Pricing and Distribution Plan

Hector Medina

MKT/571

Professor Knabe

17-May-2018

A Pricing and distribution plan for Walmart groceries

**Introduction**

The company in question, Walmart is a multinational American-based company that deals in the retail business. The global firm operates a chain of stores like departmental and groceries, hypermarkets and other retail outlets across the United States, Canada, and Europe with different presence regarding numbers in the regions indicated. The company was incorporated in 1969 when Sam Walton its founder settled on the commercialization of the family business. In the years following its incorporation, the company has experienced an unlimited amount of success that is manifested by the 11738 retail stores it owns all over the world present in 59 countries. By its revenue generation, the company's position as the largest company in the world is undisputed given that it boasts of the annual revenue of US$480 Billion. It is a family owned publicly traded company with the Walton family controlling 50% of the stakes in the company. It was first listed on the New York Stock Exchange in 1972 and was the most profitable publicly listed cooperation by 1988.

**A pricing plan for Walmart groceries**

Like all companies, Walmart relies on returns to realize its business goals including consumer satisfaction and benefiting stakeholders. One way of achieving the profits that justify the investment entails correctly pricing the products sold. For retail stores, they find competitive pricing a more difficult because they do not produce their goods and instead source them from other manufacturers. However, the chain store is capable of setting the prices of the products sold based on either a dynamic pricing basis or on the static pricing basis. During the pricing process, the company is better off in following the six fundamental steps of pricing beginning from selecting the objective of the price, finding out demand, estimating costs to analyzing the competitors' values, prices and offers. The final two steps include the selection of a pricing method after which the company selects the amount of the product (Chaudhry, et al., 2018).

*Implementing dynamic pricing*

Unlike static pricing, dynamic-priced products do not have a consistent value given that the price set is a reflection of the market supply and demand status. Although static pricing sits well with entities looking to ensure competitive prices, it does not result in maximum profitability since the final price only covers the cost of production and a given profit on top. Dynamic pricing, however, deals with the amount that a consumer is ready to spend on the product which could even be double or triple the actual price of the commodity. For instance, the demand for broccoli in Texas may increase in the spring despite the fact that the vegetable is readily available in that season. The pricing of the broccoli based on the static strategy will cap the price to a figure just slightly above the acquisition cost. However, employing a dynamic approach allows the tore to sell the product at prices that even double the acquisition rate increasing the profit in the process.

*Channel pricing*

 Pricing methods that apply the distribution channels embraced by a product in determining the prices of the same, the technique could result in different costs for a single product with similar qualities and appearances with the only difference emanating from the location. At Walmart, channel pricing is rarely applicable in its pure form but applies to some extent. The products offered by the retail store giant are located in upmarket locations since malls are their primary buildings of choice. Speculatively, therefore, the fact that their outlets are found within such premises may be a factor of their costs (Hinterhuber, & Liozu, 2017).

**A distribution plan for Walmart groceries**

Despite the fact that Walmart in its sense is a distribution channel, it is still a company with products that need to reach a market hence it has to implement a distribution strategy for the products to reach the consumers. However, it is imperative to note that the chain store lacks the manufacturing wing for its goods hence distribution starts at a wholesale level.

 *Distribution channels applicable to Walmart*

Since the company in question is not a producer, the products will move straight to the retailers given that they are already occupying the wholesale place within the distribution hierarchy. However, applying agents for distribution purposes is still a viable plan especially if implemented as offshoots of the leading store in a region to the remote environments surrounding the location. On that note, the viability of applying both direct and indirect channels of distribution for Walmart products increases meaning that both methods are applicable.

*Distribution strategies*

In spite of the channel applied, the procedures adopted are either intensive, exclusive or selective, approaches that are employed by the market associated with a particular area. Given the range of goods that are sold at Walmart, the application of either selective or exclusive goods is more appropriate if the target market is anything to consider. Exclusion and selection refer to the process of marking specific product to a particular market and expanding the forays of the company into that market which is exactly what Walmart does give that their locations are always limited to malls and upmarket shopping centers in the cities of their presence (Ross, 2015)

**References**

Chaudhry, S., Bajoori, E., & Nandeibam, S. (2018). Clustered Pricing in the Corporate Loan Market: Theory and Empirical Evidence. *Journal of Economic Behavior & Organization*.

Hinterhuber, A., & Liozu, S. M. (2017). The micro-foundations of pricing.

Ross, D. F. (2015). Distribution Planning and control: managing in the era of supply chain management. Springer.