

Management Information Systems 13e

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CHAPTER 2 GLOBAL E-BUSINESS: HOW BUSINESSES USE INFORMATION SYSTEMS

CASE 1 Walmart's Retail Link Supply Chain



VIDEO
CASE



SUMMARY An introduction to Walmart's Retail Link system, one of the largest B2B supply-chain systems in the world. Retail Link connects consumer purchase data to the Walmart purchasing system and to vendor supply systems. Retail Link plays a key role in Walmart's corporate strategy to become the dominant low-cost provider of retail goods. L=7:13.

URL <http://www.youtube.com/watch?v=SUe-tSabKag>

CASE Walmart is a well-known leader in the application of network technology to coordinate its supply chain. Walmart's supply chain is the secret sauce behind its claim of offering the lowest prices everyday. It's able to make this promise because it has possibly the most efficient B2B supply chain in the world. It doesn't hurt to also be the largest purchaser of consumer goods in the world. With sales of more than \$443 billion for the fiscal year ending January 31, 2012, Walmart has been able to use information technology to achieve a decisive cost advantage over competitors. As you might imagine, the world's largest retailer also has the world's largest supply chain, with more than 60,000 suppliers worldwide. In the next five years, the company plans to expand from around 5,000 retail stores in the United States (including Sam's Clubs) to over 5,500 and increase its selection of goods. Internationally,

continued

Walmart has over 5,200 additional stores in 26 countries outside the United States, giving it a total of over 10,000 retail units. The rapid expansion in Walmart's international operations will require an even more capable private industrial network than what is now in place.

In the late 1980s, Walmart developed the beginnings of collaborative commerce using an Electronic Data Interchange (EDI)-based supply chain management system that required its large suppliers to use Walmart's proprietary EDI network to respond to orders from Walmart purchasing managers. In 1991, Walmart expanded the capabilities of its EDI-based network by introducing Retail Link. This system connected Walmart's largest suppliers to Walmart's own inventory management system, and it required large suppliers to track actual sales by stores and to replenish supplies as dictated by demand and following rules imposed by Walmart. Walmart also introduced financial payment systems that ensure that Walmart does not own the goods until they arrive and are shelved.

In 1997, Walmart moved Retail Link to an extranet that allowed suppliers to directly link over the Internet into Walmart's inventory management system. In 2000, Walmart hired an outside firm to upgrade Retail Link from being a supply chain management tool toward a more collaborative forecasting, planning, and replenishment system. Using demand aggregation software provided by Atlas Metaprise Software, Walmart purchasing agents can now aggregate demand from Walmart's 5,000 separate stores in the United States into a single RFQ from suppliers. This gives Walmart tremendous clout with even the largest suppliers.

In addition, suppliers can now immediately access information on inventories, purchase orders, invoice status, and sales forecasts, based on 104 weeks of online, real-time, item-level data. The system does not require smaller supplier firms to adopt expensive EDI software solutions. Instead, they can use standard browsers and PCs loaded with free software from Walmart. There are now over 20,000 suppliers—small and large—participating in Walmart's Retail Link network.

By 2012, Walmart's B2B supply chain management system had mastered on a global scale the following capabilities: cross docking, demand planning, forecasting, inventory management, strategic sourcing, and distribution management. The future of Walmart's SCM lies in business analytics—working smarter—rather than simply making the movement and tracking of goods more efficient. For instance, in 2012 Walmart purchased Quintiq Inc., a supply chain management tool for improving load assignment and dispatch of trucks for large retailers. Quintiq's software will enable Walmart's managers to optimize the loading of its trucks and to reduce the time required to supply its retail stores.

Despite the economic slowdown in 2011–2012, Walmart's sales grew. In 2011, Walmart's revenues of \$443 billion were up 6.4 percent from 2010, and its net income was \$15.77 billion, up from \$15.36 billion. In the first half of 2012, sales continued to grow by over 4 percent.

**VIDEO CASE
QUESTIONS**

1. Where does Walmart's supply chain start? What triggers Walmart's Retail Link system to ship goods to local Walmart Stores?
2. Why is a detailed knowledge of consumer purchases at each store important to Walmart's success?
3. Why can't other large retailers easily duplicate Walmart's Retail Link?
4. Why does Walmart encourage its vendors to learn how to use Retail Link?

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