Introduction:

In this paper we will analyze the "retail revolution." Specifically, three large players with a smaller focus on a fourth. These players are: Sears, Walmart, Amazon and Dollar General. Each of these players disrupted the retail market in a significant way and were very successful. Although Sears is no longer incorporated, the other three businesses are still solvent and still successful presently. The analysis will be focus on how each of these organizations achieved their dominance, their relationship to one another (the dynamic) and how that dynamic affects the consumer. The analysis will also seek to answer the larger overall question: Are these organizations good for America? To do this effectively this paper has been organized into several parts:

- The approach to success
- Push Vs. Pull economics
- Economic and Social consequences
- Winners and Losers
- The next retail king: Walmart or Amazon
- Dollar General's value add

The Approach to Success:

Each of these three organizations rose to prominence at different times and their successes were facilitated by technological advances in transportation, communication and manufacturing. During the late 19th century for Sears, Mid 20th century (1969 and 1968) for Walmart and Dollar General, and the 1990s for Amazon (1994). Sears leveraged the new rail network, and postal system to deliver newly designed products like refrigerators and washing machines; Walmart leveraged logistics, data knowledge, and overseas manufacturing to sell at low prices; and Amazon leveraged the internet to sell products direct to consumers in their homes and generate demand due to highly targeted advertising and marketing.

The cultural buying patterns of each time also facilitated their rise. For Sears, it was consumer demand in rural areas for wonderous new products created by the new industrious United States utilizing the Sears catalog and money back guarantee. For Walmart, it was by utilizing techniques such as opening price point and store accessibility. When it came to Amazon it was utilizing Amazon Prime membership, brand name recognition, and convenience.

The first company to rise to prominence was Sears which was started in 1894. The United States was a country that by many standards was still young. However, new innovations in technology led to the creation of new products. In 1879 the first commercially viable lightbulb was introduced and by 1913 the first home refrigerator would be developed. A company that would come to dominate the home appliance market (General Electric) was founded in 1892. Similarly, transportation infrastructure had advanced. Railroads had replaced horses as the primary method of long- distance transportation and the postal service had become efficient at delivering post quicker than ever before. Weight, size and location constraints had been reduced significantly and everybody with a catalog could now have access to new products that previously had only been available through select local shops and businesses.

The catalog was a new idea that was pivotal to Sears success. Consumers could order a product through the mail, and it would be shipped to their homes. However, there was a cultural trust barrier. To be able to order from the catalog and have the item shipped to the home, it would require the consumer to send their money through the mail. To combat this, the “money back guarantee” was put in place (Sears, 1894). The money would go to a secondary financial institution and only be released once the product had been received (Sears, 1894). The money back guarantee, large selection of products and convenience of having them delivered to the consumers home led to financial success.

In addition, a new practice was developed that would be shared by Walmart and later Amazon: Buying in bulk and buying direct from the supplier. Sears was the first, but it would not be the last to cut out the middleman and be the only channel between the supplier and the customer. This was how Sears was able to beat local businesses prices. In the catalog it even states: “We have studied to avoid this by only offering you such goods as we are in a position to buy from the manufacturers direct and in such quantities as enables us to deliver them to you for as little or less money than they would cost you at your local dealer” (Sears, 1894).

The ability to deliver to the consumer’s home, guarantee delivery, and offer a wide variety of products through a new marketing channel (the Sears catalog) led to the rise of American consumerism and the embrace of capitalism. In an article for life Magazine in 1957 it was revealed that the Sears catalog was being broadcast into Eastern Europe as a propaganda tool (Sears, 1894). The retail revolution did not stop there however.

In 1969 Walmart Inc was established. It was started by Sam Walt several years earlier in 1962 as a discount store. The goal was to buy in bulk from low cost suppliers, undercut competition by being at a lower price and lower margin, but making up for it with a high-volume sales. Buying in bulk and selling at a lower price than local businesses was not a new concept as seen with Sears, however the type of products was the difference. Consumer products like clothing, groceries, simple electronics, toys, etc…

In the late 60s and early 70s a cultural revolution was also occurring. A new social class with disposable income was growing (the middle class) and new technology was leading to new product development. In 1968 Ziploc bags were introduced and Nerf released their first polyurethane foam ball in 1970. Walmart’s strategy to offer these products at prices below competition for slimmer margins did lead to high volume of sales that facilitated Walmart’s rise as retail consumer goods powerhouse. However, as the company grew into a national player, it began to run into problems being able to provide these products at prices lower than the competition and meet consumer demand. This facilitated the transition to lower cost overseas suppliers, of which a majority are, in China and Bangladesh.

When Walmart went overseas is when the organization began to utilize technology to monitor its efficiencies within its supply chain to a greater extent. It had to ensure that every step was the lowest cost possible. This was the next step to ensuring low prices for the significantly large portfolio of items it sold (100,000+ items in stores). By this time, Walmart had grown to such a degree that is had reversed the relationship between supplier and retailer (We will discuss this in the Push Vs. Pull economics section). The amount of data that Walmart had amassed in its pursuit of ever lower prices was being used against suppliers to drive costs down. Sales by supplier, overall consumer demand, and forecasted demand were only some of the tools utilized by Walmart to control supplier prices. This had consequences that will be discussed later in this paper.

By focusing on cost reduction through supplier leveraging, bulk buying and developing relationships with low cost manufacturers to achieve the lowest price, Walmart was able to become enormously successful. However, in more contemporary times, they find themselves challenged by e-commerce giant Amazon.

Amazon is a company that was started by Jeff Bezos in 1994. It was originally a company designed to sell books over the internet. Over time it became an “everything store.” Amazon was able to become that due to the internet, a court ruling stating that since it did not have a physical store it did not have to charge sales tax, and the ability to capture data for analysis in a new way. However, we will focus on internet usage and data captured.

In the mid 90s internet usage was doubling every year. In the Sears example it had already been observed that if product information and variety can be supplied to a consumer and those products be delivered to that person's home, the consumer will buy. This was the Sears catalog and mail order model. However, with the internet, product diversity is much greater. This can be seen in Bezos first market penetration: books. The number of book titles greatly exceeds the number that were currently being sold. Utilizing the internet, Amazon was able to offer a scope of titles no bookstore could match. In addition, Amazon was able to do this at low cost (no inventory management cost or stocking costs) and deliver direct to the consumers home. This combination of immense product diversity, convenience and low cost facilitated Amazon's rise as an online retailer.

Amazon's goal is to be the most customer centric company. It can strive for this goal due to its data driven approach. The internet allows for the collection of an immense amount of data that can be used to understand the consumer. Amazon leverages this to a significant degree to design and implement initiatives meant to meet the wants of the customer before they even want it. This has been seen in the development of Prime Now single day delivery, Amazon Prime and Amazon web services. In order to accommodate these marketing, supply chain and technology initiatives, Amazon has invested heavily in its supply chain infrastructure building warehouses, fulfillment centers, and data centers. By doing so it is positioning itself as a company able to deliver any product to any customer.

With regard to supplier relationships, it is very similar to Walmart. By being such a large channel to the consumer, it has significant leverage to push suppliers on price and thus command low costs. This was seen in the book industry where it demanded discounts of the Independent Publishers group. When it did not receive them, it pulled 5,000 titles from its selection (Wasserman, 2012). One small publisher stated that his sales dropped by 40% (Wasserman, 2012). Amazon is relentlessly focused, like Walmart on delivering low prices to the consumer. However, the approach is slightly different as it is and e-commerce long tail approach versus a brick and mortar fat head approach (which we will discuss in a later section).

Each of the three organizations mentioned have had similar approaches to achieving their success. The only differentiator is the use of available technology to match consumer buying preferences. Currently Amazon is the most successful of the three with Walmart close behind.

Push Vs. Pull Economics

The Push vs. Pull phenomenon is a relatively new concept. A push economy is where suppliers "push" their products to consumers. A product is released onto the market by the supplier and demand is created for it. This reflects in the price of the item which is set by the supplier (PBS, 2004). In a pull economy, the consumer or actor that acts on behalf of the consumer sets the demand for products from suppliers. This is also reflected in the price, which is set by the actors on behalf of the consumer. This became a phenomenon at the same time as the rise of big box stores.

Earlier in the 20th century major suppliers such as Ford, and Chrysler manufactured their products and sold them directly to consumers. This is a "push economy." The supplier releases a product onto the market and the consumer buys it. The price is also set by the supplier and over time supply and demand can influence that price. This was the norm until the rise of big box stores, but most clearly seen with Walmart.

In a pull economy, the consumer or organization that acts on behalf of the consumer sets the prices for products (PBS, 2004). This is due to the brand recognition and power of the channel to the consumer. Walmart is the premier example of an organization with high power and ability to pull products. A significant amount of people shop at Walmart, and Walmart stores are so widely distributed in different markets. So, it is a huge opportunity for any supplier to sell their products. Walmart recognizes this and leverages it to control supplier pricing and product development. This can be seen most clearly with Rubbermaid (PBS, 2004).

Rubbermaid was a significant supplier of garbage cans, containers, and other kitchen ware products. Up until 1998 it was an independent corporation, that was one of the most admired companies in the United States (PBS, 2004). Until raw material costs increased significantly, and it attempted to pass along these costs to Walmart (PBS, 2004). Walmart refused and pulled Rubbermaid's products. This facilitated a steep decline in revenue and led to the company's sale to Newell brands in 1998 (PBS, 2004). The control of pricing and market access was no longer controlled by suppliers, but by big box stores like Walmart. This is the characteristic of the pull economy versus the push.

With Amazon a similar relationship is observed. As stated earlier, Amazon can use its channel power to demand discounts from book publishers. If it does not get its way, then it can remove the associated titles and hurt the supplier financially. This is the same with other products as well. When it comes to list price, Amazon is eliminating them. This has angered some suppliers as it has hurt their sales somewhat. Like Walmart, Amazon has enormous leverage to control supplier pricing.

Economic and Social consequences:

This retail revolution has had far ranging consequences. Walmart and Amazon have been blamed for the outsourcing trend in manufacturing, supplier "bullying," destruction of small businesses, and facilitating poor supplier conduct when it comes to working conditions for their employees and ethical business practices. This has been seen with working conditions in the garment industry in Bangladesh, the significant reduction of small books stores and distributors, the closing and outsourcing of American manufacturing, and bribery of foreign government officials in Mexico.

In Bangladesh worker wages are very low facilitating low cost manufacturing growth. This attracted the attention of big box stores like Walmart who were seeking lost cost supplier options for clothing. This led to the garment industry's significant growth in Bangladesh. 81% exports and 20% of Bangladesh's GDP come from the garment industry (Stitchdiary, 2018). However, this comes at a cost.

There is very little regulation, and poor working conditions. This can lead to tragedy as was seen when Rana plaza in Dhaka Bangladesh collapsed killing over 1100 people. The cause for the loss of life was management's decision to order people back to work even though cracks had developed in support columns due to structural deficiencies in the building. The decision was made due to pressure from garment industry buyers. These buyers buy for organizations worldwide like Walmart.

There is another side to this though. Bangladesh has one of the fastest growing economies in the world due to this same industry and millions of women have been employed and empowered. The only question we have to ask is: Is this worth it?

The same can be said for Amazon and it's disruption of the book stores. There are now only 1900 independent book stores, Borders no longer exists, and Barnes and Noble is struggling to find a place in the market (Wasserman, 2012). The corner bookstore experience is now not very common and the knowledge within books is now increasing under the control of a single entity. From a cultural perspective is this worth the low cost and convenience?

American consumers desire a breadth of products for low price. So much so, that companies like Walmart facilitated suppliers moving manufacturing bases overseas. This led to American jobs being lost (PBS, 2004). Manufacturing filled a gap in the employment spectrum of, not qualified enough to be considered highly skilled and credentialed for management, but not unskilled for a low wage position. Therefore, a lot of people could work in manufacturing and live a comfortable middle-class life (PBS, 2004). With manufacturing moving abroad, these people and the towns they lived in suffered (PBS, 2004). This has been seen in towns throughout the Midwest leading to the nickname, "The Rustbelt." This has led to more people dropping in class due to having to accept lower wages or no wages (PBS, 2004).

The final example of poor behavior facilitated by these large corporations was the Walmart bribery case in Mexico. In order to build stores quickly to get ahead of competition, Walmart paid almost 24 million dollars in bribes to local government officials (Barstow, 2012). These bribes were to fast track construction permits so stores could be built fast (Barstow, 2012). Essentially, no one was punished and the person in charge during the time was actually rewarded (Barstow, 2012).

In the pursuit of low costs to offer low prices to consumers, which is ultimately good for America, there is an associated cost from a humanistic perspective. That cost is inequality, the exploitation of workers, loss of ethics and joblessness.

Winners and Losers:

The retail revolution has, as stated previously, had far ranging consequences and losers have been described in general. However, there have been winners and beneficiaries of the retail revolution.

The first winner is the American consumer from purely a consumer perspective. Prices are low and the average family save 2550 dollars a year by shopping at Walmart. However, could the wage earners be earning more money if company's like Walmart didn't exist? It is unlikely as consumer buying patterns (lowest price preference) have always held sway over the morals consumers say they have. If Walmart didn't exist, some other entity would exist to do something similar. Price is the determining factor and always will be unless money or other medium of exchange ceases to exist. So Walmart in this context is good for America.

Regarding Amazon and how it squeezes suppliers and decimates small business as has been described in the previous sections, but offers low price, convenience and enormous product selection, it is also good for the consumer. The customer benefits from excellent services and low prices.

However, the consumer is also a loser in a larger macro context. In addition to the examples described in the previous section, consolidation of channels to which to buy products is never a good thing. Diversity of products leads to progression and innovation. If individuals are only ever given products which have been liked in the past or selected for them, then cultural growth and exposure is at risk of stagnation or possibly degeneration. Multiple sources having to compete for consumer attention is ultimately good the for the consumer. It cannot all be about facilitating impulse buying.

The Next Retail King: Walmart or Amazon:

The question now is: Who will come out on top, Amazon or Walmart? This will depend on the strategies that each of these players use in the future and there are many variables to consider. Amazon is not just a retailer, it is also a data storage and web services provider which has its own in house supply chain services (Amazon logistics). It also does not have any brick and mortar stores like Walmart. It is a dynamic and agile company. Walmart, is a more traditional “big box” retailer heavily invested in brick and mortar. It’s tight control of it’s supply chain and strategic overseas supplier relationships have facilitated it’s growth. Another solid model. However, the key differentiator will be the consumer market and which organization can most effectively target and capture the large demographic.

The key difference right now between the two is the marketing strategy that each is using. E-commerce favors the long tail approach, while Walmart favors the fathead or 80/20 rule. The long tail basically states that by focusing on the lower percentage of goods sold, which can encompass a large variety of items, the total volume of those goods sold will be greater than the top twenty percent of goods sold. This is possible in e-commerce due to the favorable inventory management practices. In this regard Amazon has the edge over Walmart. However, the fathead principle still works as Walmart continues to report strong sales numbers every quarter. The key is in in one number though: 8 (Abrams, 2016).

In 2017 e-commerce accounted for only 8 percent of all retail sales (Abrams, 2016). Therefore, 92% of retail sales or 92% of total available market are up for grabs by brick and mortar(Abrams, 2016). Even if Amazon has the most e-commerce sales, if Walmart were to capture a larger portion of total retail sales in combination with a competitive piece of e-commerce sales, they win. Therefore, the best strategy to beat Amazon from a purely retail perspective is to continue the strategy of low price by finding low cost suppliers, leveraging technology to create services like app based curbside delivery, and utilizing jet to build out an e-commerce platform utilizing the supply chain infrastructure already in place. This cuts down on capital investment and promotes innovation by experienced employees already within the organization.

From Amazon's perspective, Walmart isn't in their lane. Meaning that they don't have to compete with Walmart because they are so far ahead. Amazon has diversified by creating an alternative source of revenue that is highly profitable (AWS) and has the supply chain infrastructure and marketing tools to drive sustained success for the foreseeable future (Streitfeld, 2015). It's business footprint will continue to grow, but it's strengths are also it's weakness. The demographic that Amazon has captured is one with a level of disposable income that is still relatively high. This demographic fits the target Amazon profile for impulse purchasing. A lot of consumers are not within this demographic, so that will be a significant challenge for Amazon.

Similarly, for international expansion into India, Amazon is facing a problem with transportation and delivery. The infrastructure necessary to deliver to an address are not as developed as in the United States and Europe. A high-tech company needs sophisticated infrastructure to work correctly. This is not a problem for brick and mortar stores like Walmart even with rules against direct foreign investment which India has.

Dollar General Value Add:

Dollar General has not been discussed in this paper yet. However, it cannot be ignored due to it's significant growth since 2008. Even though the company has been around in some form since 1939 (became Dollar General in 1968) it has grown tremendously since the great recession in 2008. This is due to the company focusing on the demographic of: household income below 40,000 dollars per year.

It is somewhat disturbing that this income bracket has grown so much to facilitate this growth of this type of store. It says that the state of the United States is such that an increasing amount of people are becoming poorer in both rural and urban areas. However, the rise of stores such as this could be the next step in the retail revolution.

These stores break up items into individual items versus buying in bulk reversing almost one hundred years of retail practices (buying in bulk practice). Selling in low quantities for very low prices does not seem cost effective, however, by being even more aggressive and using in-house branding costs can be lowered even further to make this strategy effective at growing sales.

The type of products offered though are not of high quality and lead to the question, is there a level at which low price and low quality become bad for the consumer? In this situation the answer is yes, but for those that are desperate and on a tight budget, there was never even a question to ask.

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