

# Wal-Mart Gold

## Lesson Four Transcript





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Joe: This is Section 4, which is talking about how big is your market and why do you need to know that. We've already talked about an introduction to the mass market. We've talked about how to tell if you're ready for mass market or if you should start in a smaller place first and then how to do that.

So, now as far as how large the market is for your product, you need to know this for a couple of reasons. One, for your marketing and product development, you should know how big your market is, what's happening in your market, and so on. But secondly and almost more importantly than that, you need to have your act together when you talk to the buyers.

Michael: Why is that?

Joe: Well, because the buyers know a lot about individual products, but if you don't come across as being the expert in your product line, then you lose credibility and one of the things the buyers are going to need is they're going to have believe the stuff you say and you're going to have to be able to document stuff and if you can't do that, you've got a big problem.

The next section we're going to talk about after this section is how a mass merchant buyer thinks and how their performance is measured and why should you care.

Michael: So, a lot of people may think that when they go to Wal-Mart and they present to the buyers, it's the buyer's job to understand that market, but really it's your responsibility to do your research and go in there.

Joe: It is the buyer's job to know his category, but hopefully the buyer may have 3,000, 4,000, 5,000 products in his category and if you're presenting a single product or group of products, hopefully you will know more than the buyer does about that particular product or two and you will be a source of information to the buyer. If the buyer knows more than you do about your own product, that's a really, really bad thing. So, to start with, as far as the market itself, there are a lot of ways to find out information on the market. This is pretty much one of the easiest kinds of research to do. You can go to your trade magazines in your industry, whatever kind of product you have, look in that industry for the trade magazines. Almost all of these magazines have annual issues where they do a survey of the industry and talk about all of that kind of thing and give you statistics. There's also trade associations and a lot of industries I've been involved with, the trade associations even sponsor and pay for market studies each year. You can go on the Internet and you can find market research reports available for all kinds of industries, both from the government, as well as from private companies.

The thing that I want to point out, though, is you probably are thinking of your market too narrowly. So, if you're selling a product into the health and beauty

aids department or category, you're thinking of or you have a certain kind of shampoo or something and you're thinking of other shampoos, what you need to do is go into some stores and you need to look at that category because you have indirect competitors too, which is everybody else in that category even if they don't make the same thing you make and you need to understand that because from the buyer's point of view, he's responsible for a category in that store not just your product. So, you have indirect competition, which is everything else in the category.

Michael: Okay, so I've got to look at my indirect competitors as much or if not more than my direct competitors because my buyer is handling a category not just shampoo.

Joe: That's right and if you're going to try to build a case as to why the store should buy your product and you compare it to the shampoos, you're missing the boat there. You really want to be able to make a case for why, in that department, there's a need for your product and why your product will return more profit to the store than something else in that same section. And we'll get in to this more in the next section, but basically you have to understand the way the retailer thinks and the way they measure things because they're the ones who are going to make the decision to carry your product or not and if you're too product focused in to narrow an area, you're going to miss understanding what you need to understand and your presentation to a buyer won't be complete enough.

Michael: Is there a resource that you can think of off the top of your head where I can get a lot of these reports, like a website that you can mention that would have some of this information?

Joe: Well, it's going to really depend on what your product is because people who are listening to this would possibly have products in any category that would go into a Wal-Mart, which can be all the way from food items, all the way to stationary, or electronics. Everything that is sold in a Wal-Mart, it's a huge amount of products, and each industry, you really have to start with your industry.

Michael: Is this data, detailed analysis, on products and product categories available for me?

Joe: Yes and it's pretty much most of it's going to be available for free and the two sources I like the best, I like trade magazines and trade associations. And there is a directory of trade associations and there is a directory of trade magazines where you can look up all the ones in your industry and you can actually call and talk to the editors of a magazine or the top people of a trade association and one 20 minute conversation with somebody like that get enlightening you quite a bit if you haven't already done that.

Michael: What about trends and fads? Is that something we're going to need to identify if my product falls into?

Joe: Yes, we're going to be talking about that later too, but what you need to know now is if you have something that's a trendy item or a hot item trying to figure out the market size and everything is probably not going to be too productive. It will be hard to do. How would you figure out how big the market is for pet rocks before you come out with a pet rock? But the way you market and the way you present is something that's a hot item or a fad is going to be totally different. Its strategies are completely different than the way you approach something that's going to be kept in inventory. They're called in and out promotions.

And what it's going to come down to is you will hear, once you get into talking with mass merchants, the lead times on buying. When they're buying for school supplies to be in the stores at the end of August, the school supply show was in January, but all the major chains had made their decision in November. So, you're looking at almost a nine to ten month lead-time. But when you get into something like a fad and I've done several of these, the retail chains say you have to give me nine months of lead time before I can put this in the store and then you come up with some sort of fad thing that's a hot item and you'll be surprised, you can get it in the stores in 24 hours. But the whole strategy for that is totally different and we'll go over that later.

Michael: Is there an advantage to having a huge market or am I okay with a not so huge market?

Joe: You don't have to have a huge market. The main thing you're going to want to have is to be able to build a case to the buyer that your product is filling a missing need in your category, in the category the buyer is responsible for, and that if he buys that product from you, his overall performance in his category in terms of profit will be higher than if he doesn't.

Michael: Okay.

Joe: And that's the thing. And we're going right into the next section here, which is how does a mass merchandiser buyer think and how their performance is measure and why do you care?

So, in conclusion for Section 4, you need to know how big your market is. You need to know how big it is for both your individual product and your indirect competitor, and you will be able to find this information, usually for free from trade magazines, trade associations, market research studies, and online on the Internet.

The next section we're going to talk about, Section 5, is how the mass market buyer thinks, how their performance is measured, and why should you care.

Michael: This is the end of Section 4. Please continue to Section 5.