



Economic Strategy for Business Decisions

Strategy Project

Walmart

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The History of Walmart

Founded: 1962 by Sam Walton in Rogers, Arkansas

Headquarters: Bentonville, Arkansas

Mission: “Save people money so they can live better”

Global Presence: Over 10,500 stores in 20 countries

Employees: Approx. 2.1 million worldwide

Annual Revenue (2024): \$657.3 billion

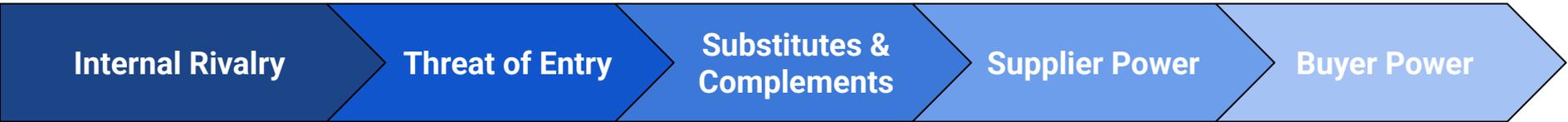
Walmart began in 1962 with a single store in Arkansas and has since rapidly expanded worldwide, going public in 1970. It introduced Sam’s Club (1982), Supercenters (1988), and expanded internationally in 1991. The company embraced e-commerce with Walmart.com (2000) and continued innovation with services like Walmart+ (2020) and drone delivery initiatives in recent years.





Strategy Tools of Analysis

Porter's Five Forces



- Competes with Amazon, Target, and other large players.
- Interdependence in pricing and strategic decision-making drives competition.
- Use of game theory to anticipate competitors' moves and maintain market share.

- High minimum efficient scale (MES), economies of scale, strong logistics, and brand loyalty make profitable entry difficult
- New entrants face high fixed costs and are deterred by cost advantages.

- Substitutes: Online retailers, discount chains.
- Complements: Walmart+, tech integration, delivery services.
- Network effects reduce substitution risk, enhancing value through digital strategy.

- Walmarts scale and bargaining power enable favorable terms with suppliers.
- Minimal supplier-specific investments limit the risk of supply chain disruptions.

- Price-sensitive consumers increase pressure to maintain low-prices.
- Offset through price elasticity strategies like private labels and price-matching.



Strategy Tools of Analysis

SWOT

Strengths

- **Integrated supply chain:** Economies of scale reduce production costs, enabling cost leadership.
- **Private labels:** Vertical integration helps capture higher margins and enhance bargaining power over suppliers.
- **Global presence:** Expands market power through access to multiple consumer bases, enhancing market dominance.

Weaknesses

- **Labor scrutiny:** Labor market efficiency may be undermined by regulatory hurdles, reducing operational flexibility.
- **Thin margins:** Price elasticity of demand pressures profits; heavy reliance on high-volume, low margin sales.
- **Scaling innovation globally:** Difficulties in cross-border knowledge transfer limit dynamic capabilities

Opportunities

- **E-commerce growth:** Capitalizing on network externalities and consumer behavior trends (shift towards online retailing).
- **Last-mile delivery:** Opportunity to leverage tech advancements for cost-efficient supply chain solutions, reducing logistical costs.
- **Emerging market expansion:** Potential for increased demand driven by growing disposable incomes, leading to higher marginal revenue.

Threats

- **Regulatory pressure:** Potential impact of price controls or market interventions, affecting profitability and competitive advantage.
- **Tech-driven competitors:** Rise of disruptive innovations by firms with superior tech capabilities.
- **Rising labor costs:** Impact on marginal costs and cost structure.





Strategy Tools of Analysis

Vertical Integration



Proprietary Logistics

- Capital-intensive logistics and distribution systems reduce reliance on third-party suppliers.
- Enhances economies of scale and capital efficiency.
- Systems like Retail Link streamline operations, reduce transaction costs, and support cost leadership.



Private Label Expansion

- Brands like Great Value and Equate increase market power and serve as price leaders.
- Provides lower-cost alternative and captures consumer surplus.
- Walmart gains bargaining power over supplier, reducing dependency on national brands and shifting resources to internal production.



Walmart+ & Digital Ecosystem

- Growth of Walmart+ creates network externalities, increasing value for all members.
- Leverages complementary goods (delivery, pharmacy) to deepen customer loyalty.
- Improves economies of scope across product categories and strengthens competitive advantage.



Strategy Findings

Current Strategic Position



Omnichannel Retailing: 4,600 U.S. stores now double as mini-fulfillment hubs, store fulfilled delivery volume up 50% year-over-year

Key Focus Areas



Technology & Innovation:

- E-commerce is 18% of global sales after 11 straight quarters of over 10% growth



Supply-Chain Optimization:

- 5 high-tech perishable distribution centers coming online, trimming fresh-food lead times by 1-2 days



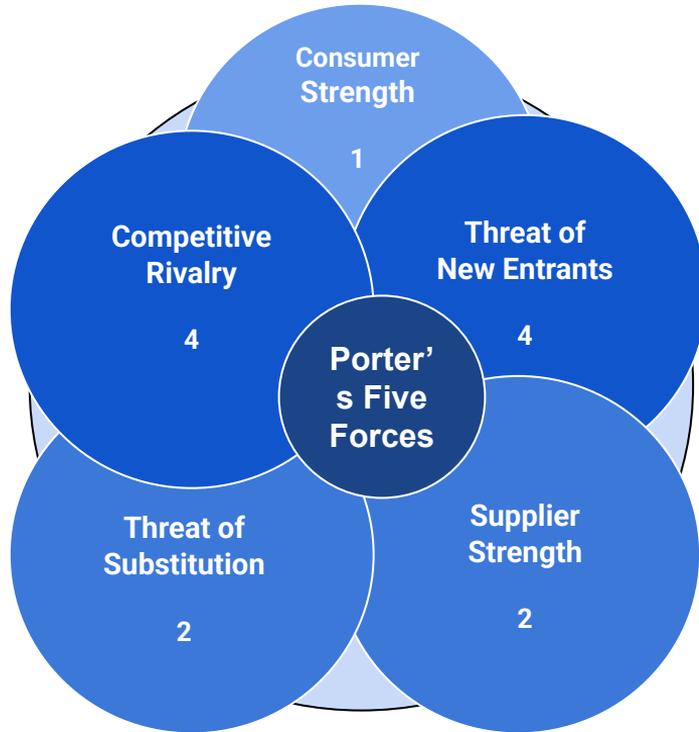
Everyday Low Prices:

- 7,200 price cuts in 2024 to maintain “competitive price gaps”



Strategy Findings

Vertical Integration



*Scale of 1-5 (5 being the highest)



Strategy Findings

Porter's Five Forces



Internal Rivalry: Fierce competition with Amazon, Costco, Target.

Threats to new Entrants: Scale, logistics, and brand loyalty limit new entrants.

Sub./Comp: Walmart+ reduce substitution risk and enhances loyalty.

Supplier Power: Scale gives favorable supplier terms.

Buyer Power: Price-sensitive consumers, mitigated by private labels.

SWOT Analysis



Strengths: Integrated supply chain, private labels.

Weaknesses: Labor issues, scaling innovation.

Opportunities: E-commerce, last-mile delivery.

Threats: Regulatory pressures, tech competitors.

Vertical Integration



Logistics: Proprietary tools reduce costs.

Private Labels: Increase market control.

Walmart+: Enhances loyalty and customer ecosystem.

Entry Barriers



High Capital Costs: Costs of Facilities, Technology and Inventory

Supply Chain Efficiency: Product cost and maintain competitive pricing

Established E-Commerce: Costs of establishing an online shopping footprint



Recommendations - Strengthening Competitive Edge

1. Increase Investment in E-Commerce and Last-Mile Logistics

Capitalize on existing digital infrastructure and Walmart+ to enhance convenience, reduce substitution risk, and compete with primarily Amazon, all while deepening partnerships and automation in last-mile delivery.

2. Leverage Private Labels to Improve Margins and Brand Loyalty

Expand Great Value and Equate across more categories. Use proprietary insights to align private label offerings with local preferences and price sensitivity.

3. Enhance Technological Innovation Globally

Expand innovations like automated distribution centers, self-checkout, and AI based inventory management systems beyond the U.S. to optimize costs and improve customer experiences worldwide.



Recommendations - Big Picture

Walmart is well positioned as a global cost leader with strong supply chain integration and growing omnichannel capabilities. With Walmart's competitive pressure from tech-driven entrants and consumer expectations Walmart should:

- **Expand digital ecosystem and delivery infrastructure**
- **Enhance private label offerings for better control and margins**
- **Global rollout of tech innovations to maintain efficiency**
- **Proactively invest in labor practices and sustainability to mitigate threats**



Conclusion - Final Takeaway

Walmart's Strategic Path Forward

Walmart's next move is simple: continue investing in logistics and scale to stay unbeatable. By expanding into e-commerce and last mile delivery through Walmart+, it can rival Amazon in convenience and strengthen its position through private label brands.

Reinforcing cost leadership, deepening its customer loyalty, and improving operational resilience, will solidify Walmart's standing as a tech-enabled, customer centric retail giant.





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