



# **Value Creation and Capture**

**TheCaseSolutions.com**

## WALMART'S ORIGIN

- Born in 1962 in small towns
- Nowadays: 8500 stores around the world
- All type of products
- Failure in 90's:
  - no more benefits
  - prices fell down
  - more competitors
  - wasn't known out of the USA

**TheCaseSolutions.com**

# SUCCESS

Strategic policies

- New stores internationally
- Electronic commerce
- Entered to the grocery market
- Specialized stores
- "Always low prices"

**TheCaseSolutions.com**

# CREATING VALUE

- **TheCaseSolutions.com**

- 4 ways of increasing value
  - Production and producer transactions costs
    - Consumer transactions costs
  - Product quality
    - New products and services
  - Knowledge into value

## 4 ways of increasing value

- Reduce production costs or Producer transaction costs
  - Reduce consumer transaction costs
  - New products or better quality
- Other ways to increase the demand

**TheCaseSolutions.com**

## Production and producer costs

Wal-Mart has developed new low-costs methods to produce and distribute retail services and products.

Hub-and-spoke System designed to keep costs down

Goods from many different origins. Transformed into products and send them directly

Wal-Mart has reduced the transactions costs by using informatics links with their large suppliers

CROSS-DOCKING

**TheCaseSolutions.com**

# CAPTURING VALUE

In order to generate profits

Consists on:

- create market power
- reduce transaction and production costs
- increase consumer demand

**TheCaseSolutions.com**

## **Market power**

- Entry barriers
- Degree of rivalry
- Threat of substitutes
- Buyer and supplier power

## **Superior factors of production**

- Producer surplus captured by superior assets
- Team production
- Team capabilities and organizational architecture





# WALMART SUCCESS ON CAPTURING VALUE

- Established in small towns
- Efficient distribution system
- Non unionized workforce
- Competitors could not copy-threat of substitutes
- High entry barriers
- Developed team capabilities

**TheCaseSolutions.com**