

Wal-Mart Gold

Lesson Twelve Transcript



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Joe: Now we're to Section 12, which is merchandising.

Michael: Can you explain what merchandising means and why is this so important?

Joe: Sure. Merchandising means how your product is displayed in the stores. There are differences between different kinds of stores and whether it's a chain, whether it's a Wal-Mart, whether it's a grocery store, an independent store, or a Hallmark store. Primarily one of the biggest differences in the big chains, whether they be grocery, drug, mass market, or whatever, normally you're going to be using the fixtures and displays that are in the store now. So, you need to make sure that your product fits in the displays, on the hooks, or wherever it's going to be where you want it to go. I mean it sounds like a pretty simple obvious thing, but sometimes that gets missed and that creates big problems.

Interestingly enough, in the little independent stores, it's very common for you to have to provide your own merchandising. So, when we were doing this with the stickers and some of the other products we had, we had to ship a little display along with the product and even with a header card to talk about what the product was and to get people's attention.

So, a very big difference, create your own merchandising display, shipping them to the stores in independents, and using ones that are there for the chains. And in the big chains, they use something called a planogram to plan out what goes where.

Michael: What is a planogram?

Joe: A planogram is basically like a blueprint. The mass market, even though you may not realize it, a Target store or a Wal-Mart store, if you ever noticed that they're all the same that if you go into one Wal-Mart or another Wal-Mart, they're laid out the same. What they do is they identify what goes where with such precision that they make an actual blueprint kind of thing that says this is where this goes, this is what that goes, and that planogram goes to the retailer, to the store people so they know what to put where. That way it makes sure that all of the products are merchandised the same way in every store, it makes it easier for the consumer to find them, and makes it so the retailer knows how much space is allocated to something and when they're tracking their sell through rates that their able to track depending on the location of the products, as well as the amount of space given to it.

When we were working with Target initially, Target has a planogram room at Target's headquarters. They have a room where they have their displays and everything and you can go down there with your products and you can lay them out on the displays and then when they're done, they can take a photograph of that and send it out to the stores as to how it's supposed to look. You don't get to that point until you've already been accepted into the chain, but you can get involved

with the planogram and which things go where. In the case of Target, we were allocated two feet of space on the shelves at one time and four feet another time. So, if we have four feet of space from the top of the display down to the floor, it was up to us to figure out how do we best arrange our products on those five shelves four feet wide to maximize sales.

So, it's getting back to what we talked about quite a while back. You need to actually think like a retailer and you need to be aware of things like that. Most people who have a product, it would never occur to them that they would have to be concerned about how it's arranged on the shelf. They think that's the retailer's job. Well, actually it really isn't. It's really your job if you want to maximize...

Michael: Did Wal-Mart have a whole room the size of a typical Wal-Mart store, like a model store for planograms only?

Joe: I never got involved with it at Wal-Mart. We did it with Target. Wal-Mart did it on their own. We didn't have any input into it. So, that may be different if you have more space in a Wal-Mart, but the space we had in Target was usually about double what we had in Wal-Mart, so we didn't get involved with Wal-Mart.

But it matters a lot where your product is. And back when I was with Kimberly-Clark, like I said, they spent hundreds of thousands of dollars researching where the Huggies go, which Kleenex box goes with what other Kleenex box, and what colors they make the boxes so that they look good next to each other on the shelves. And that's the kind of research done by the billion dollar companies because it pays off many times over. I have a really fun story to tell you about one of the salespeople who worked for me at Kimberly-Clark had come to us from Procter & Gamble where he was selling coffee. He was in charge of Folger's I believe it was. And in big companies like that, a sales guy is in charge of only a single brand and a small territory. Just goes to show you how big these companies are. But what this guy did is he liked to fish, he liked to hunt, and we were in Wisconsin and he didn't like to work very much, so he got smart. And what he did is because of where a product is located on the shelves makes all the difference in the world on how it sells, like you want to be at eye level, not on the floor. What he did, his name was John, and he figured out on his route of the stores he was responsible for, he figure out what day his competitors went to the stores because it was his job to make sure the products were merchandised right in the stores. In these big companies, they have people who do that. So, he found out when his competitors were going around with their route and he made sure he came by the day after. So, his competitor would put all the stuff in the place to maximize their sales and John would come by the next day and change it for his. So, it was an ideal for him for six days and for his competitors only for one day. I thought that was really smart. He ended up being the top Folger's salesman for Procter & Gamble out of 500 salespeople.

Michael: And he would just move all, just move it to a different position.

- Joe: It was all done through the merchandise placement and he figured out his competitors' times they were in the stores and he came right after them and made it to his advantage so that it stayed there the whole week. And then what he did is he went fishing. John only worked three days a week. And he had chutzpa to put that on his call report and his boss kept telling him, John you can't put gone fishing two days out of every week. John would say, but that's what I did, I went fishing. In any case, he was the best salesman in the whole company because he did a real simple thing. He just figured out when his competitor was there and he rearranged products the day after. So, every week he maximized his sales by that one simple thing and the whole point of the story is look how much merchandising can make a difference.
- Michael: How about any other areas of the store where you're going to generate more sales?
- Joe: Yeah, in fact, I got this from Procter & Gamble. If the sales of an item on the shelf, if you call that a one unit, the level of sales is a one, if you have that same product on the shelf promoted -- P&G is talking about coupons and ads in papers -- that becomes three times as much sales without the promotion. If it's on an end cap, which is at the end of an aisle, that four-foot section at the end, they're called end caps, if you have your product on the end cap that will give you three to five times the sales of being inline. And if you have it on an end cap with a promotion or a sale, that's nine times. So, if your product would sell ten units in a week on the shelf, if it's on an end cap with a promotion it will probably sell 90 units. So, I thought that was very interesting that Procter & Gamble had figured it out, what the ratios all were and ever since I found that out, 25 years ago, I kept that in my head for, number one, trying to get on the end caps.
- Michael: Who ultimately decides who gets on the end caps?
- Joe: The retailer decides that and they decide it based on sales. And what happened with us when we had our school supplies in Target, the holographic school supplies, our stuff was selling well enough that they put us on the end cap. So, we had a four-foot end cap in all the Target stores with our holographic and the sales just went nuts. But you get there -- you can't decide you're there. You're put there by the retailer because your product is selling better. And the number one year for the holographic school supplies, our company got an award from Target as the best new vendor that year in that department, in the school supplies and stationery department. We were the best new vendor because we made them the most profit of anything in the whole category.
- Michael: How about the checkout stands were people go through the checkout lines? Would I want my product there?

Joe: Oh, yeah. Where we were talking about end caps can be three to five times or maybe nine times better than inline, a checkout is off the charts. The very best spot you can possibly be in is in the checkout, especially if you have an impulse item. But to be in the checkouts, you need to have something that really sells fast and it needs to be an impulse item. It needs to be things almost lots and lots of people want, which is why you see batteries and chewing gum and candy and all of the National Enquire magazines, and things like that at the checkout. Those things sell in large quantity.

Michael: Film, razors. I was looking at it when I was standing in line and some of that stuff is priced very high -- \$9, \$10, and up.

Joe: Sure. That is the lust item. You want to be at the checkouts. Everybody wants to be there. It's not so easy to get. But I've got a couple of interesting stories about that. In one time, we created some merchandising space out of thin air and these were in grocery chains. This was a grocery chain and this grocery chain had between each checkout was a semicircle display that held magazines, which is real common. But this one was designed as a semicircle and there were panels for the magazines. So, what we did is we proposed to the store -- we went into one of the stores and did our measurements and everything -- because you've got a magazine that are 8-inches or 9-inches wide, with the display thing maybe a foot wide. If you think about it, you've got straight lines on a curve because you've got a semicircle display. So, what that meant is there were gaps between the straight pieces. So, what we did is we designed racks to fit in between each section of magazines. So, what we did is we made a metal rack that would fit in between each row of magazine that was made out of metal, painted the same color as the rest of the display, and would bolt on. And it just so happened that that little rack held a whole bunch of our stickers. And so, we ended up with four vertical racks of stickers at every checkout. There are 24 product facings in every single store. Normally we would never have gotten that position, but we found merchandising space that wasn't there before and provided them the displays, so we got the positioning and we sold a ton of stickers that way.

Michael: You create your own display and did all the work for them to make it easy.

Joe: Right. A total do-it-for-them thing. We did it all. We installed it all. We did it all for them. So, when you're thinking about your product, think about is there anyway you can create new merchandising space for the retailer that they're not using now because if you can come up with something, there's a good chance they'll let you do it because it's not taking the place of something else.

Another example of checkouts -- another time you can get in checkout is when you've got a hot item and it's small. And conveniently, stickers are small. And back -- this was quite a few years ago, but if anybody remembers the Teenage Mutant Ninja Turtles were about a \$200 million license. That thing went nuts. And we were handling the stickers. And when those things were that hot, we were

able to get the Teenage Mutant Ninja Turtle stickers at the checkout because every little kid wanted them. So, that's another way to get at the checkout. We had the license, so nobody else could make them, just us. We had an exclusive license. And being by the checkout, the retailer knew they'd just blow out, so they put them there.

Michael: Wow, that's great.

Joe: And one other product, another one at the checkout, that's when we did -- in the first Gulf War where we did the support the troops window decals, it was a static stick vinyl so it didn't have adhesive and it would go on the car windows, and those were about an 6-inch by 9-inch package with a hole. Actually, we didn't package them. We just die cut them out and punched a hole in the top and those went by all the checkouts, as well because the war had started and everybody was buying the support the troops decals. There, again, another hot item. That's what goes at checkouts; things that the retailer knows are going to just turnover very quickly and sell a lot.

Michael: Are there other merchandising methods you used in these mass accounts?

Joe: Yeah, there are a couple other things. Aside from the normal fixtures that are already in the stores, there's a thing called a j-hook and a thing called a clip-strip. You see those more often in the grocery chains. Each shelf has a place on the edge of the shelf where they have the price labels. That channel there, you can put a little plastic hook in there and hang stuff on it. And you see this in grocery stores and they used to just have the plastic rods, but nowadays for safety they have another plastic piece that comes around it so the plastic thing can't poke anybody. That's called a j-hook. A clip-strip is something that is a vertical strip that has maybe a dozen little tabs on it that you can hang things on. And you see these in grocery stores and mostly grocery and drugstores where you hang a dozen of your product on it and it hangs from the shelf or at the end of an aisle somewhere.

Back when I was with Kimberly-Clark, grocery stores were using a lot of cardboard displays that were used for in and out promotions, but I haven't seen them much in the stores anymore. Those are pretty much passé now. But it used to be something you did for promotions. You ship it out in a cardboard display that would stand up by it self.

Michael: How are independent retailers and gift stores different from the mass merchandisers and how would that affect packaging options?

Joe: A couple of big differences. The one we talked about a little before is a lot of times product is sold loose in bulk. They might have a box or a display of some sort that has 100 to 144 of some item just loose there. That indicates to the consumer that this thing is not a product from a Wal-Mart because it doesn't have

a UPC code on it. So, that's the gift store independent retailer merchandising that a big chain couldn't deal with.

Another thing is floor displays or counter displays that are made from wire or from Lucite; these are supplied by the manufacturers. We used to do these. We had cardboard displays, we had Lucite displays, we had wire displays that would hold stickers, little notebooks, and other things so that when the retailer gets them, the independent store, they'd open the box, they have the display right there with the header card right there and they set it out and put the product in it. So, we've controlled the merchandising completely because we've displayed the product. We have the header card and the whole thing. We've even done other displays that are even more creative that are larger and made out of wood. We've done some where the header cards were lit up; all kinds of innovative things you can do when you're in charge of the merchandising yourself because you're going to provide it to the store.

Another thing that independent stores could do, when we were selling stickers, that a mass market could never do is, sell stickers on rolls. We have a roll that has 250 of them on there, perforated, like stamps, in between each one. And we made displays that hold these and you could put 100 different rolls of stickers on one display and you can imagine that would be a major mess and it was a major mess for the gift stores, but they still did it.

The interesting irony about this whole thing is when you have product in bulk in independent stores or gift and stationery stores, it's cheaper to make because you don't have to package it, but it sells for more. So, in a way, that's sort of a nice thing. If you're the manufacturer, you get more for it when it's bulk than you get when it's packaged, but it costs you money to package it.

Michael: Joe, what's the most successful or creative thing you did with merchandising in the gift stores?

Joe: We did one thing that really worked well. Remember how I mentioned before how we designed our package of stickers to fit on Hallmark's display? Well, we went even further than that. That was the first thing we did, but then we came out with -- we wanted to have little wire racks that rotated or revolved inline. Hallmark sticker displays were freestanding floor displays and we wanted to have inline spinners that would hold stickers. Well, Hallmark didn't have any kind of merchandiser like that, so what we did is, our Vice President of Sales owned five Hallmark stores, and so we went into his stores and we designed -- sort of like what we did with the grocery stores, but on a bigger scale -- we designed a four-foot section of the metal fixturing that would bolt into the Hallmark existing fixturing that had our rotating spinner racks on them. So, we made our own Hallmark merchandising. Painted it the same color. Made it out of the same material where it could bolt in the store. And that was a tremendous success. We probably had it in 600 or 700, maybe 1,000 stores that wanted that because it was

a way to merchandise our product. We provided the merchandising for them and it looked very nice. It looked inline and perfect with Hallmark stuff.

Michael: The stores will give you rules to follow, but you just created new rules by creating totally new displays. That would have never happened if it wasn't for your ingenuity and creativity.

Joe: That concludes Section 12. The lessons to be learned here is with your product, see if you can think outside the box and come up with creative solutions that will help you sell more. Some of the examples I've given about what we did with Hallmark and what we did in the grocery stores to create merchandising space out of thin air, think about that kind of thing for your product. See what you can come up with. It'll sell a lot more product that way.

The next section, Section 13 is on advertising, promotion, and publicity.

Michael: This is the end of Section 12. Please continue to Section 13.