

\$ Aisle at the NACS SHOW

CATCH DOLLAR FEVER!

The new "\$ Aisle" at the NACS Show will not just feature products, but will also show retailers how to merchandise new products and new lines to refresh their offer and bring in new customers. Many convenience operators are revitalizing their general merchandise category with popular "dollar" selections and capturing the growing consumer base who are shopping for "dollar" items.

CONSUMERS ARE NOT JUST LOOKING FOR BARGAINS — THEY'RE LOOKING FOR FUN!

Adding a dollar section can add a fun new element to your traditional offer. Located in the Merchandise area of the exhibit floor, the "\$ Aisle" should be a top destination spot for retailers to find new product solutions priced between 99 cents and \$5.00.

"The face of convenience retail is continually changing and we are striving to provide better service and options for our customers.

In many of our stores, creating a dollar aisle really made sense. It offered our customers the ultimate choice of cost-effective products and acted as a supplement to sales in other parts of the store."

— Ron Rowland, Director of
Corporate Stores, Nice N Easy
Grocery Shoppes

A NEW feature on the Expo floor—



DID YOU KNOW:

- To date, there are 19,500 dollar store outlets
- 32% of consumers shop dollar store outlets on a monthly basis
- Dollar stores are the fastest growing segment in the US
- In 2003, dollar stores accounted for \$40 billion in sales

**Register by August 31 and
Save \$100 on Your NACS
Show Registration.**

www.nacsshow.com

Picking Wal-Mart's POCKETS

According to author Mike “Bird Dawg” Bergdahl, the fanatical Wal-Mart pursuit of efficiency reveals real tactical and strategic opportunities that convenience store retailers can benefit from now.

By Mike Bergdahl

In 1862, a pivotal Civil War battle was fought in Northwest Arkansas called the Battle of Pea Ridge. The fighting took place in Benton County, just outside of Bentonville, Arkansas, today the home of Wal-Mart Stores Incorporated. In that battle, the Union soldiers defeated the Confederates soundly. But, as the saying goes, “the south shall rise again.”

A century later, in 1962, Sam Walton opened his first Wal-Mart store in Benton County starting his own retail civil war. He began his march on retailing supremacy by building stores in rural areas across the Southern United States. Eventually, after establishing himself and gaining momentum in the South, he began his expansion campaign to the west, southeast, north and northeast, pummeling hapless American competitors. With the domestic markets rapidly coming under his control, he set his sights on dominating an even bigger retail battlefield — the world.



How has Wal-Mart accomplished so much in such a short period of time? How important is the influence of its founder, Sam Walton, to the ongoing success of the company? What do competitors, domestic and international, both small and large, need to know about the world's largest retailer in order to compete effectively? What is the importance of their culture to the success of the company?

It's scary to think **small retailers might get better prices** by **purchasing directly from a Wal-Mart store** than they can from buying from their own distributor/wholesaler network. That's just one of the reasons **you can't compete with them on price.**

In my book, *What I Learned From Sam Walton: How to Compete & Thrive in a Wal-Mart World*, I answer these questions as I provide you with an insider's perspective into what you are up against as you try to compete in a Wal-Mart world and survive. I've chosen the acronym P.O.C.K.E.T.S. as a focal point for the book, because I know that for you to compete effectively you have to carve out a "niche" or "business pocket" in order to be successful. Each of the letters in the acronym represents a chapter in the book as follows: P. – Price, O. – Operations, C. – Culture, K. – Key Item Promotion/Product, E. – Expense Control, T. – Talent, S. – Service. For this article, I have used the P.O.C.K.E.T.S. acronym as a framework to discuss some of the inside strategies and tactics used by Sam Walton and Wal-Mart that makes competition with them so difficult. The text that follows comes directly from my book.

Price

Convenience stores have long been able to thrive in the "curl of the Wal-Mart wave" — until recently. The introduction of gasoline at Wal-Mart Stores and SAM'S CLUBS has changed everything. Small retailers have no leverage in purchasing fuel. Unfortunately, the vast majority of convenience store operators aren't large enough to take advantage of volume discounts. Adding insult to injury, Wal-Mart promotes low-cost cigarettes at its fuel pumps, directly affecting both of the convenience store's two primary business drivers. The resulting tsunami is having a devastating effect on the convenience store industry as a whole.

It's not just Wal-Mart affecting convenience stores by selling gasoline and cigarettes out on their parking lot. Many grocery stores are getting into the business as well. They've entered the fuel business because it's a service they can provide that is viewed as a convenience by their customers. Wal-Mart uses gasoline as a way to expand its customer service concept of one-stop shopping. They also price gasoline in keeping with their Every Day Low Price (EDLP) strategy.

Because of its buying power, Wal-Mart can sell all of its products at retail for less than the price at which most of your wholesale distributors can buy the same product from the same manufacturer. (Talk about a competitive advantage in the marketplace!) Other retailers can and do buy products at Wal-Mart for resale in their stores for that reason. It's scary to think small retailers might get better prices by purchasing directly from a Wal-Mart store than they can from buying from their own distributor/wholesaler network. That's just one of the reasons you can't compete with them on price.

Operations

The philosophy that high expectations are the key to everything forms a large part of the foundation of Wal-Mart's achievement of standards of operational excellence. High expectations lead to higher productivity, which reduces costs. Lower costs allow for lower prices, which in turn build sales and profitability. Greater sales and profitability finance the opening of more stores. More stores enable greater economies of scale. Greater economies of scale lead to lower costs. It is a never-ending mission to drive costs out of the system, which in turn allows the company to pass the savings along to the customer.

Wal-Mart has state-of-the-art technology, great locations and convenient store hours, but the key to its lock-step execution is its people. Always being in-stock is critically important, so they train their associates (employees) to re-merchandise promoted items and backfill empty shelves throughout the sales day. They sweat the operational details by ensuring that shelves and products are dust free, shopping carts are always available and that floors, windows, bathrooms and parking areas are kept clean. Register lines are minimized and new registers are opened as customer traffic demands. The rallying cry at Wal-Mart for store operations is "execution, execution, execution!" This must be your store operations standard as well.

Does your operational execution project to your customers what it says on the sign in your window — "Welcome, We're Open for Business"? Or does your lack of commitment to store operations send the subliminal message to your customers, "Sorry, We're Open for Business"? You've only got one chance to make a first impression on your customers. Make it a good one.

Culture

When Sam Walton visited stores, the company associates would walk right up to him and strike up a conversation with no fear. He was so down to earth that people were attracted to him like steel to a magnet. The employees at Wal-Mart could tell he was genuinely interested in what they had to say. Sam was a people person and there was nothing he liked better than rubbing elbows with the troops. Upon arriving at a store, he would often pull the associates together in the front of the store and talk with them about the company. Before he left, he would always lead a Wal-Mart cheer.

The **rallying cry** at Wal-Mart for store operations is "**execution, execution, execution!**" This must be your store operations standard as well.

Sam attributed some of the most innovative ideas the company had implemented directly to the associates. The idea for greeters at Wal-Mart was originated in a Wal-Mart Store in Crowley, Louisiana. Once Sam saw the people greeter for the first time, he was committed to implementing greeters across the chain, which he did immediately. As in this example, entrepreneurial thinking by the people closest to the action was not only encouraged; it was expected.

I heard Sam Walton at a Saturday morning meeting tell company leaders on several occasions to refer to and use the Golden Rule in their treatment of people. He believed in treating customers like neighbors or guests and the employees, his associates, like family.

“Our people make the difference” wasn’t just a catch phrase to Sam Walton; it was a hard-wired cultural belief shared by company leaders to this day. Sam believed if you take care of your employees, your employees will take care of the customer and the business will take care of itself.

Big-box retailers can’t specialize to the extent you can. Leverage your own merchant skills by tailoring your assortment to best meet the tastes and preferences of the customers in your locale.

Key Item Promotion/Product

Everybody is expected to think like a merchant at Wal-Mart. In every department, from information technology to accounting to human resources, every associate at the headquarters must be a retailer first. They are expected to visit the company’s stores as well as those of competitors, know the issues, and have a point of view on key business problems. If you ask someone from the Wal-Mart home office what they do for the company, don’t be surprised if they tell you that they are a *retailer*. Trust me when I tell you that they mean it.

I think Wal-Mart’s fanatical focus on having all of its employees and vendors think like merchants is because they know that having the right products, merchandising them well and providing outstanding service are pivotal to creating an exciting shopping experience and building customer loyalty. Wal-Mart’s buyers and store managers do all they can to make their stores the destination of choice for value-driven shoppers. The price points are sharp and the merchandise is tailored to meet the needs of

Middle America. This customer-centered focus gives customers the feeling, “why shop elsewhere?”

Focusing on the customer is and always has been the most important element of retailing product success. Talk to your customers, find out what they want and buy to those perceived needs. A local

retailer has a great deal more flexibility in selecting products and merchandising them to fit the needs of the customers in their own community. Big-box retailers can’t specialize to the extent you can. Leverage your own merchant skills by tailoring your assortment to best meet the tastes and preferences of the customers in your locale.

Expense Control

Company profits at Wal-Mart are derived through a combination of tough buyer negotiations on the front end and the company’s fanatical focus on controlling costs. The goal at Wal-Mart is to drive costs out of every area of the company’s operation, including stores, home office, distribution centers and fleet. Adding insult to injury, they then pass those cost savings along to the customer, putting competitors in a position where they can’t compete directly on price. It’s like a double whammy!

Their top management focuses constantly on managing payroll expenses. Work schedules must take into account the ebb and flow of sales volume throughout the week and within the day. Wal-

Mart is disciplined in managing payroll expenses and that discipline is driven from the top. If sales are soft, managers aren’t hesitant to cut hours mid-week to ensure payroll budgets are met.

Wal-Mart’s distribution and logistics functions provide still another expense advantage for the company. They use an inventory management technique called cross-docking of merchandise in their distribution centers, which reduces the amount of time inventory sits idly on the floor in a warehouse. Using its own fleet of tractors and trailers, Wal-Mart replenishes its own stores 24 hours per day from its own distribution centers. Of course, the overall goal of distribution and logistics at Wal-Mart is to ensure the company shelves are always kept stocked.

Sam Walton used to say overhead is one of the most crucial things any business has to fight to maintain profit margins. The Wal-Mart cultural expense philosophy is that every time they spend a dollar foolishly, they take a dollar out of their customers’ pockets. They sweat the details by getting everybody to try to save pennies, which ultimately leads to savings of lots of dollars. These savings are in turn plowed back into lower-priced products.

Talent

Sam Walton had a unique ability to gather a team of great leaders and to inspire them to focus on the achievement of a common cause. One of the greatest challenges he faced was gathering top executives who were willing to suppress their individual egos in favor of the overall Wal-Mart team.

To understand the Wal-Mart staffing strategy, it is important to also understand its self-professed blueprint for people. The human resources function is actually called “People.” The people strategy at Wal-Mart has three components: hire the best, provide the best training, and be the

best place to work. Wal-Mart believes in hiring a diverse associate staff, and the stores reflect a decent cross-section of the demographics of American society.

With over one million employees, Wal-Mart is the largest private employer in the United States, second only to the federal government in the sheer number of people employed. With some stores experiencing turnover as high as 300 percent annually, real issues exist simply to fill work schedules with qualified associates. People are their greatest asset. But, I think, at the same time and because of turnover, people may also be their greatest liability. Wal-Mart's appetite for quality people is virtually insatiable. You see, just one of the large Supercenters may have sales in excess of \$100 million and employ as many as 600 associates. To supervise that large a store requires as many as eight to nine assistant managers, two co-managers and the store manager. Because of its size and the turnover of staff, Wal-Mart must hire huge numbers of people. Under those circumstances, maintaining quality is almost impossible. You can bet Wal-Mart is aggressively pursuing turnover control, especially when you realize the costs associated with it.

Service

Sam Walton built Wal-Mart into the company that it is by living the philosophy, "There is only one boss, the customer, and he or she can fire everybody in the company from the chairman down, simply by spending his or her money elsewhere." In reality, in any business, you need your customers much more than those customers need you. Repeat business is the key to growing sales consistently quarter after quarter, year after year. When given a chance to provide great service, take advantage of each and every opportu-

nity to do so. Great service is a key component in achieving great sales.

If Wal-Mart's arrival in town is the catalyst for your business to start improving customer service, it is in all likelihood too late. A good merchant by definition should have been providing great service to customers already. Once the big box arrives, it is too late to atone for past service sins, and you will experience payback from customers who are well aware that they have been historically slighted. In small towns across America — and the world for that matter — Mom and Pop operators that failed to serve their customers have been forced to close their doors upon the arrival of Wal-Mart. In many cases, they didn't have to shut down as they had a viable retail concept that could have survived, but higher prices coupled with lackluster customer service causes customers to seek other alternatives. Not serving the customer is a fatal flaw in retailing that will cause your business to fail. That's a basic lesson taught in marketing 101.

In Conclusion

The term "civil war" is literally and figuratively an oxymoron. In a literal sense, there is nothing civil about war. Figuratively speaking, retail is a war for survival. For business competitors, there is nothing civil about Wal-Mart's effect on small and large competitors around the globe. In my book, I share the strategies and tactics you are up against as you try to compete, survive and thrive on the retail battlefield in a Wal-Mart world. ○

*EDITOR'S NOTE: Excerpted with permission of the publisher, John Wiley & Sons Inc., from **What I Learned From Sam Walton: How To Compete and Thrive in a Wal-Mart World**. Copyright © 2004 by Michael Bergdahl.*



ABOUT THE AUTHOR

Mike "Bird Dawg" Bergdahl, as dubbed by none other than Sam Walton, is a full-time speaker, business coach and author as well as a business turnaround specialist.

NACS Show 2004 attendees have the opportunity to hear directly from Bergdahl as he shares more about his experiences as a former member of the executive staff at Wal-Mart in a workshop at the Show. Also at the Show, NACS will offer Bergdahl's book in the NACS Center.

Bergdahl's book, **What I Learned from Sam Walton: How to Compete and Thrive in a Wal-Mart World**, will be published in the United States and Canada by John Wiley & Sons Inc. this month. The book will be available in other parts of the world in September 2004. The book is available at all bookstores, online booksellers and from the Wiley Web site at www.wiley.com.