

The States Quo of Walmart and Challenges and Opportunities of Their Online Transformation in China Based on SWOT Analysis

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ABSTRACT

This study aims to analyze the opportunities and challenges that Wal-Mart has encountered in its online transformation in China and propose some practical suggestions based on Walmart's current situation and our results. Questionnaires and comment analysis are the main methods used for data collection. A total of 110 valid questionnaires were received, and trends were analyzed through different age groups. There is a number of age-related shopping habits being found. The younger people pay more attention to product prices and shopping convenience, while older people pay almost no attention to imported products. Comment analysis obtains the attitude and evaluation of the Wal-Mart app by analyzing the frequently used words of consumers for the Wal-Mart shopping app. "Garbage" is the most frequently mentioned word by customers, which means that the customer experience of Wal-Mart's online shopping app is very unoptimistic at this stage. Then, SWOT analysis is used for a detailed analysis of outside challenges of Chinese e-commerce and the internal situation of Walmart's online shopping platform. Finally, we provide several marketing strategies based on strength-threat and opportunity-weakness, which could provide some practical suggestions of online transformation for Wal-Mart.

Keywords: Walmart's Online Transformation, SWOT Analysis.

1. INTRODUCTION

With the rapid development of Internet information technology, many changes have taken place in consumers' living habits and purchasing methods, which makes it difficult for traditional retail sales model, to match consumers' new consumption demands [1]. Consumers want to have multiple shopping channels and different shopping experiences in different channels, including physical stores, online stores, etc. [2]. Nowadays, with the rise and development of Internet e-commerce, it has become a powerful competitor in the retail industry by using its own entity management advantages.[3] Therefore, the physical retail must readjust the channel at the same time also involves the business model and other aspects of the system change. However, there is insufficient momentum and innovation in the development of new

retail.[4] Therefore, it is of great significance to study the multinational physical retail enterprises in the new retail environment in China to enhance its competitiveness and adapt to the changes brought about by the new retail environment. Due to the rapid expansion of domestic e-commerce platforms, large multinational entity retailers such as Wal-Mart began to seek new development with the help of new retail. In this paper is based on business model related theory as the research by using the methods of the questionnaire survey, text sentiment analysis, using the SWOT analysis, combining with the characteristics of entity retail enterprise's development, the business model elements are used to online business integration level, broadening the channels for the online entity retail enterprises integration business model application range. The research of this paper is helpful for Wal-Mart to find its own positioning in the new retail environment in China, integrate multiple online and

offline channels, carry out business model reform and enhance the competitiveness of the enterprise. The research objects selected in this article are innovative. Existing scholars have a wealth of relevant research on the business models of retail companies. The research objects are mostly Internet retail companies or domestic retail companies such as Yonghui and Darunfa.

2. METHODOLOGY

2.1. Data collection

We designed a questionnaire about Wal-Mart’s shopping experience and customers’suggestions for online shopping. We took the form of online questionnaires, distributed a total of 300 questionnaires, effectively collected 112 copies.

We downloaded online users’ review of the Walmart APP from the Kuchuan website(<https://ios.kuchuan.com>) and the Tieba website(<https://tieba.baidu.com>). Intercepted all user comments from January 2015 to April 2021, we totally collected more than 3,000 comments and used R Studio to conduct text sentiment analysis based on the text data.

By sorting out the literature, and looking up documents, we discovered and sorted out the essence and attributed of things as a whole. Through theoretical interpretation and analysis of literature, discover the phenomenon’s internal connections and find the essential laws behind economic problems.

2.2. Research protocol

This paper is divided into three steps to analyze the data. Firstly, we used the questionnaire, segmenting consumers according to different age structures, gender structures in order to find out different factors that contributes to various consumption preferences. Secondly, we used R Studio to make a word cloud, which clearly shows the key words of customers’ comments on Wal-Mart. Sentiment analysis is performed on the comment based on the key words. Thirdly, based on all the above, we made a SWOT analysis for Wal-Mart, analysing its strengths, weaknesses, opportunities, and threats. SWOT analysis of enterprise environment emphasizes the structural analysis. The systematic characteristic is embodied in the systematic thought of the SWOT analysis method, which makes a comprehensive analysis of research problems and formulates scientific development strategies for enterprises.

3. RESULTS AND DISCUSSION

3.1. Questionnaire

There are 110 copies of effective questionnaires withdrawn, with 300 questionnaires sent out in total. Here are some noticeable results, which will be discussed below.

Table 1. Reasons for consumers choosing Walmart

Age	Low price	Conv enient	High reputation, more choices	Good quality	Imported products	Convenient transportation
<20	17%	23%	35%	15%	6%	3%
21-30	9%	24%	34%	13%	8&	11%
31-40	7%	17%	24%	32%	10%	21%
41-50	16%	26%	32%	16%	/	10%
>50	17%	33%	/	33%	/	17%

Table 1 is based on age groups to statistically analyze the reasons why consumers choose Wal-Mart. A total of 35 feedbacks were collected from people under 20 years old, 47 feedbacks were collected from 21 to 30 years old, 14 feedbacks were collected from 31 to 40 years old, 12 feedbacks were collected from 41 to 50 years old, and 4 feedbacks were collected from people above 50 years old. Since there is limited

information collected from over the age of 50, they are not used as a reference for this research.

It can be found that the reasons for choosing Wal-Mart for people under 20 and those between 21 and 30 are similar. Wal-Mart’s high reputation and more choices are the main reason for them to choose Wal-Mart, accounting for 36% and 34%, respectively. In

addition, the choices in terms of convenience, quality, and imported products are basically the same.

There are a few main points worth discussing here. First of all, people under the age of 20 are attracted more by Wal-Mart's low price, accounting for 17%, while only 9% of people aged 21-30 considered about this. This might be because people under 20 are usually students with lower income, and thus they are tended to be more price sensitive. In addition, people aged 21 to 30 consider more about convenient transportation. This is mainly because this group of people generally start to work and have more requirements for time convenience.

With the increase of age, people's demand for product quality, imported products, and convenient transportation began to increase. It can be observed from the table that compared with people aged 21 to 30, people aged 31 to 40 pay more attention to convenient transportation significantly, increasing by 75%, and good quality has increased by 61.5%. The choice of imported products has also increased by 25%. From these characteristics, it can be understood that people in this age group generally form families, and their demand for daily necessities is increased significantly. Meanwhile, their income is usually more stable, and thus high-quality, guaranteed products such as imported products will attract more of their attention.

Among the 41-50 years old group, one thing worth noticing is that they pay the least attention to imported goods and will not choose Wal-Mart because of imported goods. This is mainly because people in this age group do not know much about imported goods and have few habits of using imported goods.

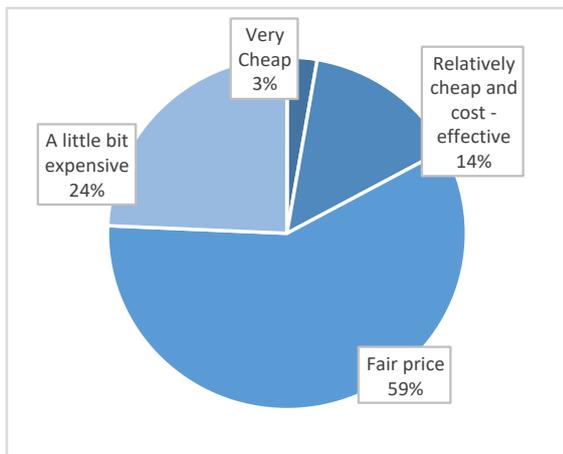


Figure 1. Impressions of Walmart product price

In addition to the range of product choices, price is also an important factor considered by consumers. In Graph 1, 58.56% of them think that the price is moderate, which means that Wal-Mart's pricing is in line with consumers' acceptance. However, there is a noteworthy point here that 14.4% think that the price is

too high, which does not completely represent a negative signal. Wal-Mart's market positioning is low prices and high quality, which usually cost more.

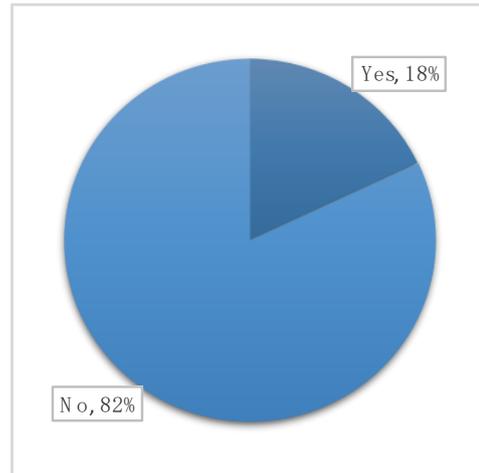


Figure 2. Have consumer used the Walmart online shopping platform

It could be observed from Figure 2 that only 18% of people have used the Wal-Mart online shopping platform. In China, Wal-Mart chose to cooperate with JD.com and Tencent, who are. They have launched Wal-Mart's online shopping application in the Chinese communication software WeChat, opened an official store on JD.com, and cooperated with JD Daojia to launch door-to-door delivery services. It could be considered that Walmart has invested heavily in its online shopping channels. However, from the feedback received, their online channels are not well known. On the one hand, because China's e-commerce is relatively mature, Wal-Mart's online supermarket does not reflect the different characteristics of other online stores. Moreover, Wal-Mart has not paid enough attention to online promotion.

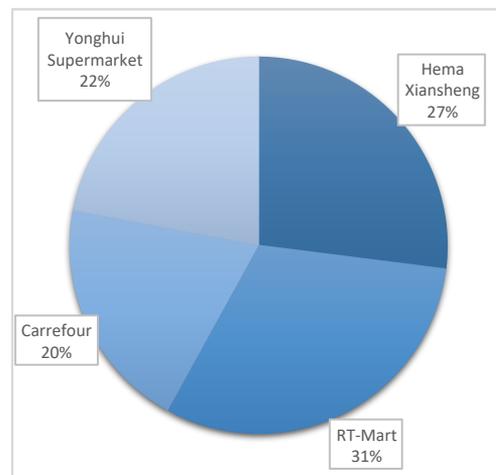


Figure 3. Besides Walmart, other supermarkets that consumers tend to choose.

4.1.4. Good relationship with other enterprise

Walmart have a good relationship with Chinese e-commerce enterprise. Walmart chose to cooperate with JD.com and Tencent in China. They have launched Walmart's online shopping application in the Chinese communication software WeChat, opened an official store on JD.com, and cooperated with JD Daojia to launch door-to-door delivery services.

4.2. Weakness

4.2.1. Highly criticized employment policies

Highly criticized employment policies which result in high employee turnover. High employee turnover also lead to poor customer service. When there is high employee turnover, it will take much time to transfer for new employee, which will also decrease the working efficiency and waste a lot of time. Besides, old employee are more familiar with their customers, they can provide more appropriate suggestions for customers.

4.2.2. Business model be copy easily

The cost leadership strategy makes Walmart's business model easy to copy. The firm does not have significant competitive difference, except for its business size and prices.

4.2.3. Poor online shopping system

Based on comments of customers, it is evident that Walmart's online application is not useful and inconvenient, customers hold negative attitudes, it lead to a situation that customers are not willing to choose walmart application. Walmart's online promotion is not adequate. It is suggested that Walmart could consider promoting it on multiple social media, and provide more discounts to customers in the early stage, so as to expand the customer base and cultivate their shopping habits. Based on comments, customers told that walmart app can only be used in Fuzhou city, the majority of customers come from other area, so they cannot buy anything through this application. It may be a technical problem that should be settle as quick as possible.

4.3. Opportunity

4.3.1. High value of forecast market

The e-commerce market is forecast to reach US\$4.5 trillion by 2021. Larger e-commerce means larger market share. There is a online shopping trend nowadays. Stores are trying to transfer their traditional commercial model to e-commercial, which will improve the market share of Walmart. In addition, with the rapid

development of network and artificial intelligence, the trend of omni-channel retailing is becoming increasingly popular. Walmart can integrate physical stores and digital channels for a seamless shopping experience. Taking ownership of the grocery-delivery network.

4.3.2. Epidemic makes changes.

Due to the COVID-19, the usage of mobile grocery apps to order items and to facilitate and enrich the shopping experience will increase significantly over the next few years. After the outbreak of the covid19 epidemic, people spend more time at home. Meanwhile, the types of products people buy have changed, the requirement of food and beverages has increased by about 150%, and the demand for daily necessities has also greatly increased.

4.4. Threat

4.4.1. Higher operating cost

Online business have higher operating costs which can impact profitability. Walmart should pay more on operating shopping website, so that more customers will be appealed to try to shop online in Walmart.

4.4.2. Competitors are improving their online shopping system

In China, more and more retailers plan to develop online shopping of their markets. For example, HeMa markets belongs to Ali company, it has advanced logistics system and variety of products.

4.4.3. Local policy

The Chinese government prefer to support the small and medium-sized retail industry and help them to improve by investing. And local governments practice protectionism to protect local enterprise.

5. STRATEGIES

According to the above SWOT analysis, we proposed the following strategies for Walmart's online transformation in China.

5.1. Strength & Threat strategy

5.1.1. Take advantage of own strength

Creating personal and unique strategy to develop Walmart rather than using conservative method to develop. For instance, compared with HeMa XianSheng, Walmart has larger merchandise selection, which means the merit of goods in Walmart is cheaper

than the other. If Walmart focuses on cheapness to publicize, customers will soon be able to choose between HeMa and Walmart.

5.1.2. Cooperate with local suppliers

Wal-Mart could strengthen cooperation with local suppliers, launch local products based on different geographical locations and different eating habits, and further improve product selection to meet more customer needs. On the other hand, after Wal-Mart's economic assistance to the local area, it could also be better recognized and supported by the local government.

5.1.3. Differentiated marketing

Aimed at different agegroup, Wal-mart should take different action based on their habits to attract them. For instance, according to our questionnaire analysis, young age people are always care about the price because of low income, so Walmart can implement student discount strategy for them. For every young generation who graduate under 2 years, Walmart provide them with discount and coupon, which will increase customers loyalty.

5.1.4. Improve APP user experience

Improve APP friendliness, based on comments of customers, customers think Walmart's App is inconvenient to use for online shopping. Especially for old people, they are usually not familiar with digital device, so that simple page may increase the frequency of using walmart application on mobile phone.

5.2. Opportunity & Weakness strategy

5.2.1. Integration online and offline channels

Improving the integration of online and offline shopping platforms, and developing online shopping services to other important cities by relying on the transportation chain of their local supermarkets. Meanwhile, Walmart should pay more attention to their transportation time and the quality of the transportation products, and strive to achieve the fastest delivery of the best products to the place designated by the customer.

5.2.2. Make promotion strategy

Make some promotion to fight against loss because of Covid-19. For instance, set an area to sell some products that will be out of date. It can consume

inventory and also help people who are in temporarily poor.

5.2.3. Cooperate with JD.com

WalMart could strengthen its cooperation with JD.com, and promote their products and online shopping information through JD's online shopping platform more effectively, and thus enhance people's awareness of its online transformation. Meanwhile, it could also take advantage of JD's supply chain and logistics chain, and further accelerate the expansion of online shopping services across the country.

6. CONCLUSION

This research report focuses on the current situation of Wal-Mart and its transformation of online shopping. As the number one company in the world's top 500 companies, Wal-Mart's online shopping development in China is not very satisfactory. To alleviate this situation, this research has collected data through a questionnaire and obtained some comments from consumers on Walmart and shopping apps in terms of price and quality. The main problems of Wal-Mart are that the online shopping platform is not well known, and the functions and operations of the shopping app are not satisfying, leaving a bad impression on consumers. With these results collected, SWOT analysis was used for analyzing Wal-Mart's internal and external situation, combined with the collected data to give some practical recommendations. The main efforts Wal-Mart needs to make are to make its e-commerce platform more unique and attractive and improve its e-commerce services in a more detailed way. This research is mainly provided as a reference for traditional supermarkets and could be used to maintain and complete an online shopping platform.

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