

Wal-Mart Gold

Lesson Eighteen Transcript



Copyright Notices

Copyright © 2004-2007 by JS&M Sales & Marketing Inc

No part of this publication may be reproduced or transmitted in any form or by any means, mechanical or electronic, including photocopying and recording, or by any information storage and retrieval system, without permission in writing from the Publisher. Requests for permission or further information should be addressed to the Publishers.

Published by:

Michael Senoff
JS&M Sales & Marketing Inc.
4735 Claremont Sq. #361
San Diego, CA 92117
858-274-7851 Office
858-274-2579 Fax
Michael@michaelsenoff.com

Legal Notices

While all attempts have been made to verify information provided in this publication, neither the Author nor the Publisher assumes any responsibility for errors, omissions, or contrary interpretation of the subject matter herein.

This publication is not intended for use as a source of legal or accounting advice. The Publisher wants to stress that the information contained herein may be subject to varying state and/or local laws or regulations. All users are advised to retain competent counsel to determine what state and/or local laws or regulations may apply to the user's particular situation or application of this information.

The purchaser or reader of this publication assumes complete and total responsibility for the use of these materials and information. The Author and Publisher assume no responsibility or liability whatsoever on the behalf of any purchaser or reader of these materials, or the application or non-application of the information contained herein. We do not guarantee any results you may or may not experience as a result of following the recommendations or suggestions contained herein. You must test everything for yourself.

Any perceived slights of specific people or organizations is unintentional.

Joe: This is Section 18, tips for international manufacturers and exporters who would like to sell the U.S. market.

Michael: How many different ways are there to get into the U.S. market and what are the advantages of each?

Joe: There are five different ways, I can see as to how you can get into this market, so I'll go over each one.

First off, and one of the easier ones, is to supply a U.S. company that's already established in Wal-Mart, Target and so on. Now, the margin you're going to make doing that is not as high as if you directly sell to Wal-Mart, of course, but the good news is you'll be able to do it a lot easier and a company who is already established at Wal-Mart has already met all their requirements and has a presence in the U.S. and all of that, everything is done. All you have to do is provide a product then that gets added to their product line that's already in place and especially if the product you have can fit in the group of products that some other company is already selling. It could just be an addition to a product line and getting it in Wal-Mart is going to be as easy as just putting the company's name on the package that will be selling it. So that's way number one and that's the simplest.

Way number two, is to supply a U.S. company who is not established in Wal-Mart or Target yet. You'll be able to negotiate a better deal here because you'll be able to set up something like a joint venture really. No guarantee it's going to work, but if you are able, as a manufacturer, to provide a benefit to the U.S. partner on the manufacturing and on the terms of payment, and the U.S. firm becomes the domestic qualified supplier to Wal-Mart, that's going to help you get in there a lot quicker with a lot less difficulties than if try to set up your own U.S. operation and meet all of Wal-Mart's requirements.

Number three, is to do exactly that, which is to qualify to be a domestic U.S. supplier by establishing an office and a warehouse here and meeting all of Wal-Mart's requirements for domestic suppliers. That one will be the hardest one.

Number four, if you can't meet the domestic U.S. criteria, which wouldn't be a surprise, you can apply to be a direct importer to Wal-Mart at their international office in China from wherever in the world you are. The good news there is their requirements for what they call a direct importer are not as strict as the requirements for domestic U.S. supplier. So, that one is probably your highest profit choice and also going to be probably the easiest one, aside from just supplying a company who is there already.

Number five, is really a different thing than just selling a product to Wal-Mart. I think it's probably the best opportunity for a lot of manufacturers. When you look at all of Wal-Mart's requirements, there's a big long list of things you have to do

even if you are a direct importer. So, another thing you can do is you can look into a Wal-Mart or a Target store and you can go through that store and see what every product that's in that store is something you could make. Where you could either make all or part of it and then you can approach the manufacturer who's name is on the package and now what you're doing is you might be able to supply 20 companies that are already selling to Wal-Mart by manufacturing their product for them. And remember, like I mentioned earlier when I was talking about the school supplies that I sold to Wal-Mart and Target, I outsourced all of that. I didn't manufacture anything. You won't be able to tell from looking at the package if the company manufactures the product or not, but if you get in touch with every company whose product is something you can make who is in Wal-Mart, you can bet a lot of them are going to be interested. Even if they do manufacture, you might be able to function in a way to get additional supply or reduce their cost.

Michael: Can I supply Wal-Mart stores in my own country first?

Joe: Certainly. In fact, that is a good way to get started. You can get started on a smaller scale that way and you can deal locally. You're still going to through their China office, which is their international office, but Wal-Mart does have a bunch of stores in other countries. I'll go through those briefly with you so you see if you're in any of these countries that you do have local stores. They have 12 stores in Argentina. They have 294 stores in Brazil, 278 stores in Canada, 63 stores in China, and this is one of the areas they'll be growing a lot in. They have 133 in Costa Rica. They have 59 stores in El Salvador, 85 in Germany, 122 in Guatemala, 37 in Honduras, 391 in Japan, 828 in Mexico, 36 in Nicaragua, 54 in Puerto Rico, 16 in South Korea, and 323 in the UK. The totals 2,731 stores and they are expanding aggressively internationally, so those numbers will all be going up.

Michael: How about buying offices?

Joe: Wal-Mart has buying offices in even more countries than they have stores. They have 1,600 employees who they call associates who source products from 70 different countries, working from 27 offices in 22 different countries outside the U.S. No matter which country you're in, you start by calling that import department I mentioned. Their headquarters is in Sichuan China and that phone number is 86-755-822-18800.

Before you call, though, two things. First off go to the international section of www.walmartstores.com and verify that phone number hasn't changed. And secondly, print off what they call the supplier profile and the supplier questionnaire forms. Just like with the domestic suppliers, you have to have your act together first before you approach them.

I'll go through the list of countries the buying offices are located in. There again, you start with the headquarters in China, but their offices are in Bangladesh, Brazil, Chile, China, Guatemala, Honduras, India, Indonesia, Italy, Mexico, Nicaragua, Pakistan, the Philippines, Singapore, South Korea, Spain, Sri Lanka, Taiwan, Thailand, Turkey, the UK, and the United Arab Emirates.

Michael: What are some of the things they ask for on these forms that I might find surprising or unusual?

Joe: Well, there are a bunch of things. You might find some of these things they want to know intrusive or that you think should be private, but if you think you're going to be an arm's length supplier to Wal-Mart where the only issue is you shipping them products and them paying for it, without you sharing the details of your company and it's operations, that won't work for Wal-Mart. So you won't do business with them.

Here are some of the things they're going to want to know. First off, they want to know what business you are. Are you a manufacturer, a trader, a distributor, or some combination of that? A lot of people who supply Wal-Mart are functioning as a manufacturer even if they outsource it. But if you outsource something or some category of thing, they're going to want to know that upfront.

They want to know how many factories you have and do you own them or do you joint venture or are you an OEM manufacturer? They will want to know your sales for the last four years, both your total sales and your sales to each of your different, biggest customers by name. So, most companies would say well, how can they even ask such a thing? Well, they want to know who you are doing business with, how much business you're doing with them, how much your capacity is, they want to know what percent of your capacity you're operating at, and they even want to know that by month.

Many businesses are seasonal, so they're going to want you to fill out a monthly percent of capacity that you're operating at and available capacity by month and they're also going to want to know how many employees you have each month of the year, as well, especially for businesses that are seasonal. You may think this is a bit much, but Wal-Mart can buy so much product. One of their big concerns is that you have enough capacity to deal with them and this is one of the ways they verify that. They don't want to be 80%, 90% of your manufacturing because that just is a danger signal from their point of view, as well as yours.

They are also going to want to see all your financial statements, and then the last thing or probably one of the biggest things is they're going to come and inspect your factory periodically, as often possibly once every quarter to make sure you meet their production and ethical standards. If you get a sub par ranking on this inspection, you'll have some time to correct it, but if you don't correct it and get your ranking up, you won't be a supplier to Wal-Mart anymore.

Michael: What are the factory inspections actually looking for when they visit the plant?

Joe: Well, they will evaluate you on eight criteria. And one overall one that isn't listed as a separate one is they want to make sure there's no illegal child labor practices going on; that no children are employed below the legal working age in that country and that can vary from country to country.

But the first thing on the list is management involvement. And by that, they mean management involvement with their account and are they going to be dealing with, on an ongoing basis, top management, not just a clerk somewhere.

Number two, what is your investment in technology? They want to make sure that you're staying ahead of the curve there and keeping up to date with manufacturing methods and distribution methods so that you are able to supply them being at the front of the technology, not lagging. This can be a huge advantage to you because with Wal-Mart having stores all over the world, buying offices all over the world, and with them going in and inspecting factories all over the world with their 1,600 people who do that, they know what's what and they'll know probably more or their people doing the inspections and everything will know more about what's happening in your field than you will just because they're going to be inspecting some of the best manufacturers there are in your category because only the best ones are going to get to deal with Wal-Mart.

Number three, is an interesting one. They want to evaluate your willingness to accept changes, recommended changes from them regarding quality, delivery, and cost. It sort of flows out of number two. If they see things that are going on in other manufacturing outlets around the world that would help your operation and improve the quality and reduce the cost and if you're not willing to accept their recommendations, they consider that a very bad thing if you're not willing to change based on recommendations they make to improve things. Its getting Wal-Mart and getting involved in your business at a level had you not dealt with them before. It's unusual for a retailer to get so involved in your manufacturing end and how you run your company, but they want it the other way too. We talked earlier about how they want, if you're selling them, they want you to understand retail and merchandising and packaging, and so they want you to understand a lot of the details of their operation, as well as they understand yours. They talk about partnerships and not a legal partnership, but in operations and the way you work with them that you can see that's where it's headed.

Number four, is they want good communications between sales and production. I know in the factory I had we weren't all that good at that. And that's a real challenge for any factory for the people in marketing and sales to communicate effectively with the people in production. So, they measure that.

Number five, is your staff turnover. The higher your turnover, obviously, more people you have to train and that's a sign of things are not all well if people are leaving or you're having to fire them a lot.

Number six, back to the financial statements. What's your financial status? If you're in trouble financially, in trouble cash flow, and losing money, they want to know that because that's an early warning sign to them that you might not be able to supply them. So, that's critical for them.

Number seven, they want to check out how you're organized and how customer oriented your business is. Are you operating your business and your product developing, your quality control with the customer in mind or just to reduce manufactured cost and not considering the customer? They want to make sure you are customer oriented.

And the last thing relates to that, which is quality assurance or quality control. That ties right back into customer oriented. How are you doing in quality control? Remember, earlier in this course, we talked about one of the biggest mistakes or biggest no-no's a supplier can do is to have products get returned because that can hurt Wal-Mart. Wal-Mart can lose a customer that way, not just to have to refund a single product. So, along with empty shelves, poor quality is one of the worst things that can happen. So, they want to make sure that you're on top of quality control and that you've organized your company and it's not just words that you're really operating to make sure the quality is there. And that can be a problem with some international manufacturing operations, so it's a hot button for them.

Essentially what all this comes down to is they want a say in how you run your company. And if you accept their suggestions and guidance, you'll be in a position to do a lot of business with them.

So, in summary for this section, Section 18, there are a lot of opportunities for international manufacturers or exporters who want to sell in Wal-Mart. You can sell in your own country or you can use any of the five methods we talked about, about how to sell U.S. domestic stores. All in all, as long as you're willing to play by their rules, there's an opportunity for you to get a huge amount of business.

The next section we'll talk about is how can I help you do all of this.

Michael: This is the end of Section 18. Please continue to Section 19.