MIS Digital Commerce

Assignment #8

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Executive summary page

This report is a part of the Management Information Systems ITCS361. The purpose of this report is to provide readers with a business case study of Walmart and Amazon. There are four main topics that appear, like business model, ecommerce revenue model, technology/platform, and success story. I hope those who go through it will find it useful and worthwhile.

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Walmart

The Walmart business strategy has propelled the retailer to become the largest supermarket chain in the United States, with over 11,500 locations (including hypermarkets, supermarkets, and department stores) operating under 56 banners in 27 countries and operating e-commerce websites in ten. They employ almost 2.2 million colleagues globally (1.5 million of them are based in the United States) and service roughly 270 million consumers.

Walmart is also the world's largest business by sales, with a total capitalization of more than $500 billion. The brand, which is a publicly held and family-owned firm led by the Waltons, incorporates a retail chain with a business plan that is still mainly dependent on brick-and-mortar retail — although its e-commerce has been fast developing.

Walmart's Business model Strategy

Key Elements of Walmart Business Model

Source: Revenuesandprofits.com

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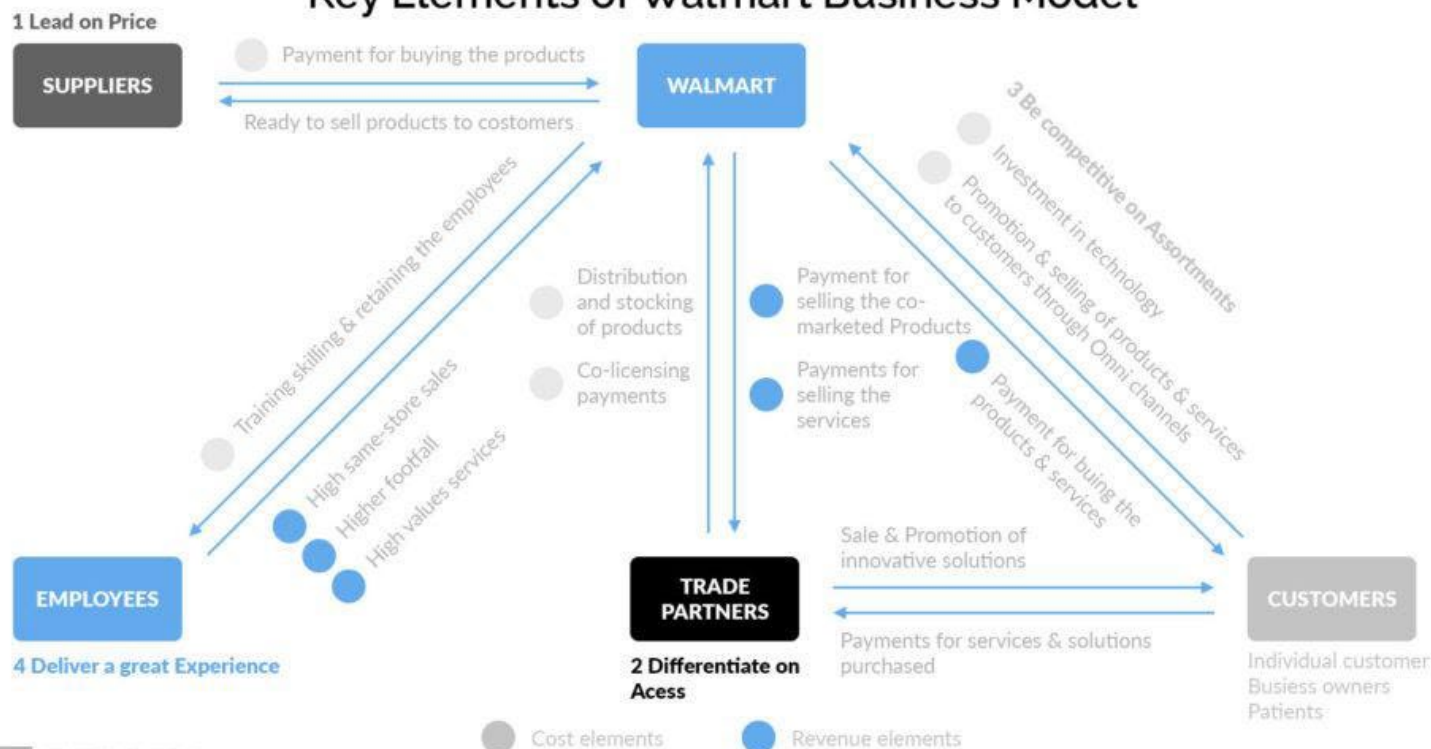
Lead on Price

Perhaps the most distinguishing feature of Walmart's business strategy is its dedication to keeping its costs as low as possible so that they are affordable to almost the whole population. To do this, Walmart has the world's biggest network of suppliers, from which they make huge volume purchases to ensure bargaining leverage and the lowest feasible price.

Cross-docking is another strategy used by the firm, particularly with reference to Sam's Club. It is an intelligent and well-organized redistribution system in which items received in a warehouse are transferred straight to the client or point of sale rather than being kept. This enables huge cost reductions in logistics.

Differentiate on Access

When we think of Walmart, we immediately think of large shopping malls and supermarkets, yet one of the corporation's aims is to diversify access to the public. As a result, Walmart is investing in:

- Small-format stores, with fresh food.
- By improving e-commerce and connecting physical and digital (customers can buy online and pick up in store), digital marketing and retail can be improved.
- It also offers products and services that are difficult to access, being the only American retailer to have its own pharmacy stores and clinics, where it offers preventive health care checkups and wellness products.
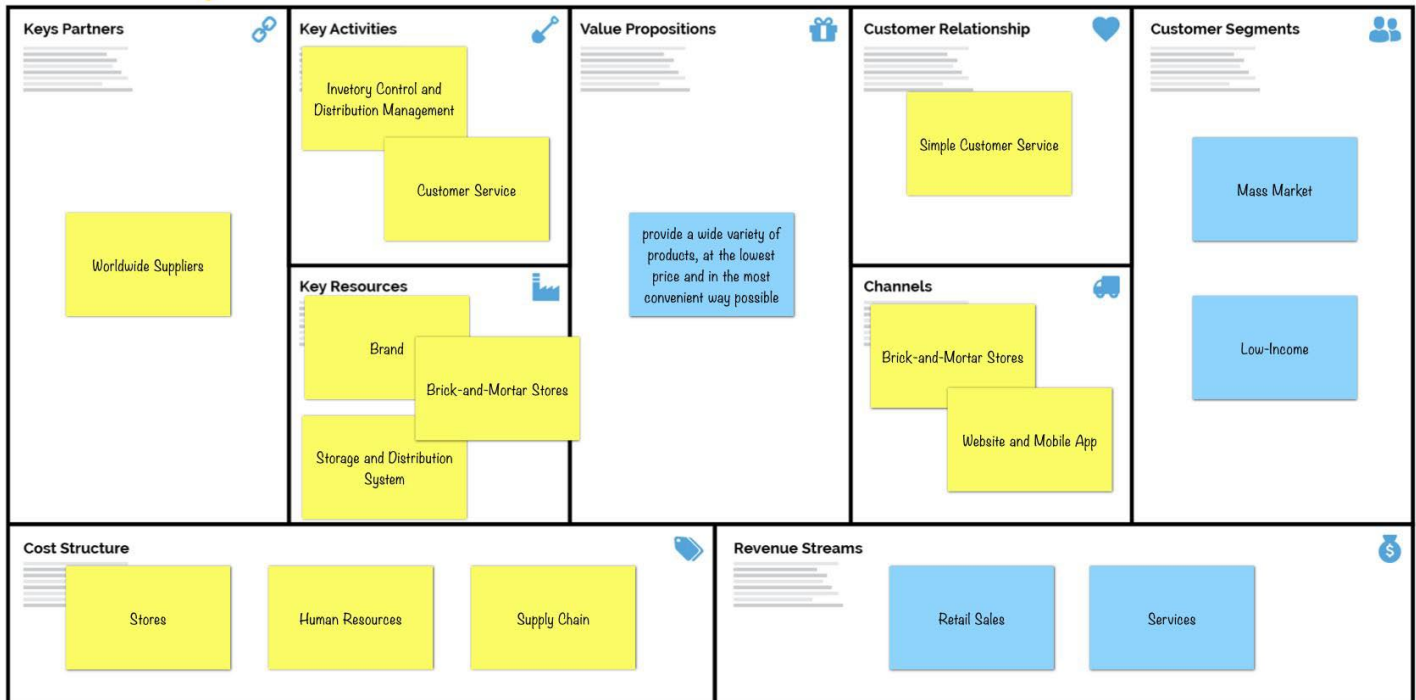
Compete on Assortment

Walmart invests heavily in a diverse selection of domestic and foreign items and brands, both in-store and online.

Deliver a Great Experience

Walmart knows that the best strategy for customer retention is to offer them the best possible experience so that they can buy again in their stores. Plus, the company knows that satisfied customers rely on motivated employees. Therefore, it seeks to pay its employees well while investing in personnel training. Besides, Walmart has a policy of a money-back guarantee: it offers a 100% money-back guarantee if the customer is not satisfied with the services provided by the company.

Walmart's Ecommerce model Canvas

Walmart – Business Model Canvas

Keys Partners	Key Activities	Value Propositions	Customer Relationship	Customer Segments
Worldwide Suppliers	Invetory Control and Distribution Management / Customer Service	provide a wide variety of products, at the lowest price and in the most convenient way possible	Simple Customer Service	Mass Market / Low-Income
	Key Resources		**Channels**	
	Brand / Brick-and-Mortar Stores / Storage and Distribution System		Brick-and-Mortar Stores / Website and Mobile App	

Cost Structure	Revenue Streams
Stores / Human Resources / Supply Chain	Retail Sales / Services

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Walmart's Customer Segments

Walmart's customer segmentation is mainly accomplished due to its primary low-price strategy. Therefore, its customers tend to be people who are looking for low-cost but good quality products, whether they are low-income people or just looking for the best cost-benefit.

Walmart's Value Propositions

The value proposition of Walmart reflects its business policy: providing its customers with a wide variety of products at the lowest price and in the most convenient way possible.

Walmart's Channels

Walmart's channels are widely known: the brick-and-mortar stores themselves, their website, their mobile app, and social and mass media.

Walmart's Customer Relationships

Walmart's customer connection is also totally centered on its value offer – low-cost, high-quality, and diverse stuff that is conveniently accessible and provides the greatest service. The processes are as automated and simple as feasible for this.

Walmart's Revenue Streams

- Services
- Retail Sales

Walmart's Key Resources

Walmart's most important resources are its physical shops; its distribution and storage system; its virtual infrastructure, which includes the e-commerce store and mobile app; and, of course, its people resources.

Walmart's Key Activities

Walmart's primary activities include, first and foremost, purchasing and distributing items while keeping costs under control. Furthermore, the corporation invests in customer service, inventory management, and distribution management.

Walmart's Key Partners

Walmart's major partners are undoubtedly its suppliers, since they enable the company's value offer to be delivered by ensuring low-cost products and services as well as access to many regions of the world.

Walmart's Cost Structure

Walmart's cost structure is certainly not "lean", as it has more than $11,000$ stores (including supercenters) worldwide. But the way it runs is so that these costs can be cut as much as possible, so that the savings can be passed on to the final customer.

Walmart's SWOT Analysis

Walmart's Strengths

- **Brand:** It is possibly the most recognized retail brand in the world, with millions of visitors every day.

- **Global presence:** Acquisitions and expansion all over the world are great successes.

- **Low Prices:** It is one of the cheapest shopping places on the planet.

- **Supply chain:** To ensure distribution, Walmart relies on a global supply chain and logistics system.

- **Human Resources:** Walmart invests heavily in training, developing, and managing its employees.

- **Resource management:** It successfully manages its information systems, supply chain, and distribution facilities in all its units.

- **Market power:** Its strong name and ability to do business around the world have given it market power over both suppliers and competitors.

Walmart's Weaknesses

- **Working conditions:** Walmart has received some criticism when it comes to the workforce, such as low wages and poor working conditions.
- **Profit margins:** Its cost-cutting strategy results in the company's profit margins being razor thin.
- **Imitation:** Walmart's business model can be easily copied by its rivals.

Walmart's Opportunities

- **Expansion:** It can enter or expand into markets such as China, the Middle East, and Latin America.
- **Alliances:** It has a strong name to make partnerships with other major firms, or it can acquire small companies.
- **Human Resources**: As the workforce is one of the greatest assets, bringing innovation can build an interesting opportunity.
- **Quality standard:** Sometimes low cost means low quality. It can improve its quality standards to keep and attract new customers.

Walmart's Threats

- **Controversies**: Walmart has been involved in some controversies, like a lawsuit for selling fake craft beer.
- **Legal issues**: When operating in other countries, various political and legal issues can pose a threat.
- **Competition**: As the biggest retailer in the world, Walmart is always targeted by its competitors, which keep trying to overcome its performance.
- **New entrants**: Many small and online companies have entered the market, offering similar products at similar prices.
- **Technical problems**: Customers have already complained about disorganization and technical issues with Walmart.com.

Walmart's Ecommerce revenue model

The revenue avenues of the business model of Walmart include an array of products and services for individuals in the U.S. as well as internationally. They have a range of these commodities and amenities:

Product Revenues

- **Grocery:** Meats, deli products, bakery, dairy, frozen food, and dry supermarket. Consumables are also sold, such as beauty and health aids, paper goods, and pet supplies.
- **Health and Wellness:** Over-the-counter medications and clinical services
- **Entertainment:** Electronics, toys, cameras, phones, photography supplies
- **Hardlines:** Stationery, hardware, paints, fabrics, and crafts
- **Apparel:** For women, men, boys, girls, infants as well as shoes, accessories
- **Home:** Home furnishings, housewares, bedding, home décor

Service Revenues

- **Financial services:** Service charges for money orders, prepaid cards, wire transfers, bill payments, money transfers, and cheque cashing
- **Movie Streaming Service:** Subscription revenue for buying, renting, and watching movies and T.V. series on demand.
- **Clinical services:** preventive and routine health check for some common health issues

Walmart's Technology/Platform

The technology and platform used by Walmart include IoT for food safety monitoring to monitor food contaminants going into distribution and also use AI for stocking and store cleanliness. In addition, Walmart offers wireless charging for store maintenance like battery-powered barcode scanners and electronic shelf labels in retail stores, which need to be plugged into conventional power sources. Autonomous driving for product delivery is a technology that prefers home delivery. There needs to be a proper channel of delivery service. Moreover, it is not very convenient for customers to go to a retail store whenever they want to buy something new.

Moreover, there is also cloud computing for enhancing the customer's experience and managing data on multiple proprietary servers. Thousands of machines when the retailer can be used to do all the processing, they need to serve customers efficiently.
Moreover, there is Drone Delivery for delivering orders to customers by drone. As the FAA increasingly embraces commercial drone operations, drone delivery in the United States is closer than ever. The platform Walmart uses is Adobe Commerce, where retailers can use Walmart's unique cloud-based services to offer seamless pickup and delivery to their customers.

Walmart's Success story

Walmart's success story begins with small beginnings. Sam and Helen's savings yielded only $6,000 in investment. and borrowed money from family members. All of this has contributed to the success of supermarket giant Walmart. The store was founded in 1945 by businessman J.C. Penney and employee Walton Sam. They bought the Ben Franklin store from Butler Brothers and started a small business to offer products to customers at lower prices. According to their expectations, the company is good and makes a 45% profit. They have revenue of $105,000, which increases to $140,000 next year and $175,000 the following year. Within five years, the business will be worth $250,000. But they failed to renew the store. So, they opened a new store in Bentonville and named it Walton's Five and Dime. The first Walmart store officially opened in Arkansas in 1962. Inspired by Fed Mart, Walmart became the first discount store to open in 1962. 1954 Within five years, Walmart had expanded to 18 locations in Arkansas and had sales of $9 million. At present, it has a net worth of over $320 billion.

Amazon

Amazon (Amazon.com) is the world's largest online retailer and a prominent cloud service provider. Following an Amazon-to-buyer sales approach, the company offers a monumental product range and inventory, enabling consumers to buy just about anything, including clothing, beauty supplies, books, movies, electronics, pet supplies, various household goods, etc. Amazon has global websites, software development centers, customer support centers, data centers, and fulfillment facilities.

Amazon's Business model
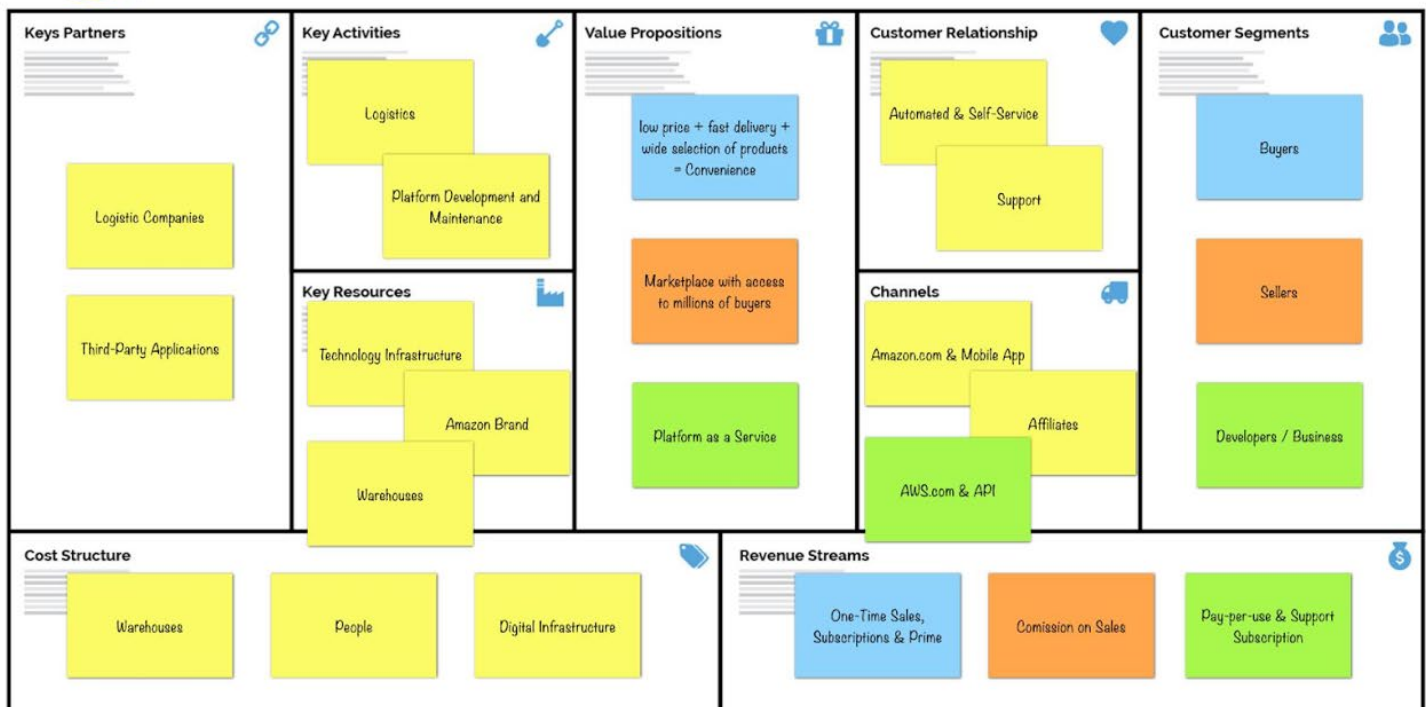
Amazon's Customer Segments

The customer segments of Amazon can be divided into three groups: sellers, buyers, and developers.

Amazon's Value Propositions

Amazon's business model is based on three value propositions: low price, fast delivery, and a wide selection of products. Amazon's greatest value proposition is convenience because the audience understands that, with just the help of a device connected to the internet, they have access to the product catalog of the largest retailer in the world, with a reasonable price and an agile, safe and reliable delivery service.

Amazon's Channels

The Amazon website is its most important channel, but important channels also include the brand's app, Amazon Prime which is streaming, entertainment, and subscription platform. As an internet-based company, its marketing is basically digital, including advertisements, sponsored publications, and e-mail marketing.

Amazon's Customer Relationships

Amazon is focused to have a long-lasting relationship with its customers. For this reason, they maintain several communication channels open with their consumers such as reviews and comments on the platform, telephone, online chat, and e-mail contact. Moreover, they typically provide feedback within a few days.

Amazon's Revenue Streams

- One-Time Sales
- Commission on Sales
- Subscriptions (for Amazon Prime)
- Web Services (AWS)
- Pay-Per-Use & Support Subscription

Amazon's Key Resources

Amazon's primary key resource is its technology infrastructure, which must be extensive and highly secure to keep the entire supply chain operating without interruptions or losses. In addition, other important resources include the company's physical locations, such as offices and supply chain structure.

Amazon's Key Activities

Amazon's key activities are all about the development, maintenance, and expansion of its gigantic platform. Therefore, the company invests in website and app development, supply chain management, storage, and information security on all platforms, as well as the production of films, series, and other items for its video platform and marketing for all of its products and services.

Amazon's Key Partners

- Sellers: The most important partners of the brand since they are the generators of Amazon's first source of revenue.
- Affiliates: Bloggers who earn a commission for any referrals that lead to a sale also promote traffic to the platform.
- Developers: They are the partners of the AWS segment, or, as Amazon itself defines, "thousands of systems integrators who specialize in AWS services and tens of thousands of independent software vendors (ISVs) who adapt their technology to work on AWS".
- Content creators: Independent authors who can publish their works through Kindle Direct Publishing.
- Subsidiaries: incorporation companies that provide storage spaces, stores, and systems, in addition to brands and products developed by Amazon itself.

Amazon's Cost Structure

Amazon's cost structure encompasses its entire IT infrastructure, customer service center, software development and maintenance, information security, and marketing, in addition to all costs associated with maintaining its physical spaces, including fulfillment centers, sorting stations, and delivery stations.

Amazon's Ecommerce revenue model
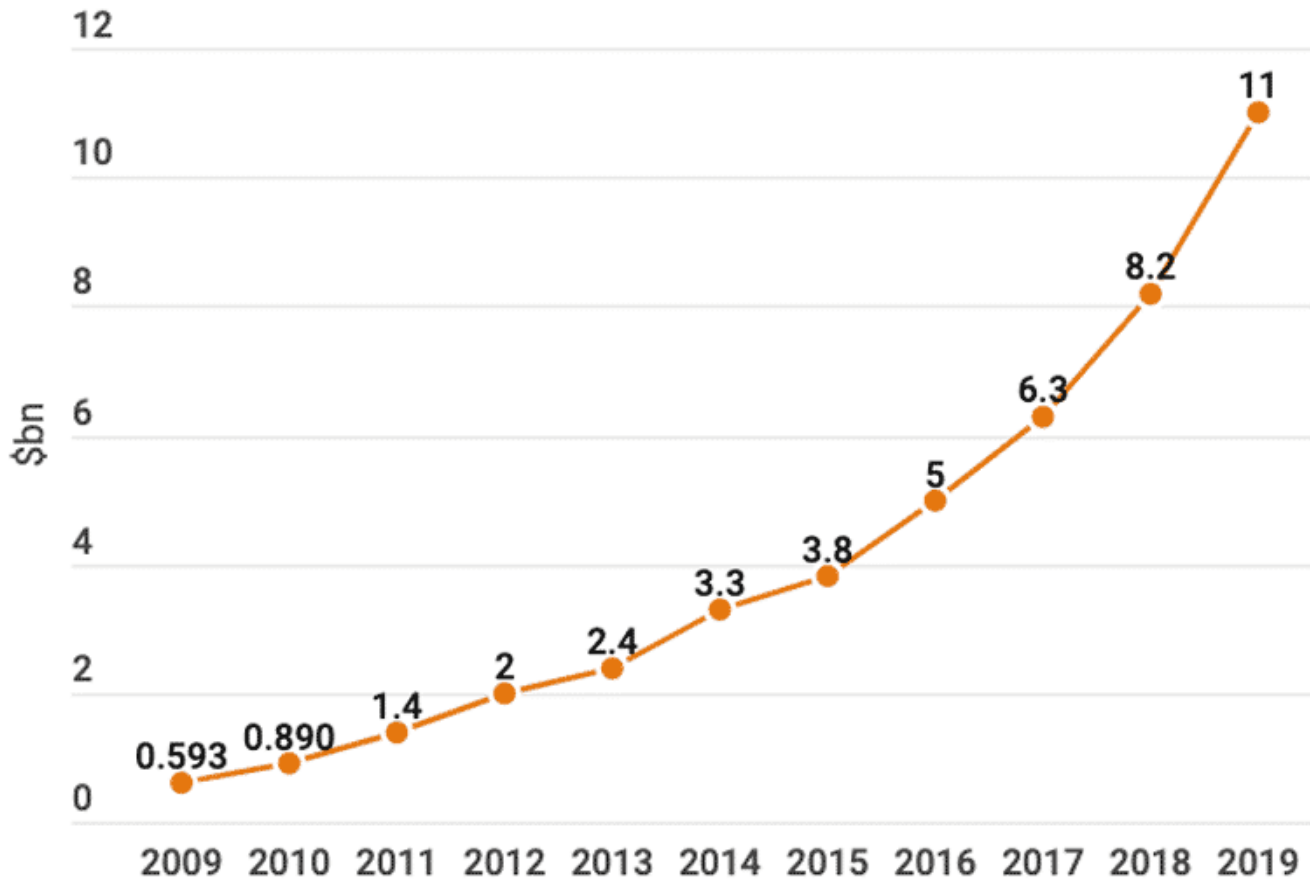
Amazon's business model is based on eCommerce, but via acquisitions and diversification, it has created a portfolio of business models and revenue streams. Bezos stated in Q4 2019 that the number of items delivered via free one-day and same-day shipping more than doubled during the holiday quarter, without offering exact figures. As a result, Amazon temporarily returned to $1 million in 2019 due to blockbuster revenues. Amazon is the world's largest advertiser. According to company papers, Amazon's advertising expenditures have increased about 20-fold in a decade, from $593 million in 2009 to $3.3 billion in 2014 and $11 billion in 2019. In addition to a record-setting fourth quarter, Amazon achieved over 150 million paid Prime subscribers internationally for its membership program. Amazon reported net sales of over $280 billion and a net profit of over $11 billion in their 2019 annual report. The majority of sales, fifty percent, originated from their online marketplace.

Amazon's Technology and Platform

        Amazon's leading platform is an e-commerce marketplace, leveraging two-sided network effects. The more sellers join Amazon's third-party seller services, the more the variety of products available at reasonable prices. That, in turn, brings back more and more users who shop on Amazon. As Amazon fulfills its products at scale, the same users become repeat customers by offering a great customer experience, prompting others to join. That, in turn, makes the overall platform more appealing to other sellers.

Amazon's Success story

        Amazon has provided its customers with such services that people are attracted to buy from Amazon. It has mitigated the advertisement expenditure by providing customer with free shipping and no e-commerce website development company could complete with that today.

        An excellent user experience / user interface design makes the customer find what they need more conveniently. Because of smart UX design, more options pop up before the check out in the Amazon mobile app or website. Those options include Similar products, products with more ratings, products bought together. These options increase the sales. A hassle-free payment model in the e-commerce application development makes the customer come back to it again.

        Amazon provides a long description of the products ranging from where it is manufactured, which company sells it, what the ratings and user reviews are. Whenever a customer searches for a product, the search engine displays the relevant options available on

Amazon or country-wise Amazon websites. This feature attracts the potential customer. Thus, increased traffic to the website. The Amazon marketing team surely puts great emphasis on the SEO which enables the customer to directly reach the Amazon website and get what they want. 'Some shipping companies offer affordable fees, but you should make sure that you know the details, asking questions such as what is salehoo, so you're aware of their policies and conditions.

With a clear mindset of 'win it' and open arms for ideas, the E-commerce Website Amazon finds its success in the loyal base of its customers and an internet to keep innovating and experimenting. Amazon Success Story speaks all about the E-Commerce company's ability to maintain a relationship with its customers and launching the products suiting the people's needs.

Discussion

Our group selected Walmart and Amazon to study and research about its business model, ecommerce revenue model, technology, and success story then use the information that we have obtained and bring it to write an explanatory report for understanding. The purpose of this study is to study and to gain more knowledge from the structure of leading major companies in order to apply this knowledge in the future.

Conclusion

Both Walmart and Amazon are both leading digital commerce companies. Both companies have strong structures and good strategies that keep them stable. For Walmart, from its company's business model, it's can clearly explain that even if Walmart's business strategy always seeks to adapt to the market and new technologies, the company's foundation is still based on the original concept of its founder almost fifty years ago by their vision: "making people happy, by spending little". Similar with Amazon which as if it was the face of the current market, global, digital, and constantly expanding. Amazon is an increasingly productive brand, which adapts quickly to new demands and effective. Now, even though it faces competition on all fronts, individually, its corporate umbrella remains unparalleled and, therefore, must remain in the lead, for many years.

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