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# Walmart And Jet.com: The Marriage Won't Be Easy

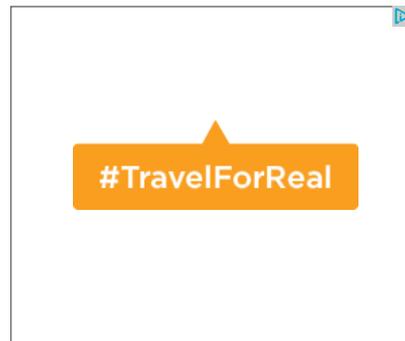
*This article is by Mohanbir Sawhney, the McCormick Foundation chair of technology and director of the Center for Research in Technology & Innovation at [Northwestern University's Kellogg School of Management](#).*

Walmart has spent 15 years trying to get its e-commerce business off the ground, with limited success. It has watched ruefully from the sidelines as Amazon has grown from a blip on the radar to a \$100 billion juggernaut. Walmart's \$14 billion in e-commerce revenues pales in comparison. Now Walmart is betting that its \$3.3 billion acquisition of Jet.com will allow it to defend its turf and even gain share in the e-commerce battle.



Photo by Joe Raedle/Getty Images

Why did Walmart need to buy Jet.com instead of continuing to build its e-commerce business organically? What exactly did Walmart buy in the acquisition? And what are the chances that the acquisition will be a success? These questions are key to understanding the real meaning behind the headlines.



At first glance, you might think that e-commerce shouldn't be difficult for a company with the scale, the customer base, and the capabilities of Walmart. But e-commerce is a very different animal from a brick-and-mortar business.

The logistics and distribution system that Amazon has perfected over two decades is very different from the store-based distribution system that Walmart uses. The data, the user interface design skills, and the analytics capabilities that are needed for e-commerce are light years beyond traditional retailers. Moreover, the relentless pace of innovation in e-commerce demands a very agile organization that moves much quicker than Walmart is used to.

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But perhaps the most difficult challenge in transitioning to an e-commerce model is cultural. E-commerce demands an entrepreneurial culture where experimentation and failure are par for the course. Converting Walmart into a nimble e-commerce competitor is a little bit like asking an Olympic athlete who has trained all his life as a weightlifter to suddenly become a gymnast. That is why Walmart needed to buy rather than build its e-commerce capabilities.

In acquiring Jet.com, Walmart is getting three things. First, it's getting access to Jet's customers, who are more affluent than Walmart's and could potentially allow Walmart to broaden its footprint. Second, it's getting access to the e-commerce capabilities Jet.com has built, ranging from advanced algorithms for pricing and bundling to supply chain and distribution capabilities. Finally, Walmart will bring on board an experienced, innovative, and highly regarded executive team and technical talent.

The success of the acquisition will depend on which of these assets Walmart focuses on as it integrates the Jet.com business into its e-commerce operations. If Walmart is most interested in Jet.com's customers, it may want to maintain Jet.com as a separate entity with its own dedicated website. On the other hand, if it values the capabilities and the team, it probably should pursue deeper integration between the two businesses and eventually shut down the Jet.com brand and website.

I believe that the real long-term win for Walmart will be for Jet.com's executive team and technical experts to rebuild Walmart's customer facing website and e-commerce distribution and change the face of Walmart. Maintaining Jet.com as a separate e-commerce brand might make it a decent business, but it will not move the needle for Walmart's core business. The only way that can happen is by infusing the capabilities and the culture of Jet.com into Walmart.

But this will be easier said than done. The challenge for Walmart will be to create a culture and reward system that will appeal to Jet.com's best and brightest while not creating friction with the vast majority of Walmart's employees who are devoted to the brick and mortar business. Walmart has to ensure that its stodgy culture doesn't suffocate the spirit of innovation that

makes Jet.com so innovative and that it can retain Jet.com's leadership team long enough to transform Walmart's e-commerce operations.

Unfortunately, the odds of Walmart's pulling off a successful integration where the innovativeness of Jet.com combines with Walmart's massive scale are not too good. History shows that large traditional enterprises that acquire fast-charging entrepreneurial companies often end up killing them. Cultural clashes and rapid turnover among an acquired company's key staff tend to diffuse the energy and negate the benefits of the acquisition. Moreover, Walmart does not have a history of growing through acquisitions.

Unquestionably, Walmart's leadership is aware of these challenges and has concluded that the Jet.com acquisition is a risk worth taking given the continued weakness in the company's e-commerce sales. Walmart needed to make a dramatic move to catch up with Amazon. Its leadership team has made it quite clear that it expects Jet.com's founder and leadership team to stay on to steer the ship at Walmart. But it is going to be a difficult voyage in stormy seas.

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