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Managers with Wal-Mart Stores are never completely comfortable even as they sit firmly atop the retail world with nearly a half trillion in annual sales. It's an over-the-shoulder discomfort that causes company officials each day to keep tabs on Amazon, Dollar General and a long list of existing and emerging retail threats.

Eight divisional Walmart merchandising managers spoke candidly Wednesday (Oct. 30) to a group of 300 retail and supplier executives about what and who keeps them up at night. The discussion was part of the 13th Annual Retail Conference at the University of Arkansas.

The conference theme was "innovative joint business planning with Wal-Mart," but during a question and answer session with the audience, the high-ranking merchandising managers shared their insights on product innovations, competitive fears, product exclusivity, and what they are learning from the millennial generation.

UNCERTAINTY AND INNOVATION

A common thread of the daylong conference was uncertainty surrounding the consumer. Overall economic growth is expected to be sluggish for the next two years behind lackluster employment numbers and stagnant personal income, according to Kathy Deck, director for the UA Center for Business and Economic Research.

Wal-Mart has said it's tougher to grow topline sales with no real inflation and like most businesses in the country it's concerned about over-regulation and squeamish consumers who are more careful in how they spend their dollars.

The one thing that can trump uncertainty is innovation, according to Kevin Pate, a district merchandising manager (DMM) of consumer electronics at Walmart U.S. He encouraged suppliers to bring their product innovations to the table with as much as a 24-month lead time, but admitted that such a lead time might be too long in the fast-moving electronic category.

Tony Airoso, DMM of dairy for Walmart U.S., said the biggest innovation his department has seen in the past two years is the rise of Greek yogurt. He said consumers want a high protein

natural product with less fat and Greek yogurt filled that bill.

Yogurt was a category in trouble just two years ago, when it began to rise in popularity by consumer demand. Experts report that America's love affair with Greek yogurt reached a fever pitch in 2013 with \$1.5 billion in sales. Restaurant.com reports Greek yogurt sales are 50% higher than at this time last year and represent more than one-third of all yogurt sold in the U.S. By comparison, in 2007 Greek yogurt accounted for only 1% of the total yogurt market

Heather Mayo, vice president of grocery for Sam's Club, said two the largest product launches they did last year was Olive Garden salad dressing, an exclusive deal for Sam's and then Wal-Mart.

She said Sam's had a good feeling about the product launch when they saw there was 1.8 million hits to Google for the recipe by social media users. Red Lobster's cheddar biscuits were another exclusive launch that continues to do well.

As a group, the eight merchandisers said they don't regularly look for exclusive deals, because they feel Wal-Mart performs better when other retailers have the product because Wal-Mart can compete on price.

"When we are the only one that has a product for any length of time, we strip away our ability to compete on price," said Al Dominguez, DMM of household paper goods and chemicals for Walmart U.S.

COMPETITIVE FEARS

The team was asked to assess their competition in terms of who scare them most. The answers ranged from Kroger in dairy and fresh, Dollar General in candy and tobacco and Amazon in electronics.

While Dominguez said the group wasn't shaking in their boots, they did take their competition seriously. He also said the competition isn't just one or two companies but a growing list of retailers large and small, brick and mortar and e-commerce.

Airoso said Kroger is always on his radar.

"I like the way the present their merchandise, they are going a great job in fresh and they are running fast. We have to run faster," he said.

Pate said his son was shopping online for a computer and found what he wanted at Amazon.

"You know who I work for right?" Pate said he asked of his son. "So I called out to California and found out we do offer a similar product at Walmart.com. We didn't have the same product, we had a better one, but he never thought to look there because he didn't believe Walmart.com would have that high of quality."

He said there is still plenty of work to do getting millennials to trust Wal-Mart the way they intrinsically trust Amazon.

ALCOHOL AND TOBACCO

Latriece Watkins, DMM of alcoholic beverages for Walmart U.S., said her competition varies in every market.

"In Mississippi it might be Dollar General, but in other markets it could be local convenience

stores. We work to merchandise our beer, wine and spirits according to the consumer preferences in a given area,” Watkins said.

Scott Huff, senior VP and general merchandising manager for consumables at Walmart U.S., shared a story about a Florida store he visited during spring break. He said the store sells beer and wine and he asked one local shopper who came in to purchase alcohol why he chose Wal-Mart. The store was located across the street from the beach.

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“He told me when he bought his beer with his parent’s credit card the receipt just said Wal-Mart. It wasn’t the answer I expected,” Huff told the group.

Joe Grady, the DMM of candy and impulse merchandising at Walmart U.S., said Dollar General is always on his radar, especially since they began selling tobacco earlier this year. He said tobacco is a huge traffic driver and Dollar General’s smaller format offers more convenience for the consumer.

An area his team is making up some ground is in the electronic cigarettes. Grady said the buyer worked with new suppliers to get a product on the shelves that fetched \$65 million in sales during the first three months it was available.

“This was an innovative product that continues to perform well for us,” Grady said.

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