

Analysis of Walmart's Marketing Strategy in the Context of New Retail

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Abstract: With continuous innovation and wide application of technologies such as the Internet and big data, the Internet economy has flourished, laying the foundation for the transformation of physical retailing to new retailing. The main advantage of new retailing lies in the combination of the quality experience of physical stores with the high efficiency of online retailing, which points the way for the development of the retail industry. Taking Walmart Company, a world-renowned retail industry giant, as a case study, the paper adopts the 7PS marketing mix theory to study the current marketing situation of Walmart Company. The research found that Walmart has problems such as unreasonable packaging and display of some products and an inefficient logistics supply chain. To this end, this paper proposes optimization solutions including the improvement in product quality, the investment in intelligent information technology, and the construction of a centralized supply chain management model.

Keywords: new retail, Walmart, marketing strategy, 7Ps marketing mix strategy model

1. Introduction

The concept of "new retail" was first proposed by Jack Ma, which refers to a new retail model based on advanced technologies such as the Internet, big data, and artificial intelligence. New retail integrates online services, offline experiences, and modern logistics by upgrading the production, distribution, and sales processes of goods [1]. What is more, it provides an important direction for the development of the retail industry by breaking the limitations of traditional retail models through Intelligent technology [2]. The concept of "omnichannel" was first introduced by Rigby, which means that retailers will interact with customers through multiple channels (e.g., websites, service terminals, physical stores, social media, and mobile devices) to enhance the customer experience [3].

Walmart is a global retailer founded in 1962, headquartered in Arkansas, USA. It currently operates more than 10,500 stores and e-commerce websites in 20 countries and employs approximately 2.1 million people worldwide. On February 1, 2018, the legal name of Walmart was changed from "Walmart Stores, Inc." to "Walmart Inc.", reflecting Walmart's increasing focus on providing seamless retail services to meet customers' needs across multiple shopping options, including in-store, online and mobile, as well as store pickup and home delivery [4].

Based on the 7Ps marketing theory, this paper analyzes Walmart's main marketing strategies in the context of new retailing, including the current situation of marketing strategies of product, price, channel, promotion, personnel, physical display, and process management. In addition, the paper also

summarizes the existing problems and proposes the optimization plan of marketing strategies and supply chain guarantee. The purpose of this paper is to discuss how to integrate online and offline channels and implement the transformation from the traditional retail model to the new retail model in order to provide Walmart with suggestions on relevant marketing strategies to solve the current marketing problems faced by the brand.

2. 7Ps Marketing Theory

In 1964, McCarthy proposed the 4Ps marketing mix strategy model which includes four aspects, namely "Product", "Price", "Place", and "Promotion". It is a marketing tool and strategic system for operational reality. In 1981, Boomers and Bittner proposed the 7Ps marketing mix strategy model on this basis, adding three more aspects: "Participant", "Physical evidence", and "Process management", emphasizing the importance of service experience, physical environment, and process management [5].

"Product" refers to a variety of physical products, services, or their combinations, aiming to meet specific consumer needs and be accepted and used by the market. "Price" refers to the price that consumers pay when purchasing a product, including the base price and the discounted price, which has an impact not only on sales and corporate profits but also on consumer acceptance of the product [6]. "Place" is the sum of the various links and driving forces in the entire process of the flow of goods from the producer to the consumer. "Promotion" refers to various communication and dissemination methods by which companies display their products, services, ideas, and images in order to stimulate consumers' desire to buy [7]. "Participant" refers to the process of consumption in which employees and customers inject additional value into an existing product or service, either directly or indirectly. "Physical evidence" refers to the presentation of all tangible elements of products and services to consumers using the human senses of sight, sound, smell, taste, and touch as the medium [7]. "Process management" is a way to monitor, regulate, and control all the procedures, mechanisms, and activities that consumers must go through before they can obtain goods or services.

3. Key Marketing Strategies of Walmart in the Context of New Retail

3.1. Product Strategy

Walmart adopts a product mix strategy with a large span and medium depth, aiming to provide an all-round, one-stop shopping experience. Large span refers to a large number of categories and a wide range of products, while medium depth reflects the relatively large number of products under each category. In order to achieve the goal of "one-stop shopping", Walmart needs to provide a wide variety of household products, including brands, colors, grades, specifications, and packaging, so as to meet the diversified needs of customers. The advantage of Walmart's strategy is that it offers high-quality brands and a wide range of products that meet the needs of consumers in a limited number of categories.

Walmart emphasizes the high turnover of merchandise rather than high profits compared to other retail industries. Since Walmart must sell its products at below-market prices, its profits consist mainly of non-gross profits, which means that Walmart's profits are relatively low. As a result, Walmart has very strict cost control and focuses on mass sales and efficient turnover, which ensures that the company is able to make a stable profit in the long run. Walmart's profitability model is based on mass sales, high turnover, and high frequency of merchandise purchases. In order to achieve this goal, Walmart must pursue extreme efficiency and cost control in inventory management, supply chain, and logistics. This efficient business model has given Walmart an edge in the highly competitive retail market.

Walmart mainly sells convenient and practical goods, such as fresh food and household goods, and the prices are relatively low, which are popular among customers. At the same time, Walmart's sales strategy is also selective to ensure that the company is not limited by selling a single type of goods and to expand the sales radiation at the right time. Walmart has a wide range of merchandise, covering many areas such as fruits, vegetables, fresh meat, dairy products, frozen products, canned goods, cereal products, beverages, snacks, desserts, and cookies. The total number of items ranges from 30,000 to 60,000, of which food items occupy 40% to 60% and items other than food items occupy 50% to 60%. This means that Walmart has a wide range of products and is able to provide consumers with a more comprehensive shopping choice.

3.2. Price Strategy

The business philosophy of the "fair price every day" is to keep the price of the retailer's products at a low level, so as to benefit the customers in the form of low cost, low expense, and low price. The "fair price every day" emphasizes the optimization of the product value chain, in order to provide more added value to serve customers with a superior service experience, rather than simply lowering prices frequently to attract consumers. At the same time, the key to achieving this strategy is to effectively control costs, optimize the product mix, and improve service quality. For Walmart, the implementation of the "fair price every day" strategy can bring multiple profits to the company, such as improving customer satisfaction, attracting more customers, and increasing sales.

3.3. Place Strategy

Walmart's strategic goal of being a customer-centric omnichannel retailer is to integrate physical stores and multiple e-commerce channels through digital and scalable retail innovation to seamlessly connect online and offline and provide customers with shopping solutions anytime and anywhere. Walmart sees offline stores as the core of its strategy, with more than 10,500 stores in 20 countries, including hundreds of stores and several distribution centers opening in more than 100 cities in China. While the market environment has changed, Walmart has maintained a full range of strategic locations to ensure that it can meet customers' shopping needs wherever and whenever they are. In addition, Walmart and Jingdong began a deep strategic partnership in 2016, aiming to integrate the strengths of both companies in e-commerce and retail to provide Chinese customers with even more exceptional goods and services. Building on Jingdong Home's nationwide coverage of its warehouse and logistics network, Walmart is exploring supply chain synergies and omnichannel integration to provide a better shopping experience and lead sustainable and responsible business development. This cooperation model expands Walmart's sales channels and enables it to better serve consumers in both online and offline markets.

3.4. Promotion Strategy

Walmart uses a variety of advertising mediums, including TV commercials, billboards, and social media, to achieve a diversified marketing strategy. However, Walmart has taken a highly cautious approach to advertising spending relative to its peer companies, and its capital investment is more limited. This is because Walmart maintains low prices for its products by reducing or compressing advertising costs.

Although Walmart spends relatively little money on advertising, it focuses on large-scale promotions to attract customers at below-cost prices to achieve advertising effectiveness. Walmart regularly updates its promotional products to maintain the advertising function. By giving a larger discount on one or two types of products and placing them in prominent positions, customers will buy a certain product at the biggest discount at a certain stage, thus making that product a core product.

In terms of public relations, Walmart has been committed to actively participating in disaster preparedness and relief since it entered the Chinese market, showing its humane corporate image. Walmart has provided timely relief and financial support in emergency situations such as the Wenchuan earthquake in Sichuan, the Qinghai earthquake, the Ya'an earthquake in Sichuan, and the COVID-19 epidemic. Recent disaster relief actions include a donation of \$1.5 million to support China's fight against the COVID-19 epidemic, as well as a donation of about \$0.5 million to help people affected by the disaster of the Sichuan earthquake and southern floods in June 2019 by providing them much-needed food, flour, grain, oil, and other necessities, demonstrating a sense of corporate social responsibility.

3.5. Participant Strategy

Walmart treats every employee as a partner and demonstrates an attitude of equality and respect for employees. By creating a harmonious and stable team atmosphere within the company, building close cooperative relationships, and making frequent group discussions and communications, employees are encouraged to express their opinions, verbally or non-verbally, at any time and place, and to make suggestions, concerns, and complaints about unfair treatment. Walmart enhances the employee's sense of belonging and pride and improves work efficiency.

Walmart places a high priority on employee training and education because the contribution of talented people is the key to business growth. Walmart has set up a special training organization since 1975 and is committed to providing a full range of training services for its employees, including new employees, store managers, and sales associates. By investing a lot of money to establish an efficient lifelong learning mechanism, personalized professional training is provided for employees at different levels of the company. At the same time, Walmart focuses on retaining and developing existing talent resources rather than acquiring new talent through frequent hiring campaigns. This strategy helps to maximize the internal potential and practical capabilities of managers and enhance the scale and effectiveness of the business.

3.6. Physical Evidence Strategy

Walmart's layout design is unique and follows three rules. First, the price tags are placed on top of the merchandise. This design helps customers to select products quickly, saving them time in shopping and helping the store to replenish the needed products in a short period of time to ensure that the store is well stocked. Secondly, Walmart attaches great importance to the height of the products, setting them at a height of 80cm to 130cm and above in the store. This design can enhance the display of products, making it easier for customers to find the products they need and increase sales. Finally, Walmart usually displays its products in a unique and attractive way in good stacks, which can attract customers' attention and increase the number of purchases as well as their desire to buy.

3.7. Process Management Strategy

In addition to offering a diverse selection before and at the time of purchase, after-sales service is also an important service at Walmart. Walmart provides free home-delivery service to save customers the trouble of carrying items after purchase. This service is available when the customer purchases a certain size of merchandise. In addition, Walmart also offers a return and refund service where customers can choose to return an item and have it returned to their account for a refund within one month, provided that the return conditions are guaranteed. These service initiatives allow customers to experience Walmart's customer-focused attitude and service, giving them peace of mind and a caring shopping experience.

4. Analysis of Existing Problems

4.1. Problems with the Product Strategy

According to feedback, there are some problems with the way Walmart packages and displays its merchandise. Taking Great Value, a brand of Walmart, as an example, the quality and style of its merchandise failed to meet consumers' expectations despite its favorable price. Besides, it also failed to inspire consumers to purchase due to the low quality of the packaging. In addition, Walmart's merchandise display is also deficient, and its layout and distribution methods are not reasonable enough, resulting in a less pleasant shopping experience and difficulties for consumers to find the products they need, which may lead to poor sales of Walmart's own brands.

4.2. Problems with the Place Strategy

Walmart's global success can be attributed to its highly flexible and efficient logistics and distribution system as well as its mature supply chain management system. However, the goods distribution center model used by Walmart has not been implemented in China. Walmart's operating model in the U.S. is to support 120 stores through a logistics supply chain management with an average distribution cost of no more than 3% of sales, compared to 4.5%-5% for its competitors. The lack of the number of Walmart stores in China prevents its otherwise efficient and low-cost logistics system from being fully implemented, thus leaving the logistics supply chain management in a semi-idle state, which will greatly increase distribution costs nationwide.

5. Marketing Strategy Optimization and Supply Chain Guarantee

5.1. Product Strategy Optimization

The sales advantage of Walmart lies in its affordable prices, which allow consumers to enjoy a more affordable shopping experience. However, only under the premise of ensuring product quality can a brand win on price [8]. Therefore, Walmart needs to strengthen the regulation and control of product quality in order to improve customers' consumption experience and thus create more value for them. To ensure the quality of Walmart's private label goods, a strict quality regulation and control system must be implemented to ensure that its own products are at the top of their class. To ensure consistent quality of products, Walmart needs to conduct regular inspections of any store and keep the frequency and size of inspections consistent.

Through observation, it can be found that the area near the entrance and exit of the mall always has the highest traffic. According to the rules of marketing, customers can be divided into two categories: one is the impulsive customers who seek a fast shopping experience. They tend to appear suddenly and buy quickly without considering any consequences; the other is the purposeful customers who pursue specific goals. They pay more attention to the quality and function of goods. Based on this situation, it is recommended to place products that are likely to cause impulsive purchases on the shelves with the heaviest traffic to promote consumers' impulsiveness in purchasing goods and increase their shopping enthusiasm.

5.2. Place Strategy Optimization

To adapt to the changes in the Chinese market, Walmart needs to invest in and use intelligent information technology to improve supermarket inventory activities, goods updates, inventory sales, and the accuracy of information transfer between suppliers, manufacturers, and small retailers. This will help Walmart achieve efficient supply chain management and improve management efficiency and customer experience. Walmart can also learn from the advanced experience of the Chinese retail

industry, understand the characteristics of the Chinese market and consumers' needs, and adjust the types of goods and pricing of products according to the market demand to meet consumer needs. Finally, Walmart needs to innovate in its organizational structure to eliminate the barriers between different departments, functions, and enterprises, and achieve cross-departmental, cross-functional, and cross-enterprise coordination and management. This will help Walmart better integrate resources, improve management efficiency, and enhance employees' motivation and creativity.

5.3. Supply Chain Management Guarantee

Distribution requirements planning (DRP) technology is an advanced technology owned by Walmart, which provides advantages and will bring new opportunities for its supply chain. Walmart can build a centralized supply chain management model based on the characteristics of DRP technology, which will help optimize supply chain costs, improve service quality, and increase customer satisfaction. Walmart can adopt localization strategies to adapt to the needs of the Chinese market and implement corresponding strategies to optimize and improve the existing supply chain according to China's national conditions, in order to achieve small-scale management and optimization of the supply chain. At the same time, Walmart can provide its partners with a set of efficient supply chain management solutions to establish a friendly and mutually beneficial cooperation relationship. By optimizing and improving the supply chain, Walmart can obtain considerable performance, thus enhancing its competitiveness and market share in the Chinese market. At the same time, this will also benefit the companies in the supply chain to gain a competitive advantage and improve their position in the market.

6. Conclusion

This paper uses the 7Ps marketing mix theory to make an in-depth analysis of the current situation of Walmart's marketing strategy. At the same time, this paper also points out the problems that exist in Walmart's marketing and gives suggestions. On this basis, the following basic conclusions are drawn: firstly, by combing the current situation of Walmart's marketing strategy, this paper finds the existing problems, such as the unreasonable packaging and display of some products and the inefficiency of the logistics supply chain. Secondly, in view of the actual situation of Walmart, this paper proposes a series of optimization strategies, such as providing high-quality and low-priced products, rationalizing product display, and intelligent logistics supply chain. Finally, this paper provides suggestions for safeguarding supply chain management, including the use of DRP technology, optimizing warehouse management, and increasing supplier credibility. The rise of new retailing not only puts forward higher-level requirements for the company's operation management but also puts forward more innovative and forward-looking development needs for the company's marketing model. The optimization strategies proposed based on the current situation can be further studied in depth in the future.

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