

WALMART RISING

THE **TRANSFORMATION** UNDER WAY AT **WALMART** THE PAST **TWO YEARS** IS YIELDING **RESULTS** AND HAS THE RETAILER'S U.S. BUSINESS ON TRACK TO TOP SALES OF **\$300 BILLION**. > By **Mike Troy**

Two huge deals since early June have shown how serious Walmart is about e-commerce.

First, Walmart formed a strategic alliance with China's largest e-commerce retailer, JD.com, giving it a 5 percent stake in the company and the ability to leverage JD.com's Amazon-like distribution infrastructure to sell goods in new ways to more Chinese consumers. More recently, Walmart acquired e-commerce innovator Jet.com in a deal valued at \$3.3 billion that also gives it the ability to reach more customers in new ways. Prior to these deals, Walmart had acquired more than a dozen smaller companies in Silicon Valley to gain talent and technology.

Acquisitions in the digital world garner lots of attention, but the story of how Walmart positioned its U.S. business for renewed growth in sales and customer traffic is not easily condensed to a headline. It begins with a simple philosophy.

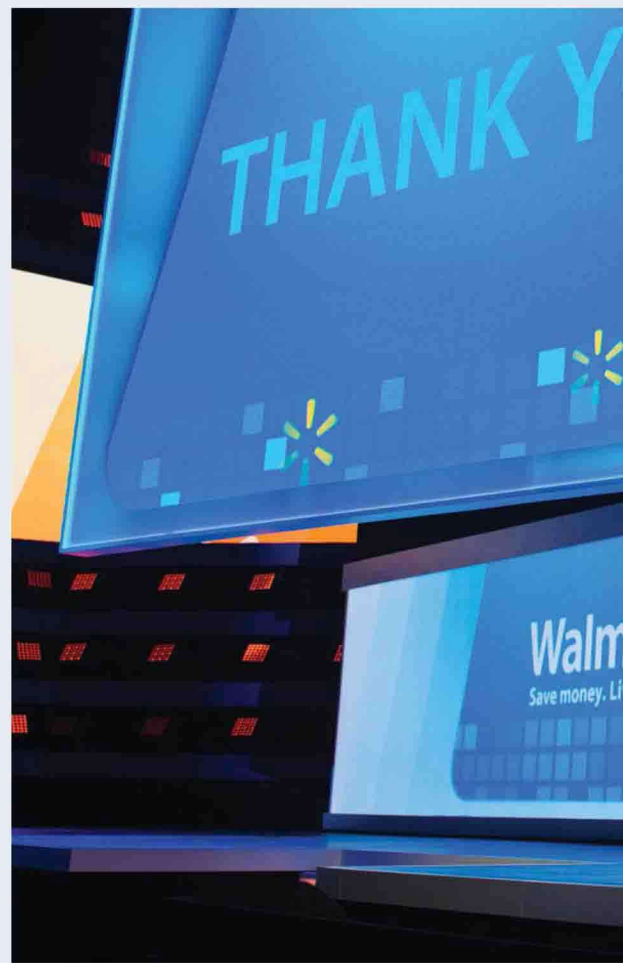
"We want to be the very first place customers think of when they want to save money and time," says Walmart U.S. President and CEO Greg Foran. "We've got a plan to win and it is pretty simple: win with stores, make sure that we deliver value, make sure we are great merchants and make sure we provide convenience."

If that sounds like a simplistic plan, it's because Foran is a believer in simplicity and an adherent to Walmart's long-standing approach to retail and putting employees in stores in a position to win.

"The plan is built on a pretty simple principle

I refer to internally as the Walmart wheel. We drive sales, we buy better, we take those savings and we lower our prices, we leverage our costs and we sell more units," Foran said recently during a rare public speaking appearance at the Grocery Manufacturers Association's Executive Forum.

➤ Walmart U.S. CEO Greg Foran, shown here addressing shareholders, believes in the "Walmart wheel": Drive sales, buy better, lower prices and sell more.



PRODUCTIVITY LOOP

The formula, also known as the productivity loop, is one of Walmart's foundational principles. However, over time, various executives in key leadership roles have pursued different approaches to its implementation. Foran is something of a purist who received an education in the nuance of Walmart's business model from longtime Walmart executive Jack Shewmaker. A New Zealand native, most of Foran's retail career was spent in various roles with the Woolworths chain in Australia, where Shewmaker, now deceased, had spent time as a consultant. At one point, Foran led Woolworths' supermarket business, which dominated the market. His skills were well known to Walmart, thanks to Shewmaker's insights and those of former Woolworths CEO Roger Corbett, who had served on the Walmart board for 10 years until stepping down this past June.

Foran began working his way into his current role by joining Walmart in Asia in October 2011 while current Walmart president and CEO Doug McMillon was leading the retailer's international division. Foran was soon named president and CEO of Walmart China in March 2012, and in early 2014 he was named president and CEO of Walmart Asia. Around the same time, McMillon was assuming the top job at Walmart. That move precipitated the departure of former Walmart U.S. president and CEO Bill Simon, a hole which McMillon quickly filled with Foran, an executive who was relatively unknown in the U.S.

Foran assumed his current role on Aug. 9, 2014, and within weeks he was standing in front of thousands of Walmart store managers at a meeting in Denver to share his philosophy. That's where the origins of the four-point plan Walmart is pursuing took root. Foran asked for input from the store managers and received 3,000 e-mails, which he says he responded to personally. Those e-mails were the beginning of creating strategies, developing goals and establishing performance metrics to make the store experience clean, fast and friendly.

RETAIL IS DETAIL

"Fixing the stores," as Foran describes it, is a massive undertaking, and much of the work isn't visible. For example, the company has re-engineered supply chain processes to change how inventory flows from trucks at store loading docks directly to the sales floor. This eliminates multiple touches by employees and the potential for merchandise to disappear in back rooms, which are less crowded now because overstock sits on risers atop gondolas. The goal was to improve in-stocks and disappoint fewer customers. Operations were further simplified by being more disciplined about the use of feature displays and the frequency of price promotions, which add complexity to supply chains.

Merchandising in the fresh foods department, an area Foran is passionate about because it builds customer





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—STEVE BRATSPIES,
Chief Merchandising Officer

of the U.S. population—as a competitive advantage.

“As I think about the plan we are working on, it is never about e-commerce versus stores, or vice versa. It is about both,” Foran says. “We have a unique opportunity to pull this off because of our footprint, which is a great asset, but it is hard and complex to leverage it. I like the fact that it is hard because it means it is also very difficult for someone to copy.”

Early on in Walmart’s e-commerce journey, the company was among the first to offer buy online, pick up *in* store. Foran said the company was atrocious at it because employees weren’t trained, didn’t have tools, and cluttered backrooms meant a package that had arrived for pickup could get lost. Some of those issues have been addressed as inventory levels have come down, but Foran concedes more work needs to be done.

While *in*-store efforts are being addressed, Walmart is busy with the pick-up-*at*-store piece. The grocery pickup

trust and traffic, underwent major changes in terms of fixtures, presentation, promotional efforts and employee training. Store and department managers were also given modern technology to do their jobs.

“If a customer comes in store and we are out of stock and they ask a question and associate has no idea how to answer because they don’t have the tools or because Wi-Fi doesn’t work in part of the store, that is frustrating,” Foran says. “You’ve got to give people a chance to win, and when you do, it is really exciting to see what they can do.”

OMNICHANNEL GAINS MOMENTUM

Walmart employees will be serving customers in new ways in the future, as Walmart presses forward with its efforts to deliver CEO McMillon’s big goal of “being the first to deliver a seamless experience at scale.” The company continues to view its huge footprint of stores—more than 4,600 of them, located near 90 percent

service Walmart has been experimenting with for several years is now in rollout mode and present in more than 50 markets, attracting new customers and achieving an average transaction size of \$120. The service is a means to fulfill shoppers’ omnichannel expectations, and to make it work, Walmart has refined the process and dedicated employees to picking and packing grocery orders.

“We have a high-end picking system in stores and special carts associates use to go through aisles on an optimized pick path,” says Brent Beabout, Walmart’s senior vice president of e-commerce supply chain, also a speaker at the GMA Executive Forum. “Orders are processed in the back of the store in little modules, and we are getting better at it by the day.”

CUSTOMER COMING

Geo-fencing technology lets Walmart see a pick-up customer when she pulls onto the parking lot, which alerts an employee to retrieve an order. Walmart guarantees orders will be ready in five minutes, but Beabout says the company has it down to about three and a half minutes.

“For us to deliver seamless shopping, we have to be relentless about continuous improvement. We also have to simplify our entire operation,” Foran says.

Walmart’s approach to omnichannel lines up well with an evolving view of its mission to save people money so they can live better.

“What ‘live better’ means seems to morph and change a bit over time,” Walmart chief marketing officer Tony Rogers explained in June at a retail conference in Northwest Arkansas.

A decade ago prior to the recession, delivering on the “live better” aspect of its brand promise meant satisfying the needs of shoppers who were looking to trade up to high quality products. When the recession hit, “live better” meant delivering great value as consumers’ belts tightened. Today, value still matters, but time has entered the equation.

“The need to save to save time now equals the need to save money,” Rogers says.

With an improving range of omnichannel capabilities, Walmart’s brand has gained a whole new dimension, because customers are looking for a retailer who can be there for them in all their need states.

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“Whether shop in-store, pick up or home delivery, customers are expecting us to be able to do all three of those things.”

—TONY ROGERS, Chief Marketing Officer



to do all three of those things. Pickup is going to be a huge push for us as we get into holiday. Look for a lot more communication from Walmart around the omnichannel store experience,” Rogers says.

The experience *in* the store needs to be clean, fast and



at the same event as Rogers, emphasized that “the box is strong,” and offering entertaining experiences is a priority for merchandising.

friendly, as Foran noted, but it must also be compelling and entertaining. Walmart’s chief merchandising officer Steve Bratspies, speaking

at the same event as Rogers, emphasized that “the box is strong,” and offering entertaining experiences is a priority for merchandising. “We are going to get serious about this,” Bratspies says, noting that Walmart created a Retailtainment Steering Committee comprised of key executives from different departments to guide its efforts.

“More customers are coming to our stores than they ever have before,” Bratspies says. “E-commerce is growing and is critical, but retail is still a human-relations business. People want to see things, touch things and interact with other human beings. They want to be able to assess quality and compare items in real time.”

And because Walmart is dependent upon suppliers for product innovation, he closed his remarks with an appeal: “We need to experiment, invest and take some risks. Bring us your stretch ideas. You might be surprised what we are willing to sign up for.”

VOICES IN HIS HEAD

Walk into a Walmart anywhere in the U.S. and it’s not hard to find examples of areas where the company has an opportunity to improve, something Foran readily concedes. However, he’s also quick to note that progress has been made, as evidenced by favorable sales and traffic trends, higher survey scores from customers, happier employees and some bold e-commerce moves. Momentum is building, and if further improvement in sales and traffic is forthcoming, Walmart is poised to leverage the sizable investments made in technology and wages that were necessary to jumpstart the Foran-led transformation.

In the meantime, Foran continues to be driven by thoughts of, “Are you good enough?” Because retail changes constantly and competitors are always gunning for Walmart’s market share, “there isn’t a day or week that goes by that I’m not disappointed that we are not doing better.” **RL**