliminating manual processes and increase the speed rate of freight and shipping inventories to stores.

Walmart's inventory management was one of the key strategic areas that play a central role in Walmart's early success. The organization's clear definition of customer satisfaction was having high-volume items 100% in stock. The efficient inventory of products and distribution is directly

related to providing the customers "Everyday Low Prices."

Walmart's drive to improve stock items and inventory availability required the integration and engagement of the associates. The associates identified more than 250 stock items that later became part of the basic stock in the distribution centers. The associates' collaboration resulted in improved "just in time" inventory management. The initiative also improved checkout service by speeding credit card authorization.

"Retail Link" was an aggressive step for further partnership relations with vendor's kickoffs in the 1990s. The electronic data sharing was intended to facilitate and optimize communication concerning sales trends and stock levels. The organization also installed new systems and conveyors to raise productivity to new heights. The organization also invested in private fleets to enable customized, cost-efficient deliveries to the stores, accommodating peak seasonal periods, nights and accelerated deliveries.

### **Management**

The Total Quality program was implemented in 1992 and listened to the best ideas of 371,000 associates. The initiative resulted in \$38,000,000 in savings within the first year through the "Yes We Can Sam" suggestion program [5]. In addition, the associates implemented over 400 suggestions to simplify, improve or eliminate work, resulting in 15% a reduction in the cost of operating, selling, general and administrative expenses.

In 1993, Walmart's leadership acknowledged the value of the collaboration of associates in the organization's growth by recognizing that the business's development had been a product of its associates' commitment. "We do not have and frankly never have had specific numeric goals of size or status. Our focus has always been to take care of our customers and one another by treating folks as they want to be treated, embrace innovation and change, and then address growth opportunities as they present themselves. The pursuit of quality,

not quantity through continuous improvements must remain our objective" [6].

### Training/Development/Awards/Compensation

There were several initiatives since the late 1980s that took place in appreciation of the associates' commitment and contribution to the organization. Since the early beginning, Sam Walton promoted an environment of collaboration and appreciation to associates' commitment.

The philosophy of "Our people make the difference" [7] drove various recognitions and benefit improvements, such as the introduction of incentive bonus plans for non-management associates, the Caring health hotline and increased options on coverage such as dental and dependent life insurance. The organization collaborated with the University of Arkansas College of Business, to develop a Management Training Seminar (RMTS) that was provided to more than 19,000 associates in 1997. The training initiatives brought with them the program referred to as "Store within a Store." This program was developed to promote the retailing careers of the associates while providing total management responsibilities for various departments within their assigned store. In 1990,

the trainings were conducted on-site for the first time.

### Leadership

The leadership component was explored on this researched with a special emphasis on the influence of the CEOs in Walmart's success. We conducted a correlation analysis on the results (net revenues) of the organization under the leadership of several CEOs throughout the company's history. The results found highlighted new opportunities that would add value to future research. The organizations are a reflection of their leadership. The correlation analysis was performed individually for each CEO and used the following variables:

- **Independent variable:** Stores/Units open
- **Dependent variable:** Total Revenues

The scatterplot graphs shown in figure 4 displayed a positive correlation between the increment in stores quantity and the net revenues for the organization during the timeframe of leadership from four different CEO's. The graphs display a strong linear relationship. The correlation is statistically significant.

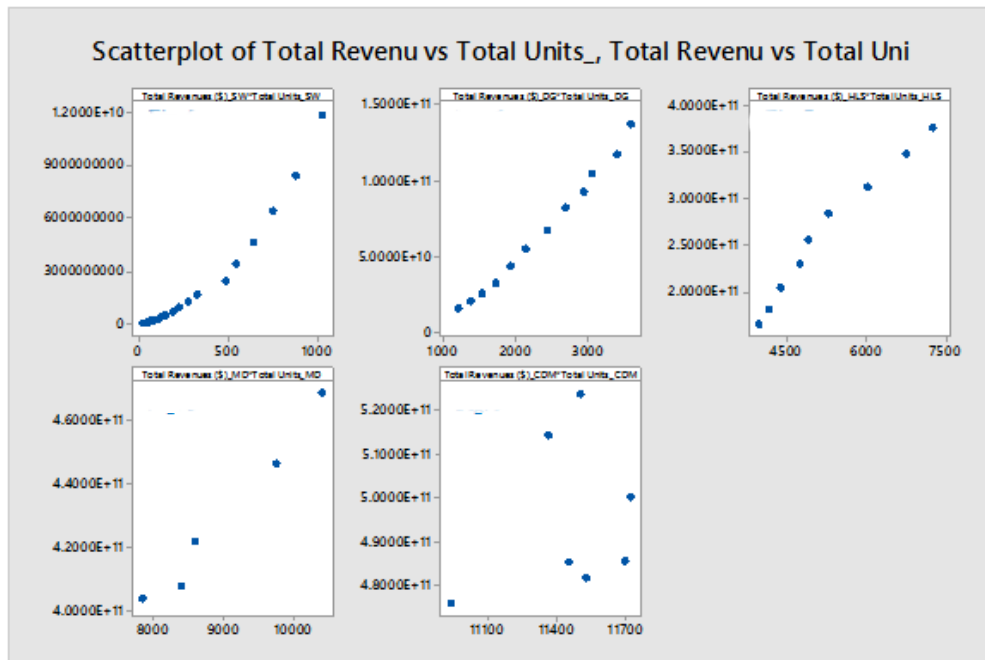


Figure 4  
Scatterplot graphs: Revenue (\$) vs Total Units/Stores



The last scatterplot in figure 4, however, displays a non-linear relationship while having very weak or potentially no strength in the relationship during Douglas McMillon's time as CEO (table 2). The correlation is not statistically significant.

**Table 2**  
**Summary of Correlations: Total Units, Total Revenues (\$)**

| CEO                     | Pearson correlation of Total Units and Total Revenues (\$) | P-value |
|-------------------------|--|---------|
| Sam M. Walton (Founder) | 0.963  | 0.000   |
| David D. Glass          | 0.995  | 0.000   |
| H. Lee Scott Jr.        | 0.985  | 0.000   |
| Michael T. Duke         | 0.987  | 0.002   |
| Douglas McMillon        | 0.264  | 0.567   |

## CONCLUSIONS

The research's findings provided insights on Walmart's successful business strategies that have led to long-term competitive advantage. It was observed that Walmart has one primary strategy—"Everyday Low Prices"—that has been the main driver of all the other organizational strategies. This main strategy has been in effect since the day the founder opened the first store in 1962. The mission, the aim and the vision of the organization revolves around the core focus of "Everyday Low Prices."

We also learned that the organization highly values its associates since the organization's early beginnings. Walmart pioneered multiple programs to improve its employees' capabilities. Its philosophy—"Our people make the difference"—was highly regarded in various annual reports reviewed between 1986 to 1996. The organization pioneered and was highly proactive in regards to improvements of the availability and accuracy of stock items. The organization was highly aggressive towards opening new locations in appropriate and welcoming territories.

The organization has the tenacity to influence even the way their suppliers manage their

operations, while engaging them on new processes and technology to reduce cost on products and packaging. The cost reduction obtained from suppliers' efficiency improvement and cost savings was then transferred to the customers by providing products at a lower price. The organization clearly understood the concept of engaging employees in the business by creating multiple programs that listened to employees' ideas while improving accuracy of stock items and cutting administrative costs. The organization has demonstrated persistency and determination on strategies that have sustained in the long term.

On the other hand, there are currently several challenges adversely impacting the positive momentum and trends of the organization. The organization faces multiple challenges, including class-action workplace lawsuits, public criticism and strong competitors on e-commerce.

The correlation analysis developed through this research showed a strong relationship among the net revenue increments throughout the years, but when analyzing the correlations in segments by CEO, we did observe that the tendency has changed in the last 6 years and that statistical relationships that had been sustained for decades ranged from weak to non-existent.

Future research on the leadership styles of each one of Walmart's CEOs would add value to this research. Has the leadership style impacted Walmart's financial results positively or adversely? Has the style of the CEOs impacted strategy execution, key financials and results of the organization? Our hypothesis is that the leadership/CEO style did have an impact on the organization's continuous growth.

It was also observed that the data and correlations studied display a shift in the positive momentum of the organization's net revenues, suggesting decline or change. Further research will provide visibility on the organization's new business strategies to counteract the impact of market volatility and strong new competitors more advanced in technology and e-commerce.

## REFERENCES

- [1] Walmart, "Our history." 2020. Accessed August 16, 2020. [Online]. Available: <https://corporate.walmart.com/our-story/our-history>
- [2] R. Busulwa, M. Tice and B. Gurd, *Strategy execution and complexity: Thriving in the era of disruption*. New York: Routledge, 2019.
- [3] F. Delany, *Retail: The Second-Oldest Profession*. No city: Waterford and Howell Publishing, 2019.
- [4] J. A. Parnell and D. L. Lester, "Competitive strategy and the Walmart threat: Positioning for survival and success," *SAM Advanced Management Journal*, vol. 73, no. 2, pp. 14-24, Spring 2008. [Online]. Available: [http://celesteng.mis.yzu.edu.tw/im520/IM520%20\(10\)/1%20CA%20n%20wal-mart%20\(2\).pdf](http://celesteng.mis.yzu.edu.tw/im520/IM520%20(10)/1%20CA%20n%20wal-mart%20(2).pdf)
- [5] "1992 Annual Report," Walmart, Arkansas, 1992. [Online]. Available: [http://www.annualreports.co.uk/HostedData/AnnualReportArchive/w/NYSE\\_WMT\\_1992.pdf](http://www.annualreports.co.uk/HostedData/AnnualReportArchive/w/NYSE_WMT_1992.pdf)
- [6] "1993 Annual Report," Walmart, Arkansas, 1993. [Online]. Available: [https://www.annualreports.com/HostedData/AnnualReportArchive/w/NYSE\\_WMT\\_1993.pdf](https://www.annualreports.com/HostedData/AnnualReportArchive/w/NYSE_WMT_1993.pdf)
- [7] "Wal-Mart 1989 Annual Report," Walmart, Arkansas, 1989. [Online]. Available: [https://s2.q4cdn.com/056532643/files/doc\\_financials/1980's/1989-annual-report-for-walmart-stores-inc\\_130199395263663916.pdf](https://s2.q4cdn.com/056532643/files/doc_financials/1980's/1989-annual-report-for-walmart-stores-inc_130199395263663916.pdf)