# Walmart Won't Stay on Top If Its Strategy Is "Copy Amazon"

hbr.org/2017/03/walmart-wont-stay-on-top-if-its-strategy-is-copy-amazon

3/21/2017


Walmart's recent change to free two-day shipping for online orders, no membership required, is the latest in a series of moves the company has made to fight Amazon and grow its e-commerce business. Last year, it purchased Jet.com and installed Jet's founder, Marc Lore, as head of its e-commerce division. It has also been acquiring e-commerce niche players, including Shoebuy and outdoor gear retailer Moosejaw, and digital technology companies, such as search experts Adchemy and cloud platform OneOps.

Walmart does need to shore up its e-commerce capabilities, but its attempts to out-Amazon Amazon aren't a winning strategy. For one thing, by offering the new shipping service, Walmart is really only playing catch-up. Lore himself described free shipping as table stakes.

And the new shipping offer doesn't even put Walmart on par with Amazon, since it only applies to orders of $35 or more. That may seem like a low hurdle, especially when Amazon's Prime membership costs $99 per year. But Prime members are likely to forget about the cost after it's been paid for the year, while Walmart's policy means money is inserted into the purchase equation with every transaction. Anything that makes people think about the amount they're spending during their purchase reinforces Amazon's advantage in delivering no-brainer experiences. Moreover, free two-day shipping already feels like old news. Consider that Amazon also offers free same-day delivery by 9 PM on more than 1 million items in select areas and free two-hour delivery on some products in select metro areas through its Prime Now option.

Importantly, a Prime membership doesn't only include shipping benefits; members also receive access to movie streaming, photo storage, music streaming, and early access to time-sensitive "Lightning Deals." In Amazon's growing brick-and-mortar bookstores, Prime members can buy books for discounted prices, while others have to pay the cover price. Amazon will likely continue adding Prime benefits to the mix, potentially including the holy grail of entertainment: live sports.

For all these reasons, Prime has been described by CEO Jeff Bezos as one of the company's three strategic pillars.

The goal is to make potential customers believe that "if you are not a Prime member, you are being irresponsible."

Walmart can't compete with this value proposition, at least not yet. Walmart also can't challenge Amazon's existing brand equity in access and selection. With approximately 160 million items for sale, Amazon has become the go-to outlet for anything. In comparison, Walmart.com sells "only" 15 million items — and just 2 million of them are available for the free two-day shipping. It's no wonder 52% of online shoppers start their search on Amazon, according IHL Group.

Amazon also has the advantage of years of consumer data, as well as the data analytics proficiency to spot trending products, make smarter pricing and assortment decisions, and deliver personalized customer experiences. Walmart's acquisitions of e-commerce companies and digital technologies, and the talent that comes along with them, enable it to get better at this, but Amazon will continue to improve too.

Trying to beat Amazon at its own game is not only likely to fail, it's also not in Walmart's best interests. Walmart has perhaps the best physical distribution and retail network *in the world*. It needs to be competitive on digital channels, sure. But, more important, it should excel at brick-and-mortar. Improving the in-store experience, promoting omnichannel shopping and fulfillment options, and developing in-person service innovations are avenues that leverage its brand equity and core competencies — and they're approaches that would put Amazon at a disadvantage. Instead of cutting human resource jobs (which seems counterproductive for a company that employs 2.3 million people) and closing new store formats (which make the brand more convenient and accessible to more people), Walmart should invest to advance its strongest competitive advantage: its physical stores.

The company's obsession with competing with Amazon also seems to have taken Walmart's focus off its brand identity in everyday low prices. In its announcements and ads about the new free shipping service, product prices have not been mentioned. Walmart has held a low-price leadership position from its start. Now, in some cases, it can often *lower* prices than Amazon because Jet.com's operating model doesn't rely on holding inventory. But the company has elected to make neither its new pricing capabilities nor its long-standing low prices part of its marketing efforts for e-commerce. Moreover, the company's new television campaign, which employs a whimsical style more suited to tech startups and was launched during programming more suited to higher-end brands (the Oscars), reinforces the company's departure from its focus on low prices.

Many companies feel a pull to imitate the practices of successful rivals. But this rarely ends well. Core competencies stagnate, customers become confused, and the opportunity to lead instead of follow is squandered. Instead of gaining on Amazon, Walmart seems poised to lose valuable ground.