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PRESENTS



WAL-MART
INTERVIEW SERIES

**"C'mon! It Can't Be THIS EASY To Get
Your Product Into Wal-Mart (And Become
A Millionaire)... Can It?" (Ultimate Wal-
Mart Selling Secrets)**

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"C'mon! It Can't Be THIS EASY To Get Your Product Into Wal-Mart (And Become A Millionaire)... Can It?" (Ultimate Wal-Mart Selling Secrets)

Here's an interview I did with a man named Lanny who is an expert on the topic of getting products into large retailers – especially Wal-Mart. During this discussion, you'll hear the realities of getting a product into Wal-Mart based on Lanny's experiences which spans 15 years.

Lanny's education began as a sales rep for Proctor and Gamble. At the time, there were still many independent grocers that he dealt with directly. This was the best education Lanny could have received because, with the independent grocers, he was able to learn all areas of retail businesses.

You learn the two critical types of distribution methods for packaged goods:

- Warehouse
- Direct Store Delivery (DSD)

The definitions of these distribution methods are important when Lanny explains why some companies prefer (or demand) DSD over Warehouse.

The next definition, "Category," is integral to the interview. Listen as Lanny explains what a category is in retailing and why good category management is essential to maintain good revenues. Additionally, Category Management is what enables small manufacturers to compete with large manufacturers in retailers such as Wal-Mart.

If you have a product that you would like to get into Wal-Mart or some other major retail outlets, you must do the following:

- Have the manufacturing capabilities to supply your product to the major retail outlet.

- Determine how your product can help the overall category.
- You must know everything about the store you wish to approach and about that category.
- Be able to prove that there is a glaring need in that category that is not being met.
- Be able to give the buyer a compelling reason to buy your product (the product's USP)

After leaving Proctor & Gamble, Lanny worked for Frito Lay and subsequently became a consultant to help retailers become more profitable by integrating more efficient systems in place.

You can get your product into Wal-Mart. It's not true that only major companies get into Wal-Mart. Wal-Mart has put processes in place to ensure that smaller companies can get into Wal-Mart. However, every company must follow the business process.

You'll learn the seven best ways for people to get their products into Wal-Mart. You'll hear about why it's easier to get a food item into Wal-Mart than, say, an electronic item. Learn about Wal-Mart's "Store the Community" program where Wal-Mart supports local vendors whose product have community appeal and exposure.

Hear how get your product into Wal-Mart by presenting your product to the buyer as a potential Value Producing Item (VPI). You'll learn what the VPI program is and how every buyer must participates in it.

Learn why the best and fastest way to get a product into Wal-Mart is if the product is environmentally friendly. Learn why Wal-Mart is concerned with the environment.

Lanny: Don Soderquist, he used to be a fairly high-ranking person at Wal-Mart. He one time said selling to Wal-Mart is not a difficult process. It's pretty straightforward and really it is. It's a lot of stuff that you have to learn, but once you learn it, regardless of what product you're carrying, you're probably going to be successful. I love to think you're going to be successful and that's why we do what we do.

[Music]

Michael: Getting a product into Wal-Mart or any of these large mass merchandisers is like winning the lottery to an entrepreneur or a product developer. I want to shed some light onto the reality of this subject and, obviously, it's been done before because Wal-Mart is filled with products. But I want you, through your experience, to talk about your trials and tribulations and your frustrations and your successes and how you did it and maybe someone listening to this, it can give them a more realistic view of how to do it and things to avoid. And we'll just kind of talk about your story.

Lanny: Okay.

Michael: So, how did you, Lanny, start in all this? Give me the genesis of even being an entrepreneur. Where you an employee of someone before you got into trying to get your stuff into Wal-Mart?

Lanny: I've been involved in consumer-packaged goods now for about 22 years.

Michael: So, explain what is a consumer packaged good?

Lanny: A consumer-packaged goods is a company that manufactures items for resale. When you think of CPG, that's what we abbreviate it, CPG manufacturers, we're thinking of people like Procter & Gamble, Unilever, General Mills, Quaker, Pepsi-Cola or PepsiCo, that's a CPG company, as well.

Michael: So, I'm thinking Coca-Cola, cereals, soaps; things like that. What about Procter & Gamble?

Lanny: Procter & Gamble is a consumer packaged goods company without a doubt, yes. As a matter of fact, ironically I started my career with Procter & Gamble years ago back in the early 80s, covering a pretty diverse territory for them, so that's kind of where I got started into the business.

Michael: As a sales rep?

Lanny: As a sales rep, yes.

Michael: What were you selling, their whole line?

Lanny: No. Really Procter & Gamble at the time at seven divisions and the division that I worked for was bar soap and household cleaning products. So, I sold the soaps like Coast and Zest and Ivory and the household cleaning products like Downy and Mr. Clean. Now, there was also a division that sold packaged soaps and detergents, so I wasn't a part of that division. I was part of the other division that complimented that. And then, of course, it had six other divisions besides those two.

Michael: So, what was your job with them?

Lanny: Sales rep. And so, what I did was I walked into retailers and I would call on retail outlets and back in the days when I started there were still a lot of independent grocers left around. So, when you call on the independent grocers, you really got a better understanding of how grocery worked because these guys that you called on, Michael, were responsible for everything. They're responsible for their entire P&L. Their entire family's livelihood relied upon them doing well in grocery.

Michael: And there's very small margins in the grocery business.

Lanny: We used to call them razor thin. We had this little deal where we used to go out and we took a dollar bill and we would mark this dollar bill off based upon how much money went where for the retailer. And in terms of profits, we had less than a penny marked off one the dollar bill.

Michael: Per dollar?

Lanny: Per dollar, yes.

Michael: So, it's like 1% profit.

Lanny: So, you're looking at about 1% is what they're actually getting at the end of the day. Even though they work on higher margins, at the end of the day they're getting about one penny out of every dollar goes towards profit. That's the way it was back then. And now, of course, with the new bigger retailers like Wal-Mart, it might even be less.

Michael: So, what did you learn by calling on the independents? What is it you learned from them that made it valuable for today?

Lanny: Number one, you understand the whole grocery business, the whole supply chain. You understand where it starts, where the whole lifecycle starts out in the field, and you also learn how it gets into the stores, how to markup, what kind of margins they're operating on, different types of overhead; for instance, labor and that nature. What's the greatest amount of overhead? I guess the biggest thing you learn is how to be a retailer. For instance, at a chain store, you only see one side of it. At an independent store where the person owns it, you see everything. When you would meet with an independent owner, you met with not only the person that was in charge of marketing, you met with the person that was in charge of operations, you met with the human resources manager, and everything in that one individual. And so, you learned a lot about the business calling on the independents back then. Now, they've all gone along

the wayside. There are not a lot of independent grocers left anymore. There are very few, they've been eaten up by the chains.

Michael: Just gone out of business.

Lanny: Well, yes. There's a lot of negative press out there now about Wal-Mart in terms of what they've done to the independent grocer. But I think all chains have that responsibility, as well, because when I started calling on them back in the 80s, Wal-Mart didn't have a Super Center, but independent grocers were going out of business left and right and Wal-Mart wasn't around at that point. So, it's just the evolution of the business, it's not just about Wal-Mart. These chain operators can do it bigger. They're more efficient. They have bigger buying power than Mom and Pop grocery stores.

Michael: Working for Procter & Gamble, they're a huge company. Do they have influence that gave them a huge edge even to get into the independents and even the mass merchandisers that the small guy, the guys with the dream and a product who want to try and get in, the little guy. I mean, obviously, how can a little guy compete with such a powerful force like Procter & Gamble?

Lanny: That's always been a source of contention for a folks, as well, when they dealt with big companies. Procter & Gamble never had much influence as much so as they had excellent products.

Michael: So, they really were a great product company?

Lanny: Without a doubt. Procter & Gamble...they were very cautious, they were very _____ about how they did things. And when they came out with new items, you better believe that it had been tested and tested and tested and tested again to the point where it almost ended up, Michael, being a detriment to Procter & Gamble. There's this old story about Procter & Gamble and Loves or Pampers...I'm not really sure which one it was...and how Procter & Gamble was a leader in the market and how Huggies took that because if you look on the side of the diaper, it had those little sticky things that stick, Procter & Gamble was scared that little tiny plastic piece that came off of the adhesive piece, they wanted to make sure no kids would choke on it. They tested and retested and in the meantime Huggies, Kimberly-Clark came out with theirs and boom. So, they were able to take advantage of that. And so, the whole idea behind test markets, which was a solid proposition, started to go away, as well because there's like, look, if we want to get our product to market fast, we don't have time to test market. We need to get it out in the stores.

Michael: What did you do after working for Procter & Gamble?

Lanny: After Procter & Gamble, I went and I worked for Frito-Lay, which is a division of Pepsi. There are essentially two types of distribution methods in

consumer-packaged goods. There's warehouse where the product is made by the company, shipped through a warehouse, and shipped to the customer's warehouse and then out to the customer stores.

Michael: I want to backup. So, would this fall into the category for Frito-Lay?

Lanny: No.

Michael: Would that fall into the category for what Procter & Gamble was doing?

Lanny: That would fall into the category for Procter & Gamble.

Michael: So, give me an example.

Lanny: Well, first of all, Procter & Gamble manufactured the soap in their manufacturing facility, so there's a case of soap. Now, a customer would place an order for a case of soap...

Michael: And a customer could be a chain of grocery stores?

Lanny: Could be a chain of grocery stores, right. They would place an order and say send me a truckload of this soap. So, for instance, that purchase order would go up to their order processing area, the order would be processed, the truck would be loaded, and the truck would go directly to the customer's warehouse where it would be loaded and slotted into the warehouse.

Michael: And then it's distributed to their stores from the warehouse.

Lanny: That's what we call warehouse. Now, the other delivery system is called direct store delivery and we abbreviate that as DSD. And what direct store delivery does...for instance, let's go with Frito-Lay. Frito-Lay manufactures their chips, they fry their chips and they put them in bags. Instead of putting them in cases and shipping them those cases directly to the customer's warehouse, they put those chips on the back of trucks, and the Frito-Lay delivery person goes out to the store every day and delivers the chips directly to the store. And that's what we call DSD. And you can see that. When you go to the stores in the morning, you'll see a lot of bread trucks, a lot of Frito trucks, a lot of cake trucks, and even some frozen food trucks delivering right there that morning.

Michael: Is that a necessity because of the short lifespan of the product or why do we have some products delivered that way directly to the stores compared to warehouse? Why won't they just ship to a warehouse and let the stores do their own distribution?

Lanny: The reason they don't do that is, again, just like you said, its part of that perishable nature of the product. You've probably got a point with Frito-Lay because with Frito-Lay, their product has 60 to 90 day shelf life on it. You could literally take that through most warehouses and not lose. But the direct store delivery piece that Frito-Lay has put in place enables Frito-Lay to always make sure their product is on the shelf. They're touching their product every day.

Michael: They're going in looking at their shelf space. They're making sure it looks neat, their display, their point of purchase.

Lanny: Now, you take a company like Wal-Mart, they have such an efficient supply chain. They could literally take that through the warehouse and probably do just about as good a job getting it to the stores as the DSD guys. The problem you have, though, is once it gets to the store, who is going to touch it. And so, that's where the DSD guys...they will fight going through the warehouse tooth and nail.

Michael: So, they don't want to go through a warehouse because they know that's going to hurt their sales in the long run.

Lanny: Yes, I think they know that. The major companies know that. They think it will hurt their sales.

Michael: That's what sales reps for Frito-Lay...they've got people in areas delivering and touching that product and making sure it's displayed properly or new promotions are done to help move it off the shelf.

Lanny: Right, and if they didn't do that, then someone in the store would have to do that.

Michael: And it never gets done. You can't rely on the employee.

Lanny: Frito-Lay has a wonderful model. When I used to work for them, they used to brag about a 98% customer service ratio every day. That's phenomenal. They want to get a service level, that 98%, every day.

Michael: So, with Frito-Lay, what were you doing there?

Lanny: I worked on their systems and I worked in an area called category management. And from the systems standpoint, I was helping them understand how to leverage data to sell products. That's the bottom line.

Michael: How to leverage data to sell products.

Lanny: Right. And then by doing so, how could we package that data and deliver that to the salespeople. And so, we would build a software program to

deliver that sales data to the salesperson out in the field who then in turn would deliver it to their customer in a value added way. And I also did their category management piece. Now, what category management is was simply a big push back to the mid 90's to early 90's and it's even still around where you focus more on the category than the individual brand.

Michael: What does that mean?

Lanny: Say for instance you want to do a promotion on Tide. You'd give all this money to do this promotion on Tide. You'd sell Tide at such a crazy price that you look at your category at the end of the day and you lost money in your category, right.

Michael: And your category is what...the laundry detergent?

Lanny: The laundry detergent category, right. So, what retailers started to say was wait a minute, wait a minute. You guys are coming in and your managing your brands, but you're not managing the category. It's got to be our responsibility to manage the category so that if there's a brand that pulls overall profitability and sales in the category down, we need to make sure that we have the right type of promotions, right type of product mix and everything to ensure that that does not happen.

Michael: So, does that mean that if they come in a run a real low price or a coupon on Tide, then everyone comes in and buys the Tide, but they don't buy the other soaps in the category at the grocery store and that hurts their sales.

Lanny: That's irresponsible category management, yes, will hurt their sales.

Michael: The grocery stores don't want that.

Lanny: Well, I wouldn't think so. I wouldn't want my category to lose money. You could say, well the money that Tide gave you to run the promotion should offset loses. No, that's not the case because every day when you sell Tide, you're also selling another product at full revenue. You're selling Tide at full revenue, you're also selling other people's product at full revenue, as well. So, when you deal Tide, yes you're going to sell more Tide, but you're going to lose those full revenue sales of other people that someone would have bought. But you say, well I can't pass up this deal on Tide. And so, you'll lose some revenue that way. Although there's a twist to that, which we'll talk about in a minute when we talk about Wal-Mart, but the whole category management piece is manage the health of the category. Don't just manage individual brands in the category and really that's the way even buyers have managed and merchandisers have managed the category previous to category management.

Michael: So, that's important for buyers when they're looking at the products is to understand is this product going to help my category rather than just looking at a product sales focus.

Lanny: Right. And here's an important point, Michael, category management enables the small manufacturer or the small guy with the great idea to be able to compete with the big boys because what it does is it says this product might be right for your category...now it might not be right for all your grocery stores or it might not be right for all your chain stores or your discount stores, but it could be right for _____.

Michael: It could be an add-on to a category that pumps up profit.

Lanny: Exactly. It could serve a need in that category.

Michael: So, if you have a product that you're asking yourself is there potential for Wal-Mart or a large mass merchandiser, ask yourself this question; could my product help the overall category and can I use that as a selling benefit when I get in to talk to a buyer.

Lanny: Exactly.

Michael: That's something I never even realized.

Lanny: Exactly. I tell people whenever they want to get a new item anywhere, I don't care what store they want to get it in, I don't care if it's a small independent grocery down the street and they just want to make the product for that one store, to before you even approach that store, you go in and you know everything about that store and you know everything about that category you want it to go in.

Michael: How would you suggest I do homework on that? Let's say I have a product and I want to get into a store, what would you tell me to do to go do my research? Go down to the physical store?

Lanny: Yes. It all starts with going through the store. It all starts right there. The first thing you always want to do is make sure that there is a glaring need that is not being met by the products that are currently in the category. And if you can prove there's a glaring need that's not being met with the products in the category, you're going to be successful somewhere down the line. It's going to take hard work, but you're going to be successful. And don't tell me yours tastes better because everybody's product tastes better. Everybody's products perform better. Everybody's product lasts longer. Those are things that buyers get tired of hearing every day.

Michael: They want to hear unique selling benefits.

Lanny: There it is right there. The USP, the unique selling proposition. They really do want to hear that. They want you to give them compelling reasons. Buyers don't really want to say no.

Michael: Do they want reasons to say yes?

Lanny: Yes. I read a long time ago from a guy named Jeff Fox and he wrote a bunch of books, one called How To Be A Rainmaker and How To Be A Marketing Superstar, and he said, "Buyers don't buy products, they buy what products can do for them," which is very important. It's almost personal. I tell people all the time, look, buyers don't always buy the best tasting product. My case in point is, go to any store and start picking product off the shelf and eat it. Some of that stuff tastes so bad you want to throw up. Buyers buy what products can do for them and by them they mean what it can do for their bottom line for their store. Does it meet a compelling need? Does it meet a glaring need that's not being met currently based on the product category?

Michael: How about for their ego? There's a way to sell a buyer and a buyer has ulterior motive. They want advancement. They want the star product. They want recognition. Can you give me the psychology of the buyer?

Lanny: Well, again, it gets back to that statement...buyers don't buy products; they buy what products can do for them.

Michael: So, if a buyer comes across a super product that just really kicks ass in the store, what can that do for a buyer's career?

Lanny: You understand that you're measured by the overall category gross margin, your overall category profitability. There's a number of factors that you're measured by.

Michael: So, buyers are constantly measured by their numbers?

Lanny: Oh, yes, without a doubt because again you've got a sales budget and if you don't meet that sales budget, you've got a problem because it all rolls up to that overall budget, which says this is what we're going to do as an organization for this year. And so, you've got your goals that you have to reach. Every buyer waits for that one product to come in the door and say wow, this is going to take me to fame and fortune. You never know what it is. I mean we'll talk later about some of the examples with Wal-Mart where they have a program called the VPI program, which used to be a program called the volume producing items.

Michael: Is that a program for buyers?

Lanny: That's a program for buyers. That's a program for store level. That's a program for everybody at Wal-Mart that is in some type of capacity that touches product that can have VPI.

Michael: Because they want that whole company looking for the next star product.

Lanny: Without a doubt. That was all Sam Walton and his genius.

Michael: Tell me what can happen to a buyer if he finds that product? Let's say he finds that star product that catapults huge sales for Wal-Mart worldwide or nationally or whatever. Is he paid a commission on gross revenues if he's the guy who found that product? What kind of incentives are there for him in volume-wise to really keep an eye out for good products?

Lanny: Pretty much everybody that I ever called on has a bonus potential. And so, what it relates to is if they get certain criteria, they're going to make additional monies. They're going to get a bonus based upon what they did. And so, that's why they're always on the lookout for that product, as well, because it's going to mean money to them. Now, there's a cap to what they're going to make. It's not going to be infinite, no. But they're still going to be able to make their max bonus if they have the right item and the numbers actually hit; whatever that scorecard has down there.

Michael: My father used to tell me never write a buyers name down in pen because they're always moving around; always do it in pencil. What's the lifespan of a buyer?

Lanny: It just depends. My experience at Wal-Mart in one of the categories that called on, over the last six years I've had ten buyers. So, ten buyers in six years, that's less than a year.

Michael: And where did they go?

Lanny: They go on, they move up, or they move out.

Michael: They move up to different categories?

Lanny: No, they move up to the same category or promotion within a different category or they move out, meaning they move...could be to a different category or out of the company.

Michael: What's the hierarchy, the levels of a buyer? Start from the lowest to the highest. How does it work? Is everything broken down in the category, though?

Lanny: Well, yes. It really varies, too. A buyer is also called a category manager. You've got that. Below them you've got an assistant buyer or assistant category manager. Then you go up from the buyer, you've got a senior buyer and then you can go up to a variety of positions from there; head of grocery merchandising or vice president of perishables. It just depends. I think Kroger years ago used to have their buyers and then the buyers would actually go out and work the stores and run the stores at a certain point.

Michael: So, are the buyers the ones meeting with the sales reps or are the assistant buyers doing that?

Lanny: No, the buyers are meeting with sales reps, yes.

Michael: The assistants are supporting the buyers...administrative or whatever.

Lanny: And sometimes they'll meet with reps.

Michael: So, does the buyer have to get approval from who's above him?

Lanny: No.

Michael: All buyers have decision making abilities?

Lanny: They have decision making ability, however, there are some organizations that have a buying committee and if someone comes in with a new product, they present that to the buyer and then buyer in turn goes and presents that to the buying committee.

Michael: So, they have meetings every week?

Lanny: Right, every Friday or every Monday, it just depends. And the buying committee makes the determination if that is a good product and it should be brought into the company. But, in a company like Wal-Mart, you can't have a buying committee meet every week, although they do have their weekly meetings on Fridays and they do have a Saturday morning meeting. A lot of good ideas and they share. A new buyer is not going to buy something without getting the go ahead from their boss, but many buyers bought from me right there on the spot.

Michael: I want to go back a little bit. What happened after Frito-Lay?

Lanny: I did some consulting for a little bit with IBM; business and retail and consumer packaged goods manufacturing.

Michael: Because you had gained a lot of experience with your years at Procter & Gamble and Frito-Lay?

Lanny: Oh, without a doubt.

Michael: How many years total between the two?

Lanny: Eleven years.

Michael: So, why did you end Frito-Lay? You were just tired of it?

Lanny: I was just tired of it, yes. I had to move on to what at least I thought was a better opportunity.

Michael: So, you got into consulting.

Lanny: Yes, I did consulting for a couple of years.

Michael: What were you doing in that? You were helping...

Lanny: Retailers and manufacturers. Mostly retailers. I helped them become profitable and look at their categories, make sure they had an efficient process and procedures in place and all those types of things. It was kind of interesting; a lot of manual, hard work, a lot of documentation...documenting of processes and procedures. It wasn't very glamorous, but I think it's something that really gives you a solid base to go out and do others things.

Michael: Where were you seeing the most common mistakes among the retailers you were consulting with and would that shed any light for opportunities for me getting my product into them?

Lanny: Oh, yes. The most common mistake that I saw with retailers is that they didn't know how to buy.

Michael: They didn't know what was going to sell.

Lanny: Well, they kind of had an idea, but they just didn't know how. Let me give you a good example. I did an engagement one time with a beverage company on the Eastern Coast.

Michael: What does an engagement mean?

Lanny: A consulting gig.

Michael: Okay.

Lanny: I did this with a beverage company on the East Coast and this company had done like \$5 million in sales.

Michael: What were they selling?

Lanny: They were selling alcoholic beverage items...micro-brews, wines, those types of things. They made \$5 million in sales and lost \$10 million. There was just such disparity between their profitability and their overall sales that it wasn't even funny in terms of how much money they lost. And they were, we don't know why were losing all this money. So, I started talking to some of the buyers and here are a few examples I ran across.

Michael: These were people who bought their beverage, right?

Lanny: Yes. They bought for those stores. Do you see what I'm saying?

Michael: You were consulting with a beverage company, but you were talking to buyers of these alcoholic beverages.

Lanny: This was a retail beverage outlet. It's just like calling on a regular buyer for a grocery store.

Michael: I'm with you.

Lanny: And so, they were buying all these beverage products from around the world, not around the country, but from around the world. And here are two glaring mistakes I saw one buyer make. One buyer was talking about Coca-Cola and we were sitting there talking and I found out he had a warehouse full of Coke. And I said why do you have a warehouse full of Coke? He said because it was such a good deal, I couldn't pass it up. I said wait a minute. Let me get this right. You're using warehouse space on a direct store delivery product? And he said yes, it was a great deal. I'm like well it's direct store delivery. You don't need to forward buy on direct store delivery. What he was doing was forward buying on direct store delivery at this great deal; at least he thought it was a great deal. And it really wasn't because beverage items...I can go back in 1982 when two liters were introduced around that time frame, I could buy a two-liter for 99-cents. Guess what, Michael, it's 2006 and I can still buy a two-liter for 99-cents. He got someone who sold him what he thought was a great deal. I think ultimately it hurt the person who sold it to him, as well, because it's showing you're not thinking for the future.

The second one is there's these vineyards around the world and what these guys would do is they distill wine. They'd bottle this wine and it would be a limited run. Well, what these guys would do is they found it would be a limited run and they'd go and they'd buy all the inventory not knowing if they were going to sell it or not. They'd just buy so their competitors wouldn't get it.

Michael: So, they were making poor business decisions.

Lanny: They were making very poor business decisions. So, when I went in there were \$200, \$300 bottles of wine on the shelf that were not going to move and contrary to popular belief, all wine is not good aged. And so, you had to have a fire sale. And when I talked to the buyer about it, he says well you don't understand wine. We buy for passion. And I said and you don't understand business. It's okay to have passion for the business, but if you're buying based on passion and not based on the numbers, well you've got a problem.

Michael: So, were you able to help these guys out?

Lanny: We helped them out. It was a few of us. We spent around six months just helping them out and apparently they just turned profitability. I went on with different things. But the bottom line is in this business, if you're really not a good business person and you really don't understand the category that you're calling on or that you're buying and you really don't understand what your overall goals are, your objectives, you're going to have problems.

Michael: So, you did the consulting for two years and then what?

Lanny: And then I just had a variety of different jobs, but more importantly, I worked for a tortilla company for six years. And with that tortilla company it's when I got most of my Wal-Mart experience. The first time I called on Wal-Mart was back in about 1993.

Michael: Was your capacity as a sales rep?

Lanny: You could call me a sales rep. Actually, I was a team leader and I built a team of people at Wal-Mart. But the bottom line is when I took over the Wal-Mart business the company nationally had done around a half a million dollars with Wal-Mart. When I left that company a year ago, they did \$120 million.

Michael: Were these soft flour tortillas or crunchy?

Lanny: These were flour and corn tortillas, yes. So, the bottom line is you take a niche product and you can build that niche product to \$120 million business.

Michael: Was the geographical or were you going national?

Lanny: National. I called on Wal-Mart headquarters and built a team up there.

Michael: Let's do the story. This was your first experience getting into Wal-Mart. You were representing flour tortillas.

Lanny: No. My first experience getting into Wal-Mart goes back to Frito-Lay.

Michael: Do you want to talk about that success?

Lanny: Yes. Frito-Lay actually had a small warehouse business and if I'm not mistaken, they were trying to leverage their Taco Bell line at the time. Frito-Lay was part of PepsiCo, who at the time back in the early 90s owned Taco Bell, Kentucky Fried Chicken, and _____. So, they were trying to leverage their Taco Bell line, which they had taken the Taco Bell name and they had put it on some tacos and they boxed them to be sold it through the warehouse and by a company, the young man up there...back then we flew into Fayetteville. Nowadays, Wal-Mart has built a pretty nice airport in Northwest Arkansas. They have direct flights in daily from a number of cities around the country. But when I flew in, we were still flying on a prop-plane to Fayetteville, Arkansas, which they had a little airport there. And we went to meet and that was my first experience with them and that's where I really understand when we met with a kid that looked like he had been out of like high school for two days.

Michael: And he was the buyer.

Lanny: He was the buyer.

Michael: What year was this?

Lanny: This was back in 1993. We flew into Fayetteville, Arkansas.

Michael: What's the city like? Was it built up at all there back then?

Lanny: No. Back then it was that built up, but it was getting there.

Michael: And so, this is Wal-Mart's headquarters?

Lanny: Wal-Mart is headquartered in Bentonville, Arkansas, and Bentonville is a part of a metropolitan area in Northwest Arkansas that includes Fayetteville, Springdale, Bentonville, obviously, and then there are some smaller communities, _____; they're all part of that metropolitan area. And so, anyway, we flew into there and it was that same day in and same day out because they're flying out of Dallas. We flew in and went to meet with the Wal-Mart buyers. He looked like I said, two, three days out of high school, but when this kid opened his mouth, I found out he was very intelligent. We threw our proposition out there and that where he broke in and he says, look, number one you've come in here with an item, have you even bothered to go visit the category. Do you know how

much space I have in the category? Will this product even fit in the category? How am I going to price this product? What differentiates this product from any other taco shell that we have on the shelf? Why is your product better? And he really came after these guys and he told them...and I was the category manager representing them at the time...and he told us all, he says listen, get your act together and try it again. And so, that was the end of the meeting.

Michael: Those buyers, they're saying come and sell me your product and tell me why and how I can do it and we'll do it.

Lanny: Don Soderquist, he used to be a fairly high-ranking person at Wal-Mart. He one time said selling to Wal-Mart is not a difficult process. It's pretty straightforward and really it is. It's a lot of stuff that you have to learn, but once you learn it, regardless of what product you're carrying, you're probably going to be successful. I love to think you're going to be successful and that's why we do what we do.

Michael: So, you hear rumors that it's all political. That master distributors are the only people who can get into these large chains and they hire lobbyists to lobby the buyers. Is this a bunch of BS?

Lanny: No. First I think it's a bunch of BS that only major companies can get into Wal-Mart. Yes, that's definitely a bunch of BS. And I think what it is, is people who are making excuses. You hear that a lot. I'll never get into Wal-Mart. I'm a little guy. They don't care about me...blah, blah, blah...and so forth. Wal-Mart has put a very unique process in place to make sure that the little guy can be successful at Wal-Mart. However, they don't depart away from the critical merchandising standards and the critical process that you need to follow to be successful. So, they're not going to depart their business model so that you're successful. They're going to say, look, if you've got a good item and it fits in this particular business model, then we want to hear about it.

Here's a neat story. I had a guy call me up about three days ago. He was young. He was in his 20s and lived up in the northeast and he said I've been trying to get my product into Wal-Mart and they told me you're the person that can get it in there for me. And I said well I don't really do that type of thing. I can give you information on how to get your product into Wal-Mart, but...

Michael: Who told him that?

Lanny: Well, he was using a sales ploy.

Michael: I see.

Lanny: And I said well first of all what's your product. And he said it's really an idea. I said oh it's an idea. And he's like yes. And I said what's your idea. He

says I'm a really good drawer and a lot of people tell me I should make tee shirts. And I said you should make tee shirts. And I said what's your manufacturing capabilities and he said huh. I said if Wal-Mart brought in one of your tee shirts tomorrow, could you supply them with 1,000 tee shirts if they wanted them right there. Well, no because I was thinking about running it off on that paper and ironing them on each tee shirt. But this is what we get.

Michael: Because most people are very clueless when it comes to business. They just have no idea.

Lanny: Right. And so, I tried to help the kid. I didn't want to discourage him or anything like that. I said listen get a track record on it and so forth, but you don't walk away saying this guy's telling me Wal-Mart doesn't want to deal with me. And so, that's why those rumors start getting spread. You get folk out there that really don't do their homework. Wal-Mart tells you everything you need to do and just go do it. It's some pretty straightforward stuff.

Michael: You just have to get some education and have an understanding of how to do it.

Lanny: Right. I used to have a little saying years ago, a big would come work with maybe the senior vice president of sales would come work with the sales rep and that rep would call me the night before and say Lanny I don't know what to do. This guy is coming to work with me and blah, blah, blah, and so forth. And I would always tell them you can get your act together for one day because this could mean your career. And if you can't get your act together for one day, you have no business being in this business. That's the same thing with Wal-Mart. You get an appointment...or any customer...Michael you get an appointment with any customer, if you don't do a pre-call plan and spend the amount of time and hours that you need to get ready for that call, then you don't deserve the business.

Michael: That one visit to Wal-Mart could set you for life.

Lanny: It could set you for life, yes indeed. But the bottom line is a lot of folks don't really get ready for that one call.

Michael: Do you have some stories in your mind where you've known the little guy or guys with dreams and ideas and they've approached Wal-Mart and literally become millionaires?

Lanny: Well, I mean look at the tortilla. In the tortilla category you've got a couple of companies. You've got Azteca Foods, they're your number two company. You've got Mission Foods who's your number one company.

Michael: Where's Mission out of?

Lanny: Mission is out of Dallas, Texas. They're based in Irving, Texas just right outside of Dallas. They're a billion dollar company. He started back in 1977 in the United States with nothing in terms of selling. He was very successful in Mexico, so he brought it over here. But the point I'm making is there was a guy named Don Barnes. Don Barnes, Jr. graduated from North Carolina, came out of college, his dad was a pretty successful businessperson, too. He says to his dad, dad you know what, I think I want to go into business for myself and he said what are you going to make son. He said I don't know. He got to thinking and he said I know there are a lot Mexicans moving into North Carolina. He says I know they eat something. He says, wow, they eat corn tortillas. So, Don Barnes got into the corn tortilla business. He opened up a plant and started making corn tortillas. And a few years later, Mission came and bought him out for line \$30 or \$40 million. I don't know what the figure was. But I mean here's a guy that started and he's successful getting into Wal-Mart. And there's a lot of small tortilla companies out there. There's Albuquerque Tortilla Company out in New Mexico. They were a small company that got into Wal-Mart. There's a little small company out of Plainview, Texas called Casa Rica.

Michael: Let's say I'm a manufacturer in China or some other country and I want to get my product here into the United States. Is Wal-Mart looking for products from other countries or are they loyal to America?

Lanny: Wal-Mart has three ways you can get into their stores. One way is you can be manufacturer that sells a product in the United States and you're going to sell it to all stores. Number two, you can be a manufacturer in the United States and you're going to sell it to a few stores and there's a process by which you do that. And then number three, you can be an importer, and by importer that's the manufacturer in China that wants to get their product into Wal-Mart. And there's a buying office in China that they would go through to be able to get an audience here in the United States and present their product. Wal-Mart is always looking for the right product.

Michael: Are buying offices set up all over the world?

Lanny: Oh, yes. They've got buying offices everywhere.

Michael: And in the Chinese office, they all speak Chinese there?

Lanny: English, as well. They're Americans in a Chinese office. Wal-Mart has a buying office in Puerto Rico. Wal-Mart has buying offices in Argentina.

Michael: How big is Wal-Mart for someone who really doesn't understand the sheer size of this buying group?

Lanny: Let's look at Wal-Mart's sales. Wal-Mart had \$300 billion in sales last year. If you look at their \$300 billion in sales and you make it equivalent to the gross national product, that would make Wal-Mart the 9th largest country in the world, if you equalize that to the gross national product. If you look at Wal-Mart as a city with it's 1.7 million employees in the United States, that would make it the 5th largest city in the United States. So, that's one of the best ways you can look at Wal-Mart. In terms of stores, they've got well over 3,000 stores easily.

Michael: Just in the U.S.

Lanny: Just in the United States, right. And then they've got stores in Argentina, Mexico, Canada, Great Britain, Germany, China.

Michael: Can someone get a product into Wal-Mart here in the U.S. and then it gets picked up in other countries?

Lanny: Oh, yes. We were trying to do that with the tortillas.

Michael: Let me ask you this. I've heard that you will not get into Wal-Mart...for some products, I'm sure it's not for everything...unless you have a huge advertising budget and they want advertising to support the sales of the product. And if I'm a small guy and I've got an idea and a product, but I don't have a million dollar advertising budget, is there really a chance for me?

Lanny: No, that's not true. There's always a chance for you. There was this story about the girl who sold the antenna balls to Wal-Mart.

Michael: Tell me about that story.

Lanny: Apparently some young lady decided to do a special type of antenna ball that you would recognize your car in the parking lot and they were a huge hit at Wal-Mart. She didn't have a million dollars of this or a million dollars of that. She didn't have all of this, she just had a good idea and she got a manufacturer and she got them brought on by Wal-Mart.

Michael: Is Wal-Mart loyal to their customers? So, for instance, let's say she came up with an antenna ball and Wal-Mart is buying them for \$1.50. She's patented. Some guy knocks it off, approaches the buyer at Wal-Mart and says I've got these antenna balls, but I'll undercut what you're paying right now. I'll give them to you for \$1.00. Is there any protection or loyalty to their existing customers where they're just not going to buy the guy's because he can sell it for 50-cents less? I want the real world.

Lanny: I'll give you the real world answer. Wal-Mart has certain standards for vendors. They publish those vendor standards. Supplier standards is what

they call them. As long as you meet those supplier standards, if you come with a cheaper mousetrap, Wal-Mart is going to buy it.

Michael: They are?

Lanny: Oh, yes. Wal-Mart is going to buy it if it's a cheaper mousetrap, but it offers the same quality or better than what they're currently carrying, they're going to carry it.

Michael: Okay. So, let's stop right there. So, let's say someone is looking to get into Wal-Mart and they're looking for opportunity, can I go to Wal-Mart, go to a category, go look at products and ask myself how can I beat this product. How can I make this product better? How can I get it to Wal-Mart cheaper? Is there a possibility for me to get in that way?

Lanny: Yes.

Michael: Just do it better and cheaper.

Lanny: If you can do it better and cheaper, you definitely can get into Wal-Mart. You say better, its just quality...if you have the same quality or better you can get into Wal-Mart.

Michael: Is that a slam-dunk?

Lanny: Is that a slam-dunk? No, nothing is a slam-dunk with Wal-Mart. But it's very attractive.

Michael: That's a good strategy.

Lanny: It's a wonderful strategy if you can do it. Wal-Mart looks at a company like this. They say, look, first of all you have to have the wherewithal. That's mean your financials and whatever to be able to support the product that you're making.

Michael: Let's talk about that. Let's say if I don't have the money and I go to a buyer and he says I like it, we're going to go into 300 stores, here's your P.O. Can I take that P.O. and get money?

Lanny: I have known people to do that.

Michael: How much of a barrier not having the money to support Wal-Mart purchase orders, is that a barrier or are there ways around it?

Lanny: It is a barrier because number one, Wal-Mart is going to look at your financial before they let you on as a supplier.

Michael: Before they give me a P.O.?

Lanny: Well before they get a P.O., they're going to look at your financials.

Michael: What if I don't have the money? What's a strategy for me to get around that?

Lanny: I would get the money because Wal-Mart is not going to be in the money-fronting business. It's like we'll bring you in and we'll front you the money by buying the product.

Michael: At what point are they looking at money, after I meet with a buyer?

Lanny: Well, it's hard to say. What happens is, once they want to see you they allow you to fill out a supplier form to become a supplier at Wal-Mart. And when you filled that out, it has all the company financials...you've got to give them a DNB and you know what a DNB what it's going to do. If you don't have a DNB, you're not going to get into Wal-Mart. You know, a Dun & Bradstreet report; give them a Dun & Bradstreet report. If you don't have that, you're not going to get into Wal-Mart.

Michael: So, does that mean you have to be a corporation?

Lanny: Even if you're family owned operation you're still a corporation. But if you're a self-proprietorship and you haven't disclosed your financials for a Dun & Bradstreet, you're not going to get into Wal-Mart.

Michael: Okay, because you're going to have to fill out a vendor application with financials.

Lanny: As part of the online vendor application process, they click there and say okay, now you have to obtain your D&B report. And then Wal-Mart obtains that D&B report from Dun & Bradstreet. If you don't get it to them, they obtain it and they charge you like \$75 to do it or whatever the case is. I forget how much exactly it is, but they already have that information on file.

Michael: For someone who doesn't know what a D& B is, explain it to them.

Lanny: Well, Dun & Bradstreet is just your credit rating. It just tells what type of company you are, what kind of money you have, what kind of resources you have. That's essentially what a Dun & Bradstreet report is. If you're going to do business with someone, it's always good to pull a D&B to find out what kind of company they are, what kind of leadership they have, and what kind of capacity because remember you are dependent on your suppliers.

Michael: I'm sure there are a lot of people who have ideas and have products, maybe have bad credit, and don't have a D&B. Can you give me a strategy of a way to get around that and still give me the possibility of getting my product in? Could I approach someone who is already in Wal-Mart and offer them to carry the product who already has good credit and a good D&B?

Lanny: Well, I think so. It depends on what you're selling. Number one, it has to fit those tests that we already talked about. Does it make sense for the category? Number two, you have to find the company that has a relate item. Essentially what you're doing is signing the whole product over to the other company.

Michael: Does that sound like an easier way to go is to find someone who is already an established vendor and maybe work a deal and sell them the product?

Lanny: It's always an easier way to go, but what you're doing now is selling to people because, number one, you've got to sell someone on buying the product from you to be able to resell it in Wal-Mart.

Michael: It's a double-edged sword.

Lanny: Exactly. It's not very difficult, but there's a lot of work involved in this. And also, for instance, say Wal-Mart represents 30% or less of your business. That's okay. Wal-Mart gets nervous when they represent more than 30% of your business.

Michael: Why is that?

Lanny: Well, because if Wal-Mart should happen to go to another vendor, you're out of business.

Michael: Why should they worry about that?

Lanny: Well, I mean there's still public relation _____.

Michael: Do they want to know that you have other business going?

Lanny: They had asked me from time to time to supply my other customers...what do I do with my other customers. Now, I didn't supply that information to them, but I did tell them they only represent 15% of my business or whatever the case is and they should leave it alone at that.

Michael: So, what do you have right now going with Wal-Mart?

Lanny: I work for another company that has a product that's in Wal-Mart and so that's why I have to remain confidential about...

Michael: Can you tell me what category it is?

Lanny: It's still tortillas. I still do tortillas.

Michael: What do you call that category, the tortilla category?

Lanny: Well, you call it tortilla category, but at Wal-Mart is quite a commercial brand.

Michael: So, you work for a company that has the tortillas in there.

Lanny: Yes, they have their tortillas in there and so I'm helping them out. I worked for a larger tortillas company, now this is much smaller tortilla company. We do okay because we have a good understanding of how we operate at Wal-Mart. I tell people, too, I say listen if you've got a new product idea and it's a food item, it's always easier for me to get a food item in than it is to get an electronic gadget or whatever.

Michael: Why is it?

Lanny: Everybody consumes foods. See, Wal-Mart has a deal called store of the community and what that means is they like to carry items that a particular geography really likes and really wants to have.

Michael: Let's say you've got someone who grows wonderful produce in a local area.

Lanny: What I mean by this is let's say you have a small tortilla company and for 100 years you've lived in this one little area and you've made this wonderful tortilla. A lot of people love this tortilla in this particular marketplace and Wal-Mart has 10 stores in this area. You're going to find that tortilla in those 10 stores because it's part of the community.

Michael: And what do we call that program?

Lanny: It's called store of the community program.

Michael: So, they want to support local vendors.

Lanny: They want to support local vendors that have a huge following in that market.

Michael: Because it's good money and it gets people into their store.

Lanny: It's good money and it's good PR, as well.

Michael: Do they have special buyers looking for that local community?

Lanny: Every buyer looks for store of the community. It's not special buyers. Every buyer has a responsibility to make sure they have the right product mix in every store. And if you're in a particular area and there's a chocolate company, for instance, and they make these great chocolates and they're in every other store in the area, you want to make sure that you're buying that product, as well; same with potato chips. Gosh, there are so many different snack companies out there, but some of them have huge followings. For instance, in Chicago there's Jay's Potato Chips.

Michael: I'm sure Jay's is in the Chicago area Wal-Marts.

Lanny: Without a doubt.

Michael: So, let's stop right there because every time you talk, I want to look for opportunities for the people listening to this recording. So, look for stars in your community who aren't in Wal-Mart. Let's see if you can approach those manufacturers as a commissioned salesperson and get the rights to go to Wal-Mart.

Lanny: You could do that. Here's a neat little story. I know a guy that makes a meat rub in Garland, Texas, and I approached him not too long ago. And I said you really should market this meat rub because everybody loves it. It was written up in the Dallas Morning News. It's just an outstanding meat rub. Doesn't have a UPC on it or anything like that. And I said, Dave, you should really market this thing at Wal-Mart. And he says I'm going to think about that, but I have to get a UPC first. Of course, I showed him how to get a UPC and all those types of things.

Michael: Real quick, what is a UPC?

Lanny: The universal product code. It's the barcode that goes on every product. You have to have one if you do business with Wal-Mart. You have to have a barcode.

Michael: So they can scan it.

Lanny: It's not a matter of you getting a printer and printing off labels with a barcode on it.

Michael: No, there is a process.

Lanny: Right. You have to be registered with the Uniform Product Council.

Michael: Can you show someone how to do this process?

Lanny: Yes, that's part of the seminars that we put on, as well. We show them how to get a UPC code. But the UPC is based upon the size and sales of your company. And so, if you're a small company, it's not going to cost you a lot of money to get a UPC.

Michael: So, you told him to get a UPC code. What did he say then?'

Lanny: He said it's something I want to look into. He said but I don't know if I want to be that large. So, here he has an item that was written up in the Dallas Morning News...I think what he was saying to me, though, Michael, is I don't have time to do it. I'm waiting for someone to do it. Now, the reason I didn't say I would do it for him is because I'm just a consumer of the product and I just enjoy the product. And I'm kind of selfish too because I always felt that when you find something really, really good, if I don't represent it as a salesperson if I'm using it as a user. The more mass appeal it gets, the more diluted the product gets.

Michael: Right. He may have also thought I don't have the money to get into Wal-Mart and had some of the automatic fears and objections that come in their mind based on irrelevant information.

Lanny: And that could have been it, as well. What Wal-Mart is looking for, again, from a manufacturer is, number one, do you have the wherewithal to be in business and do you have the manufacturing capabilities to supply what we're looking for. And if you've got that, it's fine. And so, you don't have to have \$10 million in the bank to do that. You might only have \$200, but if you've got the manufacturing capabilities and you're not deep in debt, you're going to be fine. And then, of course, you've got to get your liability insurance. And once you get your liability insurance, you're fine.

But there are a couple of things I want to talk about. First is the VPI program, volume producing item. Every buyer takes a certain item that they use to drive business. Now, it used to be called the volume producing item, which is the VPI. Now, it's called the value producing item program. It's the same acronym, but it's just a different meaning behind it. What it does mean is that every buyer wants to get an item that they can really take this item and build this item and it can really have huge, tremendous, positive impact on category sales. Now, the criteria behind the value producing program used to be that it was an item that wasn't in distribution. Do you see?

Michael: Yes.

Lanny: It's an item that was not currently in distribution at Wal-Mart.

Michael: So, a totally unique item.

Lanny: It's a totally unique item.

Michael: Can you give me an example of one in the past that you could relate this to?

Lanny: Well, let's look at this. Someone had a VPI item called pompom in their paper towels and they were sold at Sam's and they hadn't been in distribution before.

Michael: What's a pompom? What is it?

Lanny: A paper towel.

Michael: Is it unique?

Lanny: It's an industrial paper towel. It's for food service and those types of things. And so, it was a unique item at that point and someone had that as their VPI item. But also, though, remember it says it has not been in distribution. So, for instance, someone could have picked the Cherry Vanilla Coke because it wasn't in distribution. It's kind of cheating, but it wasn't in distribution.

Michael: You're telling me each category manager needs to pick a VPI?

Lanny: Each category manager doesn't need to, they do.

Michael: They do pick one?

Lanny: Yes. They're very competitive about these VPI items.

Michael: When they choose the VPI, what are they saying? They say this is my VPI.

Lanny: This is the item that I'm going to build this year. Here's a small item or here's another item that wasn't in distribution last year and I'm going to put a huge amount of effort behind building this item this year.

Michael: And the buyer is saying this?

Lanny: The buyer is saying this, yes.

Michael: What kind of effort can they put in to build it other than getting it into more stores?

Lanny: They can get it in stores. They can get it in roll back programs?

Michael: What's roll back program?

Lanny: Where they roll the price back like 10%...10 to 20% roll back. Temporary price reduction. They can get it in action alley, which is that big aisle with a bunch of pallets in it at Wal-Mart.

Michael: Oh, action alley.

Lanny: They call that action alley, yes. Action alley was typically between where the general merchandise and the food areas come together.

Michael: So, that's a high-volume moving aisle.

Lanny: That's a high-volume moving aisle, right. They can get it in there. They can tell the stores to push that item and they can get additional off shelf displays.

Michael: And they want to do this because they want to build their category?

Lanny: They want to build their category and in turn they're building the brand. They're building this new item.

Michael: And as they build the brand, it becomes more popular and hopefully will be a long lasting, revenue-generating brand for Wal-Mart.

Lanny: Exactly. And this item also fills a glaring need that's being unmet in the category.

Michael: So, those pompom paper towels, for instance, that was an industrial paper towel. It had never been on the shelves.

Lanny: I don't know. All I know is that item was the VPI for one of the big muckity-mucks over at Sam's. Now, a version of that could have been on the shelf, but this particular one didn't. Do you know those orange buckets you can get at Home Depot?

Michael: Yes.

Lanny: Someone picked yellow buckets or orange buckets like that. They sold them for like \$1 at Wal-Mart.

Michael: And they just must have sold billions of them.

Lanny: They sold a whole bunch of them. The bottom-line, though, its just all a matter of the numbers, too. If they sold 25 million buckets, that means they only made \$25 million from that VPI item. Imagine if you took a food item that retailed at \$3 and you sold 25 million units of that food product.

Michael: The consumables are much more profitable.

Lanny: No, I don't think so. But what I'm saying is...

Michael: In the long run because of the consume-ability.

Lanny: Yes.

Michael: Do you see them going after consumer related products that are consumable for VPIs compared to one-time sales like a bucket?

Lanny: Well, yes, every buyer has it. So, for instance, if you buy tortillas and you can't pick a bucket. You have to pick something that you buy. So, you're going to pick a tortilla company...one of their items to really push. If you buy pastries, you're going to pick a pastry company.

Michael: I want to relate it back to me, the guy who wants to get into Wal-Mart and I want to relate it to strategy. So, when I'm coming up with a product, whether I'm going in there looking for a competitive edge on an existing product or whether I'm going to source and manufacture my own product, keep in mind when I'm talking to the buyer that maybe I could pitch my product as one of their VPIs and give reasons why this would be a good one for that.

Lanny: That's correct, yes.

Michael: Good strategy?

Lanny: That's correct. Personally I think store of the community and VPI are some of the best strategies you can employ to get into Wal-Mart because, number one, store of the community helps you get started and there is a government to it. And what I mean that is you're not going to get a purchase order tomorrow for a thousand stores.

Michael: When you get into Wal-Mart, they're going to test it and be cautious, right?

Lanny: No, they may not. You might have some hemp door mat that will retail for 78-cents and they'll move like crazy and they'll put them in every one of their stores around the country.

Michael: But buyers know that a product like that is going to move.

Lanny: Yes. I think they're going to be measured at first. Most buyers are measured. That's happened to me on some of the tortilla items that I've sold in the past. They say let's start out in new stores and then we'll see how it does and then we'll move from there.

Michael: Let's talk about money. I'm a manufacturer. I get an order for 1,000 stores of Wal-Mart. I've got to finance everything until I'm paid. How long am I going to wait until I get my money?

Lanny: Wal-Mart pays their bills. If you follow their process, whatever your terms are, they're going to pay within those terms.

Michael: Who sets the terms, the buyer or me?

Lanny: The manufacturer sets what your payment terms are.

Michael: So, when you go into Wal-Mart and they want your product, you should say look I'm a small manufacturer, I can handle getting a new source, but I need net-30. Is that realistic?

Lanny: That's realistic.

Michael: So, Wal-Mart will sometimes pay net-30?

Lanny: They're going to pay net-30. They're going to pay whatever your terms are. If Wal-Mart doesn't like your terms, they'll let you know up front, we don't like those terms.

Michael: Something that I always believed, which may be totally untrue, is that Wal-Mart will make you wait six months for your money or nine months for your money.

Lanny: That is untrue. Wal-Mart has a list of expectations for suppliers and they also have a list of supplier expectations of them. And one of them is you can expect as a supplier you will get paid and you will get paid on time.

Michael: That's great. That's a misconception I think a lot of people believe.

Lanny: It's a huge misconception.

Michael: Where do you think that comes from?

Lanny: It comes from the fact that what happens is Wal-Mart is very automated and what'll happen is you might not be automated. They ask you for

different documentation that you're supposed to have and you didn't supply that documentation...

Michael: And that's what holds everything up.

Lanny: Yes, it holds everything up.

Michael: Because you haven't followed directions as a vendor.

Lanny: For instance, EDI, electronic data interchange, all orders at Wal-Mart are pretty much EDI orders. They're transferred electronically back and forth.

Michael: Tell me what that is. Explain it to me in English.

Lanny: EDI is the way that we transmit orders into computer-based and what we do is we take the order and we electronically send that order...it's not an email...it's an electronic format that's readable on the other end and once that order is received, it actually kicks into motion a series of things.

Michael: Let's say your brand gets a purchase order from Wal-Mart. That's the order you're talking about?

Lanny: Yes, it'll be electronically transmitted to me.

Michael: Are you given a website as a vendor to go in to get those orders?

Lanny: Actually the larger companies don't have websites because the computers talk directly with each other.

Michael: Do you have to have a special computer?

Lanny: No. There are companies out there that can help and enable you in EDI technology.

Michael: Can you help someone with that in your consulting on how to get that all set up?

Lanny: Oh, yes, without a doubt. We point out those companies. I've done some of that type of stuff in the past, as well.

Michael: So, this is no big deal. You first got to get your order and you'd better make sure when a P.O. comes in...they're not going to call you and fax it to you.

Lanny: No, it will be sent to you in some format electronically and you will respond back to them in some format electronically.

Michael: All right. Right now, you've received the order.

Lanny: Yes, through EDI all that is automated, processed, and takes care of it. There are companies who are go betweeners that help you become EDI. So, it's not peer-to-peer. You EDI to a hub and that hub to that company and that company EDIs whoever you need to EDI for. It's electronic and there are companies out there that will help you.

Wal-Mart believes in float.

Michael: What is float?

Lanny: It's a really interesting concept. Years ago there was a story and I don't know if this story is true or not, Michael, but I'm going to assume it was true. Years ago there was a story about Pampers, if I'm not mistaken and about how Wal-Mart was taking a loss on Pamper, yet making money on Pampers. What they were doing is they were selling them below cost, yet they were making money on the Pampers. And everyone was saying well wait a minute, how can you sell something at cost, yet make money on it. Well, what Wal-Mart was doing is they were turning the Pampers so fast that they were floating the cash and they were making money on the interest. They didn't even have to pay the bill. And that's that whole concept about cash flow, the fast nickel and the slow dime, and that type of stuff. Just like Wal-Mart when they make a few pennies. One company might make 10-cents on something, Wal-Mart might make only one penny on it. But Wal-Mart makes 100 times what that other company sells in a short timeframe.

Michael: So, isn't that why they would really want to take as long as they can to pay you?

Lanny: No, not necessarily because when we're talking turning, 30 days in a supermarket, that's a lifetime. You could turn a product ten times in those 30 days.

Michael: Would you think your 30 days because you're a tortilla compared to a plastic manufactured product, do you think it maybe different with the different categories?

Lanny: Yes, I think so.

Michael: So, in your category, 30 days is okay. But you say there maybe some categories where a manufacturer can expect to wait 90 days to six months.

Lanny: Again, you stipulate your requirements up front.

Michael: And if they don't like it, they'll tell you.

Lanny: Yes, if they don't like it, they'll tell you and you don't have to do business with them if you don't like what they tell you. And that's what I tell a lot of people, too, when they talk to me. I'm like, look, the company has their policies and their policy is what it is, but by and large, I've never heard of any one not being dealt fairly when it comes to getting paid. I just never heard of it and I've been up there for a number of years. I've never seen anyone walking away from the home office grumbling. I've never been to a meeting where a bunch of people came out against Wal-Mart. The bottom line is when you get Wal-Mart, you've got one of the best partners in the industry that you could have.

Michael: I think the media has really done a number on them and painted them as the big, bad big brother.

Lanny: Well, they've done a terrible job with Wal-Mart and beat them up pretty badly. And the bottom line here, Michael, is that I am a consumer and I have children and I have a family. And what's interesting is we had this conversation the other night at the kitchen table, me and a bunch of us...sisters and brothers, and in-laws, whatever...we were talking about Wal-Mart.

Michael: They save the American family money. That's my position, too.

Lanny: Money that we can spend elsewhere or money that we can choose to save. But the bottom line is they save us money.

Michael: We don't have to shop there. You want to go spend more money, go somewhere else.

Lanny: If you go to Kroger or Albertson's without their loyalty card, you're going to take a killing. I don't need a loyalty card at Wal-Mart. I just go and shop and I save money every day. I saw an interesting article a couple of days ago in the Business Journal...every city has their Business Journal...I was reading the Business Journal for the city I live in now and I saw an article about gas stations. And the way the reporter wrote the article was kind of slanted because he said a lot of these Kroger and Giant Eagle and all these guys, they have these incentive programs where if you buy a certain amount of groceries from them, you get a discount on the gas that they sell. And he said but Wal-Mart doesn't discount their gas for their customers. I said that's not true. Wal-Mart discounts their gas for everybody. They offer discounted gas. You don't necessarily have to be a Wal-Mart customer, but it's at a discounted price. So, I don't have to have a card to buy gas from Wal-Mart and receive a discount.

Michael: Wal-Mart is one company. Have you had experience in other mass retailers and are seeing similar or are there a lot of differences?

Lanny: Well, there are a lot of differences. I've dealt with Target at one point in my life. I've dealt with Costco and a few other ones out there.

Michael: What other large chains would you tell a international manufacturer, may be importer, to definitely look at if they don't have success with Wal-Mart?

Lanny: I would tell them to look at all of them; even look at Kroger, Albertson's, Safeway. Look at those guys, as well. If you're going to see a product, you might as well sell it to everybody or try because a lot of times what Wal-Mart will require is that you have a track record. Well, what do you mean a track record? And it's like well I don't have a track record. But it's always easy to sell your product if you have a track record than if you don't. So, you might get picked up by one of these guys. And again, it's kind of a double-edged sword, too, because you might go in to see Safeway and they say does Wal-Mart have it and you say well no. And they say well I don't know why we want to carry it. Or they might say does Wal-Mart have it and you say yes. They say, well we don't want to carry something Wal-Mart carries. We're trying to differentiate ourselves from them or they'll run us out of business.

Michael: Let's say Wal-Mart places an order for your widget. It goes in and those sales records are meticulously kept...they're shared by other large retailers. So, Costco may see a hot item in Wal-Mart. Can't they subscribe to that data?

Lanny: Wal-Mart doesn't release their data to any syndicated data services. You're talking about Nielson data or ROI data, information resources data, which tells how a product is selling in a particular market or chain.

Michael: Right. So, Wal-Mart isn't involved with that?

Lanny: Wal-Mart doesn't release their data like that, no. Now, you can release your internal data anyway you want and say I'm selling this product and I do have it available at Wal-Mart. Here's the growth of this product. Not necessarily at Wal-Mart, but here's the growth of this product. That's fine.

Michael: I'm saying for the guy who doesn't have a track record. So, let's say I get it into Kroger's who uses IRI data and we have a lot of success in Kroger's. There are other companies who subscribe to that IRI data because all these other buyers are looking for hot products. Aren't they reviewing IRI data?

Lanny: Yes. There's a report in the category management called an items not carried report. And what that does is that looks at the items that are in the market and compares them with the items that you carry. And then what it does,

it takes out the items that you don't carry and says okay here are these items. And then what it does, it kind of puts a predictive model together saying if you carried this item this is the type of sales that you could expect. And so, if it was a track that they look at and say well yes we should probably carry that item and they'd bring that item into distribution. So, that's when you're looking at the IRI data and you get a track record and, yes, the retailers are saying that.

Let me explain one quick area, also, just to help you out with items. If you have an item that's environmentally friendly, run, do not walk, to Wal-Mart.

Michael: Tell me why.

Lanny: Environmental sustainability is what they like to call it, but really what it means is that we need to be good stewards of this earth. There are going to be 8 billion people on the face of this earth pretty darn quickly and all this stuff has to go somewhere. So, Wal-Mart is looking at items that are made from recycled papers. They're looking at items where the packaging has been reduced. They're looking at items that are made from organic cotton. They're looking at items that are printed with non-toxic inks. They're looking for items that are biodegradable, compostable; all those types of things they're looking for because environmental sustainability is a huge, huge push for Wal-Mart right now. They're looking at items that have been made with renewable fuels.

Michael: They have a responsibility. They want to do better for the world, right.

Lanny: Exactly. And also, with that in mind, for instance, Wal-Mart is replacing light bulbs in their stores and they're saving millions of dollars by doing it. And when they replace it, they're going from like a regular tungsten type of light bulb to a fluorescent type, for instance. When they look at that and they say here's our annual electricity saving...they'll say that...but they take it a step further, Michael. They'll say here's how much coal we didn't have to use, so we saved the environment from crap being spit into the environment. They take it all the way back to the manufacturer. So, what I tell folks is look, if you've got an item that's eco-friendly, run, do not walk, to Wal-Mart. If you've got an item that's got better packaging in recycled paper or whatever, just run, don't walk, to Wal-Mart. That is one of the easiest ways right now I think you can get into Wal-Mart is with an item that you can put on the grocery shelf that still has a clear benefit, a clear point of differentiation than the rest of the items on the shelf. But also, it has a benefit to the environment.

Michael: That's a great strategy, too.

Lanny: It's a huge strategy. I wish I could slap people right now and say hey guys here's a great opportunity, buy also make it affordable.

Michael: Well, here's an idea, the idea about going into category, looking on the shelves, looking what's there and trying to do something better. You could look at existing commodity type products and repackage it environmentally friendly and take over the product.

Lanny: Right, you could do that or you can also approach some of the companies that are in there and say look, I can show you how to print your packaging in non-toxic inks. Wal-Mart creates opportunities for everybody. Also, Michael, there's a program Wal-Mart has that's just not for if you want to be a supplier of an item for resale. You can be a supplier for Wal-Mart for an item for Wal-Mart to consume.

Michael: Tell me more about that.

Lanny: That means Wal-Mart buys paper towels every day to use themselves. Wal-Mart buys cleaning items to use themselves. Now, remember, you're coming in the door with an eco-friendly cleaning item that you can use to clean all the Wal-Mart stores or a new light bulb. Do you know what I mean?

Michael: Yes.

Lanny: You could sell that item directly to Wal-Mart, not for resale, but for being one of their suppliers for the stuff that they consume themselves. So, that's another way to get into Wal-Mart, too.

Michael: You're going to be putting on seminars and you're going to help importers and you're going to help manufacturers have a better chance and a higher probability of getting their product successfully into Wal-Mart. You've got over 15 years of experience. What are we going to learn in your seminars if we were to hire you or to look for more information on this other than what we've talked about today? Have we just touched the surface today?

Lanny: You've just touched the surface. How can we help them? What we do is we help you get prepared for that ultimate goal, the meet in front of Wal-Mart. Wal-Mart has a very well ordered published process out there. Anyone can go to www.walmartstores.com and right there it tells you how to become a Wal-Mart supplier and I really wish it was that easy. So, what we do is we take that piece and we take it three steps further. So, we say, here's the process to becoming a Wal-Mart supplier. We'll help you with the published process. That's meaning here's how you get your proposition together, here's how you get all this information together for this proposal. We then take you to the non-published process. There are other ways to get in touch with buyers. There are other things that you need to do. I'll walk you through how to go to a store and how to identify a need. How do you know if you have a right product? I'll walk you through how do you obtain a D&B. How do you obtain a UPC? How do you become a minority certified business?

Michael: Tell me about that?

Lanny: Wal-Mart has criteria for everybody. Now, if you're a woman owned business or if you're a minority business enterprise, and you still fulfill the same criteria that everybody else does in terms of having the wherewithal and the manufacturing capabilities and so forth, Wal-Mart is going to take a very positive view of helping you out. They really do help out minority owned businesses. Now, again, all they do is they put everybody on an equal level playing field. And what they say is look I've got an item over here that's an excellent item that's being made by a company XYZ. I've got the same item over here that's going to be made by this minority business enterprise. It's an excellent item. It offers the same benefits to my customer. Wal-Mart is going to look towards helping the minority business enterprise out and get up and get going. It's the same product or maybe even better. And so, that can help you get in. So, if you're a certified minority business enterprise or if you're a certified women's business enterprise...and what I mean by certified, you've got to get certified. And we'll show you how to become certified by walking you through the certification process...and again, it's a difficult process, as well, because the WBENC, that's the Women's Business Enterprise Council, they're good partners of many corporations in the United States, so they're going to have tough criteria for you to become certified. They're just not going to give their certification to anybody. And that's the same with the minority business enterprise, DNB, they're going to make sure that you live up to that certification process, so they're not going to give it away, as well. So, we walk you through that process. We walk you through the backend process; things like understanding Bentonville, understanding the Wal-Mart culture, what does the 10-foot rule mean.

Michael: What is the 10-foot rule?

Lanny: The 10-foot rule means whenever a customer gets within 10-foot of any associate, the associate is supposed to smile and greet them...Sam's rules of merchandising. There are all different things that are out there that come to play and we help you with those things. And additionally, what we do is we help you try different strategies. For instance, the process of Wal-Mart says take all this information and then you go online and you fill out this thing, submit it, and then if this organization believes you should be here, they'll turn your name over to a buyer. That's the way it works. Well, what I do is I get my proposition together and I get on the phone and find out who my buyer is and I call the buyer. I call him direct and I say I've got blah, blah, blah, blah, and I was referred to you by blah, blah, blah, blah. I help you with all of that. And if a buyer wants something, the buyer will bring you in and then what happens is then instead of you having to wait for this committee that gets your proposal...I think it's called supplier development. They're waiting for supplier development to send the paperwork over, they already have the paperwork and they send information to supplier development and say we're dealing with these people here.

Michael: So, you're going to give me step-by-step, you're going to hold my hand, you're going to give me the support, you're going to give me the tools, you're going to give me the resources to show me how to get my product in.

Lanny: The only thing I'm not going to be able to do is take you to Bentonville and make that presentation for you. I'll even help you prepare the presentation, but I'm not going to go to Bentonville and I'm not going to make that presentation for you. There are companies that will do that for you and they'll do it for a fee.

Here's my thing on this whole fee base thing. There are companies out there that charge as much as 5% of gross sales for X amount of years to get your product into Wal-Mart and help represent you. I see people do this and sometimes they're successful and sometimes they're not. If they're not successful, the company obviously doesn't get anything, which is fair obviously. But if they are successful, the company gets 5% of their gross. While they give 5% of their gross away, they can't buy any other support services that they need. For instance, say you're a food company and you get your product into Wal-Mart. Somebody needs to be able to touch that product for you, so you need some kind of a representation in the store. There are brokerage firms that represent you and they charge 2, 3, 4% to do that. You need to spend that money into those companies that will help you with that product in the store, paying that 2, 3, 4% there and you've already spent it up front trying to get into Wal-Mart. My thing is, if you've got a sound proposition, you've done a tremendous amount of homework, I think ultimately you're going to be successful in getting in the door at Wal-Mart.

Michael: So, are you saying beware, there are a lot of wolves out there trying to take advantage of people who have the dream of getting their product into Wal-Mart?

Lanny: That's true of anything, and I don't know if I want to call them wolves and I don't know if I want to say they're taking advantage. I just think if I were doing it, I would not use the company to help me get into Wal-Mart that's going to charge me a percent of my gross sales. I don't understand that. I would latch onto a brokerage company or sales and marketing agency that can help my product sell every day at a store level. And that's how I would divest my funds. So, what we do is we take a flat fee up front and then you're done with us. That's what we do. I mean that's just our business model and I think it's fair.

Michael: So, Lanny, if someone wants to talk to you about getting their product into Wal-Mart and to kind of look at some of the services you offer, how can they get in touch with by phone?

Lanny: They can reach me at (360) 525-0208.

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Michael: (360) 525-0208.

Lanny: That's correct.

[End]