

Case Study

1. Analyze Amazon.com and Walmart using the value chain competitive forces models.

The competitive forces model includes a threat of new entrants, bargaining power of suppliers and customers, substitute products and services, and rivalry among existing competitors.

In the case of Amazon, the threat of new entrants is low. The reason is that company has already positioned itself in the market by holding a significant market share. Despite the fact that starting an e-commerce organization is relatively easy, catching up to Amazon is challenging. However, in terms of Walmart, the threat of new entrants is strong. In this case, small retail stores can enter the market and compete based on convenient locations, lower prices, and other factors. After the Whole Food acquisition, Amazon is also a significant competitor for Walmart since the company aims to enter the grocery market and run its physical stores.

Moreover, we can consider rivalry among competitors as high for both companies. To be more precise, these two companies are competitors for each other. However, in terms of online retailing, Amazon is the market leader. There are also other market players like Costco, Flipkart, and eBay. Also, as mentioned in the case study, Walmart newly entered online retailing marketing. Finally, since these companies aim to take one another's piece of cake in the market, the competition is difficult enough.

Besides, the bargaining power of suppliers is low to moderate. Since both of these firms are retailing companies, they work with many suppliers. Also, it is essential to note that these organizations are world-known brands. Therefore, suppliers working with them according to the rules that are laid out by them. Thus, the bargaining power of suppliers is low to moderate.

In addition, the bargaining power of customers is high. Amazon is also well known for its cheapest prices. We could observe this pattern by reading the case study. According to the case study, after the acquisition of Whole Food, Amazon lowered the price of goods up to 40 percent. Despite the fact the company is an online retailer, it competes with physical stores. Walmart is also good at low prices. Thus, for Walmart and Amazon customers' bargaining power is relatively high.

When it comes to substituting products and services, these firms are selling goods that are a substitute for one another. Also, in the case of grocery products, there are enough substitutes for them. In this way, higher prices for both of these companies will result in the customers to switch another retailer. Therefore, this pattern of the competitive forces model for these companies is high enough.

2. Compare the role of grocery sales in Amazon and Walmart's business strategies.

By carefully analyzing the companies' vision and mission statements, we could observe that they are somehow similar in reducing costs for their customers and offering them the best prices and conveniences.

According to the case study, the grocery business accounts for 800 billion US dollars in sales. Amazon is a well-known brand for e-commerce and online retailing. The company newly started to open its physical locations with its Amazon Go program. Also, the firm has little experience in the online grocery business since opening its online Amazon Fresh program. Amazon aims to enter the grocery industry with the acquisition of Whole Foods. According to several analysts, the purchase will allow the firm to use those physical stores to deliver online orders to and accept return orders from customers.

In terms of the Walmart, the grocery is its main business. According to the case study, grocery sales accounts for 56 percent of its overall sales. Also, the company takes every opportunity to improve its products and services. Moreover, online grocery sales were major part of the company's sales growth in 2017. For many years, the company has been the market leader in grocery sales.

3. What role does information technology play in these strategies?

Amazon's business strategy is the low-cost leadership. The company offers its customers a wide range of products and services, the lowest possible prices, and convenience. In order to do these all, the company invests heavily in technology. For example, according to the case study, the company opened its Amazon Go physical store in 2017, and with these stores, the online retailer provided conveniences for its customers in its physical stores also. To be more precise, they used a wide range of technological advancements to avoid queues in stores. They developed special software that checks what customers bought, and at the exit of the stores, they are charged

automatically from their accounts. Amazon is also well known for its automated warehouses. According to Lee (2017), using technology in the warehouses decreased the delivery time from 5-10 business days to 2 business days. Besides, it is essential to note that Amazon invests heavily in supply chain technologies, AI, and machine learning technologies (Lee, 2017). Thus, all these technological advancements help the company in being the most customer-centric organization in the world.

According to Food Industry Editorial Team (2022), Walmart dominates the US grocery sales industry. The company is responsible for 26 percent of total US grocery sales, and even in some cities and states, the numbers reach 90 percent (Food Industry Editorial Team, 2022). In order to stay competitive and improve its interaction with its customers, Walmart also invests heavily in technology. For example, a year ago, the company announced its strategic partnership with Adobe to integrate the firm's online, in-store fulfillment, and pickup technologies (Walmart, 2021). Apart from that, Walmart invests in machine learning, cloud-powered checkout, and pickup capabilities in order to provide its customers with more convenient shopping experiences (Walmart, 2021).

4. Which company is more likely to dominate grocery retailing? Explain your answer.

Firstly, the rivalry between these companies is hard enough. After looking at the statistics, it is difficult to predict which one will dominate grocery retailing. According to Riva (2019), Amazon holds 18 percent of the US grocery market, while Walmart embraces less than half of it. That creates an advantage for Amazon. On the other hand, in terms of the physical location, Walmart owns 5,600 stores that have an average size of 150,000 and 200,000 square feet in between (Riva, 2019). Besides, 90 percent of all American people live within 15 miles of a Walmart store (Riva, 2019). In the case of Amazon, the company owns 450 stores that have an average size of 50,000 square feet (Riva, 2019). In addition, as mentioned above, both of these companies heavily invest in technological advancements. Thus, there is no obvious answer to this question.

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