

Thriving in a Walmart World

There are a number of very good Internet blogs that discuss international retailing. This quote from the US has real relevance for NZ retailers:

“Throughout the 1990’s... the retail world was running scared from a burgeoning giant called “Wal-Mart.” Everyone wanted to know what Wal-Mart was doing, how they were doing it, and why they were doing it... While Wal-Mart continues to grow, savvy retailers have discovered that their road to success is not in emulating Wal-Mart, but in differentiating from them. These retailers know that customer centricity and product uniqueness are their best approaches.”

Source: retailmattersblog.com

One of the processes that smart specialty retailers are using to thrive in a Wal-Mart world is the science called category management. By grouping products based on the job they perform for customers it becomes possible to fine-tune the roles played by certain products, brands and suppliers with the overall goal of satisfying customer needs more profitably.

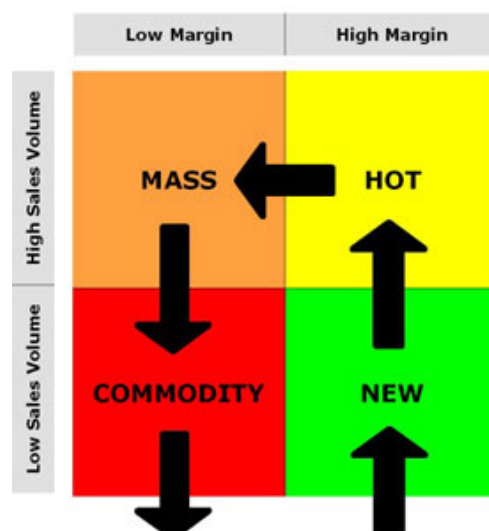
Within categories it is often possible to track products through their entire life cycle, and good category management means continuously dropping “has-been” products and replacing them with better performers.

Specialty retailers are more agile and can respond quickly to emerging demands by introducing innovative new products. Some of these NEW products become hugely successful and lead to the development of new niche categories that previously didn’t exist.

While these NEW products and categories are HOT and distribution is limited there is a golden opportunity for early-adopter retailers to reap large profits AND capture new customers who will switch stores to seek out these hard-to-find solutions.

Some recent examples of HOT products are the Apple iPod, Sony Handycam, Nokia cell phones, Nike shoes, Calvin Klein perfumes and L’Oreal skincare. Eventually these are all picked up by the MASS retailers on their way to becoming price-driven commodities.

Retail Product Life Cycle



Products are moving through their entire life cycle from NEW through to COMMODITY much more quickly because of the growth in internet retailing and parallel importing which have removed distribution barriers.

Entire categories that for years were almost exclusive to certain specialty retailers (e.g. French fragrances, sunglasses, cosmetics, photo processing) are now commodities purchased by Mrs Average Shopper at the convenience store, supermarket or The Warehouse.

One of the key drivers of this trend is the availability of sales data to the mass retailers. By purchasing specialty stores' sales data the supermarkets (who invented category management) get a birds-eye view of what's HOT in these sectors right now. They then bring their considerable weight to bear on suppliers, industry regulators and legislators and find ways to get access to products that were previously "exclusive".

The specialty retailer's best defence is offence. All of your purchasing and promotional expertise should go into finding and exploiting the NEW – HOT products which provide true differentiation. But it would make good sense to maintain some secrecy about what's HOT too. Sharing your most valuable intelligence data with the enemy is a potentially fatal mistake.