

Ask the Experts: How Would You Fix Wal-Mart?

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What will it take to revitalize Wal-Mart? BNET asked industry experts to tell us what they think the world's largest retailer needs to do to regain momentum.

The Problem:

Opening new stores in U.S. cities

The Summary:

Whether it's Best Buy, Target, or Costco, every mega-retailer finds it challenging to open stores in cities and urban areas. Wal-Mart has it even tougher because of the company's image problems and the opposition it generates from unions.

Fix: Distinguish urban stores from those in the suburbs. The shoppers are different, so the places where they shop should be different, too. "Look at what Home Depot did when it entered Manhattan. Their Home Depot stores actually look different from what they look like out in the suburbs."
— Cynthia Cohen, president of Strategic Mindshare, a retail-consulting firm

Fix: If the Wal-Mart brand doesn't appeal to urban shoppers, change the brand. "To be successful in urban areas, you have to figure out how to do a smaller footprint store. A new store format is the answer, and that probably means removing Wal-Mart from the name."
— Russell Jones, retail consultant with AlixPartners

Fix: Be proactive about soliciting help from local leaders who believe Wal-Mart can provide an economic boost. "First and foremost, they've got to have the support of the community and community leaders. It's tougher for Wal-Mart than for anyone else."
— Doug Fleener, retail consultant with Dynamic Experiences Group

The Problem:

Boosting same-store sales

The Summary:

Wal-Mart has had a difficult time wooing more affluent customers to existing Wal-Mart stores. Its recent foray into fashion has been a disappointment.

Fix: Be patient. Prove that Wal-Mart is more than a place to buy detergent or paper towels. "Selling more iPods and plasma televisions or offering more upscale options in the food departments will help. Wal-Mart needs to figure out how to bring that customer into the stores."
— Doug Fleener, retail consultant with Dynamic Experiences Group

Fix: Spruce up dumpy and disorganized stores. "There isn't a retailer worth their souls who will tell you it's a bad idea to reinvest in existing stores. Wal-Mart did 1,800 mini-remodels over the course of last year. The question is: Was it enough?"

— Philip C. Bonanno, a management consultant with Management Ventures Inc.

Fix: Look for new opportunities in markets such as pharmacies and health care. "Who do you think is more capable of bringing health care to the masses, Wal-Mart or Hilary Clinton? The answer is Wal-Mart."

— Bob Bartlett of Bartlett Joseph Associates, a retail consulting firm

The Problem:

Replicating Wal-Mart's North American success in overseas markets

The Summary:

After its ventures in Germany and South Korea failed, Wal-Mart must learn to succeed in international markets with well-established retailers and entrenched distribution networks.

Fix: Nurture success in China, one of the world's most crucial emerging markets. "Patience is the key to success in China. It won't serve Wal-Mart well to get fickle and make knee-jerk decisions."

— Philip C. Bonanno, a management consultant with Management Ventures Inc.

Fix: Don't try to go it alone. "You really need local partners. That's especially true in Asian countries and the Arab world."

— Cynthia Cohen, president of Strategic Mindshare

Fix: Make sure you understand international customers and their habits. "Just as in the U.S., international retailing is a local business. In the end, it's about the store and the people who live in the neighborhoods nearby. To merchandise appropriately, you have to know local tastes very, very well."

— Jim Hertel, managing partner of Willard Bishop

The Problem:

Improving Wal-Mart's battered image

The Summary:

Labor groups and community activists may never become Wal-Mart's allies, but that means it's even more important to avoid public gaffes.

Fix: Make public relations a core competency. "The PR team needs to be a more active player when it comes to guiding the direction of the company. It should not be seen as a resource that's only used to defuse a crisis."

— David Splivalo, president of Freestyle PR

Fix: Engage your critics, because they're not going away. "Wal-Mart should have engaged the unions a long time ago. Not that they would have come to an agreement, but still -- the company should have addressed these issue all along. Wal-Mart is in a difficult position, so it shouldn't isolate itself."

— Patricia Edwards, managing director and portfolio manager at Seattle-based Wentworth, Hauser & Violich

Fix: Sincerity sells; consumers can see through public relations ploys. "PR can help, but ultimately it has to be about telling great truths. Wal-Mart has to be authentically doing good things; only then can it use PR to get the word out."

— Meir Kahtan, president of Meir Kahtan Public Relations, LLC

The Problem:

Improving operational efficiency

The Summary:

As the world's most efficient retailer, there are a few easy opportunities for Wal-Mart to generate additional savings. Electronic RFID tags have big potential, but the cost remains prohibitive.

Fix: Make RFID pay for both Wal-Mart and its suppliers. "If Wal-Mart believes that there are real business process benefits to be gained from using RFID, the company needs to prove that to its suppliers. Until they figure out how to justify the costs and show where the savings from RFID will actually accrue, it will be difficult to find much enthusiasm for the technology."

— Jim Hertel, managing partner of Willard Bishop

Fix: Take it slow with RFID. "RFID chips still cost too much. There are too many ifs with new technology like that, so Wal-Mart should have doubled the time allocated to implement it."

— Patricia Edwards, managing director and portfolio manager at Seattle-based Wentworth, Hauser & Violich

Fix: Create local RFID expertise in each store to maximize the benefits. "For RFID to succeed, Wal-Mart will need more tech-savvy people in the stores than you have today. Why is this section of my receiving dock not detecting RFID tags properly? Should I go ahead and put goods on my store shelves when my RFID reader isn't reading right? There are a whole host of questions that will require local answers at each Wal-Mart store."

— Russell Jones, retail consultant with AlixPartners