

Analysis of the Development of Retail Business

—Taking Walmart as an Example

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Abstract: The increasing involvement of global retail firms in the Internet and e-commerce has had a favorable impact on market development, economic efficiency, and the digital transformation and upgrading of industrial structure. Nevertheless, the advent of the new retail model has not only enhanced its own competitive advantage but has also exerted a discernible influence on conventional retail operations. Consequently, the traditional retail model has become inadequate in meeting the demands of the contemporary market. The research revealed that Walmart, being recognized as the largest global retail corporation, has systematically expanded its market presence by implementing strategies such as the advancement of online and offline e-commerce, digital transformation, and efficiency enhancement measures. Nevertheless, despite Walmart's efforts to enhance its market competitiveness and expand its influence, it continues to encounter significant challenges inside the market. Hence, employing the comparative research method and data analysis approach, this study examines and analyzes the sales and operational strategies of the established retail corporation, Walmart, in recent years. The objective is to facilitate the assimilation of other conventional retail enterprises with the Internet, while also providing valuable insights and considerations for their digital transformation and advancement.

Keywords: e-commerce, Wal-Mart, retail business, internet, digital transformation

1. Introduction

The rapid development of China's economy has been closely associated with the emergence of the digital economy era. This has led to a continuous improvement in people's demand for material well-being. Retail firms are of utmost importance in the rapid development of the national economy due to their proximity to consumers, as they operate in an industry that is closely intertwined with people's daily lives and production processes. Numerous retail enterprises employ e-commerce, Internet, big data, and online and offline integration technology to bolster the market competitiveness of each enterprise, foster the advancement of the market economy, and serve as a crucial catalyst for facilitating the transformation and optimization of conventional retail enterprises.

Nevertheless, the conventional brick-and-mortar retail sector is also experiencing significant setbacks in its growth and progress. On one hand, the offline retail industry, being in close proximity to consumers, has encountered a range of developmental challenges including suboptimal operational

efficiency, inadequate ability to cater to consumer demands, and a lack of market competitiveness. However, the offline retail industry faces challenges in generating sufficient earnings to sustain its expansion, primarily due to flaws in internal management practices and an ambiguous profit model. The subject of how the traditional retail industry can effectively convert into a "new retail" enterprise is a perplexing matter [1]. Nevertheless, as a representative of the world's top 500 traditional retail enterprises, Walmart has managed to maintain its market competitiveness and achieve higher annual revenue by employing distinctive marketing strategies, including the utilization of e-commerce and a combination of online and offline methods. This has enabled Walmart to successfully navigate the challenging landscape of new retail and accomplish a reversal of the adverse market conditions [2].

This paper utilizes Walmart as a case study to examine the origins and mechanisms of corporate profits in the context of the "new retail" transformation. By conducting a comparative analysis of similar companies and referencing enterprise income and profit and loss data tables, the paper aims to address the questions of where and how corporate profits are generated. The findings of this study can potentially offer valuable insights and guidance for traditional retail enterprises, enabling them to implement scientifically and effectively management practices in the future. In order to facilitate their individual digital transformation and enhancement.

2. Conditions in Wal-Mart's early operation

The retail sector holds significant prominence within the nation, with an anticipated total value of 3.92 billion yuan in social consumer goods retail sales for the year 2020. In light of the growing prevalence of mobile payments and e-commerce, coupled with the advancing sophistication of digital technology, conventional retail businesses are demonstrating an escalating inclination towards embracing digital transformation. Walmart is recognized as one of the leading global enterprises, ranking among the top 500. It holds a significant position in the expansive supermarket industry and is renowned as the largest company in terms of annual revenue. The esteemed publication, "Fortune" magazine, has even bestowed upon it the title of a transformative entity in history. As a retail corporation, Walmart has encountered a challenging predicament. However, it has successfully navigated this situation by employing strategic marketing methods to reverse its fortunes, ultimately achieving an optimized transformation and upgrade, resulting in commendable profitability. The author posits that their successful experience merits profound contemplation.

Despite being a prominent player in the retail sector, Walmart encounters a range of challenges akin to those faced by conventional retail enterprises prior to their evolution through the digital revolution of e-commerce. For instance, the elevated expenses associated with logistics impede the ability to fulfill the market and consumer demands for ease. Additionally, inadequate communication with customers regarding their primary objectives exacerbates the situation.

2.1. High Sales logistics cost

During the initial stages of Wal-Mart's establishment, its gross profit margin shown a tendency towards being quite modest. Simultaneously, the company experiences elevated sales expenses and logistics charges. We conducted an investigation of the domestic sales expenditure and logistics expenditure of Wal-Mart. It is evident that transportation costs constitute a significant component of Walmart's domestic sales spend. Based on the findings of our survey pertaining to domestic logistics expenses, it has been determined that Walmart's domestic logistics costs constitute around 8% [3]. It is evident that during the initial stages of Wal-Mart's establishment, the increase in its yearly revenue was not contingent upon the management of sales expenses and logistics costs. Rather, it was driven by enhancements in the fundamental aspects of Walmart's entire turnover, hence facilitating its subsequent progress. However, it is evident that this assertion is flawed as it is unfeasible to sustain

a substantial level of sales and achieve long-term profitability using this particular sales approach. This further demonstrates that Walmart's sales must be approached from two perspectives: sales cost and logistics cost. By reducing costs, Walmart can enhance overall profitability and sustain high sales volume, thereby fostering the company's overall healthy growth and improving its sales efficiency and profitability.

2.2. Single sales promotion method

In the contemporary global landscape, there has been a notable proliferation of retail firms, driven by the increasing market need. The issue of consumer attraction has emerged as a significant worry for retail firms in the current dynamic market environment. However, with regards to sales strategies, the majority of businesses in China, including Walmart, primarily employ the tactic of "price war" to entice customers to make purchases and engage in consumption[4]. This involves implementing various methods such as offering discounts, buy one get one free promotions, clearance sales, and other similar approaches aimed at boosting sales by reducing prices and enhancing overall sales performance of the enterprises. Undoubtedly, this presents a notable benefit, namely the ability to attain a satisfactory level of income within a limited timeframe. However, over time, these clients fail to establish long-term relationships as they just prioritize short-term cost advantages. Once the price is adjusted to a more suitable level, consumers will once again engage in price comparisons with other retailers, seeking a fresh pricing advantage and thus reconsidering their preferred purchasing channel. In a similar vein, engaging in a protracted "price war" and continuously reducing prices to drive sales can result in diminished profitability. Despite potential increases in sales volume, the overall profit generated remains limited, thereby impeding the long-term sustainability and healthy growth of the enterprise. Furthermore, it is noteworthy that every enterprise initiates a "price war" simultaneously, resulting in the proliferation of detrimental excessive competition among certain enterprises. This not only undermines the interests of all companies involved but also disrupts the equilibrium and stability of the market order, ultimately exerting a negative influence on the overall market dynamics.

2.3. Single sales channel

The issue that many conventional retail firms will encounter is the limited diversity of their sales channels, which is attributed to the enhancement of individuals' living standards and the escalation of price levels. The current state of offline sales is insufficient in meeting the diverse range of consumer needs. Similarly, this observation can be applied to Walmart. During the initial phase, offline sales, which serves as a crucial sales channel for brick-and-mortar retail firms, did receive certain assistance. Offline sales have the potential to appeal to local inhabitants due to their inherent advantages, thereby motivating firms to enhance their impact in the local market. Additionally, the provision of quality offline services can effectively stimulate customer demand and encourage increased purchases. As an illustration, during the initial stages of Wal-Mart's establishment, its stores were predominantly situated in urban regions characterized by elevated per capita GDP and heightened consumer demand. Nevertheless, it is evident that relying solely on a single sales channel is inherently less effective compared to the utilization of internet sales, e-commerce, and several other sales channels. In recent years, the proliferation of online sales and e-commerce facilitated by Internet big data has significantly expanded its market share, leading to an increased perception of convenience and efficiency derived from scientific and technological advancements. Consequently, this has brought to light the hitherto unnoticed limitations of physical sales. During the period of the epidemic, traditional retail enterprises experienced a gradual decline in offline sales operating profits. This can be attributed to the inconvenience caused by the epidemic, which rendered the single sales channel less viable. Additionally, the emergence of the "new retail" sales channel has captivated consumers, providing

them with more convenient options. The need to expedite industrial digital transformation and upgrading has compelled numerous traditional retail firms to take action. One notable example of a successful firm in the transition and development of several retail enterprises is Walmart.

3. The successful measures of Walmart's transformation into a "new retail" enterprise

In the context of the emergence of "new retail" enterprises, Walmart, being a prominent member of the global top 500 enterprises, encountered a challenging environment. However, instead of retreating, Walmart seized the opportunity to diversify its sales approaches, broaden its sales channels, undergo digital transformation and upgrade, and embrace e-commerce as a means to augment its traditional offline sales model. To excel in the retail industry, it is crucial for this large family firm to distinguish itself and overcome the challenges it faces.

3.1. Improving logistics system, reduce logistics costs

Walmart operates a network of 22 distribution centers around the country [5]. In contrast, the number of Walmart stores in the country is limited to 378. Given that each store can only cater to 17 other stores, it becomes evident that the potential scale effect of the 22 distribution centers is hindered. To mitigate logistics expenses, it is important to enhance the structure of the logistics system as a primary measure. There is a need to enhance the management mode of distribution centers, optimize distribution plans, enhance distribution efficiency, facilitate the enhancement of distribution capabilities, and increase the scope of production and distribution. Simultaneously, by optimizing the workforce at each distribution center and increasing the number of distribution centers, the Walmart supermarket can establish a virtuous cycle. This cycle enables efficient management of each logistics center, facilitates expansion, and enhances the overall sales profitability of the enterprise. Simultaneously, it is imperative to be cognizant of the pertinent governmental logistics rules and enhance the online logistics network distribution alongside the offline logistics distribution. For instance, within the realm of the third-party logistics sector, there is a need to enhance the efficiency of logistical operations. The implementation of efficient logistics methods can yield cost reductions and enhance Walmart's market influence. By leveraging this advantage, Walmart can foster consumer understanding of its enterprise and instill confidence in the brand, thereby creating a virtuous cycle that promotes efficient production within the industry.

3.2. Innovating sales channels and promote digital transformation and upgrading

In recent times, Walmart has shifted away from relying solely on offline sales and has instead prioritized its industrial transformation and upgrading. This strategic shift has enabled Walmart to generate profits through many channels, including online sales, the establishment of member stores, and leveraging digital transformation via the Internet.

Table 1: 2021 to 2022 Walmart statements of income [6]

Walmart Inc. Consolidated Statements of Income (Fiscal Years Ended January 31)			
	Fiscal Years Ended January 31		
(Amounts in millions, except per share data)	2022	2021	2020
Revenues:			
Net sales	\$567,762	\$555,233	\$519,926
Membership and other income	4,992	3,918	4,038
Total revenues	572,754	559,151	523,964
Costs and expenses:			

Table 1: (continued).

Cost of sales	429,000	420,315	394,605
Operating, selling, general and administrative expenses	117,812	116,288	108,791
Operating income	25,942	22,548	20,568
Interest:			
Debt	1,674	1,976	2,262
Finance lease	320	339	337
Interest income	-158	-121	-189
Interest, net	1,836	2,194	2,410
Loss on extinguishment of debt	2,410	-	-
Other (gains) and losses	3,000	-210	-1,958
Income before income taxes	18,696	20,564	20,116
Provision for income taxes	4,756	6,858	4,915
Consolidated net income	13,940	13,706	15,201
Consolidated net income attributable to noncontrolling interest	-267	-196	-320
Consolidated net income attributable to Walmart	\$13,673	\$13,510	\$14,881
Net income per common share:			
Basic net income per common share attributable to Walmart	\$4.90	\$4.77	\$5.22
Diluted net income per common share attributable to Walmart	4.87	4.75	5.19
Weighted-average common shares outstanding:			
Basic	2,792	2,831	2,850
Diluted	2,805	2,847	2,868
Dividends declared per common share	\$2.20	\$2.16	\$2.12

The table 1 displays the financial performance of Walmart in fiscal year 2022, encompassing both quarterly and annual results. During fiscal year 2022, Walmart experienced a growth in revenue of 2.4% compared to the corresponding period in the previous year. This translated to a revenue gain of 572.754 billion yuan. Additionally, the company witnessed a net profit increase of 1.2% from the same period last year, reaching a total of 13.676 billion yuan. According to an official announcement on Walmart China's Weibo account, the overall revenue of Walmart in the fourth quarter of the current year amounted to \$152.9 billion, reflecting a marginal increase of 0.5% compared to the same time in the previous year. The operating profit had a 5.9% increase compared to the previous year, reaching a total of \$5.9 billion. Among the various firms, Sam's member stores and e-commerce have demonstrated commendable performance. The net profit of Walmart China's e-commerce sector experienced a significant growth of 93% during a span of two years, demonstrating a remarkable gain of 158%.

Table 2: Chart of Walmart's net sales from 2018 to 2020 [8]

Composition of Wal-Mart's Net Sales			
Breakdown of net sales	2020	2019	2018
Walmart USA (\$million)	326,963	319,504	315,966
Walmart US E-Commerce (\$M)	43,000	21,500	15,700
Wal-Mart International (\$million)	104,760	108,330	114,124
Wal-Mart International E-commerce (USD million)	16,600	11,800	6,700
Sam's Club (\$million)	58,610	55,192	55,139

Table 2: (continued).

Sam's Club E-Commerce (\$million)	5,300	3,600	2,700
Net Sales ((\$millions)	555,233	519,926	510,329
Data source: annual report data collation and calculation			

According to the data presented in Table 2, it is evident that Walmart's net sales have exhibited a consistent and moderate growth throughout the course of the previous three years. Notably, the sales channels of e-commerce and Sam's Club have emerged as crucial contributors to Walmart's overall sales performance. The utilization of the Internet and big data in Walmart's digital transformation has not only set a pattern but has also significantly contributed to the advancement of other retail firms [9]. Simultaneously, the Samma member store of the corporation primarily specializes in the distribution of middle and high-end merchandise, while also implementing membership fees. Its target client base consists of middle and high-end households who aspire to lead a high-quality lifestyle. Simultaneously, the corporation places significant emphasis on cultivating a favorable mall ambiance to enhance client goodwill and assure a satisfactory shopping experience. Furthermore, the acquisition of Jet.com by Walmart not only yields significant market impact for the company, but also enhances its annual sales profit, thereby establishing a solid groundwork for Walmart's future growth and expansion.

3.3. Meeting customer needs and improving service level

The primary source of revenue in the retail industry lies in the movement and volume of customers [10]. Based on the sales revenue data from recent years, it is challenging to foster the comprehensive growth of the organization just through reliance on a strategy of engaging in a "price war". In recent years, Walmart has prioritized customer-centric strategies and complemented them with enhanced service offerings. By enhancing its own offerings, Walmart fosters increased customer confidence in the quality of its services. Simultaneously, the corporation formulates a personalized service approach for individual clients via the Internet, with the aim of garnering increased customer attention, fostering positive consumer perceptions of the company, stimulating innovation and growth inside the organization, and ultimately augmenting overall profitability.

4. Conclusion

In conclusion, the author posits that Walmart is an enterprise that prioritizes digital transformation, primarily by implementing the digitization of large-scale data. The adoption of a digital business model by Walmart enables the corporation to attain consistent economic advantages. Furthermore, this model is constructed based on the client perspective. By offering customers a greater amount of data, Walmart has the potential to improve its market position and strengthen its relationship with customers. This, in turn, can expand its competitive edge and influence in the market, enabling the company to sustain profitability in the aftermath of the epidemic. However, the increasing debt also serves as an indication of the significant level of rivalry that Wal-Mart continues to encounter within the realm of retail establishments. Hence, according to the author's perspective, it is advisable for Walmart to not only maintain its conventional retail operations but also allocate more resources towards enhancing its e-commerce capabilities. This strategic approach would facilitate the establishment of a robust framework for future growth and development.

In addition, the author asserts that the majority of the data and material utilized in this study and analysis were obtained through direct queries and references to prior research conducted in this field. However, this field studies on various retail organizations, including both new and ancient

establishments such as Walmart, have been limited in scope, and my research in this area lacks comprehensiveness. The author exclusively expounds upon the perspectives and notions by considering various crucial facets, while inadvertently neglecting certain unobserved components. Hence, it is anticipated that the author will enhance the field research pertaining to pertinent matters in subsequent endeavors. This will involve broadening the scope of research, refining innovative approaches and methodologies for the advancement and transformation of "new retail" enterprises. Additionally, the author intends to validate their research findings through a more comprehensive lens and by utilizing more authentic real-time data. Simultaneously, the profound research findings also serve as a valuable resource for organizations of greater relevance, enabling them to get insights into their own deficiencies and areas for enhancement within the discourse. The author posits that as new retail continues to evolve, there will be a gradual increase in people's demand for it. This growth in demand will afterwards highlight the superiority of new retail and its indispensable position in China's economic development.

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