

Pricing Strategies

Wal-Mart has built a super-mega brand with its pricing strategy. Businesses are about making a profit and having pricing objective and having pricing strategy are key. As Perreault, Cannon, and McCarthy (2015) define, “pricing objective should flow and fit within, companies-level and marketing objective” (p. 443). Also according to Perreault, Cannon, and McCarthy (2015), “these pricing objectives should be explicitly stated because they have a different effect on pricing policies as well as the methods used to set prices” (p. 443). Wal-Mart’s success in its pricing strategy world which is the stuff dreams are made of, such as- establishing a legend. This creative strategy has the ability to provide customers with “everyday low prices.” Wal-Mart presence as an economic and political force; with its gigantic size and influence in the retail industry, is the results of a system which was built on core values and principles. Looking at Wal-Mart history and present operations helps investors understand the mythology that enables this chain to do what it does best and that is to sell products cheap. Wal-Mart standing in the retail industry can be attributed to the way the founder Sam Walton started. He opened his first five and dime store in 1950 with a business model that focused on keeping prices as low as possible. The strategy of offering low prices hinged on another cornerstone on which much of Wal-Mart’s advantages is built: scales and volumes (Hyde, n. d.).

Pricing by scale and volume

By Mr. Walton using certain principles to build Wal-Mart’s pricing brand using scales and volumes, with a slimmer margin than their competitors, he would make up for the shortage with volume of sales. Over time, volume would permit economics of scale, and a level of bargaining power that would enable Wal-Mart to reshape the supply sector and the retail landscape, to suit its own schemes. Building on each success, which resulted in and even wide-

spread of operations and increasing leverage for this retail entity. Wal-Mart used this new founded power to gain and acquire even less cost to itself. Its large volume of sales have allowed this company to profit substantial, even if individual margins on single items may be slimmer that those of its competitors (Hyde, n. d.).

Perreault, Cannon, and McCarthy (2015) explains, “Over the long term, and over the short term, marketing managers should set objectives oriented toward making a profit” (p. 443). Wal-Mart new low price strategy today, they ask to check customer receipt on items purchased. If the retail giant finds that a customer paid too much at their store, they will give money back in store credit. This program is being tested in San Diego and six other cities is called “Savings Catcher.” Shoppers signs on Wal-Mart’s website and register their receipt after each shopping trip. They will find deals for the customers by comparing its competitors’ prices and will pay the customer the difference. The catch is that Wal-Mart will only check prices at local stores and not online sales (Bob, 2014).

Penetration Pricing

Wal-Mart innovative use of penetration pricing in a very competitive retail market has proven to be successful. Perreault, Cannon, and McCarthy (2015) defines, “a penetration policy is even more attractive of selling larger quantities that results in lower costs because of economics of scale” (p. 450). Perreault, Cannon, and McCarthy (2015) also added, “Penetration pricing may be wise if the firm expects strong competition very soon after introduction” (p. 450). Wal-Mart a discount store began entering into new markets to increase market share, they use penetration pricing strategy while entering into markets where the competition was high. During this time, Wal-Mart invested nothing on sales promotion; but instead built lowest price retail outlets by reducing operations and tighten control on inner expenses. In areas where competition

was loser or non-existence, they charge premium prices according to ongoing market rate. Each of their location had different pricing strategy (Bashir, 2013).

Discount Pricing

When someone think of Wal-Mart, they think of sales and discounts. Perreault, Cannon, and McCarthy (2015) states, “Quality discounts are discounts offered to encourage customers to purchase produce in larger amount” (p. 453). Discounts have been the heart of Wal-Mart’s strategy for years. The company’s motto is “Always Low Prices.” Wal-Mart send its employees to visit its competitor’s store each day to ensure they are not being undersold. “They have reinvigorated the rollback discount strategy. Wal-Mart believes the rollback strategy convey value, and gets the message across,” said Gary Severson, the senior vice president for electronics at Wal-Mart. During the holidays, Wal-Mart feels that this strategy represents a bold move that can save Christmas by single-mindedly emphasizing low prices, a message that has become clouded by efforts to carry higher-end merchandise, which now has produce profits (Barbaro, 2006).

Pricing Competitive Advantage

Wal-Mart’s holds a pricing advantage in its strategic planning in sells at a low price and differentiate its service by being open 24 hours. This company has developed a culture and leadership way of a business by connecting with consumers, which is clearly related to building Wal-Mart’s competitive advantage. The founder of Wal-Mart Mr. Sam Walton, was pivotal in creating the low-cost culture concept. Leaders of Wal-Mart are always reinforcing its low-cost culture in advertisement to the public. It is this culture and leadership style that enable Wal-Mart’s personnel seek cost saving and increase efficiency. The ability to establish a particular

culture and leadership, are crucial and necessary tools in creating and maintaining competitive advantage in any market (Romero, 2005).

Wal-Mart has continue to market it saying of “committed to providing low prices every day, on everything.” They say “if you find a lower advertised price on an identical product, tell them and they will match that price at the register.” Additionally, they will match any price of any competitor such as, buy one get one free ads with a specified price. The competitor’s ads that feature a specific item for a specific price and also internet pricing. This is the Wal-Mart’s way (WMT, para. 1). According to Perreault, Cannon, and McCarthy (2015), “ Making price decisions and using value pricing, it is important to clearly define the relevant target market and competitors when making price comparisons” (P. 460). Wal-Mart is selling everything from bath tissue, electronics to high-end televisions. They find the most affordable lowest pricing attracting customers. Even though such as, high-end television, the area of expertise is not available in educating the customer on this item. But, the people trust has kept them continue shopping at Wal-Mart because of the belief of getting more for their dollars. This company has well define its competitive stand in the retail industry. It is much more geographically diversified than its competitors Costco, Target, Kroger and others in the retail business. Wal-Mart uses approaches where they gain a competitive advantage. They have announced the expansion of its Canadian operations. They also have taken over several stores from Target. By this defeat, Target announced it was exiting Canada early this year. Wal-Mart has also joined with big-box counters Home Depot and Lowe’s, which are planning to build new stores in Canada this fiscal year. Lowe’s has announced it will be leasing some of Target’s remaining real estate, cost saving (Leinwand, & Mainardi, 2010).

Conclusion

Wal-Mart has proven to this retail industry it has the best method in price cutting. This company has establish stores worldwide, especially in rural areas with it low pricing strategy are helping low income Americans. These stores are offering fresh produce from surrounding farmers as sale items in their stores. A strategy customer can relate too. Additionally, lines of groceries from leading name brands and organic selections are part of this low pricing strategy. Wal-Mart has created its own culture environment which includes in banking on lower income people of a rural community as loyal customers. Their mantra of helping people all over the world save money by lowering prices, is now a house hold slogan. Wal-Mart is using this pricing strategy as a daily ritual, save money and live a better life, every day, and anywhere. The leadership and culture identity of Wal-Mart is daily building upon continuing ways in price reduction and customer favor. An area, which many of Wal-Mart's competitors have faltered.

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