Supply Chain Link

Student’s Name

Date

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**Company Background**

Wal-Mart Stores, Inc. is currently the largest retailer and corporation in the world. Opened by the Walton brothers in 1962, its first store was in Bentonville, Arkansas, which provided large discounts with the sole aim of operating on selling a high volume of products (LeCavalier, 2016). The company was later incorporated in 1969. The organization is currently recognized as the largest retail chain operating hypermarkets, grocery stores, retail warehouses, and discount department stores. As the world's largest company, it generated $514.405 billion in 2019 (Walmart, 2019). Walmart has since grown to open chain stores in 28 countries, including the United States, Argentina, South Africa, India, United Kingdom, Japan, and Brazil. Wal-Mart is also the largest employer in the world, with 2.3 million employees. To date, the organization still operates as a publicly-traded family-owned business under the Walton Family, who owns more than 50 percent of the shares. Additionally, the organization operates more than 11700 stores under fifty-nine company names with an average inventory of $32 billion (Walmart, 2019).

**Drivers for Implementing a New Strategy**

Wal-Mart specifically was challenged with issues regarding out-of-stock problems (LeCavalier, 2016; Zhang et al., 2019). The store held more inventory for particular items at its store backrooms and not its distribution centers. This created flexibility as it made it very hard for products to reach some stores as some were being held in different stores. Thus, one store would have more of certain items and lacked some, which was rampant in some stores, necessitating clients to traverse between stores to acquire the target product. It also presented a challenge to the organization. It was hard to restock by returning more merchandise to the shelves right back after decluttering their storerooms.

This was problematic for the organization as it led to inefficiencies in operation (LeCavalier, 2016). Some stores found it hard to stock, which was notable by empty shelves, seemingly looking like they were running out of business. Customers were disappointed by Wal-Mart's inadequacy to meet their needs and further led to decreased sales. Additionally, it cost the organization more money as it would continuously hire consultants and executives to revamp inventory management practices (Ali & Hingst, 2018; Zhang et al., 2019). Therefore, consolidating inventory at the distribution centers was pragmatic as it allowed the retailer to service all other stores in their specific locations.

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Following the former inventory management's inadequacies, Wal-Mart considered using the electronic inventory management system, called the supply chain link (Ali & Hingst, 2018; Zhang et al., 2019). This was a cutting edge technological application in inventory management that facilitated its operations between the distribution centers, suppliers, and stores. Notably, the organization implemented strategic inventory measures, namely vendor-managed inventory model, just-in-time cross-docking, measuring inventory performance, and managing inventory across the supply chain (Ali & Hingst, 2018; LeCavalier, 2016; Zhang et al., 2019).

The vendor-managed inventory model concerned suppliers to access data from Wal-Mart’s information system (LeCavalier, 2016; Zhang et al., 2019). This would allow them to know when they are required to send additional goods to the organization. The company would monitor and control the actual transportation of goods once they have reached their distribution to the stores. This system was regarded as one of the best, not only for the organization but also for the suppliers. It helped to minimize goods' delays across the supply chain, hence ensuring that suppliers would be timely updated and supply products as needed. The vendor-managed inventory also helped reduce inventory management costs, as the organization would no longer require extra personnel to manage every supplier.

Wal-Mart utilizes a just-in-time (JIT) inventory cross-docking management method (Ali & Hingst, 2018; LeCavalier, 2016; Zhang et al., 2019). The JIT method at Wal-Mart is applied in cross-docking, where the organization can rapidly respond to fluctuations in demand and related changes in the market. This information is relayed electronically to the supplier, whose trucks meet with the company’s trucks meet at the distributional center. Goods are transferred directly to the company’s trucks from the supplier’s trucks, delivered to the respective stores as needed. This was successfully implemented and helped towards the minimization of inventory size. Therefore, fewer goods were being stored at the warehouses, which was less costly to maintain. Additionally, it ensured that goods could be distributed rapidly to the stores and rapidly respond to fluctuations in demand and other market changes. Altogether, this facilitated Wal-Mart’s operational efficiency.

**Inventory Management across the Supply chain**

Wal-Mart uses two systems to manage inventory, namely ABC analysis and inventory information systems (Zhang et al., 2019). In the ABC analysis, Category A items entailed inventories related to finished goods and operations equipment sold in the stores. These items are recorded and monitored regularly in the electronic system. Category B are items used for operations such as furniture and equipment. These items are monitored moderately. Finally, the Category C items are least monitored and entail inventories such as office supplies, which have the least impact on the organization's daily operations. All these Categories are then managed using inventory information systems to support all retail, distribution centers, and suppliers’ operations. It has also been significant in e-commerce operations (Zhang et al., 2019).

References

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