

Riger

ADVERTISING



What Can a Little Guy Do Against Wal-Mart?

Riger Staff

Please pass this article along to all who might find it of value:

This article was downloaded from www.riger.com. For more free articles on advertising and marketing, visit the "knowledge base" at www.riger.com.

To receive the Riger Update newsletter, subscribe using the "request info" page at www.riger.com.

Ask us. We're listening.

If you compete in your business category with any of the "big-box" stores, or if you are unfortunate enough to have Wal-Mart cast its eyes on your potato patch, it would be understandable if you began to read the Help Wanted ads. But you could also learn from the lessons of other merchants who have found ways to survive the onslaught of the super-retailers — and even prosper. Here are some tips:

- **Re-learn your trading area**

What are the big-box guys selling? What aren't they selling? What are they good at? And where are they vulnerable? What are the demographics of your trading area? And how do you tune your business to them? Who are the really good smaller merchants in the community? What makes them successful?

- **Find a niche**

Legendary baseball player Wee Willie Keeler once said, "Hit 'em where they ain't." It's equally good advice for retailers. You have to differentiate your business and your offerings from the next guy's. And that's even more critical when competing against the super-retailers.

- **After you find your niche, promote that niche**

- **Pricing strategy**

Some retailers find they don't necessarily have to beat Wal-Mart's price. But they have to be near it. And then these little guys who get near Wal-Mart's price let their other pluses (those points of differentiation) work to make them competitive. More on this in a moment.

Wal-Mart targets its sales promotions on 850 products that rank high in regard to consumer price awareness. But it increases its margins on items that are less price-sensitive.

"What you have to do is just be competitive, be around their prices, on the items that they view as their target items," says Larry Strange, owner of North Pocono Building Products, Moscow, PA. "You have to do what they do on those other items. It adds up to a formula of profitability: very low margins on mainstream items and higher margins on other items."

Remember, too, Wal-Mart does not hang its hat on low price alone. They talk up their people, they

continued...

A marketing communications company

53 Chenango St. • PO Box 1623 • Binghamton, NY 13902 607.723.7441 • Fax 607.723.7623 • www.riger.com

Since 1950 • Member American Association of Advertising Agencies

even have a fashion message aimed at teens, they talk about giving back to the communities in which they do business.

One other thing to remember. For just about everyone else besides behemoth Wal-Mart, "Price is a short-term strategy," observes Jim Hagale, president of BassPro's, a 22-store sporting goods retail chain. (For more from Hagale, a true commando when it comes to differentiating from his competitors, go to ["The In-Store Experience: Killer Opportunity for Competitive Advantage"](#) on our Web site.)

- **Sourcing strategy**

You can't match the big boys' buying power. But can you work with your distributors, your wholesalers and others in the supply chain to gain an edge? Some improvements may be possible in selection, quality and availability, for example. Have your suppliers done all they can for you in terms of discounts, samples and promotional helps? Can you harness the supplier's knowledge base on behalf of your customers?



- **Add value where you can**

If you sell something, can you also deliver, install, service it (or store it), accessorize it, or find some other way to add value to that purchase by your customer? Can you provide special order capability? What about seminars and workshops?

"Nowadays so many of us are looking for expertise," says Kenneth E. Stone, professor of economics at Iowa State University. If you can position yourself as an expert in your business category, and get that expertise out in front of your clientele, you can make a niche for yourself, he explains.

Yes, some big box stores use their marketing dollars to sponsor know-how shows on TV, but their walk often fails to match their talk when you get to the store and the store personnel are unable to pick up where the know-how show leaves off.

- **Improve the in-store experience for your customer**

The Wal-Mart in-store experience is well known to us all. And it is not hard to imagine ways in which it can be improved upon by you in your own store environment. (Also see ["The In-Store Experience: Killer Opportunity for Competitive Advantage"](#) on our Web site.)

- **"Go the extra mile": customer service**

This is not a silver bullet, exactly. But darn close to it. "Customer service is really what it comes down to," says Stone. "Unfortunately, most of our smaller merchants have let their service degenerate to the place where it's really not that much different than what you find at the big box stores." Training employees, providing individual attention and researching information for the customer

shows your willingness to go the extra mile for the customer, he notes. "You've got to be willing to work at it. It's getting back to the basics of doing good business in the way you treat customers, the way you handle returns, etc." Knowledge and expertise that you share with your customer are part of what you are selling, not just the product itself.

(Also see ["Customer Service: Building Bridges Instead of Walls."](#) on our Web site.)

- **What about the old "Buy local" slogan?**

Sometimes your customer will do business with you, and not the big outfit, because you're the

continued...

“hometown” guy. Yes, sometimes “local” works as a differentiator. But don’t bank on it. Today’s consumers are less and less loyal all the time, and more and more bargain-conscious all the time. And, while we’re at it, more and more cynical all the time, too. Besides, in the Internet Age, what does “local” really mean or matter, after all?

What’s more, the big box stores will argue that they are “local,” too. They employ local people, pay local taxes, procure some of their goods and services from the local economy. So, again, if you want to make “local” part of your differentiator, just remember it’s frosting. But not cake. Better worry about the cake first. And add frosting later.

- **Use the big box as a magnet (can that be right?)**

Sounds like a contradiction at first. But some smaller retailers find a way to work off the “gravitational field” of a big box store. Francis Duncan, who operates a farm and home store in Hiawatha, KN, does just that.

“Wal-Mart draws traffic,” notes Duncan. “A lot of guys drop their wives off there and then come over here.”

A WOW Only 1 Dollar store in the same Kansas town follows suit.

“We looked for a county seat with a Wal-Mart because we get a lot of the same customers,” said store manager Heather Hoffman. “I don’t know if we can out-Wal-Mart them, but we do try to give them a little bit of a run.”

- **Convert the big box store into a customer (can that be right?)**

Mike Trotter, owner of K-Nic Corporation in Moscow, PA, a window installation company, hopes to align himself with Wal-Mart, offering his installation talent to Wal-Mart customers who buy

their windows there but perhaps overestimate their own do-it-yourself expertise. Meanwhile, as Trotter still sells windows himself, he concentrates on the personalized service at which many of the big boxes are not as good.

- **Get a meeting of the minds**

When it was learned that Wal-Mart would be putting a store into Oneonta, NY in 1995, the then new Otsego County Chamber of Commerce executive director, Rob Robinson arranged a meeting between Wal-Mart’s regional manager and a group of local merchants. The purpose of the huddle was to identify things Wal-Mart would not be selling in that community. Turned out there were at least three categories of goods and services: 1) bicycle repair, 2) consumer electronics product repair, 3) specialty foods. Oneonta has businesses to this day doing well in these same categories, among others.

- **Do you have a Web site? (And is it ready for battle?)**

Some “brick-and-mortar” merchants view the Web as competition. But, note how the big box boys go both ways, brick and Web (“brick-and-click”). Most businesses find that these two types of distribution tend to complement one another rather than cannibalize one another. Better still, a Web presence has a tendency to create a perception that a small business is larger than it actually is. Some merchants consider their Web sites as the great “equalizer.”

A true e-commerce site (one where your customer actually transacts with you) can be a chore for the small businessperson to build, fund and staff. But there are some off-the-shelf solutions which bear checking out. And there is always an informational site (as opposed to a transactional site) that can really support just about any brick-and-mortar business.

continued...

- **Learn from the big guys**

Steve Smith, a pharmacist in Hiawatha, KN for 34 years, built a corner drug store in 1984, about the time Wal-Mart opened its pharmacy in his town. "Wal-Mart made me a better businessman. You look at ways to compete," says Smith.

Like Lt. Gen. George S. Patton said, with his armored division gaining the upper hand in a

decisive battle in the North African desert) as if to address his rival, German Field Marshall Erwin Rommel, through binoculars from thousands of yards away: "I read your book, you magnificent bastard!"

Compiled from "Surviving Wal-Mart" in the Syracuse Post-Standard, and "To Beat the Big Box" in North-east Pennsylvania Business Journal.