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## Wal-Mart's aisle of opportunity

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*In the deepening recession, affluent but price-sensitive consumers are scaling back their spending at tony retail haunts and looking for alternatives, but they don't always think of Wal-Mart. The discount giant is out to change that*

Francine Cohen heads to Wal-Mart for good deals on shampoo and children's clothing, and the occasional T-shirt for herself. But she turns to Banana Republic or the Gap for most of her own fashion purchases.

"I don't want to pay \$10 for shampoo at the drugstore if the same bottle is \$7 at Wal-Mart," said Ms. Cohen, 44, a manager with the City of Toronto who is married with two school-aged children.

"The lineups are horrible — I wish they were better — but it's me and a whole bunch of other people looking to get their basics, or maybe more, at a more affordable price."

She's exactly the type of shopper Wal-Mart wants to see more of in its stores. It also wants to change the way affluent, cost-conscious consumers think about the discounter.

Therein lies a challenge — and opportunity, according to David Cheesewright, chief executive officer of Wal-Mart Canada. Wealthy penny-pinching consumers represent 16 per cent of all shoppers in the country, but just 11 per cent of Wal-Mart's business, according to its research.

"With what's going on in the current economy, we're seeing a lot of migration of that group away from department stores and slightly more upscale clothing chains," said Mr. Cheesewright, sporting a pink shirt with his name tag dangling from his neck.

"They're in our stores buying basic consumables, but they wouldn't typically buy their apparel here.

"What we're seeing is quite a significant reappraisal of Wal-Mart as a place to buy more and more stuff."

In the deepening recession, these strapped consumers are scaling back their spending at tony Holt Renfrew and other pricey retail haunts. But they don't always think of Wal-Mart as an alternative. Or, like Ms. Cohen, they shop there for some must-haves but not necessarily for clothing — a discretionary category whose sales are being squeezed during the economic slump.

Well-off, price-sensitive consumers are a vastly underdeveloped area of business for Wal-Mart. Mr. Cheesewright thinks the company should be able to at least raise sales in this group by five percentage points, to the 16-per-cent market level.

At this week's annual company meeting of thousands of its top store managers and executives, he rallied them with an upbeat message: These harsh times are good times for a discounter such as Wal-Mart. And the penny-pinching affluent shopper is one of three major customer segments that the discounter needs to target better.

The other two customer groups — the core, price-conscious consumers, as well as shoppers looking for familiar brands such as Sony and Samsung — already do a lot of their shopping at Wal-Mart, he said.

A key focus is now the higher-income shoppers with household income of \$60,000, who largely have no children at home and therefore more disposable income. They're more educated, and think it's smart to find good deals, he said.

To help drive home its message, Wal-Mart will launch a new ad campaign next week, with a fresh tagline (already used in the United States): "Save money. Live better." And it will introduce a new logo, dropping the pointy star that served as a hyphen. Also gone are the sharp, uppercase letters spelling out the name; instead, rounded lower-case letters are used for a softer, less military look, company executives said.

Wal-Mart has been reaping big gains in the economic downturn even as other retailers suffer. It has a straightforward formula of driving prices lower with lean operations and offering everything from milk to mittens under one roof.

Yet luring the well-off isn't as easy for the retailer, partly because Wal-Mart stores generally aren't located close to affluent neighbourhoods, said Mark Satov of Satov Consultants Inc.

"It's got to be worthwhile for the affluent shopper to go out of their path to get there because they're going to save enough money and not be frustrated when they get into the store, as I have been," Mr. Satov said.

The challenge isn't so much the stigma of shopping at a discounter, because during recessionary times that stigma falls away, he said. A bigger stumbling block is convincing consumers that Wal-Mart is an easy and convenient place to shop.

"I'd be much more embarrassed now, if I can afford it, to be carrying a Holt Renfrew bag than a Wal-Mart bag, whoever I am," he said. "But you still don't want to go into a Wal-Mart, not find any [sales] help, not find the goods you want and wait 20 minutes at the cash."

And affluent consumers often view Wal-Mart as not necessarily having the best quality products, said Ruth Corbin of market researcher CorbinPartners Inc. Nor are they big apparel shoppers at Wal-Mart, although a growing number of affluent women say they have recently shopped there, according to her data.

Mr. Cheesewright said that often these shoppers have outdated images of Wal-Mart stores, and are "pleasantly surprised" when they go to the new supercentres which offer full supermarkets, stocked with fresh produce and meat.

"If we can get them in the store, they rate us significantly higher than what they think of us" before coming to the stores, he said.

He's also working on improving the store shopping experience, and shortening line-ups at the checkout. In September, the retailer launched a new technology that tracks more closely peak purchasing patterns, ensuring that more cashiers are operating during those times.

Already the systems are making a difference, he said. Wal-Mart's data found shopper complaints about long lineups dropped 30 per cent in the crucial December holiday shopping period, compared with a year earlier, he said.

As well, Wal-Mart employees are being trained to follow easy steps to help ensure that that shopping is made easier. They're being told to check that shelves are full, that aisles are clean, that checkout is fast, and service is friendly.

"They're not rocket science," he said of these measures. "Anybody could think them up. But they create a degree of consistency in what we do."

As for low prices, that is always the rallying cry at Wal-Mart. Mr. Cheesewright said 20 per cent more prices will be reduced in 2009, after a similar cut last year. Its latest research found that goods purchased for \$100 at Wal-Mart would cost consumers an additional \$19, on average, at other Canadian grocery and discount stores.

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