

Converting Logistics to Customer Value

Wal-Mart is the largest retailer in the world. It is around three times larger than the world's second largest retailer. Many years ago, Wal-Mart embarked on an ambitious program of modifying its logistics system. This is briefly described below.

For this activity, your task is to determine which parts of their customer offering are only possible due to their efficient logistics system?

Some Key Points of the Wal-Mart Logistics System

- Wal-Mart tends to partner with its major suppliers/manufacturers. Rather than constantly shopping around for a better deal, they try to work together with major manufacturers to grow the overall product category, for mutual benefit
- With this partnering approach, Wal-Mart is generally offered a better deal than other retailers
- Wal-Mart information system also connects their store sales to most of their suppliers. Therefore, if sales of a particular product increases unexpectedly, then the manufacturer is immediately aware and can produce/transport appropriate stock quantities
- The Wal-Mart information system also connects their store sales to their transport system. This means that they even have the capability of re-routing merchandise that is in transit to a Wal-Mart store that is running low on stock of a particular product
- They have set up special transport centers that allow trucks (coming from various manufacturers and going to various Wal-Mart stores) to meet efficiently. This technique, referred to as 'cross-docking', dramatically reduces transport time, the need for much product handling and storage (all of which cut costs), and
- As they are fully aware of stock levels, they generally only deliver merchandise as required. This means that their stores generally do not require storage areas (thus store usage is more efficient).

Student Discussion Questions

1. Outline how this logistics system could benefit their customers. That is, what benefits will customers eventually receive?
2. Do you think that all major retailers should have a strong emphasis on improving logistics?
3. How could a smaller retailer compete with a chain like Wal-Mart?