EMGT 835 FIELD PROJECT:
Strengths, Weaknesses, Opportunities, and Threats of Wal-Mart in the United States

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Executive Summary

Wal-Mart is a dominant force in the retail industry. Wal-Mart is the largest employer in the United States and the retail giant that has the clout to send suppliers scurrying for cover or jumping for joy. Wal-Mart, like any company, has its unique set of strengths, weaknesses, opportunities and threats. This paper reviews the strengths of Wal-Mart's clarity of vision, pervasive culture that supports the vision, work ethic expectations, customer understanding of low prices, sustainable growth, supply chain, and store level decision making. These are offset primarily by Wal-Mart's poor public image. This is also Wal-Mart's biggest opportunity – improving public image. Some of the biggest threats to Wal-Mart include Target and the Dollar Channel as well as economic shifts. Overall, Wal-Mart is a healthy company with some challenges in the future.

Introduction

Why? Why spend a whole paper discussing the strengths, weaknesses, opportunities and threats of Wal-Mart. The most critical and undeniably pertinent reason is this – influence. Wal-Mart employs over 1.6 million people. They are the largest employer in the United States (Bora, 1). This does not include the people employed by supplying Wal-Mart with a product or service.

Suppose, just suppose, that Wal-Mart went out of business. That would mean that the unemployment rate would increase by over a full percentage point for the United States. Economists view portions of a percentage point as significant (Bureau of Labor Statistics, 1). The economy of the whole nation, and probably the world, would be impacted in a severe fashion.

The above statistics illustrate why it is important for everyone to have at the very least, a basic understanding of the Wal-Mart corporation. In fact, it would behoove everyone to understand where Wal-Mart can excel and fail. In the United States today, many people take great delight in personifying Wal-Mart as the evil empire.   Whether or not you are pro-Wal-Mart, anti-Wal-Mart or neutral to the Wal-Mart wars, what happens to Wal-Mart impacts every single one of us. Wal-Mart influences retail prices for everyone, and entire communities depend on their relationship with Wal-Mart to keep their towns in business.

So read on, and learn where Wal-Mart is positioned in terms of Strengths, Weaknesses, Opportunities and Threats. It just may affect you, your children and your grandchildren.

Literature Review

Interestingly enough, there are no articles that have been attainable through database searches that are full SWOT analyses of Wal-Mart as a corporation. The intriguing part is that Wal-Mart has required some suppliers to submit a SWOT analysis of themselves. This was covered in the article titled, “Getting Naked with Wal-Mart: Inside the SWOT Papers”. The author, Jon Berry, discussed Wal-Mart’s requirement of pet food suppliers to submit SWOT analyses of their own companies. Wal-Mart requested projections of growth from these same companies, and indicated that they would be measured against these projections.

While the aforementioned paper is interesting, it does not provide a full SWOT analysis of Wal-Mart. The article does, however, provide SWOT as a legitimate analysis tool that Wal-Mart values.

History of Wal-Mart

Wal-Mart was started by Sam Walton. Sam began operating initially with some Ben Franklin stores. He eventually opened his first Wal-Mart in 1962 as Wal-Mart Discount City. The impetus for branching out into the Wal-Mart Discount City from Ben Franklin was because the management of Ben Franklin did not see a future in larger discount stores (Encyclopedia of American Industries, 2006).

Wal-Mart grew steadily until the early 1990's. At that point, Wal-Mart chose to invest in computer technology. This computer technology helped reduce overhead costs to 15% of revenues. The competition was still sitting at an overhead cost structure of 25%. This was a huge competitive advantage that fueled Wal-Mart's massive expansion (Encyclopedia of American Industries, 2006).

Sam Walton was a very down to earth person. He maintained the location of Wal-Mart in Bentonville, Arkansas when other stores had major metropolitan headquarters. He turned his nose up at fancy cars, because they had not place for his dog to sit (Hansen, 26). He was at times mistaken for the janitor while picking up trash in the parking lot at headquarters (Troy, 21).

Originally, Sam Walton was very much in favor of American made products. In 1985, Walton was quoted as being committed to purchasing U.S. made products whenever possible. In 1988, Wal-Mart claimed that it had kept/created a multitude of jobs in the U.S. due to their pledge to purchase American made products that were within 5% of the price of foreign made goods (Hansen, 26-27).

Within 8 months of Sam Walton's demise, the floodgates of foreign products opened. David Glass, the acting CEO of Wal-Mart was questioned in television interviews about the large influx of foreign purchased product. Glass evaded the questions, and dodged the heavier questions of child labor in foreign produced goods (Hansen, 26-27). Eventually it became clear that with the passing of Sam Walton, the focus on U.S production had shifted completely to low price, and only low price.

SWOT Analyses

SWOT stands for Strengths Weaknesses Opportunities and Threats. A SWOT analysis is a management tool intended to help a company/person identify internal strengths and weaknesses as well as external opportunities and threats (Vass, 18).

SWOT analyses have ebbed and flowed in their popularity. At the current time, they are still alive and kicking and show up frequently in literature searches. SWOT analyses are meant to identify what a particular company is good and bad at as well as potential marketplace trends. This list of items should then be used in creating an action plan for marketing tactics and product development (Adams, 26).

On an editorial note with respect to Wal-Mart, the lines become blurred between internal and external forces. Wal-Mart is so large, it in effect becomes the marketplace at times. The vast majority of the opportunities that Wal-Mart has is in the form of damage control. The public perception of Wal-Mart is dominated by what it reads in the media as well as personal shopping experience. This is the reason that improving employee issues are under opportunities, and not strictly under weaknesses. By taking on the public perception related to these issues, it could increase customer purchases simply by reflecting what the customer values.

Table 1: Strengths, Weaknesses, Opportunities, Threats of Wal-Mart

Strengths	Weaknesses
• Clarity of vision • Pervasive culture that supports the vision • Work ethic expectations • Customer understanding of low prices • Sustainable growth (historically) • Supply chain • Store level decision making • Size	• Public relations • Perception of low quality • Dependence on China • Treatment of employees • Size
Opportunities	**Threats**
• Improving public relations • Shift ad campaigns to show benefits of low prices • Diversify employee base • Improve wages/benefits for employees	• Target • Dollar store channel • Eliminating customers by driving companies out of business • Unionization • Legislation of foreign source product • Economic shifts

Strengths

No one can deny that Wal-Mart has low prices. The employees know it, the consumers know it, and the suppliers to Wal-Mart know it. The clarity of this purpose is crystal clear. A culture that is so driven to a singular purpose is bound to fulfill its mission. This is a driving strength in the Wal-Mart success profile. With everyone on the same page to fulfilling their goals, the answer to many questions is obvious from the top executives to the stock handler – do whatever it takes to make it cost less for the customer.

Sam Walton enforced this low cost mentality early on in the inception of the Wal-Mart empire. Lower costs were always passed on to the customer. Sam Walton's philosophy was to mark up a product 30%. No matter what. There were instances when a product would come in at half the normal cost, and it would have been possible to reap a great profit on the item. Walton held firm to his policy of a 30% markup, and that was that (Friedman, S86). While the Wal-Mart of today does not always follow the 30% markup rule, the philosophy of passing along lower prices to the consumer has held firm.

Another factor that has helped reinforce the low cost products that Wal-Mart has to offer is the pervasive culture that supports the low cost mantra. Employees are typically paid a low wage with little to no benefits. Employee wages are as much as 31% less than in a comparable store (Hansen, 3). Workers have historically been forced to work through breaks and not always paid for overtime. While this leads to a high turnover rate (45%), Wal-Mart still seems to find people to employ in its stores (Hansen, 18).

Overhead is also kept as low as possible. At employee headquarters, the buyer's offices are miniscule, no frills cubes. There is no free coffee station. It's BYOC (Buy your own coffee) or drink water (Friedman, S86). A major reason why overhead is significantly lower has to do with Wal-Mart's investment in computers. In the 90's, Wal-Mart invested in major technology that streamlined their distribution system. This resulted in a 10 point advantage in overhead. This lower overhead is what fueled the huge upsurge of Wal-Mart expansions, and a major factor in why Wal-Mart is what it is (Encyclopedia of American Industries, 2006).

While a customer may not know that lower overhead helps keep prices low or even that employees are paid a lower wage to keep the costs down. A customer does know where the prices are the lowest. This is evidenced by the customer voting with their dollars (Fishman, 80). If a customer saw no perceived value in Wal-Mart, they would not be shopping there. Since Wal-Mart has grown swiftly and steadily since its inception, no one can say that the customer "doesn't get it" (Annual Report, 2005). They get it, and they know where to find it.

The customer has continued to reinforce Wal-Mart's historic and current success. The latest comparative store growth was 3.3% for the 2005 fiscal year (Annual Report, 2005). While this is down from a 9.5% same store increase in 1999 and 2000 (Cohen, 2006), Wal-Mart continues to grow. Wal-Mart stores net sales increased 10.1% (Annual Report, 2005). Obviously Wal-Mart sees big opportunities for future growth and expansion. In the upcoming year, Wal-Mart plans on opening 490 new stores (excluding Sam's Clubs) (Annual Report, 2005).

All of these things have combined to make Wal-Mart a force to contend with. Its sheer size is intimidating. The size of the company has certainly gained impetus from the continuation of the Sam Walton mantra of low prices. The size of the company has been used to increase the clout and circumstance of the company. Wal-Mart certainly has a strong negotiating advantage that stems from their sheer buying mass. It would be easy to become bogged down with the sheer size of Wal-Mart. However, Wal-Mart has been able to use its size to its advantage in terms of supplier negotiations, while at the same time maintain quick decision making (Useem, 78). However, it must be pointed out that Wal-Mart did not start out as a large company. The size of the company is an outcome of the focus and culture of the company. The size factor of Wal-Mart has developed into a strength for the company.

Wal-Mart's supplier base and negotiating advantage is also a key strength in their business model. Wal-Mart works with over 68,000 different suppliers (Annual Report, 2005). There are 6,000 primary suppliers. This equates to $36.3MM million on average, meaning that there are certainly some much, much bigger spends with major suppliers (Zakaria, 28). This enables Wal-Mart to pretty much negotiate whatever they want. Wal-Mart is the top customer of people like Disney, Revlon, RJR Tobacco, Procter & Gamble, and the list continues. Wal-Mart has a 36% market share of dog food, 32% share of diapers, 30% share of photography film, and on and on (Useem, 66). Suppliers rarely dare to request a price increase, and they know better than to hedge on giving price quotes to Wal-Mart (Neff, 10). To lose Wal-Mart as a customer can mean the end of business for many suppliers, and therefore the suppliers are willing to go as far as to allow competitors to manufacture their products just to meet the sourcing demands of Wal-Mart (Fishman, 78).

Wal-Mart has so much buying power, countries send government officials to Bentonville, Arkansas to lobby for production in their country. If there are issues with delivery of products, Wal-Mart simply picks up the phone and calls the *governments* of foreign countries, and receives lightning quick responses (Cleeland, 4-5).

While low pricing is one aspect of competition, Wal-Mart is also requiring technology from its suppliers. Wal-Mart is pushing towards RFID technology – radio frequency identification (Friedman, S86). This would enable Wal-Mart to track its inventory from suppliers anywhere in the world, without requiring a human to actually touch the inventory. The negotiating tactic for refusing to comply, well there isn't one. It's get on board or get left behind.

Weaknesses

While low prices and supplier leverage may be Wal-Mart's biggest strengths, one of its biggest weaknesses is definitely public image issues. Wal-Mart has been perceived by many to be an evil capitalistic empire intent on destroying the downtown, hometown economy. Wal-Mart has become so ingrained as an entity to be avoided at all costs that small towns even pass legislation to restrict Wal-Mart from entering there vicinity. One state passed size restrictions on retail stores, aimed solely at Wal-Mart. Wal-Mart simply restructured their store to fit just under the maximum size requirement (Hansen, 2).

Other towns find themselves embroiled in a Wal-Mart debate. On one side, the city restricts store size (Lochner, 1). On the other side, Wal-Mart consumers petition the city to let Wal-Mart build a larger store (Tribble, 1). This is not an isolated instance. Many towns fiercely debate whether Wal-Mart will be good or bad for the town.

Wal-Mart has also faced multiple lawsuits on the grounds of employee issues. Who can forget when Wal-Mart was found to be using illegal immigrants. Granted, this was a supplier that employed the illegal immigrants to clean up the stores, but the courts didn't seem to notice the difference. Wal-Mart forked over $11 million dollars to end the court case (Fox News, 1). This doesn't even scratch the litigation surface. Wal-Mart has had numerous court cases from Fair Labor Standards Act infractions to gender discrimination issues (Annual Report, 2005).

Litigation aside, Wal-Mart also fights the public perception that its merchandise is of lower quality than its competitors. Whether this is reality or simply perception based on personal view points is hard to say. What is easy to find is that Wal-Mart exerts pressure on its suppliers to lower their prices every year.

Lowering prices every year is something that is increasingly difficult to do in the long run when the majority of the process depends on human labor. Clothing manufacturing, for instance, relies heavily on personnel to sew the various pieces together to form a single garment. One such factory in Honduras now requires workers to sew a sleeve on a garment every 15 seconds, on average. That's every 15 seconds, including any possible lunch breaks. It is hard to imagine that a person sewing 2,400 sleeves on in one single day actually takes the time to ensure that the work is of the highest quality (Cleeland, 1). This type of mentality also pushes the management of these companies to find ever cheaper sources of materials and labor, not necessarily of the same quality. Which does reinforce that quality is not a priority at Wal-Mart.

While speed is certainly tantamount in producing a low cost item, which can indeed result in lower quality, human rights concerns are also mounting. There are claims of producers around the world using child labor and enforcing extremely long work hours and very few breaks. In some cases, workers report working up to 15 days without a day off. Wal-Mart does have a supplier code of conduct that is supposed to prohibit the aforementioned behaviors. Wal-Mart has inspections where they audit plants and factories to prevent this type of thing. However, the plants are so dependent and beholden to Wal-Mart for their livelihood they often take measures to avoid discovery. Some suppliers even keep two sets of books to prevent Wal-Mart from finding out they are violating the code of conduct (Cleeland, 7) (Freeman, 5).

Another quality issue is the store environment. The stores are almost clinical in their sterility. The white and cream metallic environment is not conducive to a warm and fuzzy feeling. The store environment is not the motivating factor in people shopping at Wal-Mart.

One could also argue that the employees are also not a motivating factor in shopping at the retail giant. With a 45% turnover rate on an annual basis, Wal-Mart does not have a lot of experience on the retail floor to assist consumers (Hansen, 18). With other retail employers offering 44% more per hour, the best personnel would naturally be drawn to those with a higher pay scale (Hansen, 3).

With such a low pay scale, Wal-Mart employees encounter a major problem – surviving on their wage. On average, Wal-Mart employees use 49% more public assistance than those employed by other large retailers. In short, the pay a sales clerk would receive on an annual basis puts a family of three below the poverty line (Hansen, 5).

All of these weaknesses are exacerbated by one major factor. Wal-Mart's size makes it impossible to ignore. Everything Wal-Mart does is on such a scale that it can not escape public notice. Wal-Mart might be able to fly under the radar on a great many of its practices if it were a small, mom and pop type retailer. However, the world's largest anything is always up for examination, and Wal-Mart has found itself under the microscope.

Besides, labor, litigation, size and quality, Wal-Mart has another distinct weakness – dependence. Wal-Mart is extremely dependent on China for its low cost products. 80% of its suppliers are Chinese. Chinese exports have increased over 1,600 percent since 1990 (Zakaria, 28). Does the year 1990 sound familiar? It should, that is when Wal-Mart started its aggressive growth (Encyclopedia of American Industries, 2006). With

80% of its supply chain in one country, Wal-Mart would run into problems if the U.S. implemented trade restrictions. Is it likely that the U.S. government would impose legislation restricting trade with China? With critics voicing concerns over fair trade practices as well as the fact that the trade deficit is the highest it has ever been in the history of the United States, the question is not if, but when (Crutsinger, 1). Wal-Mart could simply switch its buying allegiance to another country. However, the fact remains that it would take some time and effort to make a shift that would inevitably cost the corporation some money.

Opportunities

Wal-Mart may have some heavy hitting weaknesses, but these weaknesses can just as easily be turned around with the right opportunity. Wal-Mart has been pursuing just that approach with its public relations. The advertisements seen on the television in the last year are much more about the personal touch and a lot less emphasis on slashing prices. Ads have been seen highlighting specific Wal-Mart personnel and the charitable contributions toward the community. This advertising approach reaches out and grabs you by the ears, forcing you to recognize that Wal-Mart is not a faceless corporation, but an embodiment of millions of people just like you (Neff, 34).

A way to truly empower that huge employment force is another whopper of an opportunity. Wal-Mart lacks diversity in its upper echelon. The largest force in consumer goods is the female customer (Guss, 141). What better way to understand a key customer than to have your corporate executives mirror that force?

Diversity aside, Wal-Mart has a tremendous opportunity in providing better benefits for its employees. Wal-Mart has been mulling over the possibility of providing health care benefits for its employees. Albeit in some cases, it was an involuntary choice, healthcare for its workers is on the horizon (Associate Press Newswire, 1). While it would be great for more people to get health care benefits, it is a slippery slope to climb. Wal-Mart will have to ensure that the benefits it provides does not put the company at a cost disadvantage to other companies and thereby cut into the number one competitive advantage of low prices.

Low prices have helped Wal-Mart continue its growth, but it has not been enough in the eyes of Wall Street. Wal-Mart is not predicted to outpace the market in terms of stock price (Cohen, 2006). Wal-Mart has had good same store growth in 2004 and 2005, averaging 3.5%. However, Target has bested Wal-Mart to the tune of 5.6% (Cohen, 2006). How did Target leap this hurdle of besting Wal-Mart? It banked on brand names. Women's clothing likes like Isaac Mizraahi and Mossimo helped boost the sales as well as reorganizing the store layout to increase electronics space and room for pet food (Cohen, 2006). While Wal-Mart realizes that opening multitudes of stores has the effect of bringing down same store sales, this accounts for only 1 point of the difference between Target and Wal-Mart (Annual Report, 2005), and it doesn't account for the fact that Target continues to open new stores as well and still see such large comp store increases. Obviously, this is an opportunity to grow. Wal-Mart could learn from Target and reshuffle merchandise space allocations as well as work on some brand names in their store that resonate with the consumer enough to raise same store sales within reach of Target's growth.

To give credit where credit is due, Wal-Mart has been capitalizing on some name brands in their advertising. Specifically around Christmas, Wal-Mart featured TV spots with Queen Latifah shopping in the local Wal-Mart and purchasing some gift cards with a family member. Evidently, the Latifah household all shops at Wal-Mart. Garth Brooks also mugged for the Wal-Mart camera and traded hats with Santa Claus. So, Wal-Mart gets that celebrity endorsements work. However, there is always room for improvement.

Another Wal-Mart potential would be to beef up on some more current electronics merchandise. Whether it is due to resistance from the big electronics manufacturers to prevent competition with Best Buy, etc. or it is due to Wal-Mart resisting the higher price points, Wal-Mart does not carry the latest technology in a goodly number of products.

While Lexmark printers abound, and their HP counterparts are right at hand, the video cameras are still bulky and not up to date. The digital cameras are lined up and ready to go, but the latest and greatest are nowhere to be found.

Threats

As stated previously, Wal-Mart is suffering from the comparison to Target. Target has increased gross margin as well as increased its sales significantly. The quick and easy thing to do would be for Wal-Mart to simply switch its strategy to resemble Target. Case in point, that has been happening to a certain degree. Wal-Mart has started featuring ads that are much more stylized than the previous versions of "Always low prices, always" (Neff, 34). Wal-Mart began featuring decorating spots featuring Wal-Mart products. Wal-Mart is beginning to set up islands in the middle of aisles with coordinated bath towels, shower curtains and decorations. A one stop shop coordinated a la Wal-Mart. While it is great to help your customer put it all together, it would be wise for Wal-Mart to keep in mind who their target consumer is, people with a household income of under $35,000 (Friedman, S86). What is meant by this statement is this – Wal-Mart has been successful in selling things at a low price. Wal-Mart's key strength is low price. It would be wise to keep that strength. Dallying in another retail playground could end up with disastrous consequences such as losing focus, competing goals, and an overall loss of key strengths.

A threat on the opposite end of the spectrum is the dollar channel. The dollar channel has been gaining strength over the last decade or so. Dollar stores have increased 265% (Todd, 38). While Wal-Mart and other mass retailers have tried to respond to the dollar channel by offering a mish mash of product at $1, the dollar channel has not felt the impact. The reason is that shoppers are looking for consistency in terms of what will be $1 (Howell, 11).

The demographic in the dollar channel is also a direct threat to Wal-Mart. The most common dollar channel consumer is of a household income of less then $40,000 (DSN Retailing Today, 21). This is practically the exact consumer that Wal-Mart is going after (Friedman, S86). While the dollar channel consumer can chip away at Wal-Mart by offering convenience based shopping for specific items at low prices, Wal-Mart has yet to find a strategy that truly works to fend off the dollar channel threat.

Wal-Mart also helps the dollar channels by paying their personnel and suppliers the lowest wage/price possible. By paying everyone as little as possible, it ensures that their living wage is lower and the people living on this wage will therefore look for the absolute best bargain. Enter the dollar channel. You could almost thank Wal-Mart for creating the niche for dollar stores to fill. Wal-Mart being the nations largest employer, who pays their people less then the poverty level, creates and/or supports a whole class of people that have very little to live on and can not afford to shop for everything they need at Wal-Mart. If Wal-Mart had perhaps paid attention to Henry Ford, they might have avoided the dollar channel issue altogether.

Wal-Mart also pushes new customers to the dollar channel when the suppliers they work with send products offshore for manufacturing. While Wal-Mart is not requiring these suppliers to send the products offshore, the demand for constantly lower prices forces the companies to look at every possible cost cutting measure. Cost cutting is not bad, but the reality is that a great many manufacturing jobs have been lost to overseas manufacturing due to the cheap cost of foreign labor (Nowell, 1). Multiple people lose their jobs every year to the global reality of cheap labor. Those that lose their jobs are unlikely to find a replacement at a comparable wage (Liberto, 7). This results in a greater number of people needing, once again, the lowest priced items – many of which are available at the dollar channel.

Wal-Mart owns responsibility for another large threat, unionization. Unionization typically rears its ugly head when people are not treated well in terms of relations, wages, benefits, or environment. Wal-Mart lays claim to 3 of the 4 aforementioned issues. Wal-Mart has been accused of discrimination against its employees on the basis of gender and disabilities. Wal-Mart pays its people a wage upon which most people can not live. Wal-Mart resists paying healthcare benefits for its employees. Wal-Mart has allegedly required its people to work without compensation (Hansen, 5, 18). If this is not a recipe for union infiltration, what is? Wal-Mart's practices certainly help keep low prices low, but it is at the expense of its associates. If Wal-Mart were to take the opportunity of providing better benefits for its employees, this threat could be largely quashed.

Unions have certainly taken notice of Wal-Mart's pay scale and benefits practices. Unions have been behind efforts to fund employee healthcare requirements in various states. Unions have outspent Wal-Mart in campaign contributions in the state of Maryland. Interestingly enough, a healthcare bill that mandates a minimum of 8% of the payroll be spent on healthcare was passed in that state. The union spent over $36,000. Wal-Mart spent $1,650, with one check that was sent back by a politician (Associated Press Newswires, 1).

Wal-Mart also has economic threats that stem from a more global perspective. Wal-Mart's overhead costs crept up to 17.9% in 2005, up from 16.3% in 1999 (Cohen, 2006). The increase stems from higher employee costs as well as fuel prices (Cohen, 2006). While the employee costs are well within Wal-Mart's control, what about oil prices?

Ironically, the dramatic increase in production in China has increased China's need for oil. They now have the 3rd largest demand for oil. Which company imports the most from China (Zakaria, 28)? That would be Wal-Mart. So who has a major portion of responsibility for increasing China's demand of oil, resulting in a higher crude oil price? That would be Wal-Mart.

Competition

So where does this put Wal-Mart in relation to its competitors? Some people would ask, what competitors? The closest competitor is Target. Target shares a great many of the strengths and weaknesses as Wal-Mart. However, there are some very critical differences. Target does not live by the low price mantra. However, its customers do recognize it as a low price provider. The difference is that Target does not live religiously for the absolute lowest price. They look to provide a good value.

Target has a key strength that Wal-Mart will be hard pressed to duplicate. People perceive Target as providing a quality product and a low price. Target's name brands and products have people believing they can have it all – low price and quality goods (Encyclopedia of American Industries, 2006). Key brands have played a role in fashion, home décor and household consumer goods (Cohen, 2006).

Target has also maintained a good public image. Target has not hit the papers in a major way with employee issues, lawsuits or any other major bugaboo. Whether it is from clean living or the fact that Wal-Mart is such an easy target, this bullet has been dodged, for the most part.

These three main differences really poise Target as a potential future growth leader. This does not mean that Target has an easy road ahead. More, they have a difficult path. They are going to have to continue to balance low price with quality and design and hit the consumer need right on. It is more difficult to balance all of these items at the same time, but the outcome is much stronger in terms of consumer value proposition.

Wal-Mart will also continue to encounter encroachment from the dollar channel. The shopper in the dollar channel is the same demographic as the shopper in Wal-Mart (DSN

Retailing Today, 21) (Friedman, S86). The dollar channel chips away at Wal-Mart by providing products in a smaller store that provide a quicker shopping experience. For the most part, the channel also provides consistency as to what is a dollar. Wal-Mart's current response of having dollar specials that change on a periodic basis have not quashed the impetus of the dollar channel (Howell, 11).

Oh, this is not saying Wal-Mart is on the downward slope. Wal-Mart is a powerhouse, and will most likely remain one for years to come. But Target offers the best of many worlds. Granted, there will always be a demographic for the dollar channel and the Wal-Mart's where price is king. So is the retail landscape big enough for everyone? Yes. Just maybe not in the proportions that each company desires.

Summary and Conclusions

In summary, Wal-Mart has a great deal of enabling strengths. Their key strength is their focus on low price. This focus has really enabled their continued growth and their supplier leverage. On the flip side of this strength is a whopper of a weakness, public image. Wal-Mart has had numerous public image problems with labor relations and supplier bullying topping the list. This is also their biggest opportunity. Wal-Mart could really improve their public image by taking action on their employee benefits. This would help fend off the potential threat of unionization. Eliminating the union threat through improving employee benefits would not be cheap, but it would be less expensive than losing a unionization and/or healthcare battle through legislation. And lastly, Wal-Mart has to find a way to deal with the dollar channel effectively. At the same time, Wal-Mart needs to ensure that whatever they do, it is not a carbon copy of Target. To date, the dollar channel has chipped away at Wal-Mart's low price mantra, and Target is capturing the interest and desires of the American consumer, both of which could hamper future growth opportunities for Wal-Mart.

Suggestions for Additional Work

Throughout this project, one theme that kept coming up was the economic impact of Wal-Mart. This impact to both the global and local, small town economy really requires exploration. This would certainly require a great deal of background from an economics perspective as well as an understanding of a potential competitive advantage of different countries as well as manufacturing methods. There are manufacturers that assert that Wal-Mart would not have needed to go to China for mass produced goods if U.S. manufacturers had invested in up to date technology that would streamline their process. Instead of reinvesting in the business, manufacturers pocketed the short term profit and lost the long term war (Nowell, 2).

There are also studies that assert completely contradictory conclusions. Some studies hail the coming of Wal-Mart as the saving grace of a town (Hansen, 8). Other studies find the net impact of the retail giant is a net loss to the economy (Hansen, 9).

Wal-Mart also relies on government funding to operate. Wal-Mart receives tax breaks to operate in various cities, yet they are the largest company in the world. A company with $9 billion dollars in profit needed tax breaks to build their stores (Hansen, 25). This does not include the tax dollars that Wal-Mart employees utilize for health care costs or other forms of public assistance (Hansen, 5).

What is the long term, global impact of Wal-Mart? No one knows. Yet.

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