

# Viable Business Models in Global Retailing: The Case of Walmart

Sorin-George Toma<sup>1</sup>, Cătălin Grădinaru<sup>2</sup>, Andreea Simona Săseanu<sup>3</sup>  
and Simona Ioana Ghiță<sup>4</sup>

<sup>1)2)</sup> *University of Bucharest, Bucharest, Romania.*

<sup>3)4)</sup> *Bucharest University of Economic Studies, Bucharest, Romania*

E-mail: tomagsorin62@yahoo.com; E-mail: catalin.gradinaru@faa.unibuc.ro

E-mail: andreea.saseanu@com.ase.ro; E-mail: simona.ghita@csie.ase.ro

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## Abstract

The end of the Cold War and, consequently, the fall of the Berlin Wall in 1989 represented a huge impetus for the expansion of the globalization process all over the world. The age of globalization has brought hyper competition in all industries and among companies around the world, irrespective of their size. The last decades have witnessed the presence of retailers at the forefront of the globalization process since they can use numerous business mechanisms and methods to penetrate foreign markets. As a challenging research field and a dynamic industry, global retailing provides several valuable examples of business organizations that have shown the supremacy of their viable business models. The purposes of the paper are to define the concept of the business model and to illustrate its application in the case of Walmart. The research methodology was based on a quantitative research method and a case study. The findings of the paper show that there is no universal definition of a business model in the literature. However, its several characteristics can be revealed, such as the fact that it illustrates the logic of making money for any company and represents an organisational framework for value creation, delivery and capture. From a theoretical point of view, it brings some clarifications concerning the concept of the business model. From a practical point of view, the paper analyses some of the key features of Walmart business model, emphasizing their importance in achieving business success. It also presents the clear interconnection between Walmart strategy and its business model.

## Keywords

business model, global retailing, retailer, Walmart, company

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## Introduction

The end of the Cold War and, consequently, the fall of the Berlin Wall in 1989 represented a huge impetus for the expansion of the globalization process all over the world. Although the emergence of globalization may be attributed to the changes of the mid-1970s (Reich, 1998), the aggregation of several economic phenomena, such as the liberalization of trade or the deregulation of markets, that has been specific to the last decade of the last century, highly contributed to its expansion in the last decades.

The age of globalization has brought hyper competition (D'Aveni, 1994; D'Aveni, 1999) in all industries and among companies around the world (Harvey and Novicevic, 2002). In order to face this challenge, organizations from every domain have used in their activities and processes, a plethora of business tools, techniques, methods and practices, such as Six Sigma (Toma, 2008), marketing mix (Grădinaru, Toma and Marinescu, 2016), quality assurance and models (Toma and Naruo, 2009; Catană and Toma, 2021a), training programs (Marinescu and Toma, 2013) or social responsibility initiatives (Catană and Toma, 2021b). This is why their leadership, either masculine or feminine (Săseanu, Toma and Marinescu, 2014; Săseanu et al., 2020), has designed and implemented different flexible and sustainable business models and

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strategies based on creativity, innovation, digitalization or environmental protection (Toma, 2013; Toma, Felea and Dobrea, 2016; Toma, Marinescu and Grădinaru, 2016; Toma and Săseanu, 2017; Tohănean, Toma and Dumitru, 2018; Toma and Tohănean, 2019).

The last decades have witnessed the presence of retailers at the forefront of the globalization process (Burns, 1997) since they can use numerous business mechanisms and methods to penetrate foreign markets (e.g., licensing, joint ventures, franchising). As a challenging research field and a dynamic industry (Dekimpe, 2020), global retailing provides several valuable examples of business organizations that have shown the supremacy of their viable business models like that of Walmart.

Starting from the above discussion two research issues emerge:

- What does a business model represent?
- How can a viable business model be implemented in global retailing?

The purposes of the paper are to define the concept of the business model and to illustrate its application in the case of Walmart. The research methodology was based on a quantitative research method and a case study.

The paper is structured as follows: the literature review is displayed in the second part. The third section of the paper exposes the research methodology. The results of the research are presented in the fourth part of the paper. The paper ends with conclusions.

## 1. Review of the scientific literature

The conceptualization of business models is relatively a new phenomenon in the management and business literature. However, the notion appeared for the first time in an article written by Bellman et al. (1957). Consequently, numerous articles and books have begun to focus on this subject, especially since the 1990s. As a consequence, a plethora of definitions related to the concept of business model has appeared in the literature, especially in the last two decades. A business model is defined in various ways as follows:

- “the method you use to acquire customers, service them, and make money doing so” and “the framework of rules and “moral” imperatives within which the business operates” (Muehlhausen, 2013, p.11).
- “a simplified and aggregated representation of the relevant activities of a company” (Wirtz et al., 2016, p.41).
- “the master plan that charts the way in which a company can reach its goals” (Chernev, 2017, p.4).
- “the organisational design used to exploit an opportunity and create value” (Bock and George, 2018, p.6).
- “a sort of map; a plan of where we are and where we can go” (Hague, 2019, p.1).
- “rationale of how an organization creates, delivers, and captures value” (Osterwalder et al., 2020, p.348).
- “designed to capture a perceived market opportunity in a way that creates value for all stakeholders” (Amit and Zott, 2021, p.10).
- “a framework for finding a systematic way to unlock long-term value for an organization while delivering value to customers and capturing value through monetization strategies” and “a holistic framework to understand, design, and test your business assumptions in the marketplace” (Cuofano, 2022, p.1).

Thus, there is no universal definition of a business model in the literature. However, starting from these definitions several features of business models can be highlighted in short. Firstly, business models are seen as a sort of plan that guides any company throughout its existence and facilitates the achievement of its goals. Secondly, they display simply the key activities of a company. Thirdly, business models allow any business organization to perceive and exploit a market opportunity. Fourthly, they represent an organisational framework for value creation, delivery and capture. Fifthly, business models illustrate the logic of making money for any company. Sixthly, they are linked with the monetization of any offering of a business organization. Seventhly, business models supply any company with the capability to survive and grow in its existence. Eighthly, they comprise building blocks, each of them being a key element that shows how business organizations carry out a part of their business. Ninthly, business models and strategies have

to be taken together into consideration by any business organization in order to achieve long-term competitive profitability (Braun, Latham and Cannatelli, 2019).

A business model comprises nine building blocks (Table no. 1), specific to the so-called “business model canvas” that cover four main sections of a business as follows:

- customers;
- offer;
- infrastructure;
- financial viability (Osterwalder and Pigneur, 2010).

**Table no. 1. The building blocks of a business model**

No.	Name, description
1	Customer segments designate “the different groups of people or organisations an enterprise aims to reach and serve” (p.20).
2	Value propositions show “the bundle of products and services that create value for a specific customer segment” (p.22).
3	Channels present “how a company communicates with and reaches its customer segments to deliver a value proposition” (p.26).
4	Customer relationships illustrate “the types of relationships a company establishes with specific customer segments” (p.28).
5	Revenue streams describe “the cash a company generates from each customer segment” (p.30).
6	Key resources designate “the most important assets required to make a business model work” (p.34).
7	Key activities show “the most important things a company must do to make its business model work” (p.36).
8	Key partnerships illustrate “the network of suppliers and partners that make the business model work” (p.38).
9	Cost structure presents “all costs incurred to operate a business model” (p.40).

*Source: Osterwalder and Pigneur, 2010, pp.20-40.*

During the time, an impressive amount of effort has been devoted to demonstrating the applicability of business models in any domain. In retailing, a business model expresses “how a retailer creates value for its customers and appropriates value from the markets” (Sorescu et al., 2011, p.S3) and encompasses the following three interrelated components: retailing format, activities and governance (Sorescu et al., 2011). The rapid expansion of retail internationalization has imposed global retailers to design and implement viable business models that had to take into account several particularities of retailing, such as its size and the mix of products and services Burt, Johansson and Dawson, 2016).

## 2. Research methodology

In order to attain the aims of the paper, the authors used a quantitative research method and a case study. In this regard, they identified and collected the information through desk research from different sources, mainly journals (e.g., Journal of Retailing) and books published in renowned publishing houses (e.g., John Wiley & Sons), from the domains of retailing, business administration, and marketing. Then, these data were systematized and analysed utilizing a comprehensive literature review. Ultimately, the authors synthesized them and composed the text of the paper.

## 3. Results and discussion

After reviewing the literature, the authors have analysed and synthesized the data, and eventually, obtained several outcomes of their research. As the retailing industry has become highly competitive and cost-oriented, mature and big retailers aimed to enjoy greater market power at a global level.

Established in 1962 by Sam Walton, one of the greatest American entrepreneurs of the XXth century, the retail chain succeeded in rapidly growing all over America (Grădinaru and Toma, 2017). After 1990, Walmart expanded internationally and increasingly became a major player in global retailing (Walmart,

2022). In 1991, it opened its first store abroad in Mexico City through a joint venture creation with Cifra, a Mexican retailer. Nowadays, Walmart encompasses the following three distinct areas:

- Walmart US;
- Walmart International;
- Sam's Club.

At the end of January 2022, Walmart operated 10,593 retail stores and 364 distribution facilities all over the world (Statista Research Department, 2022). Its phenomenal business success is based on several elements. Among them, its business model has proved to be a viable one in long term, starting from some of its key characteristics as follows:

- **Customer-focused approach.** From its humble beginning, Walmart has applied the principle “Sell more for less” throughout its businesses. Also, the American colossus has always expressed its commitment to maintaining prices as low as possible to provide access to its products for a large proportion of the whole population. The so-called “everyday low prices (EDPL)” program constitutes the core of its strategy. In order to implement and sustain a low prices strategy, Walmart has unceasingly made significant efforts to purchase goods in large volumes from its numerous networks of suppliers located worldwide. Furthermore, it has succeeded in satisfying customers’ need for retail convenience and diversifying access of customers to its products and services.

- **Highly diversified offer.** Taking into account the existence of huge networks of suppliers, Walmart has constantly provided a broad assortment of products, such as food, clothing, tablets, laptops, desktops, footwear, furniture, pet supplies, toys, video games, phones, beauty, books, cameras, home décor, bikes, and batteries. This deep assortment is supplied to its customers through both online and in-store facilities.

- **Solid retail infrastructure.** As shopping can be done by its customers in a store or through one of its mobile apps, Walmart is an active and strong retailer in both physical and digital markets. The following three types of store format are mainly used by Walmart:

- supercenters;
- discount stores;
- neighbourhood markets.

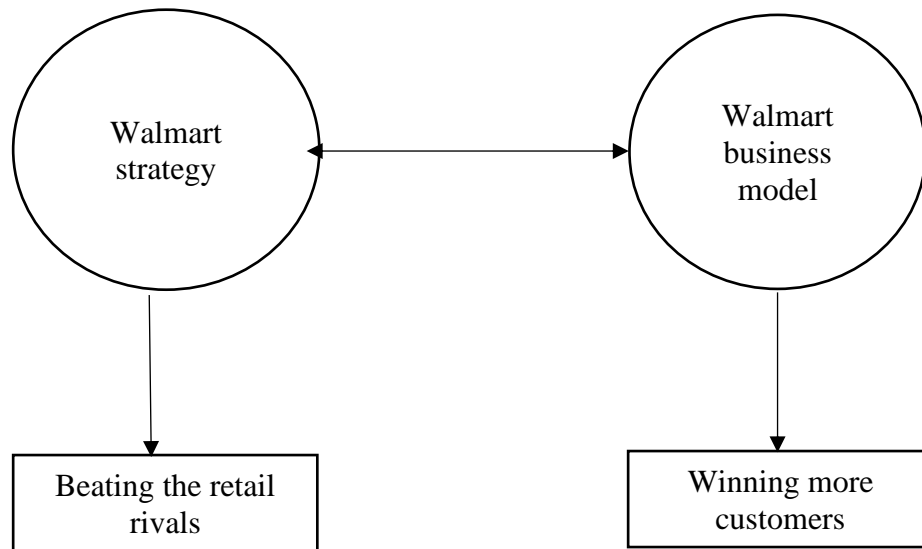
By providing a one-stop shopping experience, its supercenters have become highly appreciated by various customer segments. Its e-commerce websites show that Walmart has identified new opportunities to implement technological advances in retailing. In this regard, innovations like Built for Better and Mobile Scan & Go allowed Walmart to attain the status of a very dynamic and fast-growing e-commerce business organization. Thus, the American retailer has created a unique shopping experience for its customers through physical and digital omni-channel. In the last decades, Walmart has increased the speed and efficiency of spreading products to its stores due to the advantageous location of the distribution centers and the computerized control of inventory and distribution.

- **Transparent financial viability.** During the time, the so-called “everyday low cost (EDLC)” has enabled Walmart to control its expenses and, consequently, to obtain better financial results. Its annual reports from the period 2018-2020 have shown a strong financial position as follows:

- 2018: total assets= 204,522 \$Mil, gross profit margin= 24.7%;
- 2019: total assets= 219,295 \$Mil, gross profit margin= 24.5%;
- 2020: total assets= 236,495 \$Mil, gross profit margin= 24.1% (Walmart, 2020).

In recent years, Walmart has been by far the world’s largest corporation in terms of revenue. In this respect, its total revenues surpassed 514 \$bn in 2018, 523 \$bn in 2019, and 559 \$bn in 2020 (Fortune, 2019; Fortune, 2020; Fortune, 2021).

Moreover, it can be pointed out the strong interconnection between the strategy of Walmart and its business model. Including main components such as resources, trade-offs, operational effectiveness, and positioning, its strategy seeks to obtain a sustainable, long-term competitive advantage over its national and international rivals (e.g., Amazon, Schwarz Group, Aldi, Alibaba, Target, Costco) whereas its business model is concentrated on value creation for customers (Figure no. 1).



**Figure no. 1. The interconnection between Walmart strategy and business model**

*Source: authors' contribution*

In essence, Walmart's outstanding business success owes a lot to its viable business model.

### Conclusions

The fall of the communist regimes in the European countries at the end of the 1980s constituted a major event in the history of humanity. It entailed the rapid diffusion of the globalization process in the whole world. Since then, globalization has created a business environment where companies, irrespective of their size and industry, are facing incessant changes and hypercompetition. This new business landscape, characterized by uncertainty and risk, has imposed companies not only the way they address customer needs and expectations but also the manner they create and capture value by providing various products and/or services to customers.

Many retailers worldwide have significantly participated in the expansion of the globalization process and become some of its key players since the beginning of the 1990s. The main reason lies in the fact that they can use various business arrangements, tools, and methods to enter foreign markets. Thus, global retailing has progressed very rapidly in the last decades. On the one hand, it allowed the development of huge retailers at a global scale such as Walmart, Amazon and Schwarz Group. On the other hand, global retailing led to the exacerbation of competition among these retailers. This is why they had to design and implement competitive and viable business models in their business activities and processes.

The paper contributes to the development of the literature related to business models. From a theoretical point of view, it brings some clarifications concerning the concept of the business model by analysing several definitions and highlighting some of the main features of this term. The paper also presents the building blocks of a business model, defining each of them. Moreover, it illustrates the way Walmart, the world's largest retailer, has designed a viable business model. From a practical point of view, the paper analyses some of the key features of Walmart business model, emphasizing their importance in achieving business success. It also presents the clear interconnection between Walmart strategy and its business model.

One of the limitations of the research is given by the fact that other features of Walmart business model can be identified and analysed. Also, the relationship between its strategy and business model may be expanded by taking into account other elements.

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