



By Stan Pohmer

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LESSONS TO BE LEARNED...WAL-MART

In the past year, Wal-Mart has made some different marketing decisions than it has in previous years. See how the decisions worked (and didn't work) and what it means for this industry.

OK, after reading the headline, you're probably expecting a discourse on how low prices drive business and how you should jump on that bandwagon.

Don't take me wrong...Wal-Mart is a very successful company that has built a business model that works for the big box. It has developed an incredible data capture, logistics and distribution system that is arguably the best in the world. The company is also continually looking for ways to leverage and improve; it doesn't rest on its laurels.

Wal-Mart has pioneered the "every day low price" marketing strategy and effectively reinforced it through advertising, promotion and in-store signing almost to the point of cult adoration to many. It expanded its product offering by adding groceries, evolving into a supercenter concept. From a standing start about 15 years ago, it now commands almost 25 percent of all food purchases in the United States. And it has transported its business model into foreign markets.

Everything Wal-Mart has ever done has reinforced its image of being the low-cost provider; it walked the talk of value merchandising and set the bar for a change in the way consumers shop for retail as an industry.

The Competition Aspect

Yes, there's a lot to respect in what Wal-Mart has accomplished and a lot to be learned from its programs and operations. But for an independent retailer to try to out-Wal-Mart Wal-Mart would be suicidal. There's no way you could ever emulate what it does or have the economy of scale to dominate markets and have its buying clout.

Though, while being "big" has significant advantages, it also poses sig-

nificant challenges. When you build your business model to appeal to the low and middle classes, you run a serious risk if their spending power decreases due to a slow economy: Low wages, salary increases for the wrong people and higher energy costs (as they've experienced in the past few years) have resulted in very low comparative or mature store (measuring increases of stores open at least one a year) sales increases. In fact, in November, Wal-Mart experienced its first monthly comp store sales decrease in more than 10 years.

When you build your business model on low prices, you must run on a low operating cost structure, meaning you must employ low-wage staff; this makes Wal-Mart a target of unionization activity as well as government officials who are concerned with the social and financial welfare of workers. Its "big status" makes Wal-Mart a bigger target for negative public relations, whether the issues are real or perceived.

Wal-Mart's Change

Wal-Mart recognized its mature store growth was slowing, partly due to the decreasing buying power of its core value-conscious customer and partly due to customer response to the negative publicity it was receiving. Wal-Mart saw whatever growth it was experiencing was from fewer customers buying more rather than from growth of new customers. Grocery products being purchased more frequently were supposed to not only drive more frequent visits from existing customers where they would hopefully cross-shop general merchandise and drive up the transaction value but also bring in new customers...this strategy wasn't working as well as planned.

In response to the challenged same-store growth, Wal-Mart embarked on many new strategies in

the past year. It recognized the reality that its core customer couldn't continue to fuel the organic growth, so the company decided to try and appeal to a new customer, one who is more fashion and trend conscious, one who has more disposable and discretionary spending power, one more like the Target demographic. Wal-Mart piloted and tested a new, trendier women's line and, based on the initial success, rolled it out to the chain. It expanded the electronics assortments and went into home theater and big-screen TVs.

Wal-Mart recognized that to attract this new customer, it needed to change its image, so the company started a major remodel of its stores. The big box changed its marketing image from one of low price (bye-bye smiley face) to one focusing on life style, trend and fashion. Wal-Mart stopped talking about being only a low-price-everyday retailer. It eliminated basic value programs such as lay away to create space for these new, upscale programs and save payroll to invest in these new programs as well. And, in trying to attract this new, upscale customer, the company alienated and confused its core customers who felt Wal-Mart was abandoning them and going in an entirely new direction. The company didn't attract the upscale customer nearly to the degree it wanted and needed to.

At the same time this image transformation was taking place, Wal-Mart was implementing many more new programs. The programs included new staffing and pay guidelines that impacted scheduling and pay increase opportunities that many associates viewed as negative. Other changes included introducing "green" facility and operations strategies as well as organic foods and materials assortments. The company also redefined store assort-

ments based on ethnicity and started running a positive public relations campaign to battle the negative outside pressures being brought by activists and zealots. These are just a sampling of the major changes being attempted; there were many more.

The Comfort Zone

Now each one of these initiatives individually is a huge undertaking that requires total commitment and focus to implement well. But when one tries to implement all of these major programs almost simultaneously, execution suffers and confusion (both externally to customers and internally to employees) reigns to the point where focus on what's really important to survive and prosper — your core customer — is lost.

To Wal-Mart's credit, when sales growth started unraveling in the third quarter and it saw that the new initiatives weren't working as planned, the company quickly reverted back to what made it an industry leader...a renewed commitment to price leadership. (Hello, again, smi-

ley face and price rollbacks!) But some of the damage was already done; going from a major marketing campaign based on price to one that focused on upscale and then going back to a campaign focused on price — all within 6-12 months — sent a confused image message to Wal-Mart's new, intended customer base and, more importantly, its core base.

You Can Be Different

As an independent garden center, you don't want to have to do some of the same things that Wal-Mart does to be successful. However, there are key processes like data capture and mining, image building and inventory management that you can apply to make your business more successful. But from recent challenges and what I would cite as lapses of directional planning, there are a few key ideas you can learn from:

- Never lose sight of who your core customer is. You may want to expand your market and who you appeal to, but any changes should

be incremental and complementary to avoid confusing and alienating your core. If you want to make a radical change, be ready to weather the confusion and the time it will take to effect this change and attract your new customer base, recognizing that you will probably lose a good portion of your old core.

- Know who you are and what your core values are; know what your strengths and differentiations are and exploit them, don't replace them. Don't try to be something you're not.

- Your image (advertising, assortments, displays, service, facilities, etc.) must be consistent with who you are and what you're trying to accomplish. Whatever you do must make sense to your core customers; at the end of the day, they are the only ones that count.

- Change is good, but change without excellent execution will never yield the results you desire and may actually hurt your business.

- Tackle major changes individually and over time to ensure your

thinking was right and that you can execute them flawlessly. Don't add to the confusion and anxiety change produces by trying to effect too much change simultaneously.

Making mistakes is part of change, pushing the envelope and positively moving forward. But if you can learn from the mistakes of others, you can avoid the pain they've already experienced. Hopefully, you can learn from the mistakes Wal-Mart has made to make your business stronger and more vibrant, developing or sharpening a laser focus on your most important asset: your core customer...✂

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