

## SALES PROMOTION

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## Executive Summary

The Wal-Mart Stores Incorporated is the biggest private employer in the world and it runs chains of large retail department stores and warehouse stores. This international company is situated in the United States of America and has its headquarters in Bentonville, Arkansas. It started its operations in 1962, and now it has branches all over the world. The company is the largest retailer in the world and it is registered in the New York Stock Exchange but it still remains a family-owned business (Walton Family). The company offers products to its clients ranging from apparel footwear specialty, cash and carry services, mobile and global platforms, electronics and small appliances. The company owns a myriad of warehouse clubs, discount stores, hypermarkets, supercenters, superstore to supermarkets on the global stage. The company targets both the local and the international customers for the products and services that they offer, and the success of the company is attributed to the strong brand loyalty it enjoys worldwide. The company has provided a form of employment for millions of people globally, precisely 2.2 associates and serves more than 200 million customers on weekly basis. This is done in the 10000 stores that are situated in 27 different countries. The company deploys aggressive promotions for its products and this has resulted in the realization of revenue of more than 400 billion dollars in annual sales. The company takes part in social welfare through its commitment to environmental sustainability through the sale of products that sustain the people and the environment; it plays a leading role in disaster management, such as the unfortunate events of hurricanes Katrina and Rita; the company also takes part in fighting hunger in the USA. The company also offers their products to customers by means of online services and this has greatly boosted their overall revenue.

## Sales Promotion

### Wal-Mart Stores Incorporated

This paper highlights the operation and management of a retail industry exemplified by the Wal-Mart Stores Incorporated which has its headquarters in Bentonville, Arkansas located in the United States of America. This is a company that offers a wide range of products to the customers at the local level and worldwide by various means, such as through online services, and it is the largest grocery retailer in the USA. The company also operates in different parts of the world with subsidiary companies such as Asda, Sam's Club, Seiyu Group and Walmex. The company had a total equity of 71.3 billion by the year 2012 and total revenues totaling 447 billion dollars in the same year. The general trend company shows in terms of revenue collection has been incremental over the years due to the aggressive promotional activities undertaken by the company. The company has also achieved a diverse network in line with the advancement in the technological world and this has given them a competitive edge over their main rivals. The stock of Wal-Mart Stores Inc. is huge such that it is almost 50% more than its main five closest competitors in the industry which include Target (TGT) and Sears Holding. Due to the enormous size of the company, it is able to buy its products in bulk and with rock-bottom pricing causing a crowding out effect for its competitors (Evans et al. 2009). Consequently, the company manages to offer its customers friendly prices due to the cost-effective strategies adopted by the company. The company has also partially controlled all the suppliers of its products due to the discount retail rates that it offers unlike its main competitors and this is an advantage to the company. Wal-Mart also utilizes its purchasing power and mammoth size to the maximum to pressure the suppliers of its products into extremely low level prices and by placing orders of high volumes thereby enjoying the economies of scale. The company also managed to acquire a large market

share in the industry solidifying its position as the leader in the market. The company has deployed the act of public relations in its management exemplified by the organized running of the enterprise. For instance, the company uses the media to publicize its strong arrays of products to its customers. The announcement of the annual sales, the revenues and the profitability realized by the company is done through the media. This is done on an annual basis at the Bank of Merrill Lynch Consumer and Retailer conference (Hansen 2005). The company allocates its capital in an efficient manner and this implies that the profits realized before taxation are higher. All these achievements can be attributed to the intensive public relations activities that are carried out by the company in the industry.

#### Segmentation, Targeting and Positioning

The company engages itself in market segmentation, targeting and positioning strategies so that it remains relevant and competitive in the stiff market industry. Recently, the company has encountered extremely stiff competition from Sears who had partnered with Forever 21 in the marketing of their products. The company therefore had to respond to this scenario effectively within the minimum time frame by opening its first express stores in the country. The company has also experienced cut-throat competition from the Target incorporation which opened a small format stores in Chicago which is a city where the company enjoys a strong customer base. However, the company faced a considerable dip in its performance and profitability levels in an attempt to compete with Targets products instead of solely concentrating on the satisfaction of the utilities and wants of the customers. The strategies that Wal-Mart Company utilizes in its daily administration are different from those adopted by other main competitors. This therefore has led to the problem of convenience gap which has remained a big challenge to the company. For example, the big size of the stores that the company requires

makes it quite strenuous and inconvenient to establish such branches in the main cities of the country. This is largely due to the rising demographic figures in the region and this therefore compels them to locate to other areas that are not viable in terms of customer potential. Other services such as after-sale services to its main customers became more expensive thus leading to the reduction of its customers who switched to other brands. The city business organization and the market segmentation allowed the Wal-Mart Corporation to seize this weakness by opening up business facilities in their backyard town of Arkansas. They encouraged annual boisterous meetings whereby unity and strict employee behavior was discussed and better ways of improving the organization proposed by the shareholders (Cravens & Piercy 2003).

The use of the Segmentation strategy by Wal-Mart Stores Incorporated is exemplified by the express store built in the southern side of Chicago. This was done on the basis of the characteristics and availability of the customers in this region. The company also deployed the same strategy in their backyard hence making the delivery of services easier and more cost-effective due to the availability of raw materials in the locality. All these changes that the company carried out were meant to solve the customers' convenience gap which was centered on the preference and taste of the customers. This emerged when it came into the attention of the company that the size of the firm was a major factor that was taken into consideration by the customers in the region. The segmentation strategies practiced by Wal-Mart Store Incorporated comes in three formats and these include supercenters, discount stores and neighborhood stores. The supercenters' average size is proximately about 185,000 square feet, and they include the supermarkets and the sale of the general merchandise offered by the company (Cooper & Slagmulder 1997). The size of the discount stores is approximately 108,000 square feet and they are tasked with the responsibility of carrying out the assortment of the general merchandise but

with a limited assortment of food stuffs. The neighborhood stores are approximately 42,000 square feet in size. These stores are used by the company to carry out a limited number of assortments of the merchandise available to the company but they have an access to a full and functional supermarket. All the stores are located closely to the distribution centers implying that the company works closely to its suppliers and the main streamline deliveries. The company uses price differentiation strategy among its branches. This means that the consumers are competing for the same products offered by the parent company. This implies that the company is able to raise revenue and realize higher profitability index in its annual performances.

### Promotion

The promotional strategies that the company implements include the use of low prices, aggressive marketing strategies, use of the economies of scale, monopolization due to the high purchasing power, branding and broader supplier and labor relations among its customers. In my opinion, the use of these strategies by the company has led to better performance and realization of the main goal of the firm which is profit maximization in the shortest time possible. The use of low prices by the company to achieve their main goals and objectives has been possible due to the enormous purchasing power that the company commands. The suppliers of the products to the company are therefore coerced into submission due to the existing pressure thereby leading to the eventual decline of the end price of the commodities or the products. The low prices charged on the products are affordable to all the customers and this means that the company can retain most of its customers. This also implies that the company acquires a large market share in comparison to its main competitors (Keller 1998). The company also uses the discount format as a means of attraction of potential buyers as well as the potential suppliers of the products. This therefore means that the company quotes a lower price than the existing price in the market. This

may seem much more attractive to most of the customers resulting in favorable change of preference to their products. This again leads to greater realization of higher profits within a short time. The Wal-Mart Stores Incorporated Company has reduced the complexities in its business strategies and business structure in order to maintain low costs in the production of its goods and services. The company achieves this by focusing on the simplification of the strategies' design and centralization of the communication channel within the organization.

#### How Public Relations has been used

The deployment of public relations in the company is also evident through the treatment that the company offers to its customers, the staff and to the general public. For instance, the company believes that better treatment of its customers leads to higher profit margins due to the high customer retention capability. This objective of public relations relates to the low price mantra that centers on the core business principles (Cameron & Quinn 2010). The company achieves all these principles by constantly improving their performances relative to the previous years, by taking care of the staff through improved salaries and wages, by controlling the escalating costs of the firm, by passing the savings realized to the customers which is reflected in the low prices charged by the company, by engaging in honest dealings both with the buyers and the suppliers and by keeping things simple in relation to the running of the organization. The company also focuses on branding and packaging of its products. This is done with the customer or the buyer of the products and services in mind so that the customer can achieve maximum utility through the use of the product or the service in the market. Through public relations, Wal-Mart has created the largest computer database in the world and this helps the company constantly monitor the chain of production and delivery applied by the organization. The private computer database designed by the company facilitates the centralization of in-stores



performance figures and smooth working with the retailers of the company located in different parts of the world. It also facilitates the coordination of the suppliers and the vendor-managed stores especially during the replenishment of the stock. The stock levels are therefore kept in check and therefore the company guards itself against inadequacies such as shortage of stock or overproduction leading to increase in the general costs of production (Darley, Blankson & Luethge 2010).

Public relations strategy has made it possible for Wal-Mart to revolutionize the efficiency and the speed at which the products get to the stores from the suppliers. This has been attributed to the strength that the company enjoys in the inventory control realized by supply-chain management. The little handling experienced between the departmental stores within the organization implies the elimination of the inventory outflows. This cuts down the costs of storage that the company would incur, and the savings are transferred to the customers in form of low prices eventually. This therefore makes the whole process in the chain of delivery and distribution efficient and cost-effective. The company has also eliminated the use of traditional marketing techniques for the producers such as slotting fees on sale items. The overall effect is that Wal-Mart pushes the costs related to production to the suppliers, and due to enormous pressure it exerts on them the prices of their products continue to decrease. Small producers in terms of their capital base are therefore pushed out because they cannot continue to operate at the existing market prices, and in the end, Wal-Mart sets the desirable price that suits its operation.

Wal-Mart Stores Incorporated has managed to become a shrewd negotiator in the market industry due to public relations (Kapferer 2008). This is largely because of the pressure it manages to exert on its main competitors and the suppliers due to its mammoth size in terms of capital and the staggering marginal profits realized each year. They were able to demand tax

breaks from the government as a result and also the development of better infrastructure which was crucial to their success in the competitive business world. The company also adopted supercenters through the proposals from the public relations department. The supercenters led to the steady growth of the company over the years. The Wal-Mart Stores Incorporated has embrace corporate culture characterized by strong patriotism among the staff members, conformism to the ethics and code of conduct for the employees, hard work and proposal of maintaining small town values. The management team and the shareholders have rooted for the implementation of performance of patriotism through consumerism strategy in the company which has led to the realization of its goals.

### Critique and Recommendations

Despite the enormous purchasing power that Wal-Mart Company possesses, the organization has encountered challenges in the business world largely caused by the activities it has engaged in. For instance, the company has heavily relied on Chinese-made imports and this has made the company to be vulnerable to the weakening dollar and subsequent strengthening of the Yuan. A stronger Yuan implies that the company is compelled to pay more for the purchase of its merchandise from China (Henry 2008). This has led to the dramatic decline in the profitability levels of the company, and the overreliance on imports from China has made it vulnerable to currency fluctuations. I will therefore recommend the company to look for alternative suppliers that are cheaper so that it can cut down the overall costs in the purchase of the merchandise. The company for example should venture into the continent of Africa which has a high potential in terms of cheaper raw materials and a ready available market for the goods of the company (Burkoff 2011).

The company has also failed to the sale of higher quality in its marketing line due to its focus on low prices for the clients. The TGT group has capitalized on this vulnerability of Wal-Mart and managed to create a strong customer base globally. This is evidenced by the income level of the consumers of TGT products which averages 50,000 dollars annually whereas that of Wal-Mart averages approximately 35,000 dollars. I therefore propose that the company should venture into the market of high quality products in order to regain the market share it has lost to its main competitors. The company will therefore be able to enjoy stability in situations of real estate market lows and rises in the costs of energy (Balmer 2003). The Wal-Mart company has also been criticized for its apparent racial discriminatory approach in the recruitment and hiring of track drivers for their new fleet. It emerged that African-American drivers were intentionally ignored and the company was made to pay a fine of 17.5 million dollars as a result. My recommendation to Wal-Mart Stores Incorporated Company is to recruit all their staff members purely on the basis of merit and not on the basis of the race, the color or social status of the recruits. The implementation of these recommendations will lead the company to better and profitable performance.

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