

EDLP Promoting Our Value Proposition

Facilitator Guide



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Section 1: Program Introduction

Overview of EDLP and Promotions

This book contains information on EDLP and its alignment with Walmart's promotional goals and materials. The purpose of this class is to help guide Walmart Marketing associates in creating promotions that represent our Every Day Low Price (EDLP) strategy. This class will enable participants to understand that the promotions we create need to represent our simple, price-led pricing strategy. Participants will have a comprehensive understanding of EDLP, where it originated and how we attain and maintain it, in order to help our customers to *Save Money and Live Better*.

Using This Guide

What is the purpose of this guide?

This leader guide provides a master reference document to help you prepare for and deliver the **EDLP Promoting Our Value Proposition** program.

What will I find in the guide?

This guide is a comprehensive package that contains:

- The workshop delivery sequence
- Checklists of necessary materials and equipment
- Presentation scripts and key points to cover, and
- Instructions for managing exercises, case studies, and other instructional activities.

This section, “Getting Started,” contains all of the preparation information for the EDLP Promoting our Value Proposition Program, such as learning objectives, pre-work, required materials, and room set-up.

Following this section is the “Training at a Glance” table. This table can serve as your overview reference, showing the module names, timings, and process descriptions for the entire program.

Finally, the program itself is divided into modules, each of which is comprised of one or more lessons. A module is a self-contained portion of the program, usually lasting anywhere from 20 to 90 minutes, while a lesson is a shorter (typically 5-20 minute) topic area. Each module begins with a one-page summary showing the Purpose, Time, Process, and Materials for the module. Use these summary pages to get an overview of the module that follows

Icons used in this guide



Refer to chart



Have participants go to Participant Guide



Play audio



Distribute the following handout



Transition



Show slide



Have participants form a group



Play video



Break

Appendix

This section contains all support materials you will need to conduct this course.

Your Role as a Facilitator

This course is designed to be facilitator friendly. Your role as a facilitator is to facilitate the learning process and guide your participants through the course. You are not expected to be a professional trainer. To ensure success of the Marketing Development Program, we offer these tips and guidelines for facilitating a successful course:

- **Familiarize yourself with the course materials.** This includes any handouts, videos, audio aids, and charts.
- **Explain and prepare the activities effectively.** This will help to ensure fluent learning.
- **Be aware of your participant's body language.** This is a good indicator of restlessness, boredom, or the need for an unofficial stretch break.
- **Take advantage of debriefs.** This is the best time to emphasize the lessons learned.
- **Consider the business link for each activity.** Know how it directly relates to your participant's related job field(s). This will help you to effectively guide their learning experience.
- **Take the time to develop your own personal experiences.** Using the concepts outlined in the course be prepared to offer these ideas as a form of testimonial.
- **Supervise your group's progress and time.** Ensure that the group is staying on task in order to effectively cover all of the course materials within the allotted time.
- **Finish within the time frame.** While having a degree of flexibility is important, be sure to pace each activity or discussion as close to the time frame as possible. This will help to allow enough time for the next activity.

Maximizing the Adult Learning Experience

Successful facilitation begins with understanding your audience and how they receive and process information. The target audience for the Marketing Development Program is the adult learner. Adult learners share certain characteristics. For example they:

- Like to share the duties of learning with the facilitator
- Prefer training material that's realistic and relevant to their job
- Enjoy interacting with other participants as well as the facilitator
- Enjoy sharing their life experiences and will confer with other participants in contrast
- Desire opportunities to experiment and test lessons learned
- Use past experiences and knowledge to filter and process new information

After identifying the characteristics of adult learning, it is important to consider there are three fundamental ways of learning. This includes visual, auditory, and kinesthetic learning. Even though to some degree people use all three forms of learning, most people tend to prefer one mode to another.

Visual learning is a learning method in which information being delivered is associated with images and facilitator techniques. Ways you can engage your visual learners include:

- Use visual themes to refer to key concepts
- Refer to written material when discussing topic points
- Use bold colors, graphs, maps, and illustrations during discussion

Auditory learning is a learning method where the person learns most effectively by audio stimulation. Ways you can engage your auditory learners include:

- Change your tone and pace of speech to annunciate key concepts within your discussion
- When possible, have the class read aloud
- Use clever techniques such as acronyms or poems to remember key concepts

Kinesthetic learning is a learning method in which the person learns most effectively by physical activity. Ways you can engage your kinesthetic learners include:

- Allow them to stand during discussions
- Invite them to volunteer at the front of the room for a class demonstration
- When needed, allow them to help during discussions by writing key concepts on a class whiteboard

Materials Checklist

- Circular
- Facilitator Guide
- Participant Guide
- PowerPoint Slides
- Videos:
 - Jack Shewmaker
- Class Supplies
 - Flipchart Paper
 - Markers
 - Projector
 - DVD player
 - Sticky Notes

Preparing the Classroom Setting

The room should be arranged for table groups of 5-6 participants. It is important all participants have a good view of the projector screen.

This-Course-At-A-Glance Timetable

<i>Welcome</i>		
Introduction	5 minutes	Total: 5 min
<i>Course Introduction</i>		
Facilitator & Participants Introduction	5 minutes	Total: 10 min
<i>Course Introduction</i>		
Learning Objectives	5 minutes	Total: 15 min
<i>Facilitator Discussion</i>		
What is EDLP?	10 minutes	Total: 25 min
<i>Facilitator Discussion</i>		
EDLP Introduction	10 minutes	Total: 35 min
<i>Video</i>		
Jack Shewmaker Video: Birth of EDLP	15 minutes	Total: 50 min
<i>Facilitator Discussion/Video</i>		
David Cheesewright Video: EDLP Learnings	15 minutes	Total: 1hr 5min
<i>Facilitator Discussion</i>		
Robinson Patman Act	10 minutes	Total: 1hr 15min
<i>Facilitator Discussion/Video</i>		
Productivity and Interdependence	15 minutes	Total: 1hr 30min
<i>Facilitator Discussion/Video</i>		
Global Role of Marketing	30 minutes	Total: 2hr
<i>Facilitator Discussion/Video</i>		
Walmart Pricing Principles	15 minutes	Total: 2hr 15min
<i>Facilitator Discussion/Videos</i>		
Walmart Pricing Goals	20 minutes	Total: 2hr 35min
<i>Facilitator Discussion</i>		
Walmart Pricing Levers	15 minutes	Total: 2hr 50 min
<i>Break</i>		
Break	10 minutes	Total: 3hr
<i>Group Activity</i>		
Thanksgiving Circular	20 minutes	Total: 3hr 20min
<i>Facilitator Discussion</i>		
Examples for Discussion	1 hr	Total: 4hr 20min
<i>Wrap Up</i>		
Wrap Up	15 minutes	Total: 4hr 45min

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SECTION 2: PROGRAM INSTRUCTION GUIDE



**EDLP
Promoting Our Value
Proposition**



SLIDE 1

Welcome!

We are here to discuss the **Walmart** EDLP strategy, and how we can utilize EDLP in the development of promotional materials.

Thank you in advance for helping lead the way to improving our EDLP vision and creating promotions that employ that philosophy.

SLIDE 2



Welcome and Opening

Facilitator Discussion

Purpose:

- To enhance participant's knowledge of Walmart's Every Day Low Price strategy
- To help Marketing associates create promotions that follow EDLP



SHOW SLIDE # 1

Facilitator Note:

Show Slide 1 while people enter room.



DISTRIBUTE THE PARTICIPANTS GUIDE

SAY

Here's your Participant Guide. The information in here is for your reference later and we will be using the guide several times during the course .There is also additional information about the topics we will be covering and there is space for you to take notes in your guide.



SHOW SLIDE # 2

Facilitator Note:

Show Slide 2 and be prepared to welcome participants in your own words... giving a BRIEF introduction of yourself. You can include your name, job at Walmart, number of years at Walmart, why you are looking forward to facilitating this class, etc. Ask participants to introduce themselves using the slide.



SHOW SLIDE # 3

HAVE PARTICIPANT'S GO TO PAGE 10 IN THE PARTICIPANTS GUIDE



Agenda

Facilitator Note:

Run through the agenda with the class. Explain that we will be taken several breaks and that the course requires a great deal of discussion, as many of the topics discussed fall into a gray area, with regard to EDLP.

SAY

In this course, we will begin with a discussion of Walmart's EDLP philosophy, how and why we use it at Walmart, and its origins. We will discuss Walmart's pricing principles and goals, and how our EDLP philosophy fits those goals.

We will validate promotional materials as maintaining our EDLP philosophy, and discuss a number of promotional material examples, if they are EDLP, and how they fit into Walmart's promotional strategy.



SHOW SLIDE # 4

Introduction

- Have associates introduce themselves and tell their positions and how long they've been with the company

Learning Objectives

- 1 Define Walmart's EDLP philosophy
- 2 Recognize how Walmart Marketing strategies represent EDLP
- 3 Validate promotional materials for EDLP alignment
- 4 Distinguish when and how to use Walmart pricing principles and levers to message EDLP to our customer

SLIDE 5

6 EDLP: Promoting Our Value Proposition



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SHOW SLIDE # 5



HAVE PARTICIPANT'S GO TO PAGE 10 IN THE PARTICIPANTS GUIDE

Objectives

- Define Walmart's EDLP philosophy
- Recognize how Walmart Marketing strategies represent EDLP
- Validate promotional materials for EDLP alignment
- Distinguish when and how to use Walmart pricing principles and levers to message EDLP to our customer

The Marketing Mix – Five P's



SLIDE 6



SLIDE 7



What is EDLP?

Pricing strategy that promises consumers the lowest available price *without coupon clipping, waiting for discount promotions, or comparison shopping*; also called value pricing. EDLP saves retailers the time and expense of periodic price markdowns, saves manufacturers the cost of distributing and processing coupons, and is believed to generate shopper loyalty. A manufacturer's successful EDLP wholesale pricing strategy may reduce volatility in production and shipping quantities and decrease the number of time-degraded product units that consumers receive. EDLP has been championed by Wal-Mart and Procter & Gamble. In recent years, other marketers have dropped EDLP in favor of more traditional strategies, believing that consumers are more motivated by temporary markdowns and coupon savings. To be successful, EDLP requires **every day low costs** in line with the pricing.

— Answers.com

Everyday low price ("EDLP") is a pricing strategy promising consumers a low price without the need to wait for sale price events or comparison shop. EDLP saves retail stores the effort and expense needed to mark down prices in the store during sale events and to market these events; and is believed to generate shopper loyalty. It was noted in 1994 that the Walmart retail chain in America, which follows an EDLP strategy, would buy "teature advertisements" in newspapers on a monthly basis, while its competitors would advertise 52 weeks per year.

— Wikipedia.org

SLIDE 8



What is EDLP?



SHOW SLIDE #6

HAVE PARTICIPANT'S GO TO PAGE 11 IN THE PARTICIPANTS GUIDE

5 P's Intro

The Marketing Mix is made up of the 5 P's, (actually more, but this is what we will concentrate on), Product, Price, Place, Promotion, and People. In this course, we will be concentrating on the Price aspect of the Marketing Mix, how we maintain the lowest price (the "LP" of EDLP) and how do we communicate that message to our customer.



SHOW SLIDE #7



HAVE PARTICIPANT'S GO TO PAGE 12 IN THE PARTICIPANTS GUIDE

Facilitator Note:

What is EDLP?

Don't answer the questions or try to determine if the responses are correct or incorrect, but note on the flip chart what the responses are. We will revisit these answers after the discussion and video.

SAY

So, what is EDLP? What are some of the attributes of that come to mind?

Allow associates to suggest attributes of EDLP and write down on flip chart.

How does Walmart attain EDLP? Do we just buy products from our supplier cheaper than everyone else? What are some of the main ways Walmart keeps EDLC and EDLP?



SHOW SLIDE #8



HAVE THE PARTICIPANT'S GO TO PAGE 13 IN THE PARTICIPANTS GUIDE

If we were to look up the definition online, what kind of definitions could we find for EDLP? Both definitions shown mention Walmart as the EDLP leader. What other descriptions and results of EDLP are mentioned?

Pricing strategy that promises consumers the lowest available price ***without coupon clipping, waiting for discount promotions, or comparison shopping***; also called value pricing. **EDLP saves retailers the time and expense of periodic price markdowns, saves manufacturers the cost of distributing and processing coupons, and is believed to generate shopper loyalty.** A manufacturer's successful EDLP wholesale pricing

strategy may **reduce volatility in production and shipping quantities and decrease the number of time-degraded product units that consumers receive**. EDLP has been **championed by Walmart** and Procter & Gamble. In recent years, other marketers have dropped EDLP in favor of more traditional strategies, believing that consumers are more motivated by temporary markdowns and coupon savings. To be successful, EDLP requires **every day low costs** in line with the pricing.

-- *Answers.com*

Every Day Low Price ("EDLP") is a pricing strategy promising consumers a **low price without the need to wait for sale price events or comparison shop**. EDLP saves retail stores the **effort and expense needed to mark down prices** in the store during sale events and to market these events; and is believed to **generate shopper loyalty**. It was noted in 1994 that the **Walmart retail chain in America, which follows an EDLP strategy**, would buy "feature advertisements" in newspapers on a monthly basis, while **its competitors would advertise 52 weeks per year**.

-- *Wikipedia.org*

ASK

Why has Walmart chosen EDLP/EDLC as its buying practice?

Do you think customers are more motivated by temporary markdowns and coupon savings? Or as a customer, are you more interested in staying loyal to a retailer that you know always has the overall EDLP on your whole basket?

SAY

Take a few minutes to read the definitions for EDLP in your participant guide, and highlight what you feel are the important aspects of EDLP.

Some examples:

- No need for coupon clipping
- Generates shopper loyalty
- Reduce volatility in production and shipping quantities
- Promises customers EDLP without the need to wait for sales or comparison shop
- Saves retailers effort and expense needed to do markdowns and sales events (and promote them)
- Feature advertisements on a monthly basis vs. 52 weeks a year

We will revisit many of these characteristics of an EDLP strategy when we examine our pricing strategies.

Video – Jack Shewmaker: Birth of EDLP



SHOW SLIDE #9



HAVE THE PARTICIPANT'S GO TO PAGE 14 IN THE PARTICIPANTS GUIDE

SAY

We will now watch a video clip of Jack Shewmaker, who was president and COO in 1978, describe the birth of EDLP in Walmart.



PLAY VIDEO ON SLIDE 10

Facilitator Note:

Play video from beginning until 9:04 (after word “dollars.”)

SAY

While you watch the video, make a note of some of the key points made, that support maintaining an EDLP philosophy.

- Advertising multiple venues more times
- DCs couldn't keep up with variable product quantities sold/needed
- Product would sell out – top complaint of customers
- Stockpiling in back room
- 2x/month tab advertising, 1x/wk newspaper ads
- 6x/yr special pricing ads
- 87 cents for 15-20 years – long, stable pricing
- Takes time – 6 months for changes to start and gain momentum
- Long term decision
- Cure the addiction to short-term hot prices and start building long term momentum

So now that we know how EDLP started, and how it works, let's talk about how we lower costs for ourselves and our suppliers, while at the same time, abiding by the laws that protect competition.

Video – David Cheesewright: EDLP Learnings



SHOW SLIDE #11



HAVE THE PARTICIPANT'S GO TO PAGE 15 IN THE PARTICIPANTS GUIDE

SAY

We will now watch a video clip from David Cheesewright, former president and CEO of Walmart Canada, and currently EVP, President and CEO of a new Walmart Regional Management team. In this clip from an EDLP symposium at the 2011 YBM meetings, David discusses what he's learned about EDLP from his predecessors and contemporaries at Walmart.



PLAY VIDEO ON SLIDE 12

SAY

Learnings:

- It's a business philosophy, not a price strategy. *It's a way of life.*
- It's hard work.
- It can be very painful at first.
- It forces merchants to focus on what really matters.
- It absolutely requires strong leadership.

Robinson-Patman Act



SHOW SLIDE #13



HAVE PARTICIPANTS GO TO PAGE 16 IN THE PARTICIPANTS GUIDE

SAY

The Robinson-Patman Act

The Robinson-Patman Act is a Federal Law that was enacted in 1936 to protect small business from the perceived power of big companies. Basically, RPA says, if you have products of like grade and quality, then all customers should have similar pricing opportunities. RPA is a depression-era law that was designed to protect small businesses, especially mom-and-pop-types, from mega retailers. Most laws are designed to protect the consumer; RPA is designed to protect companies, suppliers and competitors.

RPA says that **if everyone buys a similar product of grade and quality, then they get the same cost.** Even if Walmart can buy 10 truckloads of tide, and Joe's market can only buy 1 truckload, we both buy at the same price. But there are exceptions, and that is where we focus.

Exceptions to Robinson-Patman:

- Products of different grade or quality
- Private label merchandise that is materially different from name brand (mere changes in packaging are not materially different)
- Meeting competition (banana example)
- Products not sold to competitors in the same geographic market
- Seasonal or discontinued products
- "Changing conditions" (e.g. this year's "hot color" isn't so hot after all)

All of these are ways that Walmart works to maintain EDLC, which in turn allows us to employ an EDLP pricing strategy, so that we can sell for less, grow sales and help people save money so they can live better. This cycle is known as the Productivity Loop.

This "interdependence" that makes EDLP work is discussed in the next video clip featuring David Cheesewright.

Productivity Loop

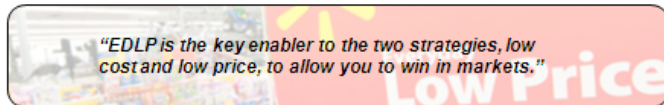


SLIDE 14

David Cheesewright: Interdependence of EDLP

- ❖ Our goal is to save people money.
- ❖ Over time price leaders have won in retail.
- ❖ You cannot be the price leader unless you're the lowest cost.
- ❖ You must have the stability and consistency that EDLP gives you.
- ❖ You undermine trust by having prices that go up and down.
- ❖ "We trust Walmart to have the lowest price every day."
- ❖ If there's one word that's really important about EDLP, it's inclusivity.
- ❖ How can everybody who walks in my door take advantage of this price?

SLIDE 15



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The Productivity Loop



SHOW SLIDES #14 & #15



HAVE PARTICIPANTS GO TO PAGES 17-18 IN THE PARTICIPANTS GUIDE

SAY

The Productivity Loop and Interdependence of EDLP

We know by looking at the Productivity Loop that we can't maintain EDLP without EDLC. And lowering costs for our supplier isn't the only way we can get EDLC. We can lower advertising costs by making sure bids from vendors are in line. It's important to keep checks and balances in marketing, and make sure we're getting good prices. We need to look at Marketing dollars spent as if it's our own.

Everyone has an ownership of EDLP and EDLC in the productivity loop. Every team has to be aware and find a way to save and negotiate. Need to test something? Combine those tests and save money. If you have a customer pool waiting, don't waste the opportunity. Think beyond just your own team to save EDLC.

The EDLP loop depends on interdependence. Everything works together, and depends on Walmart making sure each part is supported. Here again is David Cheesewright, explaining the interdependence of the productivity loop.



PLAY VIDEO ON SLIDE 16

Facilitator Note:

Play video: EDLP_02_DC_goalSavePeopleMoney.wmv

Transcription from Video:

So the first message which is really important is, our goal is to save people money. We typically do that with a customer proposition that is about unbeatable prices or price leadership or some statement like that. The "how we get to that" is EDLP. EDLP isn't the end in it's own right, it's a how-to, and so – there's no prizes for rolling out EDLP and finding you're not saving your customers money, and you constantly have to reference up to those points.

The second is the interdependence. I think the simplest way I get my head around why EDLP is so important is, it is just a fact that over time price leaders have won in retail. And you can go into pretty much any market and do the benchmark and separate the price leaders from the not. Price leaders have always taken market share and I think in a more transparent world that will continue to be the case, more so, actually.

It's an absolute fact that you cannot be the price leader unless you're the lowest cost. Where EDLP fits in is in two dimensions for me. One is, it's almost impossible to genuinely be the lowest cost unless you have the stability and consistency that EDLP gives you.

It's also almost impossible to be known as the price leader if you undermine trust by having prices that go up and down. So EDLP is the key enabler to the two strategies, low cost and low price, to allow you to win in markets. That's, for me, where it fits.

The second one is that I've really struggled to come up with a definition of EDLP. It was interesting when we did the first exercise that everyone comes at this in a different way. I thought, the simplest way I can get my head around tackling it is to take a whole load of customer research, listen to what they said about EDLP and try to refine it down.

And this is kind of a simple statement that they said. "We trust Walmart to have the lowest price every day." I'm not suggesting you go out and use this for anything, but I'm going to pull out a few of the key words and you'll start to see some of the principles emerge.

So, the first word is "we." And if there's one word that's really important about EDLP, it's inclusivity. It goes back to that quote you all have heard from Sam Walton about "No one's too good, everyone is good enough." And at the heart of EDLP is it's a pricing strategy which applies to everybody. So it's kind of the opposite of Costco. I mean, Costco are a price leader, but you have to pay a membership and some people can't afford that. You have to be able to buy 6,000 toilet rolls at one go. And not everybody can afford that. So the "we" is about inclusivity, you have to be thinking through your pricing strategies to say, how can everybody who walks in my door take advantage of this price?

Say, for example, you're running a promotion and the redemption level is really low. You're not being inclusive, that isn't EDLP. So "we" is the first bit.

Second is "lowest price." When you dig into what the customer means on lowest price, even for a business like mine, where 70% is not food and consumables and HBA, they mean food, consumable and HBA. You dig down, and that's what they come back with all the time. It's because of frequency, that's what they buy week in and week out. That's what drives their perception.

So, at the heart of it, you've got to deliver savings on food, consumables and HBA, and they measure it in terms of the basket. And we're going to come back and maybe talk about how they do that when they don't know all the items.

So it's a basket, a representative basket, versus competition, versus the products you sell, weighted around the ones that are most important, of food, consumables and HBA.

Global Role of Marketing

- 1. Evidential proof of price leadership
- 2. Making price heroic in-store
- 3. Creating events that drive weekly demand



SLIDE 17

14 | EDLP Promoting Our Value Proposition



Tony Rogers: Proof of Price Leadership

Save money. Live better.

What is the role of the marketer in an EDLP retailer in terms of providing evidential proof that we have the lowest price?

- ❖ We can tell the customer when we do the work for them.
- ❖ We can tell the customer that we're constantly lowering our prices.
- ❖ The age of transparency of results is not coming, it's here.
- ❖ Guarantees or claims that make us accountable or hold us accountable as an organization.
- ❖ Making the customer so aware of the things I do in my company to lower costs, that of course I have the lowest prices.

SLIDE 18

15 | EDLP Promoting Our Value Proposition



Global Role of Marketing



SHOW SLIDE #17 - 18



HAVE PARTICIPANTS GO TO PAGES 19-20 IN THE PARTICIPANTS GUIDE

Ask

What are the global roles of Marketing?

Facilitator Notes:

The following slides and discussions are from David Cheesewright, Duncan MacNaughton, Tony Rogers, Doug McMillon and Rick Bendel during an EDLP session at YBM 2011.

SAY

We need to remember in Marketing that **price is always the most important message**. Even though seasonal Marketing Programs get increased play, our everyday low price is still most important communication.

- A. Evidential proof of price leadership:** We need to consistently show our customer that we have evidence that we are the price leader. We should be smarter about our price gaps and making our low price communication meaningful. When it comes to showing our customers the evidence, remember that customers don't care about price history. They just want lowest price.



PLAY VIDEO ON SLIDE 19

Facilitator Note:

Play video: EDLP_05_TR_roleOfMarketer.wmv

What is the role of the marketer in an EDLP retailer in terms of providing evidential proof that we have the lowest price?

- 1. We can tell the customer when we do the work for them.** We can go around town and check thousands of prices for them so they don't have to do that work.
- 2. We can tell the customer that we're constantly lowering our prices.** Rollback is a great vehicle for that.
- 3. The age of transparency of results is not coming, it's here.** We should benefit disproportionately in an era where prices are very transparent. An interesting little nuance here is that customers tend to give you credit and respond favorably when you are transparent even if you don't win 100% of the time. We will show you a couple ads where we win almost all the time and that turns out to be a pretty compelling message to the customer,

because they say “hey, if these guys are so willing to be honest and transparent about when they win and when they don’t, I should believe that data.”

4. **Guarantees or claims that make us accountable or hold us accountable as an organization.** Guarantees that we have the lowest price or 3rd party validated claims that say we have the lowest price. Those are very compelling.
5. **The notion of making you so aware as the customer of the things I do in my company to lower costs, that of course I have the lowest prices.**

Global Role of Marketing

1. Evidential proof of price leadership
2. Making price heroic in-store
3. Creating events that drive weekly demand



SLIDE 20

20 | EDLP Promoting Our Value Proposition



Rick Bendel: Making Price Heroic

- ❖ Create a single set of colors for value communication.
- ❖ Make action alley our shop window of price action.
- ❖ Make rollback prices heroic.
- ❖ Make cap ends a celebration of prices.
- ❖ Create price impact in aisles, as they are as important as ends.

"There are really two reasons why anyone looks up from the products in a store. One is when they're lost, and they need navigation. The rest of the time, it's the price." -- Rick Bendel

SLIDE 21

21 | EDLP Promoting Our Value Proposition





SHOW SLIDE #20 - 21



HAVE PARTICIPANTS GO TO PAGE 21 IN THE PARTICIPANTS GUIDE

Ask

What is the global role of Marketing?

Facilitator Notes:

Rick Bendel Discusses Second Global Role of Marketing: Making Price Heroic In-Store

SAY

- B. Making price heroic in-store:** We always start with our store, because our store is our medium. And is our store a heroic example of price leadership, and what does it take to be heroic in the projection of price leadership in our store.



PLAY VIDEO ON SLIDE 22

Facilitator Note:

Play video: EDLP_06_RB_makingPriceHeroic.wmv

1. Create a single set of colors for value communication

We need to be able to make sure that when customers walk in a store, what they see is what they believe. If they see “claims”, you’re a discounter. If they see “lifestyle”, you’re a fashion shop. If they see “numbers”, you’re a price leader. There are really two reasons why anyone looks up from the products in a store. One is when they’re lost, and they need navigation. The rest of the time, it’s the price. One color for navigation, and a jarring color for price.

2. Make action alley our shop window of price action

It’s our shop window of our price heroism.

3. Make rollback prices heroic

Rollback is a heroic movement. We have gone to huge lengths to lowering our costs, and the benefit is in that price point. And we need to make it heroic.

4. Make cap ends a celebration of prices

Cap ends are a celebration of a product, but also a celebration of a price point.

5. Create price impact in aisles, as they are as important as ends

But only 30%, on average, of a customer’s basket are bought on the cap end. 70% are bought in the aisles. So the aisles are as important as the ends, and do we treat them the same way in heroism on price?

The point is, what you see is what you believe. We need to put ourselves in the mind of the customer with regard to what they're seeing. In the grocery area, our price points are heroic. And we need to be able to lift our price points and celebrate our price points, given the amount of work we're doing to get them there. An EDLP retailer is amazingly proud of its prices.

Navigation and prices are the only things that count. People do not read when they walk around a store. They use everything for navigation. Most people want to get in, get it, and get out. And our responsibility is to be sure that we are projecting very strongly price points and value.

Lifestyle shots are expensive. They are expensive to shoot, expensive to put up and in grocery are unnecessary. Whether they're branded point of sale that you may have gotten dollars for, or produced them yourselves. This is not EDLP, we have to let the product sell itself, and let the price point be a hero.

Customers tend not to read, so are you trying to oversell? Are you trying to get them to read things? Are you trying to interrupt people in their shopping? No customer likes to be interrupted in their shopping. Price point, navigation, everything else you can ask yourselves a big question whether it should even be in there.

And colors...only two. (Story of a room where everything matches, everything is beige, but there is one red cushion. What are you going to look at?) We need to think of our stores and our price points in exactly the same way.

Global Role of Marketing

1. Evidential proof of price leadership
2. Making price heroic in-store
3. Creating events that drive weekly demand



SLIDE 23

23 | EDLP Promoting Our Value Proposition



Rick Bendel: The Store

- ❖ Most of our customers have an interaction with us in the store.
- ❖ Our price isn't just a price on a shelf edge label. Our price is a heroic price.
- ❖ What they see is what they believe.
- ❖ There are two reasons why anyone looks at anything other than the products in a store: price and navigation.
- ❖ Action alley is our shop window of our price heroism.
- ❖ The aisles are as important as the ends.
- ❖ Navigation and prices are the only things that count.
- ❖ Let the product sell itself, and let the price point be a hero.
- ❖ Only two colors.

SLIDE 24

24 | EDLP Promoting Our Value Proposition



Rick Bendel: Harnessing the power of our differentiated assets to create demand.

- ❖ Rollback
- ❖ Culture
- ❖ Product
- ❖ One-stop-shop
- ❖ New news
- ❖ Customer events



SLIDE 25

25 | EDLP Promoting Our Value Proposition





SHOW SLIDE #23 - 25



HAVE THE PARTICIPANTS GO TO PAGES 22-23 IN THE PARTICIPANTS GUIDE

Ask

What are the global roles of Marketing?

Facilitator Notes:

Rick Bendel Discusses Third Global Role of Marketing: Creating Events That Drive Weekly Demand

SAY

- C. We need to create events and promotions that lead to customer demand for our products:** Our view is the way you create weekly demand is by harnessing the power of your differentiated assets, not by copying other people. And how can we harness those differentiated assets in a way that creates demand in a regular basis.

PLAY VIDEO ON SLIDE 26



Facilitator Note:

Play video: EDLP_07_RB_powerAssets.wmv

Transcription from video:

Creating Events and Promotions – In Store

Finally I would like to talk about harnessing the power of our differentiated assets to create demand. We have things at Walmart that other people would kill for. We have a mnemonic, called Rollback. It means, lowering prices for longer. This is a heroic move when we make a rollback.

Culture. We keep talking about our associates, that we're all merchants. How do we unleash the power of this to create demand and sell more.

Product. Many debate about Private label. Private label is a weapon in EDLP. Unique product is a weapon in EDLP. Our fresh food is a weapon in EDLP. And it is critically important if we are going to have private label and unique product, that we use that in a differentiated way to create demand.

Finally, there's a one-stop-shop. Our boxes are bigger than the competition. We need to make this something that we can create demand from, as opposed to something that customers think "I don't want to be tempted in a way that I would be tempted if I went to a big box."

So these are the four elements that we're going to show you, around the world,

.....

in many different ways for how people are harnessing this to put it together.

(examples)

The reality is that for most customers, demand is created by new news. New news that is relevant. And that new news can be a rollback event, that new news can be a product event, but it also can be a customer event. And here is something that we actually could do very well on.

What is a customer event? A customer event is thing by a customer – it could be a baby event, a celebration of mothers with babies, it could be an occasion like Chinese New Year, and what is in it is that our unique unmatched mix of products that are normally located in different parts of the store, come together into one place. And it is a celebration of the fact that we are a destination of this particular customer's needs. It engages also because it involves associates. So associates want to dress up. Associates want to take part. Associates want to have fun. And by so doing, we unleash the power of our unmatched mix, our price position, our celebration of customers and our associates. When we put them all together for an event, Walmart, in history, nobody did events like Walmart. We called it retailtainment, we called it many things. But what it is, it's unique to us. This is about careful planning and not just about seasons. It is about the customer.

What I'd like to do is summarize two aspects. The first is, when it comes to creating weekly demand, we need an activity plan that merchants, marketers and operators work together so that we can answer the question every single week: "what are the three unique reasons for shopping at Walmart this week?"

One will clearly be our price position. One should be the things we're doing uniquely on product. And the third one should be an event. And if we get this rhythm in our business, EDLP becomes exciting, not dull.

And therefore, right at the very beginning with a guide to a journey, a map that you're gonna put together to get to EDLP. Three things that I would like to be sure to put in that road map.

One is the commitment to checking 100% of prices every week. 100% of skus. Only two countries in the world currently do that, which is UK and Mexico. And I would say that you can't really get to EDLP unless you're doing a comprehensive price check. And I understand the complexities and I understand the costs. But it is part of the investment in EDLP.

The second is the store. Is there a process within the organization to insure one person owns the store, in terms of it's look, it's feel and the price perception of it.

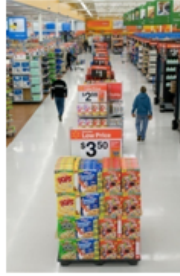
And finally, a weekly activity meeting, where operators, merchants and marketers come from the different angles that they come to, behind the customer, to develop events that will make the difference in an EDLP world.

These are the lessons that Tony and myself and many of you have helped us with around the world, and it shows we can do this, it's only a matter of will. But these are the three elements I'd like to leave you with.

Pricing Principles

We save customers money every day:

- ❖ Always have lowest price on our local customers shopping
- ❖ Use **Rollbacks** to pass on savings
- ❖ Never beaten on **Opening Price Points (OPP)**
- ❖ Measure prices & perception and **react quickly** when needed
- ❖ Provide customers with **proof of savings**



SLIDE 27

EDLP builds customer trust by ensuring:

- ❖ Our prices are most **stable and consistent**
- ❖ **Fair and inclusive pricing** & promotional mechanics
- ❖ **Honest and straightforward pricing**, value not gimmicks
- ❖ Our products are always available ... **it's not value if it's not there**



SHOW SLIDE #27



HAVE THE PARTICIPANTS GO TO PAGE 24 IN THE PARTICIPANTS GUIDE

Ask

What are Walmart's pricing principles?

SAY

We save customers money every day: (Duncan Mac Naughton)



PLAY VIDEO ON SLIDE 28

Facilitator Note:

Play video: *EDLP_04_DM_PricingPrinciples.wmv*

- We always have the **lowest price on our local customers shopping basket**

It's about what product differences matter to the customer. Food, consumables, health and wellness. Consistency drives price impression.

- We use **Rollbacks** to further reduce prices by passing on savings

Rollback means Walmart. It's an equity that we own, it's an equity that customers have trust in. We own it. And it also says "Savings" to the customer. It triggers value to the customer. It further reinforces EDLP. It's not here today and gone tomorrow. It's a Rollback for a sustained time. So it really does support value, Walmart and long term savings.

- We are **never beaten on Opening Price Points (OPP)**

We've got to have the OPP on products on all categories. We're putting products back in our categories, where we saw some migration away from our store, because we either took the item out, or we convinced ourselves that we had the right value but we didn't have the right OPP. Bath tissue: you might have 24 pack rolls at 10 cents/sheet and that might be the best value in the marketplace, and the retail might be \$9. But a 4-pack or a single roll for 50 cents might be the right item in the store. You have to balance not only price per roll and unit per roll, but also what might be the best cash out of pocket for the customer.

- We robustly **measure prices & perception** and react quickly when needed

We will have the best price. From time to time we may be beat by a competitor, but we'll react quickly and match it immediately. That's critically important. The right systems and tools are critically important so you can react quickly and you can make sure you're executing the strategy we're aligned to. This is a key component of being an effective EDLP retailer.

Walmart Pricing Goals

- ❖ Overall promote less than the competition
- ❖ Deliver consistent and stable pricing by running longer promotions with lower discounts than the competition
- ❖ Run promotions that are price led, simple and transparent
- ❖ Use promotional mechanics that work for all customers, all the time
- ❖ Ensure advertised products are always available
- ❖ Comply with local legislation



SLIDE 29

Targeted promotions can form part of an EDLP strategy

A series of horizontal dotted lines spanning the width of the slide, intended for handwritten notes.

Walmart's Pricing Goals



SHOW SLIDE #29



HAVE THE PARTICIPANTS GO TO PAGE 25 IN THE PARTICIPANTS GUIDE

ASK

What are Walmart's pricing goals?

How does what we do in Marketing support those goals?

SAY

Now let's take a look at Walmart's Pricing Goals, and based on what we've learned about EDLP, see how our EDLP strategy works with and supports those goals.

1: Overall promote less than the competition. Because we don't use the hi-lo approach, and keep prices more stable, we don't have to send out as many ads advertising lower prices. This cuts down on signage costs, manpower, print and other promotional costs, since we produce out fewer circulars. We also show a very broad assortment of items, promoting ourselves as a one-stop shopping destination. Ad Match, coupons and our Christmas price guarantee are good programs used to negate the hi-lo strategy. While we now do more circulars, inserts, etc., than we used today, often suppliers are paying for them, and if we didn't run those circulars, those Marketing dollars might not otherwise be available. Again, this is a use it or lose it situation.

2: Deliver consistent and stable pricing by running longer promotions with lower discounts than the competition With more stable pricing, we don't have to promote as much. Lower discounts and a hi-lo strategy underscores our price leader approach. Longer promotions mean less constant promotions.

3: Run promotions that are price led, simple and transparent We don't want to confuse customers. That's why we don't do BOGO and similar type offers. Just simply the lowest EDLP. Customers don't want to deal with comparison shopping, especially with weekly grocery and standard items. This is also why we don't do loyalty programs, or promotions that require customers to jump through hoops in order to get bonuses or special buys.

4: Use promotional mechanics that work for all customers, all the time. We, (other than Sam's Club, which will be discussed later) do not advertise just to customers who meet some sort of criteria. We want to promote to all customers, regardless of income or what membership they may have purchased, that we always have EDLP.

5: Ensure advertised products are always available Does anyone know what

the top complaint is from customers? Out of stock inventory. Customers are not able to buy the product they want because our inventory was not controlled properly, and especially one that we advertised. Keeping EDLP insures that we will not go through the inconsistent inventory supply swings caused by frequent price changes.

6: Comply with local legislation Maintaining an EDLP strategy means also maintaining our philosophy to our customers. So we are always aware of local laws that may affect our promotions. For instance, some areas have laws against sidewalk sales. Now, maybe it's a small fine to pay in order to have that sidewalk sale, say \$100, and we're going to make far more money during the sale, so it would be worth it to just pay the fine and have the sale anyway. However, this can result in a poor perception of our company, and decreased goodwill with the community. So, even though financially it's in our interest to ignore those laws, we do it anyway. Walmart will not advertise below cost in states.

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SLIDE 30

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Walmart's Pricing Levers



SHOW SLIDE #30



HAVE THE PARTICIPANTS GO TO PAGE 26 IN THE PARTICIPANTS GUIDE

ASK

What are Walmart's pricing levers? Can you think of any other pricing levers that our competition uses, but we won't?

SAY

Now let's discuss Walmart's Pricing Levers, what they are, and how and why we use them.

Price Levers: Rollback

Why do we rollback prices?

- ❖ Stimulate sales
- ❖ Give customers values on seasonal products
- ❖ Show we're the clear price leader
- ❖ Enhance long-term customer relationship
- ❖ Gain market share and grow revenue



SLIDE 31

18 | EDLP Promoting Our Value Proposition



Pricing Levers: Rollbacks



SHOW SLIDE #31



HAVE THE PARTICIPANTS GO TO PAGE 27 IN THE PARTICIPANTS GUIDE

Rollbacks

SAY

The Rollback campaign is an important tool in maintaining and supporting our EDLP strategy. As we lower expenses, we pass the savings on to our customers. The lower our price, the more volume we do. But how do we manage to do rollback pricing, and why?

Facilitator Note:

Walmart will be using new Rollback images beginning in March 2012.

How do we rollback prices?

A **Rollback** is a price reduction for a fixed period of time that is often accompanied by a price reduction from the supplier but also can be driven by our competitors' pricing or a seasonal promotion. A **Rollback** is designed to be a significant price reduction that grabs customers' attention.

Rollbacks should be at least a 10% reduction from the original price and should be kept for at least 90 – 180 days (and preferably longer). Why the low end to Rollbacks? To make sure that when people see it they associate it with EDLP. If it's too short, and really what you're talking about is permanence. It's the number of times people see that price. They have to believe it's a permanent price offer to associate with EDLP.

Why the high end? You're starting to con people. If it's been there for 180 days it isn't new, you're making an excuse to sign it to get some sales on it.

Remember Jack Shewmaker's ideas that you do rollbacks because by the rollback you accelerate volume, and even though you've lowered the price, your revenue has grown.

Rollbacks are normally set because we have discovered a way to decrease costs for ourselves or our suppliers. If you're selling some energy drink, maybe you have been able to take some cardboard out of the packaging so now it costs less, and you Rollback the price. It truly is a rollback because you lowered costs and you're actually making more money even though you are selling it for less. And that savings is not put in our pocket; it's passed along to the customer. That's a true Rollback.

Why do we rollback prices?

- To stimulate sales

-
- To give customers better values in a key seasonal period
 - To show we are the clear low price leader on a given item
 - To enhance our long-term relationship with the customer
 - To gain market share

Price Levers: Special Buys



SLIDE 32

Special Buys



SHOW SLIDE #32

Special Buys



HAVE THE PARTICIPANTS GO TO PAGE 28 IN THE PARTICIPANTS GUIDE

SAY

Special Buys are just a non-basic item that you bring in and out at the same price to help create excitement. You put those components together and you can drive excitement and traffic in an EDLP format that lowers your cost and enables you to be the price winner. --Doug McMillon

Special buys are ok, if they truly are special buys – if you’re going to buy them from us, you better buy them now because they will be gone tomorrow. And no one else has them. These are specials set up with suppliers.

This is a category where we are at times unable to beat a price point versus a competitor. Special buys are a way we can compete in a fixed price situation. For instance, when you buy an iPad from Walmart, you may get a movie pre installed, provided by Vudu, for free. Is that EDLP? Yes, it’s a special exclusive we are uniquely suited to do because we own Vudu. And no one else can do that. Plus, we are giving away a special that costs us little to nothing to provide. That is preferred, obviously, because it costs us nothing.

Another preferred method of offering Special Buys is to offer a gift card with purchase of the product. Obviously, a preferred option is a Walmart gift card, since this will bring customers back in the store as they have to spend the savings with us. Since other retailers will be making similar offers, and we cannot be the price leader, we need to pay more attention to what the competitors are offering in order to keep our EDLP image.

You don’t usually see us **leading** with a \$50 gift card with an iPad, you see us **replying** back so we can be competitive in the marketplace. And this is an area where we actually are a little gray. Because not every category is gonna do that.

Another example of a Special Buy is the tub-size container of cheese balls. This is an item that is very popular, and we can sell a lot of when it comes available. It is not a modular item, and not something we normally carry. But when we do get the chance to buy a large amount of a product like this, we will feature it in the store because customers want it.

Price Levers: Other Types

- ❖ Market Fresh Specials
- ❖ Seasonal Items
- ❖ Store Initiated Markdowns
- ❖ Save Even Moers (SEMs)
- ❖ Clearance
- ❖ Manufacturer Coupons
- ❖ Extended Credit



SLIDE 33

Other Types of Price Levers



SHOW SLIDE #33

Other Types of Price Levers



HAVE THE PARTICIPANTS GO TO PAGE 29 IN THE PARTICIPANTS GUIDE
SAY

Other Price Levers

Other examples of Price Levers include **Market Fresh** specials, **Store Initiated Markdowns** (prices intended to beat competition in a geographical area), **Clearance** and **SEMs** (Save Even Mores).

Market Fresh specials are limited to fresh meat and produce, and are normally commodity type items. As such, we do not want to be locked into a price for long term, due to the volatility of the price changes. So the price reductions will be far shorter than we normally do. Market Fresh is similar to a market price for fish. It is due to availability, and is only for produce and meat. It's a product and a price that we can't guarantee for longer periods of time.

There are other rare situations where we cannot maintain longer price reductions due to the volatility of the product. The costs of petroleum changes daily. This makes it difficult to lower prices on things like tires for any length of time.

An **SEM**, or **Save Even More**, is special pricing offered for 30 days. Typically, the item is featured for a portion of the time in which the special pricing is offered. In some departments, the item comes off feature and goes back on the shelf at regular price. In other departments, the item comes off feature but retains the special pricing when it goes back on the shelf. An **SEM** also becomes available when the supplier offers a discounted cost. On occasion, our competitors' pricing or a seasonal promotion drives an SEM.

Clearance is a useful price lever for items you are getting rid of or items now out of season. In addition, they are very popular with customers. However, once they are gone, they're gone and new merchandise must take their place. You will often see some type of messaging such as "While supplies last" or "One time offer" to let the customer know this is not EDLP.

Clearance is the one time we will do a percent off or half off. Percentage off is not a continued strategy or continued price offering. It's a short term discount. We would much rather message the price. The price "was \$X, now \$X".

Other types of promotions we do include:

- Manufacturer Coupons
- Extended Credit

Manufacturer coupons are fine, as long as Walmart's name is not on the coupon itself. Coupons are also one of our methods to combat the hi-lo sales prices of our competitors.

Products that are seasonal in nature like bug spray, that peaks in the summer. We're not going to sell much of that item throughout the rest of the year, and our competition is dropping their price. Other price levers allow us to be competitive seasonally, because it's such a volatile seasonal item.

Halloween costumes are another example. Remember the black/neon costumes we had plenty of stock on because we thought they would sell quickly. We lowered the price of these costumes several times, mostly due to lack of sales. Again, you can say we're being more hi-lo in this strategy, but it is a very seasonal item with a very short purchasing window. If you don't lower your price, you're going to be stuck with inventory you can't sell. And it's a product that is not going to sell the rest of the year.

Things we will not do, include loyalty cards or points programs, sweepstakes or drawings. Many of these are promotions that require customers to do something or do not offer the same prices to all customers.

Types of promotions we don't do include:

- Loyalty Cards or Programs – the only exception is we will do box tops if it's a national program for manufacturers
- Sweepstakes
- Drawings

Validation

- ❖ Can everyone get that price?
- ❖ Do you have to buy/do anything to get that price?



SLIDE 34

Validation



SHOW SLIDE #34



Validation

HAVE THE PARTICIPANTS GO TO PAGE 30 IN THE PARTICIPANTS GUIDE

SAY

There are two questions we need to ask about a promotion to validate whether it's EDLP. Those questions are:

- ❖ **Can everyone get that product at that price?**
- ❖ **Do you have to buy anything to get that product at that price?**

So, we should ask whether that promotion is available to each and every customer. Do you need to qualify for a discount somehow, or purchase some type of membership to get it.

For example, let's think about Sam's Club. Is Sam's truly EDLP? Yes, we have the lowest prices across the board, however, since you get certain discounts depending on which membership you have, you can say that it's not EDLP. You have to buy a certain membership to get all the discounts. And, just having to buy a membership to begin with, makes it a question, since no, not everyone can get the discounts of Sam's Club prices.

The other question is whether or not the customer has to buy or do anything to get the product at that price, other than purchasing the product. Do you have to collect points? Loyalty cards? Purchase a membership? Be at a certain place at a certain time?

If we remember our promotional goals, we want simple, price-led and transparent pricing strategies. As we talk about examples in this course, we will revisit the promotional framework chart and answer these two questions to help validate our promotions as EDLP or not.

Price Lever Examples for Discussion



SLIDE 35

Examples for Discussion



SHOW SLIDE# 35



HAVE THE PARTICIPANTS GO TO PAGE 31 IN THE PARTICIPANTS GUIDE

SAY

In the next section of this course, we are going to look at several examples of promotions and different promotional types. We're going to ask of each one, "Is this EDLP?", and ask the two validation questions we discussed earlier.

Some of the examples are clearly EDLP, some clearly not, and many are in the "gray area." This is why we are using them to stimulate our EDLP discussion, and to help improve how we look at and develop promotional materials.

Once we put up an example, I'll give you about 10 seconds to quickly form an opinion, and then we'll discuss whether each one represents EDLP or not.

Facilitator Note:

The following examples are intended to instigate discussion with the students. There is not always a right or wrong answer, and many fall into a gray area with respect to EDLP.

Grocery Circulars



SLIDE 36

23 | EDLP Promoting Our Value Proposition



Grocery Circulars, cont.



SLIDE 37

24 | EDLP Promoting Our Value Proposition



Grocery Circular



SHOW SLIDES# 36-37 THROUGHOUT DISCUSSION



HAVE THE PARTICIPANTS GO TO PAGES 32-33 IN THE PARTICIPANTS GUIDE

SAY

Our first example is the weekly/monthly grocery circular, and will probably invoke the most discussion. Should we, as a company, even market grocery items in a circular? You are going to get consistently beat on a week-to-week basis by a hi-lo retailer on specific items. They know what we're going to advertise, and we know exactly how they're going to try and beat us. But we depend on our EDLP long term strategy to combat this, as we saw in the Jack Shewmaker video.

For example, let's take a look at this circular, and specifically at Jimmy Dean sausage. It's advertised at \$2.98. That is our EDLP price. That product should be that price for the entire year. No special buys, no clearance (I don't think anyone is going to want to buy clearance sausage!!).

Because of that, does it make sense to advertise it in our weekly circular? **We will be beat at that price.** Guaranteed. Kroger, Fry's, Albertson's will beat us at that price, by advertising a sale price on sausage, for a week. It will be promoted and advertised as a special buy. In a way, is it stupid for Walmart to ever have that product on a tab in the first place? This is where it gets a little complicated, and is one of the reasons you will not see commodity items in a grocery circular.

This is where we have to step back and look at the strategy of EDLP. This is where it gets complicated. The problem with EDLP is that the consumer may not always need to/want to buy Jimmy Dean sausage. What does a shopper think when they are getting food for their family? Are they there to buy fish? Or steak? Or sausage that week? No, they're looking for some protein (or veggie if you're a vegetarian...), that you can make for a meal and feed your family, for the best possible price. When you read the circular or go to the store, do you shop for a specific item, or do you go and see what happens to be on sale that week?

What the competitor does is offer a different protein on sale, every week that is lower than the corresponding Walmart product's EDLP. One week, Jimmy Dean is lower than our EDLP. The next, Tyson sausage is lower. The next, some other protein is lower.

That's how the competition combats Walmart's price and EDLP. If they're smart, that's how they do it. Some do it almost by accident. Some are that smart AND they're using technology to be that smart. They use the systems and services available today to always do that. To always have a price on a product lower than Walmart and then advertise the heck out of that product.

What would you do if you were trying to beat Walmart's EDLP strategy?

It is hard to do promotions where you know you're going to get beat, but sometimes you have to. And AdMatch and coupons are our solution to that. We are doing more and more listing of items on a circular that we know we have the best price, and less and less of grocery items. Do you want to advertise an item that you know you're going to get beat on?

These are very defensive mechanisms, however they do negate the hi-lo retailer and their flyer/ads. Being the size Walmart is, we don't have to think as much how to combat these things, since we're the leader of the pack. But we still have to keep an eye on the competition, because the competition is wondering what we do every day.

Seasonal Circulares



SLIDE 38

26 | EDLP Promoting Our Value Proposition



Seasonal Circular



SHOW SLIDE #38



HAVE THE PARTICIPANTS GO TO PAGE 34 IN THE PARTICIPANTS GUIDE

SAY

On Halloween, the prominent item is candy. Again, there will be competitors who will match and beat our prices. But through communication with our merchants, we will find the lowest EDLP we can and promote that. For the past two years, Target has beaten our candy price by a penny. This year, we dropped two cents and were lower by a penny. So price is the major factor, and is displayed in big numbers.

Through past research we know when, where and how to work the hardest to have EDLP. We have to work with merchants to get the lowest possible price, which determines what our EDLP is going to be, and how we are going to promote that item, in that time frame.

Activity – Thanksgiving Circular



SLIDE 39

Activity: Thanksgiving Circular



SHOW SLIDE #39



HAVE PARTICIPANTS FORM A GROUP

Group Activity

Let's try and put into practice what we've learned. It's up to your groups to create the Thanksgiving circular.

We need to promote the Thanksgiving products but show the customer that we are EDLP for all their seasonal needs. However, our competition is planning on slicing their prices on turkey down to the bone. There's no way we can beat them at the turkey prices, but we can show that our basket price overall is lower.

Have your group select one of the following solutions. Be prepared to discuss how it best fits our EDLP philosophy, and will perform the best for the Thanksgiving circular.

Facilitator Note:

Allow participants to work in their groups for five minutes. Allow another five minutes for group presentations and discussions. And then invite each group to share their flipchart.



HAVE THE PARTICIPANTS GO TO PAGE 35 IN THE PARTICIPANTS GUIDE

SAY

Solution Choices:

- Don't advertise the turkey at all. Concentrate the ad on all the other thanksgiving products that we maintain EDLP on.
- Advertise with "We won't be beat!", and mention of our Ad Match program. Customers will be able to match any competitor price.
- Do different versions with and without price mention, and mail different versions to geographical regions, with eye on turkey prices in that region.
- Advertise the turkey, but with no price/messaging, and show prices on all the other products.
- Come up with your own ideas!

Rollbacks



SLIDE 40

Rollbacks



SHOW SLIDE# 40



HAVE THE PARTICIPANTS GO TO PAGE 36 IN THE PARTICIPANTS GUIDE

SAY

Why do we choose Rollbacks vs. other promotions?

How can you communicate a price more simply? Here are 2 of many quotes about EDLP from our leaders:

Rollbacks are simply a manifestation of EDLC. It is a physical manifestation of you doing the right things with regard to EDLC. – Paul Higham

*We have things at Walmart that other people would kill for. **We have a mnemonic, called Rollback.** It means, lowering prices for longer. This is a heroic move when we make a rollback. – Rick Bendel*

Paul Higham (some of you may know of him as a conference room, but he was a Chief Marketing Officer at Walmart, and before that, VP of Advertising at Target.) While with Target, they walked into the first targeted Walmart store in Iowa, and the first thing they saw was a 3x5 handwritten card that said “Rollback! Was...now...” It seemed hard to understand, but he sure liked the sound of Rollback. Rollbacks were then slightly repurposed to be indicative of what good merchants do, and that is that they work hard with their vendor to try and figure out ways to take costs out of the business so they can reward their customers with low prices. That is the most critical fact.

Rollbacks are the most EDLP price lever we have to communicate to the customer that we have found some way to cut costs on a product, and that we are passing those costs on to them. It is a simple way to say the price was higher, now it's lower, and it's because of our EDLP philosophy.

A perfect example of this is Greek yogurt: We found ways to cut costs for this product and make it cheaper. We lowered the price for the customer, and that product has now been the same low price for a year.

Rollbacks are our way of saying to the customer, we found some way to take costs out of the business and we're passing that savings on to you by lowering our prices long term.

Facilitator Note:

New Rollback imagery is coming in March 2012

Comparison Shopping



SHOW SLIDE# 41



HAVE THE PARTICIPANTS GO TO PAGE 37 IN THE PARTICIPANTS GUIDE

SAY

Comparison shopping, or total basket savings, shows Walmart's best promotional information, however, can be the hardest to advertise.

Basket savings is definitely EDLP. The only problem is, it's really hard to market that because of the laws for advertising in a competitive arena. If you're Fry's, and I show your basket, I need to show all the products, the price point of each, and I have to show the date the purchase was made. And, I can only show it for a few weeks after it was done.

It is impossible, for television, to show a cash register receipt, comparison, shoot the ad, cut the ad, set a time, run it, traffic it, in that time frame. So, in a way, the law almost favors the higher price point. It makes it hard for us to show that our basket of goods is significantly cheaper than theirs.

Where it does become easier is to show our basket in front of a Walmart store next to a competitors' basket, with receipts showing all the items bought the same day. But it is very hard to mass market that.

Because there is such a long lead time in print, that makes it hard to do in print as well. What we're required to do is not hard to do in print, but from practice and process hard to do because of the time factor.

Industry and Manufacturer's Coupons



SLIDE 42

Industry and Manufacturer's Coupons, cont.



SLIDE 43

Manufacturer's Coupons



SHOW SLIDE # 42



HAVE THE PARTICIPANTS GO TO PAGES 38-39 IN THE PARTICIPANTS GUIDE

SAY

Manufacturer's coupons: The answer is yes, we can do that, and it is certainly EDLP, but we do have some strict rules.

Here is a manufacturer's coupon for granola cereal. We will honor it, it helps combat hi-lo pricing and doesn't cost Walmart a penny. However, there's something wrong. **What do you think was changed with regard to the coupons in these ads?**



SHOW SLIDE # 43

We honor all coupons, but will never put our name on a manufacturer's coupon. This is very important, because we would not offer a coupon where Walmart had to use our own money to offer it. Having our name on a coupon creates the perception that it's a store coupon, not a manufacturer coupon.

Here's where it gets a little funny, when "tagging a coupon", Walmart will never appear on the coupon but always on the ad, saying "available at Walmart." Also intentional is that it always says "manufacturer coupon". So that it's very clear this money came from the manufacturer, not from Walmart.

It's very intentional on behalf of marketing and merchandising that we are consistent. This is our way of saying ***"Walmart's price is as low as we can possibly make it, but the manufacturer is giving us some extra money, and we're passing the savings on to you. The coupon is not coming from Walmart; it's coming from the manufacturer."***

Ad Match / Coupons

Walmart
Save Money. Live Better.

Our Ad Match Guarantee

We're committed to providing low prices every day. On everything. So if you find a lower advertised price on an identical product, let us and we'll match it. Right at the register.

We gladly match the price in the following types of ads:

- **Price tags, sign-ups that will result in a specific price** (example: the cost of 10 lbs. of potatoes for \$10.00).
- **Competitors' ads that feature a specific item for a specified price.**
- **Preferred shipping and prices for specific items** (the cost to purchase an item).
- **For fresh produce and meat items** when the price is identical to the printed price for the item, and the quality is the same.

Find a lower advertised price? We'll match it.
An eligible U.S. Consumer Service by Store.

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Offer subject to general advertising.

SLIDE 44

Ad Match



SHOW SLIDE# 44



HAVE THE PARTICIPANTS GO TO PAGE 40 IN THE PARTICIPANTS GUIDE

SAY

Ad Match/Coupons

Ad and Price Matching: Is it true EDLP? Not really, no. We're not **leading** with the price, we're **reacting** to competition. But does it change consumer behavior? Absolutely.

Ad Match does have some restrictions, which are mostly related to price. We only match price-led advertisements, not BOGOs, percentage off, and other ads.

We Don't Honor:

- Ads when the actual price for items cannot be determined
- Internet pricing
- Misprinted ad prices of other retailers
- Competitor ads from outside of the store's local trade territory
- It is a store manager's discretion as to what defines a territory
- "Going out of business" sales or "close out" prices

Special Buys: Add Ons

The graphic features four video game covers: Dragon Age II, Homefront, Halo Reach, and Halo Infinite. Each cover has a 'Special Buy' price tag: Dragon Age II (\$8), Homefront (\$15), Halo Reach (\$8), and Halo Infinite (\$22). To the right of the covers are three callout boxes:

- eGift Card:** A blue box with a star icon and '\$10 eGift Card'. Text: 'Visit walmart.com/gamcenter for more details, and to find out if there's a midnight event near you.'
- Downloadable Game Addition:** A blue box with a star icon. Text: 'Only at Walmart • Bonus! Exclusive downloadable PC Mini-Golfish Drone Aviator. Limited quantities.'
- Unlock Codes:** A blue box with a star icon. Text: 'Bonus! 4 in-game multi-player unlocks. Limited quantities.'

SLIDE 45

Special Buys – Gift With Purchase



SHOW SLIDE #45

HAVE THE PARTICIPANTS GO TO PAGE 41 IN THE PARTICIPANTS GUIDE



SAY

Special Buys – Gifts With Purchase/Add-Ons

Other Special Buy promotions include various types of giveaways/add-ons, etc. When we add a gift card to a promotion it obviously works for us, because they have to spend that money in Walmart. Walmart will never lead with these types of promotions, but they're more reactive. We do them to be price competitive with products that we can't be the price leader on. Especially with things like Apple products, where we have no control over price, such as MAP (Minimum Advertised Pricing – where a supplier controls what the lowest price can be) pricing.

Facilitator Note:

(Xbox example is from Matt Kistler and he has approved use of story in course)

One of my sons wants a XBOX. I said great you better start saving. So he started saving and he saved enough money by doing work to get an XBOX. He saw the circulars and he says “Dad I can go to Target and even with your discount I get \$75.00 back from Target and you guys only give \$25.00. Even with your discount the price is cheaper.” I said “Well, you are not buying your XBOX from Target.”

It is hard to argue with that, and it just shows you how a customer would think. Hence the reasons why we often match these gift cards. Is it truly EDLP? Not really No, but do we have to do it to be competitive in the marketplace, does it change consumer behavior? Yeah, if it changes a nine year old, it changes yours too. It's real money, for a \$300.00 or \$200.00 dollar item to save \$75.00 dollars vs. nothing at all? That's a big difference.

One thing to remember with these types of Special Buys and add-ons. They are used much more frequently with higher priced products. These products are far more researched and comparison priced than grocery or lower priced items. Customers are not pouring through the circulars to compare prices on peanut butter. They get to the store, see the Jif next to the Skippy next to the Great Value, and most times will simply buy the one that is the cheapest. Unless they have some special affinity for a certain brand, it's the price that wins out.

With high-ticket items however, the shopping experience is different, and they are frequently there to buy just that item. So Special Buys become a necessary and valuable tool for drawing in customers to a Walmart store over the competition. So we will do these types of Special Buys to attract customers doing that comparison shopping.

Digital and Social Media



SLIDE 46

Digital and Social Media



SHOW SLIDE #46

HAVE THE PARTICIPANTS GO TO PAGE 42 IN THE PARTICIPANTS GUIDE



SAY

Walmart uses several different social and digital media for promotional purposes, and all represent our EDLP and EDLC philosophies. While there is programming cost to get them up and running, they become efficient promotional tools to maintain.

Some of the digital media we utilize include Facebook, Twitter (2 accounts – Walmart and WalmartSpecials), Walmart.com, YouTube and Walmart Moms, a group of over 20 blogger moms.

We can use Facebook like a marketing channel, because we have almost 11 million viewers. When we write a Facebook post, it costs us nothing, yet we get sales returns anywhere from 2 - 25%. It is a cost-effective channel we can use to create awareness of products.

We have two Twitter accounts, Walmart and WalmartSpecials. WalmartSpecials has over 200,000 followers, and allows us to talk about everything from online specials on Walmart.com, values of the day, to announcing specials like on Black Friday. Walmart Specials is the #1 share-a-voice on Twitter. Retweets provide another important low cost promotional tool, and is very product oriented. Twitter allows us to engage in conversations directly with our customers.

On Facebook, Walmart currently has close to 11 million followers and over a billion impressions during the Black Friday time period alone. The feedback tab lets us get instant feedback from our customers, and the local ad tab lets us connect customers with their local Walmart store. Customers can even purchase a gift card on Facebook, and in EDLP fashion, the programming is provided by our gift card supplier.

Walmart Moms cost very little, and they promote sales and teach people how to shop better. As mom-to-mom marketers, customers listen to them as friends, family and everyday people, helping marketing and insights. They have become a very cost-effective way to test applications, coupon policies, and provide research as a focus group.

Private Brands

equate

O'Roy
DOG FOOD

Great
Value



yourzone

Parent's
Choice

SLIDE 47

Private Brands



SHOW SLIDE #47



HAVE THE PARTICIPANTS GO TO PAGE 43 IN THE PARTICIPANTS GUIDE

Private Brands

SAY

Private Brands, not necessarily a “promotion”, per se, but we do advertise and promote our brands, and we can ask the question, “is Private Brands EDLP?” On the surface, yes. We carry quality, equitable items to name brands, with lower prices and the GV brand name. However, one problem is that while we are EDLP with respect to the Great Value brand, for instance, we aren’t EDLP with respect to the OPP or lower cost items. We should always have an OPP – open price point – lowest cost item – offering. This is where Walmart becomes real competitive.

Our private label, Great Value, should be on average 8 - 20% less than national brand. Then you have OPP. Often times label is never heard of. Some retailers have tiered lower level private label items. So you have a true good-better-best...actually, cheap-good-better-best.

Many debate about Private label. Private label is a weapon in EDLP. Unique product is a weapon in EDLP. Our fresh food is a weapon in EDLP. And it is critically important if we are going to have private label and unique product, that we use that in a differentiated way to create demand. – Rick Bendel

Door Hangers



SLIDE 48

Door Hangers



SHOW SLIDE #48

HAVE THE PARTICIPANTS GO TO PAGE 44 IN THE PARTICIPANTS GUIDE

SAY

Door Hangers

Definitely EDLP.

The tricky part of developing this promotion is the unusual circumstances. How can we advertise to people in a downtown setting? How do we get mail to a downtown Chicago apt/mailbox? Have you lived in an apartment complex? What are the mailboxes like? What will fit in those slots? Sometimes you can't fit a larger direct mail or even get a circular into a mailbox. This becomes a good way to market EDLP to high rise residents, and to let them know that products with EDLP are available close by.

Does anyone know what the most unusual thing about the Walmart Express in Chicago is? What is the one major thing that store is missing?

Parking spots. It's the first Walmart in the US without a parking lot. Mostly residential buildings. As we expand and open new store types, these are the kinds of promotional challenges we will begin to face, and we will have to find new ways to promote our EDLP in these avenues.

Race Car Promotion



SLIDE 49

Race Car Promotion



SHOW SLIDE #49



HAVE THE PARTICIPANTS GO TO PAGE 45 IN THE PARTICIPANTS GUIDE

Race Car Promotion

SAY

Promotion/sponsorship on a NASCAR race car. We're not advertising any product, but getting primarily name recognition. Is this EDLP?

Yes...it's okay, because Walmart incurs no cost whatsoever in this promotion. However, EDLP marketing is not only about price – but does it also follow EDLP **principles**. By having our name on NASCAR, does it look frivolous to you? You have to consider the audience.

While working for Phillip Morris at Maxwell House, PM one year had 8 cars on the NASCAR circuit. 8 different products, but all sponsored by the same manufacturer. In one race, 3 cars got in the same accident together. At one turn, 3 cars taken out. After that there was a little meeting, first of all too many cars on the track, enough is enough.

It's not something we would ever spend money on, but if we can get it done for free, it's advertising.

Any race fans? How many retailers can you name off the top of your head that you remember from the promotional marketing on a car?

(Target, Home Depot, Camping World, Craftsman Tools, Office Depot, O'Reilly's, Bass Pro Shops, Lowe's, Discount Tire, Napa Auto Parts, Best Buy)

Would you rather have our name on a car or Target's? Do we want cars flying around the track with Target and Best Buy logos, and no Walmart? Does it look like frivolous spending? Maybe. But it is EDLP because it didn't cost us anything, even though that fact is not readily obvious to a race fan watching. It's all about the customer perception.

We will do movie placement advertising. In fact, the most recent Transformers movie had a Target sponsored car in the film, not a Walmart car.

How could those trade dollars have been better spent? Activation at retail – when supplier needs investment for providing sponsorship. They may provide the sponsorship, but that will mean us providing feature space for their products. Wouldn't the EDLP thing to do be to take that as Trade Dollars and cut the price of that product instead? In that sense, this is not EDLP at all.

Signage



SLIDE 50

Signage



SHOW SLIDE #50



HAVE THE PARTICIPANTS GO TO PAGE 46 IN THE PARTICIPANTS GUIDE

SAY

Signage

Signage is obviously an expense. So when we do it, it should only be one of two things: directional and price focused. The very purest view. This sign does both, let's you know Walmart has the lowest prices and tells you where we're located.

There are signs here in Bentonville that are not directional and are not price – more of an emotional feel - so the question can be asked why are we doing them? Are they EDLP? If you're going to be a purist, it's only direction (showing people where the product is) or price. There is exterior signage, and then we can talk about interior signage as well, and if it's EDLP. Signage in the stores themselves. Should we have more even dollar prices, because it saves costs not to have \$3.98 instead of \$4?

Wrap Up



SHOW SLIDE #51



HAVE PARTICIPANTS GO TO PAGES 47-48 IN THE PARTICIPANTS GUIDE

SAY

Wrap Up

So, we discussed what EDLP is, where it came from, and how we manage to attain and maintain it.

We went over Walmart's pricing strategies and how the various aspects of EDLP support those strategies.

We asked two questions to help us validate promotional materials as EDLP or not.

And we examined quite a few different examples of promotions and discussed whether or not they were EDLP.

I'd like to close with a few quotes and videos from some of our Walmart leaders on our EDLP philosophy, and then take questions. First, a quote from Paul Higham, former Chief Marketing Officer at Walmart, and Vice President, Advertising, at Target Stores.

"As retailers, we are in the business of being chosen. We want to be chosen more often out of the thousands of other retailers and smart people who are also trying to gain market share. But if we expect to be chose more often than our competition, then we have to understand how our customers choose." -- Paul Higham

PLAY VIDEOS ON SLIDES 52 AND 53



Facilitator Note:

Play video *EDLP_09_DM_closing.wmv* on slide 52

*"If you deliver at OPP, you deliver EDLP, you use Rollbacks, you use special purchase items, which by the way, are just a non-basic item that you bring in and out at the same price to help create excitement. You put those components together and you can drive excitement and traffic in an EDLP format that lowers your cost and enables you to be the price winner. **We go broke last.** You cannot do this by yourself. You have to get everybody in the conversation."*

– Doug McMillon



Play video *EDLP_08_BS_forever.wmv* on slide 53

The following quote is on slide 54 if you want/can have it up during video.

"EDLP, much like the rest of retail, is like a journey with no particular destination. Our jobs are to find the things that customers want, and to deliver them to customers, and that changes. It changes with the day of the week, the

day of the month, the weather, over time, [and with] what competitors are doing. EDLP will always be a journey because it's driven by EDLC. And until you get to zero cost, you're not finished with EDLP. So as you lower your cost you should always try to lower your price. We're going to be engaged in this pursuit of perfect EDLC forever."

– Bill Simon

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– Bill Simon

SLIDE 54

Thank you!



SLIDE 55