

# THE HUB

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BEST PRACTICES

## Scaling Wal-Mart

**Growing big while staying local is Wal-Mart's biggest challenge, says CMO John Fleming.**

### How did your 19 years at Target inform your approach to the CMO job at Wal-Mart?

I think merchants and marketers are very similar in some ways. Whether you're a great merchant or a great marketer, it starts with the customer. You understand their needs, develop offerings that meet their needs and you go to market with a point-of-view.

However, the difference between a merchant and a marketer is that a merchant will always chase the sale and the marketer is always going to side with the customer and the brand. In the early part of my career, I was really focused on merchandising and so I was always chasing the next sale.

### What did you take away from your time as CEO of Walmart.com?

Walmart.com was the best education I ever had. The online experience really helped me to understand customers and customer behavior better because we can see what customers are looking for. We hear immediately if we didn't meet their expectations because they're going to call us. We have a direct relationship with them— one-on-one. We know the customer and the customer knows us.

Walmart.com really put the customer in front of me to a greater degree than ever occurred in my prior 19 years of merchandising. It prepared me for my role as chief marketing

officer, which is to really put the customer first. I think that the advantage that I have, because I haven't done only marketing, is a good understanding of the overall retail model.

### Why is that such an advantage?

It's an advantage because as Wal-Mart has evolved from an advertising model to a marketing model, everything that we do impacts the customer—from before they arrive at the store, during the store experience, and after they take the product home. The whole online experience helped

accelerate my learning curve because, again, you have such direct interaction with customers and visibility of what

they're doing— where you're meeting their needs and where you're not.

### What's your vision of the integration of online and offline from a marketing standpoint?

It's an incredible opportunity. Marketing has changed dramatically in the last four or five years and a lot of it has been because of the internet. Customers are using the internet as a vehicle to seek out information on their own terms. They've always needed information to make product selections—and years ago department stores had trained salespeople—but that kind of went by the wayside as retailers began managing their costs. Then it became about signage, pamphlets, brochures or advertising.

Today, the internet has become a great →



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← place to develop relationships with customers before they actually go to the physical store. I see the whole cross-channel dynamic as the next big wave in retailing.

### What is your view of blogs as an element of the marketing mix?

It's something we're looking at. We're looking at all kinds of alternative media, because mass TV advertising becomes less important as other new media evolves. There's still a role for that, but any marketing strategy has to have many different components to reach customers.

Blogs are interesting because, again, the person who is utilizing a blog is doing so on their terms and having input. Back when I got into the department store business in the early '80s, we used to build stores to keep customers in the store longer. Well, you can't force a customer to do anything anymore. That changes everything from how retailers build their stores, to how they structure their websites, to the product offerings that they have.

Loyalty is harder to earn. So in terms of the different ways that you can interact with customers, we have to be looking at all of them to find the most effective way to continue to develop those relationships.

### How do you see Wal-Mart TV—your in-store television network—evolving over time?

There are some challenges with it, but the technology is going to fix that over time. We need to continue to work on the placement and the programming. I think we've now gotten to the point where we have enough critical mass—we've got enough support both internally and externally—that we need to really start fine-tuning the placement and the programming.

There are so many decisions that customers make today that are so much more complicated than just a box on a shelf at a price point. The ways in which we can get information to customers, and also create and enhance their shopping experience, can

be taken to a whole other level as we utilize that channel more effectively.

### What are the key growth drivers for Wal-Mart?

We have very good understanding and very, very developed markets that are in rural and encroaching on suburban America, but we have a tremendous opportunity to better understand customers as we get into more urban locations. In the three largest markets we still don't really have much market share.



### Do demographics matter as much as they used to?

Probably not because, today, regardless of where you're positioned demographically, your expectations and aspirations are about the same. Thirty or 40 years ago it was very different. Back then, people in different economic zones had different expectations, but that's not really the case anymore. Everybody has access to all the same information and basically

everybody wants it all—whatever the hot new product is, everybody wants it and they're going to figure out a way to pay for it.

### How does that perspective factor into Wal-Mart's merchandising strategy?

The broader strategy is based on the fact that Wal-Mart has about 130 million people in the store every week. So, traffic is not really the issue. The issue is, how do we engage the customers who are in our stores to shop more categories?

As we did a deep-dive into understanding the segments, we found that we have this broad range of customers who are very loyal to us and who shop the entire store. Those shoppers tend to be lower income. At the same time, the fastest growing segment we have is what we're calling the "selective shopper," who shops us as frequently as the loyalists but who don't buy in as many categories. Apparel is one category where we realized that we might not have the products they're looking for.

That's why we developed the strategy around *George* — which is a lifestyle brand for working women. The next thing we came back with, last fall, was *Metro 7*, a more contemporary brand to meet the needs of more urban customers. So, our customers are coming in consistently for dry groceries, consumables and movies, but they're not necessarily buying apparel, home and electronics. So, marketing is responsible for figuring out why they aren't shopping those categories and how to close those gaps.

### Is it fair to say you're going upscale in those categories?

I hesitate to use the word "upscale," because trading upscale can mean that you're selling somebody something different than what they were looking for. We simply want to make sure that our offerings are relevant to a broader range of customers. The price points with *George* aren't necessarily higher than other items on the floor. It's more that the styling is at a different level, to make it more relevant to a different group of customers.

### Does that create somewhat of a halo effect across the Wal-Mart shopping experience in total?

As we get better at doing this in more categories — yes, I think it does. Because again, you've got customers in the store who then can use Wal-Mart more broadly, which ultimately will save the customer time. And I do think that the currency in this century is time. So, the more we can help customers get more shopping done in one stop, and the more we can improve the shopping experience, the better it is for our customers.

### How does Wal-Mart's strategy in the U.S. compare to the rest of the world?

It's very similar. Each country is at a different point of development — not only in terms of Wal-Mart's development as an organization but also retail itself is developing against different timelines. As you get into some of these less-developed countries, their retail is really where it was in the United States probably 20 years ago.

People in China or even in Latin

America go to stores for entertainment on the weekends. I'm not sure that's what customers are doing these days in the U.S., where it's a task that they want to complete and it's up to us to make that as easy and convenient as we possibly can. We learn a lot by having a global footprint because it helps us better understand a broader range of customers and what we need to do specifically to better meet their needs.

### How do the many controversies surrounding Wal-Mart factor into your role as the CMO?

The controversies really became amplified when we became the largest company and people began to look at us differently. It's kind of ironic because, in a lot of ways, what we were in the early days was a company that lowered prices for consumers and increased their standard of living, which everybody loved. And then all of a sudden when we became the biggest company it became a bad thing — or it was perceived by certain groups as such.

So, we have to be conscious of it and understand that we're going to be held to a different standard. Our communication has to be clear, extremely thoughtful and carried out with the idea that being the largest company in the world is a responsibility. In terms of the marketing world, we have to live up to that.

### Are there any other retailers that you especially admire?

I think highly of Starbucks. I think they've done an amazing job with a consistent experience and quality products. I still watch very closely my former employer — Target Stores. I still know many of the people there and have a great deal of respect for them.

Wal-Mart evolved locally, and then regionally, up against smaller players. That's true of most retailers. But now everybody that's left is really good. So whether it's Best Buy in electronics, or Walgreens in pharmacy, or Target as a specialty discounter — they're all very good. We learn a little bit from everybody. We also learn from the online guys — from eBay to Amazon, there's a lot to be learned from a lot of competitors.

### What's your take on Trader Joe's?

I think that's a very interesting business model. I personally like their narrow point-of-view; they really present themselves as an agent to the consumer. They've done the research and they've delivered product that's unique and done so with authority. They make the customer feel like they really represent them. Their prices, their assortment and the experience — they've done a great job. There are a lot of good competitors out there, that's why this whole retail thing isn't so easy.

### What do you see as your single-biggest challenge?

I think our biggest challenge is our size. The challenge is to keep what made us what we are — which is very local. It's not about Wal-Mart, this big company that's in one location. It's about *my* Wal-Mart, that's in *my* neighborhood. It's about keeping that relationship with the customer in the local communities and cultivating that.

Then, as the customer moves, it's about understanding what their needs are and making sure that we're meeting their needs at all times.

Our challenge is managing our size while staying close to the customers. ■

**John Fleming** is executive vice president and chief marketing officer for the **Wal-Mart Stores Division**, with responsibility for all marketing and consumer communications programs, including advertising, consumer research, visual merchandising, signage, point-of-sale programs and all in-store promotional materials. He also is responsible for Walmart.com, the company's online merchandising business.

John joined the company in 2000 as chief merchant of Walmart.com. He was promoted to chief operating officer in 2001, and then became president and CEO of Walmart.com in 2002.

John spent 19 years at Target Corporation before joining Wal-Mart. During his time there, he held various retail and merchandising positions in the department stores division, including senior vice president of merchandising, responsible for the fashion divisions.