# An Evolutionary Outlook of Wal-Mart's Supply Chain Management Strategy in India

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**Abstract**

Supply chain is the backbone of retail business. Adoption of an efficient supply chain between producers and consumers by modern large retailers could reduce average transaction and information costs of market exchange; generate surplus for stakeholders such as producers, farmers, and consumers; expand output; and could thereby contribute to economic growth and net employment gains. Foreign players can introduce a highly advanced supply chain and develop local producers and generate externalities.

The paper focuses on analyzing business strategy of Walmart, a retail company based in US, which is looking forward to expand in near future, in India. This would be based for typical processes from supply, procurement, manufacturing, distribution, sales and delivery. The organization selected is Walmart, which is a pioneer in supply chain management with its unparalleled success on global front. The company is exploring opportunities to enter Indian markets, with an objective to open facilities and offer all the possible goods and service that are being offered in USA. The paper also focuses outlining key strategies for surviving in Indian markets, apart from building facilities such as warehouses, distribution centers and manufacturing/assembly centers, etc. The organization of paper starts with an overview of Foreign Direct Investment (FDI) & retail sector in India, its role in Wal-Mart's evolution and ending with estimating the further strategy of Walmart in near future.

*Keywords – Walmart, Supply Chain Management, Retail*

## Foreign direct investment in India's retail sector

Owing to recent global economy swing, growth in the retail market has been rapid despite major restrictions on FDI (Foreign Direct Investment), in India. In the third-quarter report of 2010, the BMI India Retail Report forecasted that the total retail sales will grow from US$ 353 billion in 2010 to US$ 543.2 billion by 2014. An important consideration, the report suggests, is the fast-growing middle and upper class consumer base. The analysis also suggests that in the next few years there will be major opportunities in India's smaller cities.

AT Kearney, a global management consulting firm, rates India as the most attractive nation for retail investment. The study, presented in the Global Retail Development Index of 2009, is carried out annually for 30 emerging markets, and has rated India highest four times in the last five years. This report expresses even more optimism, and estimated that India's retail market is expected to be about US$535 billion by 2013, with around 10 per cent coming from organized retail. Other estimates are more conservative, though still impressive. According to McKinsey, a research and consulting firm, organized retail in India is expected to increase from 5 per cent of the total market in 2008 to 14-18% of the total retail market and reach US$ 450 billion by 2015. Even if growth was more conservative than estimated, the spill-over effects of this rapid expansion were felt by many other sectors of the economy. A report published by Knight Frank India in May 2010 looks at the question of land and available retail space. It estimated that, during 2010-12, around 55 million square feet of retail space will be ready in the major cities like Mumbai, the national capital region (NCR), Bangalore, Kolkata, Chennai, Hyderabad and Pune. Furthermore, between 2010 and 2012, the organized retail real estate stock is expected to grow from the existing 41 million square feet to 95 million square feet. Arguably, this has driven up the real estate prices, with consequent knock-on effects.

In the year 2012, the Indian retail sector was estimated to be Rs. 18,673 billion and it accounted for around 15% of GDP and 8% of total employment. The sector is highly fragmented with about 96% of the stores in the unorganized sector. The Kirana stores (Mom and Pop stores) numbering around 12 million are spread across 5000 towns and 600,000 villages throughout India. These are mostly family-owned with family labor. At the bottom of the pyramid are millions of pavement stalls in India (PriceWaterhouseCoopers, 2011). The Boston Consulting Group (2012) estimated retail sales to be $471 billion with 7% share for the organized retail ($34 billion) in 2011. It also shows that by 2020 the size of organized retail would be around $260 billion with a penetration of 21%. Increasing middle class incomes and use of automobiles, refrigerators, credit cards, and adoption of technology for supply chain is expected to shift the balance in favor of organized retail in metros and small towns.

Also, in the year 2012, the Government of India announced liberalization of entry of multi-brand multinational firms (MNCs) with 51% equity stake into the retail sector. However, several state governments announced that they would not allow retail MNCs into their states. This is because of the opposition from several interest groups representing wholesalers and unorganized retailers on the grounds that entry of foreign players destroys small businesses and employment, and that foreign players make monopoly profits at the cost of consumers and suppliers. The entry of foreign retailers will have an effect on different stakeholders. On the demand side, it will affect consumers, small retailers, wholesalers, and local large retailers. On the supply side, it will affect employment, farmers, manufacturers, middlemen, and government agents. The net effects are in terms of increase (or decrease) of total surplus of the system. In distributional terms, there could be some losers such as the wholesalers and numerous commission agents, and gainers could be farmers, small- and medium-scale manufacturers, consumers, and large retailers.

Retail sector in India – Challenges

There are several constraints on efficiency owing to high transaction costs and physical infrastructure bottlenecks. High transaction costs are incurred while setting up of the necessary infrastructure. One has to acquire more than 21 licenses to open a retail store and pay high stamp duties in the case of transfer of property. Clear title of ownership and land use conversion are subject to complex legal issues and corruption by government agents (Ray, Das, Baral, Rico, & Pramanik, 2012). India is more densely populated than the U.S. and China and less densely populated than countries such as the U.K., the Netherlands and Japan. High density could be an advantage as well as a disadvantage for large retailers. Once a large retailer occupies real estate in a high density area, it will be able to realize economies of scale of serving large number of customers and at the same time real estate prices could be high. While average global rental costs for retail are approximately at 3-5% of sales, in India they account for 10-15% of sales. India is highly diverse in ethnicity, language, culture, and environment. For example, consumer preferences and consumption patterns (for example vegetarian and non vegetarian food) are more diverse across different regions than in countries such as the U.S., European countries and even China: which means that a standardized supply chain across the country may not work. Furthermore, at present there are large barriers to trade within the country due to different tax regime of the states and infrastructure conditions. Although India's road network has been growing, it is still low at less than 4 km per 1000 people which is 1/15 of the U.S. road network (Ray et al., 2012). This means that certain elements of the supply chain could be standardized at the national level and others have to be adapted to regional requirements. The tropical environment of India provides some advantages and disadvantages. Several vegetables and fruits and pulses can be produced throughout the year which means frequent procurements and lower storage costs, and at the same time costs of hygiene and perish-ability will be high. Secondly, different tropical vegetables and fruits require different temperature and moisture requirements to reduce perish-ability and retain nutrient value. Unlike in the U.S., Europe and Australia, major part of land holdings in India are small, medium and marginal. If a large retailer wants to procure directly from farmers, he/she has to enter into relational contracts with a large number of producers which means high transaction costs. One way a large retailer could reduce average transaction costs is by encouraging farmers to behave in a cooperative way, by pooling their efforts at input procurement and output supply. In several parts of the country there has been increasing use of mobile phones by farmers to conduct their business. Das Gupta, Reardon, Minten, and Singh (2010) show that about 80% of the potato farmers contacted multiple buyers by phone in Delhi and settled the price through phone. In other words, adoption of technologies such as mobile phones, Kisan (farmer) credit cards, and the Internet could reduce transaction costs and also foster cooperative behavior. Most of the major players in the retail business use third party outsourced warehouses for distribution. Distributors establish localized presence and form their own network of sales teams. The actions adopted in the supply chain are mostly reactive to those in adjacent stage. There are no systematic methods of matching demand and supply and reducing costs of uncertainty.

**Overview – Walmart**

Wal-Mart is the largest retail corporation in the world with $440 billion annual turnover and about two million employees (Wal-Mart Website, 2012). Wal-Mart discount store was first established in a small town Rogers in Arkansas by Sam Walton in 1962. The basic strategy was to enter small towns with population of 5000-25,000 which were not served by large retailers and derive scale advantage in relation to the size of small town markets and eliminate small players. Once it established itself in small towns, it slowly improvised its basic model and translated it to large towns (Walton, 1992). Brea-Solis, Casadesus-Masanell, and Grifell-Tatje (2010) identified six choices or a set of choices that define the Wal-Mart's business model which are setting low prices, investing in technology, having specific human resource policies, establishing strategies for expansion, increasing product variety, and developing a Wal-Mart culture.

From the beginning Wal-Mart focused on increasing the volume of customers' visits to realize economies of scale (Walton, 1992). By keeping prices low, it increased sales much more than just to compensate for the decrease in mark-up. When Wal-Mart enters a market, prices decrease by 8% in rural areas and 5% in urban areas (Ghemawat & Mark, 2006). For example, when Wal-Mart entered the grocery business, the prices fell by 15%. Labor (wage) costs were treated as overheard costs for the retail business and kept as low as possible. This meant employing as minimum number of workers as possible and paying wages as low as possible. Trade unions were discouraged. However, the company introduced a profit sharing plan for workers in 1971 in which they could purchase subsidized Wal-Mart stock with a percentage of their wages. Workers are treated as associates. Managers are given certain degree of autonomy to make decisions for increasing volume of sales. For example, department heads pick an item which they consider has the potential to sell in large volumes and develop the associated promotion plan. Furthermore, Wal-Mart developed the concept of "store within store" in which each department is given the freedom to act as an independent merchant. Wal-Mart derived competitive advantage through adoption of highly efficient logistics and distribution system by leveraging new technologies. It adopted a vertically integrated distribution system. It was one of the first retailers to adopt electronic scanners at the registers which were tied to an inventory control system such that it could know immediately which items were selling well. By 1988, Wal-Mart had the largest privately owned satellite communications network in U.S.A. This helped the managers obtain a complete picture of where goods were and how fast they were moving from the suppliers to front-end service and track all the costs involved (Lichtenstein, 2005). This made inventory management very efficient, thereby reducing working capital costs. Wal-Mart entered India as a joint venture with the Indian firm Bharti to circumnavigate India's FDI rules. Bharti did not possess prior retail business. It wanted to enter into retail business by using Wal-Mart's expertise. Interestingly, it is a non-exclusive partnership and Wal-

Mart can forge other alliances in India. Bharti is Wal-Mart's franchisee and wholly owns and manages front-end retailing by setting up multiple stores across India (Patibandla, 2012). Bharti Wal-Mart has three forms of business models: Cash and Carry, Small Supermarkets (Easy Day) and Compact Hyper Markets.

In the case of Cash and Carry format, there is no policy restrictions on goods sold, as it is basically a business-to-business model. However, the government issued only 60 licenses for Cash and Carry operation for the entire country. Small- and medium-scale businesses are provided a registered card with which they can buy goods in bulk and sell them to consumers with a mark-up. In 2013, the Indian government announced that foreign retailers can sell directly to consumers. This broke up the joint venture.

Overview – Bharti –Walmart, India

Wal-Mart started its operations in India in 2007. It entered the market, by forming a Joint venture (JV) with Bharti Group, known as 'Bharti Walmart Private Limited'. Bharti Walmart entered into Wholesale Cash & Carry business. The stores were branded as Best Price Modern Wholesale stores. Bharti Walmart worked as a key supplier to Easyday retail stores of Bharti Retail. The JV of Walmart India and Bharti Retail didn't work and was called off in October, 2013 ("Bharti and Walmart", 2013). Bharti divested their stake in the JV and Walmart India took complete control of the company. As of March, 2015, a total of 20 Best Price stores were operating with pan-India presence (Walmart, 2015). Bharti Walmart Private Limited had interests in telecom, agri-business and retail. The joint venture established wholesale cash-and-carry and back-end supply chain management operations in line with Government of India guidelines. Best Price Modern Wholesale cash-and-carry stores have been opened in Amritsar, Zirakpur (Near Chandigarh), Jalandhar, Kota, Bhopal, Ludhiana, Raipur and Indore. Following are the salient features of this short-term joint venture: -

*Wholesale Cash-and-Carry benefited retailers*

Best Price Modern Wholesale store is a one-stop shop that meets the day-to-day needs of restaurant owners, hoteliers, caterers, fruit and vegetable resellers, kiranas (other retail store owners), offices and institutions. The store offers an assortment of approximately 6,000 items, including food and non-food items, which are available at competitive wholesale prices, allowing retailers and business owners to lower their cost of operations. More than 90 percent of these goods and services are being sourced locally; thereby helping keep costs to a minimum, adding to the growth of the local economy and creating job opportunities, with the cash and carry store directly employing more than 200 local people.

*Wide range of quality merchandise was available*

A typical wholesale cash-and carry facility stood between 50,000 and 100,000 square feet and sold a wide range of fruits and vegetables, groceries and staples, stationery, footwear, clothing, consumer durables and other general merchandise items.

*Efficient Supply Chain helped minimize wastage*

The joint venture has also invested in establishing an efficient back-end supply chain management operation. The joint venture works with the existing supply chain infrastructure to help make it more efficient, thereby maximizing value for farmers and manufacturers on the one end and retailers, and in turn, consumers on the other. The supply chain operation supports farmers and small manufacturers who have limited infrastructure and distribution strength and help minimize wastage, particularly of fresh foods and vegetables. An efficient supply chain can play an important role in transforming farmers and small manufacturers into successful entrepreneurs.

*Technical knowledge exchange between Bharti Retail and Walmart*

Walmart provided certain technical support to Bharti Retail for its front-end retail venture where Bharti Retail requires critical retail technology and technical know-how. Within the framework of permitted franchise arrangements, Bharti Retail has entered into a technical collaboration with Walmart whereby Walmart provides critical technical support to Bharti Retail. Since April 2008, Bharti Retail has opened 139 Supermarket format stores in the states of Punjab, Haryana, Rajasthan, Uttar Pradesh, Uttarakhand, Madhya Pradesh and Delhi and 12 Compact Hyper format store in the states of Punjab, Haryana, Rajasthan, Uttar Pradesh, Madhya Pradesh, Chhattisgarh and Karnataka.

*Sustained sourcing from India*

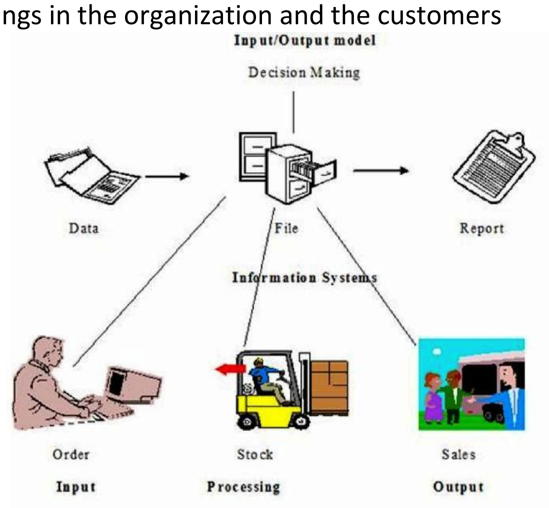
Walmart has been sourcing a variety of products from suppliers in India for more than 20 years. Walmart's office in Bangalore serves as Wal-Mart's Global Procurement (GP) hub for the sourcing of merchandise from India and Sri Lanka to Walmart stores and Sam's Clubs globally. GP India also manages Global Procurement from Sri Lanka, including quality control/assurance audits and ethical sourcing factory compliance audits in Sri Lanka. Major categories sourced from India include home textiles (including towels, shower curtains, bath mats, accessories, bedding sheets and kitchen linens), apparel (including woven, knitwear and leather footwear), leather accessories, fine jewelry and house wares (including fine dining ware, home décor and tabletops).

**Supply Chain Processes adopted by Walmart**

*Customer service management process*

Customer Relationship Management concerns the relationship between the organization and its customers. Customer service is the source of customer information. It also provides the customer with real-time information on scheduling and product availability through interfaces with the company's production and distribution operations. Successful organizations like Walmart use the following steps to build customer relationships:

- determine mutually satisfying goals for organization and customers
- establish and maintain customer rapport
- produce positive feelings in the organization and the customers




The above figure presents a snapshot of the customer relationship management module. It replicates the flow of customer orders routed in and out of system. Also, these orders are further used for forecasting and decision making. A customer enters places his order, in person or via internet. This order goes to a central system that serves as the base of operations. This server also has data pertaining to product variety, specifications and prices. Based on customer's order, the processing takes place when the corresponding product is picked from the warehouse and delivered to the customer through its transportation network. The sales output is the revenue earned, by maintaining economies of scale.

Even after the order is marked complete, comprehensive reports are generated to note the customer's experience and his preferences for continued business. Following are the key features of this system -

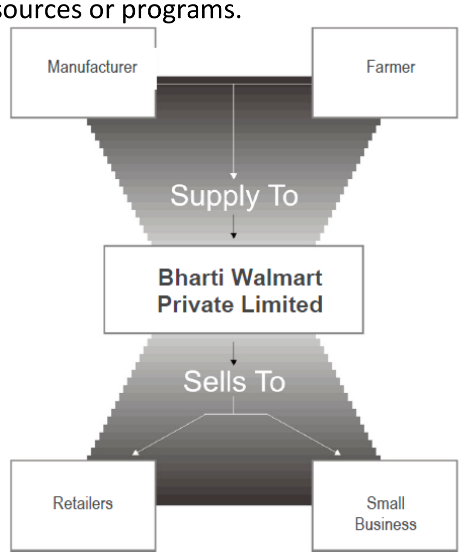
- RFID (Radio Frequency Identification) - Most of the walmart assets are radio tagged and tracked on a real time basis, pertaining to their locations.
- Barcode Scanning - The barcodes on the products enable easy inventory management.
- POS data - The Point-Of-Sales data is retrieved from the customer order database and is further used for forecasting, as per the customer's needs.

Advantages –

- Visibility of merchandise flow, overstock and discounts
- Video transmissions, credit card authorization and better inventory control

*Procurement process*

Strategic plans are drawn up with suppliers to support the manufacturing flow management process and the development of new products. In firms where operations extend globally, sourcing should be managed on a global basis. The desired outcome is a win-win relationship where both parties benefit, and a reduction in time required for the design cycle and product development. Also, the purchasing function develops rapid communication systems, such as electronic data interchange (EDI) and Internet linkage to convey possible requirements more rapidly. Activities related to obtaining products and materials from outside suppliers involve resource planning, supply sourcing, negotiation, order placement, inbound transportation, storage, handling and quality assurance, many of which include the responsibility to coordinate with suppliers on matters of scheduling, supply continuity, hedging, and research into new sources or programs.




Walmart in India would comprise of a supplier network formed out of local vendors. This reflected from the fact that Walmart has partnered with Bharti Retail, wherein, the Bharti promises an advantage of know how about local market and Walmart provides backend support in its activities, with its transportation, inventory and warehouse infrastructure. Following are the advantages of this system -

- Wholesale Cash-and-Carry to Benefit Retailers
- Wide Range of Quality Merchandise
- Efficient Supply Chain to Help Minimize Wastage and Maximize Value for all Key Stakeholders
- Technical Collaboration between Bharti Retail and Walmart

*Product development and commercialization*

Here, customers and suppliers must be integrated into the product development process in order to reduce time to market. As product life cycles shorten, the appropriate products must be developed and successfully launched with ever shorter time-schedules to remain competitive. Managers of the product development and commercialization process must:

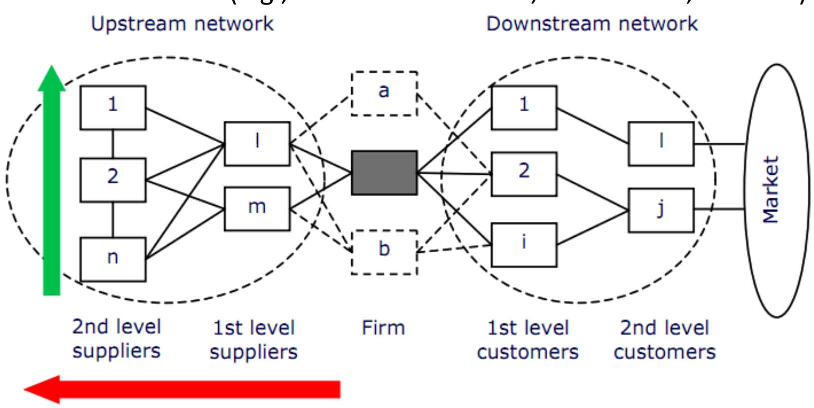
- coordinate with customer relationship management to identify customer-articulated needs;
- select materials and suppliers in conjunction with procurement, and
- develop production technology in manufacturing flow to manufacture and integrate into the best supply chain flow for the product/market combination.

*Manufacturing flow management process*

The manufacturing process produces and supplies products to the distribution channels based on past forecasts. Manufacturing processes must be flexible to respond to market changes and must accommodate mass customization. Orders are processes operating on a just-in-time (JIT) basis in minimum lot sizes. Also, changes in the manufacturing flow process lead to shorter cycle times, meaning improved responsiveness and efficiency in meeting customer demand. Activities related to planning, scheduling and supporting manufacturing operations, such as work-in-process storage, handling, transportation, and time phasing of components, inventory at manufacturing sites and maximum flexibility in the coordination of geographic and final assemblies postponement of physical distribution operations.

*Physical distribution*

This concerns movement of a finished product/service to customers. In physical distribution, the customer is the final destination of a marketing channel, and the availability of the product/service is a vital part of each channel participant's marketing effort. It is also through the physical distribution process that the time and space of customer service become an integral part of marketing, thus it links a marketing channel with its customers (e.g., links manufacturers, wholesalers, retailers).




The above figure represents the distribution network adopted by Walmart in India. As seen, upstream network and downstream networks are operated by Bharti and Walmart acts the central coordinator. The upstream network consists of procurement and sourcing activities to the Walmart facilities from the local vendors and downstream network consists of distribution of Walmart products to local customers.

*Outsourcing/partnerships*

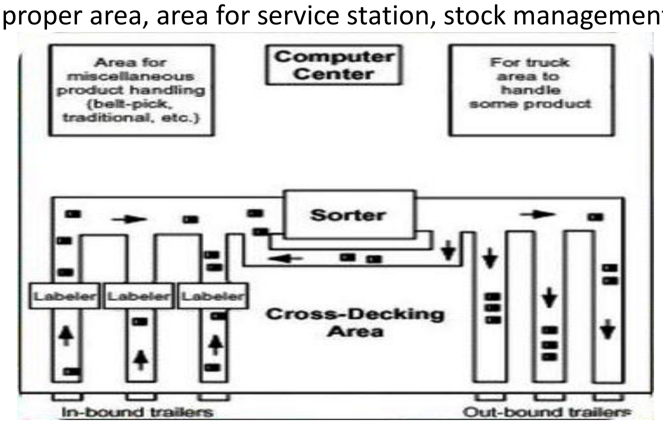
This is not just outsourcing the procurement of materials and components, but also outsourcing of services that traditionally have been provided in-house. The logic of this trend is that the company will increasingly focus on those activities in the value chain where it has a distinctive advantage, and outsource everything else. This movement has been particularly evident in logistics where the provision of transport, warehousing and inventory control is increasingly subcontracted to specialists or logistics partners. Also, managing and controlling this network of partners and suppliers requires a blend of both central and local involvement. Hence, strategic decisions need to be taken centrally, with the monitoring and control of supplier performance and day-to-day liaison with logistics partners being best managed at a local level.

*Performance measurement*

Experts found a strong relationship from the largest arcs of supplier and customer integration to market share and profitability. Taking advantage of supplier capabilities and emphasizing a long-term supply chain perspective in customer relationships can both be correlated with firm performance. As logistics competency becomes a more critical factor in creating and maintaining competitive advantage, logistics measurement becomes increasingly important because the difference between profitable and unprofitable operations becomes narrower. A.T. Kearney Consultants (1985) noted that firms engaging in comprehensive performance measurement realized improvements in overall productivity. According to experts, internal measures are generally collected and analyzed by the firm including – Cost, Customer Service, Productivity measures, Asset measurement, and Quality.

*Warehousing management*

As a case of reducing company cost & expenses, warehousing management is carrying the valuable role against operations. In case of perfect storing & office with all convenient facilities in company level, reducing manpower cost, dispatching authority with on time delivery, loading & unloading facilities with proper area, area for service station, stock management system etc.




The above figure represents a typical warehouse design, as seen in Walmart facilities in US. However, as per the company strategy the same model would be adopted for India. But this faces tighter constraints such as high land costs, scarcity of space, lack of infrastructure, etc. However, this kind of design provides with a very efficient flow of goods within Walmart facility, which has designated separate incoming and outgoing docks.

**Wal-Mart's model of retailing in India**

In traditional supply chain, goods pass from manufacturer to wholesaler to distributor, to retailer and customers. Wal-Mart procures goods directly from manufacturers bypassing all intermediaries and always drives a hard bargain with suppliers. It spends a significant amount of time meeting vendors and understanding their cost structure. Once satisfied, it establishes long-term relationship with vendors. It is in constant touch with suppliers through computer network. The long-term relationship of repeated interactions reduces transaction costs of exchange. Once goods are procured, Wal-Mart's warehouses supply 85% of the inventory as compared to 50-60% for competitors. Consequently, it is able to provide replenishments within two days against at least five days for competitors and shipping costs on average turn out to be 3% as against 5% for competitors. The inventory management system helps in tracking exact location of a product inside a warehouse and nine miles of laser conveyor belts help to transport products to the packaging area quickly. Information technology systems help to augment responsiveness of its vendors and reduce stock-holding significantly. It adopted the technique of "cross-docking" by which goods from suppliers are directly procured from manufacturing plants, sorted and delivered to customers. Wal-Mart adopted radio frequency identification (RFID) technology which is superior to the bar code system. All suppliers are made to equip their products with RFID tags. Radio frequency identification readers installed in the stores are capable of scanning multiple RFID tags which eliminates the need for individual scanning (Deb & Agrawal, 2012). At present, large retailers such as Reliance Fresh, Bharti Wal-Mart and Metro have been sourcing directly from farmers in specific regions where density of farmers is high. Bharti Wal-Mart's main focus has been on business-to-business sourcing from farmers and selling to wholesalers and restaurants, etc. for bulk selling. In the year 2010, Bharti Wal-Mart launched an initiative to support farmers through a combination of direct sourcing and training to generate a consistent source of high-quality produce for their supply chain. It engaged over 800 farmers and sourced over 15% of vegetables sold in its stores. It is expected to directly source from 35,000 small and medium farmers by 2015 (Patibandla, 2012). In establishing cold-storage facilities, frequent power break downs have necessitated investment in diesel generators. Direct procurement benefits farmers through reduction in transaction costs, faster turnaround, reliable weighing, transparent pricing, and cash on delivery (Reardon & Minten, 2011). It is the sheer importance of the logistics management that Wal-Mart's fully-owned logistics arm Gazel has already confirmed its India foray and is going to look after the Wal-Mart and Bharti retail venture. Also, Bharti Enterprises is directly negotiating with the rail authorities instead of negotiating with a logistics provider.

India can position itself as a lead player in Asia, if the retail sector here attains the competitive strengths by responding to the changing markets, Mr Patrick Medley, Distribution Sector Leader, Asia Pacific, IBM Consulting, Singapore, said here addressing the conference on `Winning with Intelligent Supply Chains' (WISC 2004), organized by the Federation of Indian Chambers of Commerce and Industry (FICCI).

**Conclusion**

The above study is intended to provide the experience of Wal-Mart as an international retailer in a single snapshot. The study has reviewed various journal articles and articles from reputed local newspapers in order to give an idea of Wal-Mart's successes and failures in India. It is clear from the above study that though at the beginning, Wal-Mart's entry was feared from different angles in India, it was not true always. It is to be understood that Wal-Mart was successful in countries like Mexico, Canada and the UK, as these countries have culture similar to the American culture. In countries like Brazil, Argentina, Chile, China and India where there is an influence of the American culture, Wal-Mart was able to achieve only a moderate success. However, in countries like Germany, South Korea and Japan, Wal-Mart was not able to sustain due to its imposition of the US model. In fact, Wal-Mart was forced to pull out its operations in Germany and South Korea.

Analyzing the Indian retail scenario, Wal-Mart will have to face many challenges in the Indian soil. At the same time, the impact that Wal-Mart would have on the Indian retail market can't be neglected, if the Indian Government opens up the restriction on Foreign Direct Investment in the retail sector. The major reason behind this is that the Indian culture is being influenced by the American culture. However, the Indian retailers are capable of adopting the best practices and reading the minds of an ordinary Indian consumer. The Indian retailers should come out with different formats and try to establish their presence in almost all parts of the country before Wal-Mart establishes itself in the Indian sub-continent. The role of supply chain in Indian organized retail has expanded over the years with the boom in this industry. The growth of the Indian retail industry to a large extent depends on supply chain, so efforts must be made by the Indian retailers to maintain it properly. Therefore, with the generous use of Global and Local Experiences, Indian retailers are going to improve their bottom lines with efficient, management of Supply Chain and Logistics.

**Walmart in India – The Road Ahead**

Eight years after Wal-Mart's entry in India, Mr. Krish Iyer, President and Chief Executive Officer (CEO) of Wal-Mart India must be wondering about the growth options in India. Whether to grow through Wholesale Trading (WT) alone? Wal-Mart's strategical problem could be to surge solo or scout for a new joint venture (JV) partner. As per report of PwC-FICCI (2012), the difficulties faced by organized retailers are stiff competition from unorganized retailers, poor condition of infrastructure & supply chain network, problem of inventory shrinkage, diverse customer needs, long gestation period of organized retailers, scarcity of skilled workforce and high cost of real estate. It would take around six years to open 50 Best Price stores i.e. by the year 2020. Walmart has added online platform for the customers of Best Price stores. The million dollar decision would be centered around whether to expand Wholesale Cash & Carry business or to dive into emerging retail opportunities and who should be the JV partner, if required.

The current norms allow 100 per cent FDI in cash-and-carry retail business and the previous UPA government allowed up to 51 per cent FDI in multi-brand retail, but with certain riders. Walmart has also launched its B2B e-commerce service in Agra, making it the 16th store to go online. Walmart runs 20 cash-and-carry stores under brand Best Price across 9 states and operates B2B e-commerce platform in seven cities in India -- Lucknow, Hyderabad, Guntur, Vijayawada, Rajahmundry, Jalandhar and Ludhiana. Last year, Walmart announced plans to open 50 wholesale stores in the next 4-5 years to widen its footprint across the country. The company will extend its online platform in all its stores in 2015. Wal-Mart Stores Inc. is extending its presence in the wholesale business in India to the virtual marketplace by launching a business-to-business (B2B) e-commerce platform, the first time that the world's biggest retailer is embarking on such an exercise anywhere in the world. This will be a large warehouse where products are packaged and shipped to consumers specifically for its online business. As an exclusive virtual store for its members, the e-commerce platform will provide a similar assortment of products, as well as special items. India bars overseas investments in e-commerce ventures that sell directly to consumers, prompting companies such as Amazon and eBay Inc. to function as platforms on which other vendors offer their products. There has been talk of the incoming government easing restrictions on overseas investment in B2C e-commerce ventures. Walmart will gauge the response for its online initiative for four-five months before taking the venture to all the 20 cities where Best Price stores are operational. Walmart will first see how the process works in two distinctly different markets, gradually moving to nationwide delivery. It will start by offering the 5,000-10,000 SKUs or stock keeping units available in the physical stores, then scale up the range.

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