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## Case Study: Wal-Mart's Distribution and Logistics System

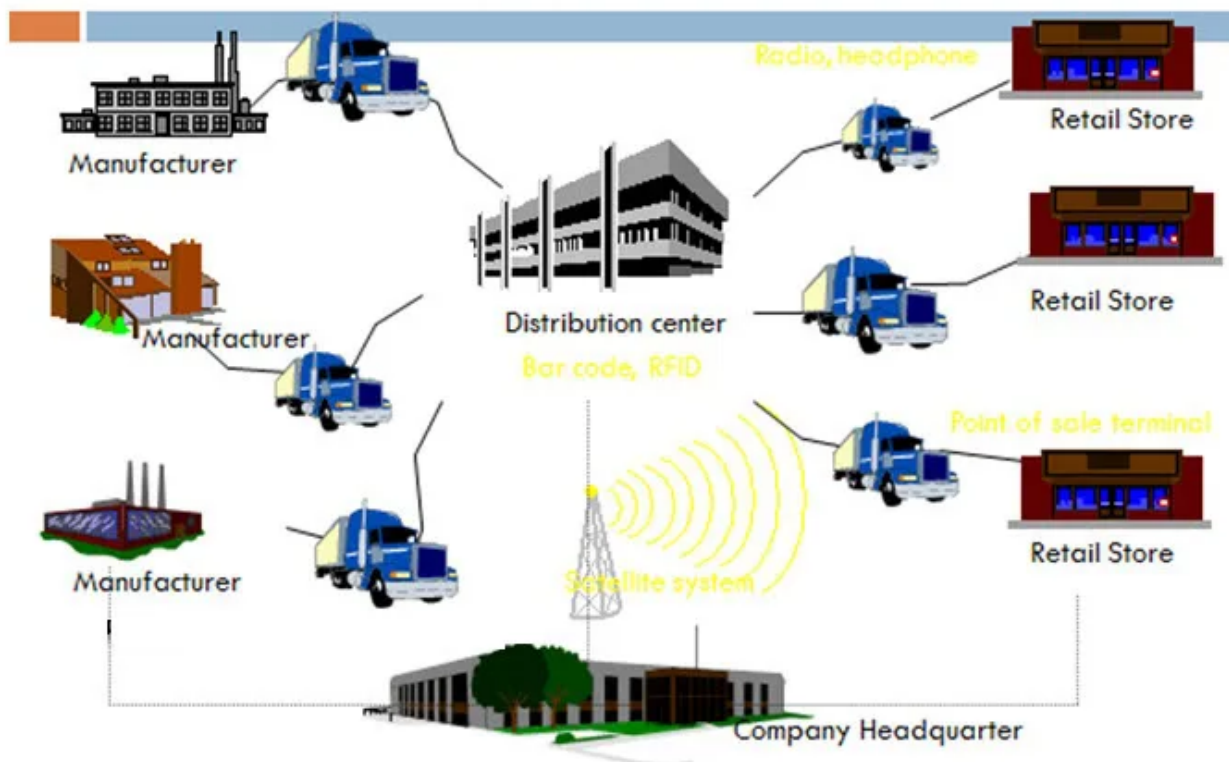


As the world's largest retailer with net sales of almost \$419 billion for the fiscal year 2011, Wal-Mart is considered a "best-in-class" company for its [supply chain management practices](#). These practices are a key [competitive advantage](#) that have enabled Wal-Mart to achieve leadership in the retail industry through a focus on increasing operational efficiency and on customer needs. [Wal-Mart's corporate website](#) calls "[logistics](#)" and "[distribution](#)" the heart of its operation, one that keeps millions of products moving to customers every day of the year.

Wal-Mart's highly-automated distribution centers, which operate 24 hours a day and are served by Wal-Mart's truck fleet, are the foundation of its growth strategy and supply network. In the United States alone, the company has more than 40 regional [distributi centers](#) for import flow and more than 140 distribution centers for domestic flow. When

entering a new geographic arena, the company first determines if the area will be able to contain enough stores to support a distribution center. Each distribution center supports between 75 to 100 retail stores within a 250-mile area. Once a center is built, stores are gradually built around it to saturate the area and the distribution network is realigned to maximize efficiencies through a process termed "reoptimization". The result is a "trickle-down" effect: trucks do not have to travel as far to retail stores to make deliveries, shorter distances reduce transportation costs and lead time, and shorter lead time means holding less safety inventory. If shortages do occur, replenishment can be made more quickly because stores receive daily deliveries from distribution centers.

## Wal-mart Supply Chain Flow Chart



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An important feature of Wal-Mart's logistics infrastructure was its fast and responsive transportation system. The distribution centers were serviced by more than 3,500 company owned trucks. These dedicated truck fleets allowed the company to ship goods from the distribution centers to the stores within two days and replenish the store shelves twice a week. The truck fleet was the visible link between the stores and distribution centers. Wal-Mart believed that it needed drivers who were committed and dedicated to customer service. The company hired only experienced drivers who had driven more than 300,000 accident-free miles, with no major traffic violation.

Wal-Mart truck drivers generally moved the merchandise-loaded trailers from Wal-Mart distribution centers to the retail stores serviced by each distribution center. These retail stores were considered as customers by the distribution centers. The drivers had to report their hours of service to a coordinator daily. The coordinator scheduled all dispatches depending on the available driving time and the estimated time for travel between the distribution centers and the retail stores. The coordinator informed the driver of his dispatches, either on the driver's arrival at the distribution center or on his return to the distribution center from the retail store. The driver was usually expected to take a loaded truck trailer from the distribution center to the retail store and return back with an empty trailer. He had to dispatch a loaded truck trailer at the retail store and spend the night there. A driver had to bring the trailer at the dock of a store only at its scheduled unloading time, no matter when he arrived at the store. The drivers delivered the trailers in the afternoon and evening hours and they would be unloaded at the store at nights. There was a gap of two hours between unloading of each trailer. For instance, if a store received three trailers, the first one would be unloaded at midnight (12 AM), the second one would be unloaded at 2 AM and the third one at 4 AM. Although, the trailers were left unattended, they were secured by the drivers, until the store personnel took charge of them at night. Wal-Mart received more trailers than they had docks, due to their large volume of business.

Because Wal-Mart's fast, responsive transportation operations are such a major part of the company's successful logistics system, great care is taken in the hiring, training, supervising, and assigning of drivers' schedules and job responsibilities. From the onset of his retailing career, Wal-Mart founder Sam Walton recognized the importance of hiring experienced people and of building loyalty not only in his customers but also in his employees. The company hires only experienced drivers who have driven more than 300,000 accident-free miles and whom it believes will be committed to customer service. Its retail stores are considered important "customers" of the distribution centers. As stated in the "Private Fleet Driver Handbook" that each driver is given a copy of, drivers are expected to be "polite" and "kind" when dealing with store personnel and others. In

addition to containing a driver's code of conduct, the Private Fleet Driver Handbook gives instructions and rules for following pre-planned travel routes and schedules, the responsible unloading of a truck trailer at a retail store, and the safe-guarding of Wal-Mart's property. For example, although drivers deliver loaded trailers in the afternoon and evening hours, a trailer can be brought to the store's docks only at its scheduled unloading time. Because unloading is done at two-hour intervals during the night, a driver is expected to spend the night, returning to the distribution center at a pre-scheduled time with an empty trailer. Coordinators closely monitor the detailed records of each driver's activities for adherence to rules. Violations are dealt with according to handbook procedures, which include employee education to prevent future occurrences of incorrect actions. By effectively managing every aspect of its transportation operations and treating its drivers fairly, Wal-Mart gets results that are unrivaled in the logistics arena. This philosophy parallels the successful coaching style of New York Giant's football coach Tom Coughlin who believes that rules are more than just discipline. Rules are a key to consistency, which leads to preparedness, which then leads to proper execution.



To make its [distribution process](#) more efficient, Wal-Mart also made use of a logistics technique known as 'cross-docking.' In this system, the finished goods were directly picked up from the manufacturing plant of a supplier, sorted out and then directly supplied to the customers. The system reduced the handling and storage of finished goods, virtually eliminating the role of the distribution centers and stores. There were five types of cross-docking.

1. **Opportunistic Cross docking**– In this method of cross docking, the exact information about where the necessary good should be shipped and from where it should be procured and exact quantity which will be sent was necessary. This method of cross docking has allowed the company to ship directly the goods, necessary retail

clients, not storing them in warehouse bins or shelves. Opportunistic cross docking could also be used when the warehouse software of management installed by the retailer, has set ready it, that the specific product was ready to moving and could be moved immediately.

2. **Flow-through Cross docking**– In this type of cross docking, there was a constant inflow and outflow of the goods from the distribution center. This type of cross docking was mostly suitable for the perishable goods which had very short interval of time, or the goods which were difficult to be kept in warehouses. This cross docking system was mainly accompanied by supermarkets and other retail discount stores, especially for perishable items.
3. **Distributor Cross docking**– In this type of cross docking, the manufacturer has delivered the goods to directly to retailer. No intermediaries have been involved in this process. It has allowed the retailer to save a major portion of the expenses in the form of storage. As the retailer should not support the distribution center for storage various kinds of the goods, he has helped it to save warehouse costs. The lead time for the delivery of goods from the manufacturer to the consumer was also drastically reduced. However, this method had some disadvantages too. Expenses of transportation both for the manufacturer and for the retailer tended to increase during time when the goods have been required to be transported to different locations several times. Besides, the transportation system should be very fast. Otherwise, the purpose of cross docking has been lost. The transportation system should be also highly responsive and to take the responsibility for delays in delivery of the goods. The retailer was at a greater risk. He has lost that advantage to sharing risks with the manufacturer. This type of cross docking was suitable only for those retailers who had the big distributive network and could be used in situations when goods had to be delivered in a short span of time.
4. **Manufacturing Cross docking**– In Manufacturing cross docking, these cross docking facilities served the factories and acted as temporary and “mini warehouses.” Whenever a manufacturing company required some parts or materials for manufacturing a particular product, it was delivered by the supplier in small lots within a very short span of time, just when it was needed. This helped reduce the transportation and warehouse costs substantially.
5. **Pre-Allocated Cross Docking**– Pre-allocated cross docking is very much like the usual cross-docking, except that in this type of cross docking, the goods are already packed and labeled by the manufacturer and it is ready for shipment to the distribution center from where it is sent to the store. The goods can be delivered to the distribution center directly to the store without opening the pack of the

manufacturer and re-packing the goods. The store can then deliver the goods directly to the consumer without any further repacking. Goods received by the distribution center or the store are directly sent into the outbound shipping truck, to be delivered to the consumer, without altering the package of the good. Cross docking requires very close co-ordination and co-operation of the manufacturers, warehouse personnel and the stores personnel. Goods can be easily and quickly delivered only when accurate information is available readily. The information can be managed with the help of [Electronic Data Interchange \(EDI\)](#) and other general sales information.

In cross docking, requisitions received for different goods from a store were converted into purchase or procurement orders. These purchase orders were then forwarded to the manufacturers who conveyed their ability or inability to supply the goods within a particular period of time. In cases where the manufacturer agreed to supply the required goods within the specified time, the goods were directly forwarded to a place called the staging area. The goods were packed here according to the orders received from different stores and then directly sent to the respective customers. To gain maximum out of cross-docking, Wal-Mart had to make fundamental changes in its approach to [managerial control](#). Traditionally, decisions about merchandising, pricing and promotions had been highly centralized and were generally taken at the corporate level. The crossdocking system, however, changed this practice. The system shifted the focus from "supply chain" to the "demand chain," which meant that instead of the retailer 'pushing' products into the system; customers could 'pull' products, when and where they needed. This approach placed a premium on frequent, informal cooperation among stores, distribution centers and suppliers with far less centralized control than earlier.

Besides, if the supplier knows also, that for the company it will be incredibly difficult to make proper adjustments to guarantee smooth transition to the different supplier, then they will be less inclined to lower their price as much. It is not, how existing suppliers deal with Wal-Mart; when they see that Wal-Mart has found the supplier who will give them lower price, current suppliers lower their prices accordingly. They know that logistical system of the Wal-Mart can address with transition easily, and consequently they do not receive additional leverage, as it will not be difficult or expensive for Wal-Mart to choose other supplier.

Another reason that Wal-Mart's prices are so competitive is because they buy in such large quantities that transportation from one end of the supply chain to another is not as expensive for additional units. This aspect of the logistical system does not come from skill or expertise it simply comes from the sheer size of the company, but this is still a factor. On the other hand, the Wal-Mart buys so many supplies from different places throughout the world, that they have the luxury of using bigger trucks and using less fuel to go back and forth. Also if by chance they have to use shipping services to transport material from one location to another, Wal-Mart will give them so much business that they will get huge discounts.

On the whole, the logistical system that Wal-Mart uses is so effective because it is so flexible. This is why Wal-Mart is able to offer things much cheaper than other companies can.

### **About Wal-mart Stores**

Wal-Mart Stores, Inc. is the largest retailer in the world, the world's second-largest company and the nation's largest nongovernmental employer. Wal-Mart Stores, Inc. operates retail stores in various retailing formats in all 50 states in the United States. The Company's mass merchandising operations serve its customers primarily through the operation of three segments. The Wal-Mart Stores segment includes its discount stores, Supercenters, and Neighborhood Markets in the United States. The Sam's club segment includes the warehouse membership clubs in the United States. The Company's subsidiary, McLane Company, Inc. provides products and distribution services to retail industry and institutional foodservice customers. Wal-Mart serves customers and members more than 200 million times per week at more than 8,416 retail units under 53 different banners in 15 countries. With fiscal year 2010 sales of \$405 billion, Wal-M employs more than 2.1 million associates worldwide. Nearly 75% of its stores are in the

United States (“Wal-Mart International Operations”, 2004), but Wal-Mart is expanding internationally. The Group is engaged in the operations of retail stores located in all 50 states of the United States, Argentina, Brazil, Canada, Japan, Puerto Rico and the United Kingdom, Central America, Chile, Mexico, India and China.

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August 28, 2018 at 12:26 AM

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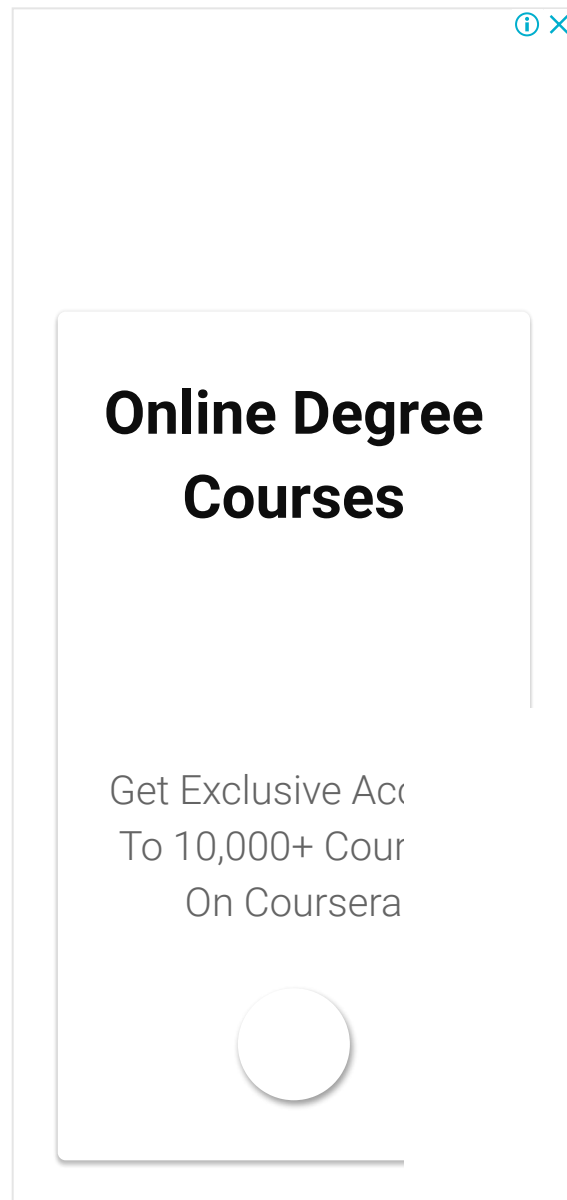
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The advertisement features the XM logo at the top. The main text in Hindi reads: 'मात्र \$5 के न्यूनतम निक्षेप से क्रिप्टो CFD में व्यापार करना शुरू करें' (Start trading crypto CFD with a minimum deposit of just \$5). Below this, it lists benefits: 'कोई स्वैप शुल्क नहीं' (No swap fees) and 'कम स्प्रेड' (Low spread). A green button at the bottom says 'स्वातंत्र्य' (Freedom). The background is dark blue with faint Bitcoin symbols.

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