

What To Do When Wal-Mart Comes To Town

by Bob Phibbs, the Retail Doctor

You've just read the headline; Wal-Mart is coming to your town. Whether it is a SuperCenter with nearly 200,000 square feet (the size of three 747 airplanes) or some other big box, there are things you can do to change NOW to increase your chances of success when they open. You'll need to learn to Acknowledge, Analyze, Alter and Act. I'm here to give you the tools to do all four.



First, you have to acknowledge the very real threat of the largest company in the world. A few of the facts:

- 4 out of 10 women will shop at Wal-Mart this week
- Wal-Mart has more workers than the US Army has soldiers
- One in three Proctor & Gamble products is sold at Wal-Mart.
- In 2003, 7.5 cents of every dollar spent in any store in the United States (other than auto parts stores) was spent at Wal-Mart
- Wal-Mart now controls at least 22 percent of the U.S. toy market, meaning one out of every five toy purchases occurs at its stores.
- Wal-Mart can demand more from suppliers and get it.
- Wal-Mart pays zealous attention to competition, customers and costs.

Wal-Mart is not going anywhere.

There are Five Steps A Business person naturally goes through when a Big Box comes to town. First they deny. "My customers are loyal; they won't leave me," they say. This is the trap many independents foolishly hold fast too. Second is Anger. "How dare they come here and why are they targeting me?" they ask. Being mad will do nothing to keep them from coming or keep you in business. Next is Depression; you feel hopeless, whipped. This stage is the black hole of self-pity. Nothing can happen at this stage. Fourth is Acceptance. You're ready for whatever happens. This is the start of change but has no direction. Finally you come to the Crossroads and ask, "which way should I go?"

You are forced to choose one of three paths with very different results at their ends. One path leaves you overwhelmed and ready to quit. You in essence say, "I don't want to play this game anymore" and close your doors. For some, that is a good alternative. On the second path you say you're going to change but don't. You painfully watch as your business slowly "dies on the vine" due to neglect. It may take a few years but the inaction paralyzes your business. The third path, the one frequently less traveled, is when you commit to change and then follow-through. This path is the only path that leads to life for your business. You might not see immediate results but within a few short months you may be the only one open on your street. As you continue to make changes, a positive outlook keeps you focused on the progress you are making.

Wal-Mart has accelerated your crossroads decisions. Whether you want to or not, your world will never be the same. Decide now which path you can commit to. If it is the third path, then read on.

Once you've acknowledged the real threat, you need to analyze your facility and merchandise, your sales team and finally your marketing. While a more comprehensive explanation can be found in my book, *You Can Compete: Double Sales Without Discounting*, here is an overview.

Begin with the Facilities: Clean, Cut, Change

Clean everything from floors to ceiling, from front door to bathroom, from display cases to cash-wrap desk. After working in your store for a number of years, you have gotten used to the dirt and clutter. New customers won't look past it; they'll just look past your offerings. Make sure all the lights are functioning, if not replace the bulbs and if necessary the sockets. People shop where it is bright and cheery, not dark and dingy. If cleaning isn't enough, consider a complete paint job in updated color schemes. Cut unnecessary signs, displays, and racks. Change anything outdated. Add planters, trendy awnings or additional lighting. Remember the best retail mimics the best of our homes, not the worst of a garage sale. Price everything; no one wants to have to ask how much something is. Move the sale merchandise to the back. Move the best, highest priced, premium items to the front of the store. If you have items Wal-Mart can easily beat you on – diapers, milk, formula, oil and paper goods- find a more premium brand. Wal-Mart only has severe price discounts on approximately 1% (1200 – 1500) of their items. On any of those items, Wal-Mart's superior buying power let's them retail it for less than you can buy it for, so, limit those items where possible. Your overall goal is to have higher-end merchandise that isn't as readily available at the big box.

Move on to Sales Help: Train, Hire, and Fire

After your facility is all clean and sparkling, your merchandise updated, etc., it is time to analyze your sales crew. Do they value the customer standing in front of them? Are they on time to work? Do they have a positive attitude? Do they know the features and benefits of your highest priced items? Do they use your products? Can they compare and contrast similar models? Can they move product and upsell? If so, you're there. If not, get a comprehensive training program in place that includes what your interpretation of great customer service is - my Five Parts to A Sale - and product knowledge. Then come up with a reward system for them meeting your sales quotas. Your goal is to have a team that gives the same high level of service whether they know the customer personally or not. If they are untrainable or resist you entirely, hire new employees. You want to get new people on before you have to let your bad employees go. Once your new crew is in place, decide who you need to let go and follow through, no matter how hard personally it is for you.

Now Review your Marketing: Examine, Educate, Ensure

After your facility and sales team have been analyzed, examine your existing marketing efforts. Are you using a random hodgepodge of discount coupons, PennySaver ads and throwaway fliers? Do you have a consistent image in your community? Is your logo easily readable? Do you have a mailing list? Can you give classes once a month to explain projects people would do with your products? Can you partner with other similar businesses to cross promote? Basically, you'll need to have a plan that addresses both people who know you and those who don't know you. Marketing is often more of an educational job – letting people know what they want lies with you, not the other guy. Your message can be delivered in paid ads, newsletters, direct mail, as well as your own shopping bags, menus and collateral materials. You want to budget as many impressions as possible to ensure your customers always think of you as their only source for your merchandise.

Once all of that is done, and this could be several weeks or several months later, you now need to see what you can do to differentiate your business and take on the big box.

Now Alter your Business Style: Differentiate, Dazzle, Discontinue

Differentiate whatever products you have against the big box. If they carry the same brand, find another, more expensive brand. You never want people to ask you to price-match. If you are a grocer, consider adding specialized beef; fresh-made meal replacements; a deli and delivery – for a charge. Increase your natural foods selection and offer expanded catering for local businesses and help out the door. If you are a sporting goods store, sponsor workshops on how to camp with 1/2 the stuff, how to tie fishing flies, the four things to know to improve your tennis game. If you are a florist – use different types of flowers in your arrangements, sprinkle rose petals on the sidewalk in front of your door each day, specialize in your state flower. If you sell furniture – offer free in-home consultation or a makeover. If you sell paint, furniture, apparel, travel...you get the idea.

Dazzle your customers with your presentation. Don't just put 50 somethings out on a shelf – that's Wal-Mart. Take time to creatively build a compelling and selling display.

Finally, if there is no way to change your product mix to different brands, consider discontinuing the items most likely to be killed by Wal-Mart.

Now You're Ready To Take Action! Prioritize, Plan, Profit

Look at what's critical to your success first – even if it is not the easiest thing to do. Critical items are absolute musts and really will make a big difference in the end. They might include adding new lights, hiring new employees and changing your buying habits. In the meantime you must retrain your existing employees, move racks to follow your new plan and clean. Work your plan until you have accomplished much of your list.

If you go through this discomfort early, you could have a much different outcome when Wal-Mart opens. Change is much better when you initiate it. When you Acknowledge the threat, Analyze your weaknesses, take Action to change and Act on those items on a daily basis, you will be leagues ahead of your frightened competitors.

Good selling!

If quoting, please reference this website and author.

Bob Phibbs, *the Retail Doctor*, has helped hundreds of small and medium-sized businesses in every major industry, including hospitality, manufacturing, service, restaurant and retail. His new book, *You Can Compete: Double Sales Without Discounting*, is the culmination of three decades of retail work, highlighting a proven method of how every independent retailer -- in any neighborhood -- can improve its bottom line and compete successfully with major chains. Visit him at www.retaildoc.com.