EDLP
Promoting Our Value Proposition

Participant Guide

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we thank these individuals for their contributions:

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Overview

In this course, we will begin with a discussion of EDLP, the strategy, how and why we use it at Walmart, and it's origins. We will discuss Walmart's promotional goals and how an EDLP philosophy fits those goals. We will discuss a number of promotional material examples, if they are EDLP, and validate how they fit into Walmart's promotional strategy.

Learning 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

Introduction

Walmart is known around the world as the company that helps our customers save money so they can live better. Providing the merchandise that customers want at prices that save them money is only part of the challenge every merchant faces.

As the leader in an EDLP strategy, Walmart must present simple, price-led and transparent pricing strategies that work for all customers, all the time. As Marketing associates, your efforts at developing promotional materials that are in-line with our pricing philosophies will impact our customers' perceptions of whether we can truly save them money and help them live better.

3 Basic Beliefs

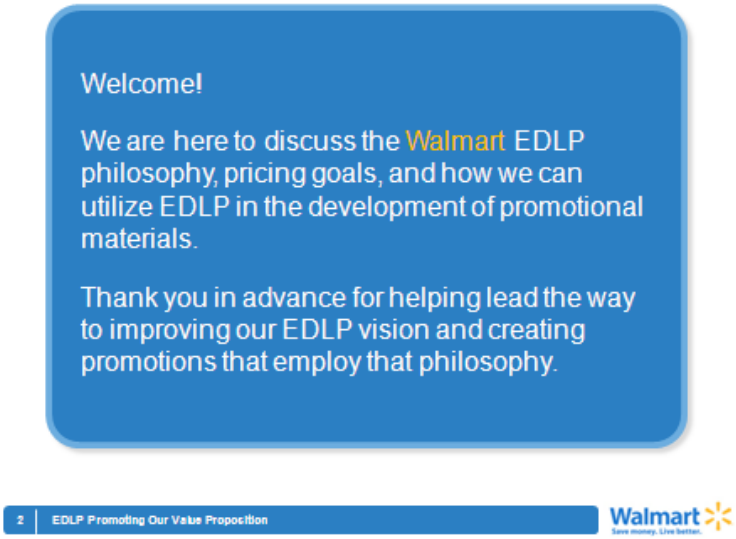
1. *Respect for the Individual*
2. *Service to our Customers*
3. *Strive for Excellence*

Ground Rules

To make the most of our time today, please review these ground rules. If you have any questions, please be sure to ask your facilitator.

- Listen actively; respect others when they are talking.
- Speak from your own experience instead of generalizing (“I” instead of “they,” “we” and “you”).
- Practice timely attendance.
- Do not be afraid to respectfully challenge one another by asking questions, but refrain from personal attacks; focus on ideas.
- Participate to your fullest ability; community growth depends on the inclusion of every individual voice.
- Instead of invalidating somebody else's story with your own spin on their experience, share your own story and experience.
- The goal is not to agree; it is about hearing and exploring divergent perspectives.
- Be conscious of body language and nonverbal responses; they can be as impactful as words.

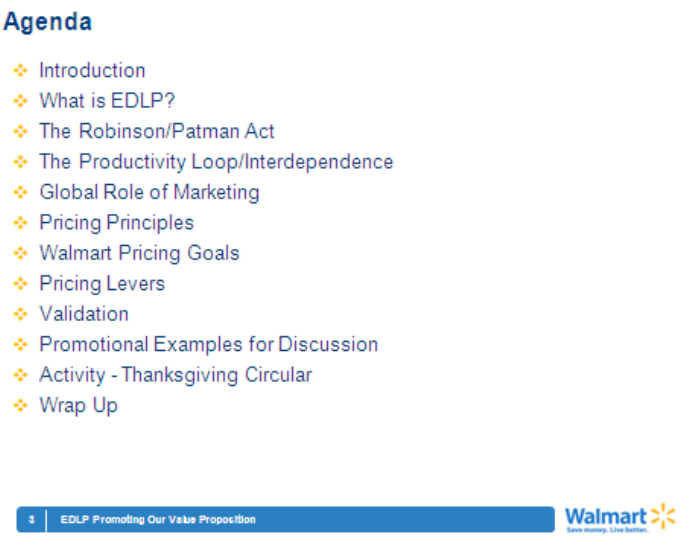
Welcome



Walmart is one of the few retailers that succeeds while employing an EDLP strategy. Based on more stable, low and transparent pricing, and less price changes and fluctuations, we represent ourselves as the price leader across the board.

Your Notes

Agenda



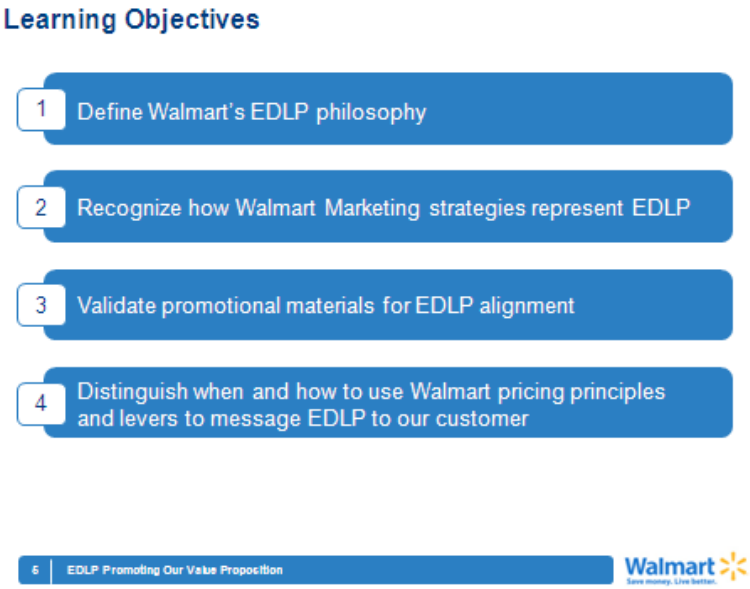
Key Words in This Section

EDLP/EDLC: *Every Day Low Price/Every Day Low Cost*

Providing Every Day Low Prices (EDLP) is the foundation for Walmart's merchandising. In order for Walmart to provide EDLP to its Customers, the buying practices of its merchants should always be focused on achieving Every Day Low Cost (EDLC).

Your Notes

Learning Objectives



Your Notes

Learning Objectives:

- *Define Walmart's EDLP philosophy*
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The Marketing Mix – Five P's

The term "marketing mix" was coined in 1953 by Neil Borden in his American Marketing Association presidential address. However, this was actually a reformulation of an earlier idea by his associate, James Culliton, who in 1948 described the role of the marketing manager as a "mixer of ingredients", who sometimes follows recipes prepared by others, sometimes prepares his own recipe as he goes along, sometimes adapts a recipe from immediately available ingredients, and at other times invents new ingredients no one else has tried.

-- Wikipedia

Your Notes

What is EDLP?

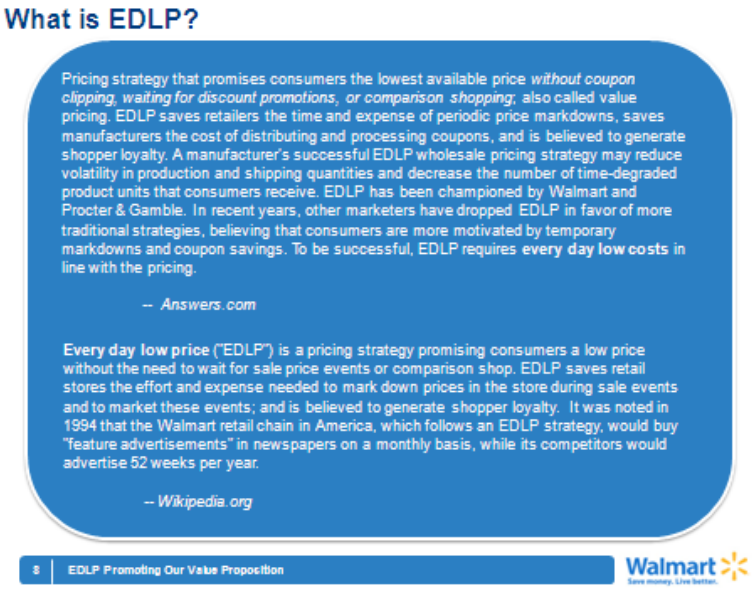
Just what is an Every Day Low Price retail strategy? Why do so few companies employ this pricing strategy, and how does Walmart manage to succeed?

Questions to think about:

- How does Walmart attain and maintain an EDLP strategy?
- How did Walmart begin its EDLP strategy?
- What legal roadblocks are there to maintaining our EDLP strategy?
- How does Walmart achieve the lowest costs while avoiding those legal roadblocks?

Your Notes

EDLP Definitions



Let's try to define EDLP.

Both definitions mention Walmart as the EDLP leader.

What characteristics and results of an EDLP strategy are mentioned?

EDLP Definitions

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

Jack Shewmaker & EDLP

While watching the video, jot down any notes that relate to EDLP characteristics.

Jack Shewmaker joined the company in 1970 and retired in 1988. He was hired by Sam Walton as a District Manager and rose to become President and COO of the company in 1978. He was instrumental in developing our Every Day Low Pricing strategy, which defined our company and set new standards in the retail industry for providing customers with consistent, reliable value. He was also a strong advocate of Walmart's pioneering development of technology. He led the company's adoption of bar codes and the launch of its first satellite system in 1983, tying together Walmart's stores, distribution centers and home office. A year later, he was named Vice Chairman and Chief Financial Officer, where he served until his retirement in 1988. Jack was also a member of the Walmart Board from 1977 to 2008.

Key Points of EDLP

David Cheesewright: EDLP Learnings

David Cheesewright has been Executive Vice President and Chief Executive Officer & President of New Walmart Regional Management at Wal-Mart Stores Inc. since September 28, 2011. Mr. Cheesewright served as the Chief Executive Officer and President of Wal-Mart Canada Corp. of Wal-Mart Stores Inc. and Wal-Mart de Mexico SAB De CV from February 1, 2008 to September 2011. He served as Chief Operating Officer and Trading Director of ASDA Group Ltd. (also known as Asda Group Plc), a Wal-Mart's operation in the United Kingdom since October 1, 2005. Mr. Cheesewright served as Chief Operating Officer of Wal-Mart Canada Corp. from August 2004 to 2005. His career spans more than 20 years in the retail and manufacturing sectors. He joined ASDA in 1999 and over the past eight years held leadership positions in operations, merchandising, logistics, strategy, and format development. Prior to his career with ASDA, Mr. Cheesewright held a range of key positions with Mars Confectionary in the United Kingdom in sales, marketing, supply chain and manufacturing. He has been a Director of Wal-Mart de Mexico SAB De CV since 2009. Mr. Cheesewright holds Bachelors' degree in Mathematics, Sports Science from Loughborough University.

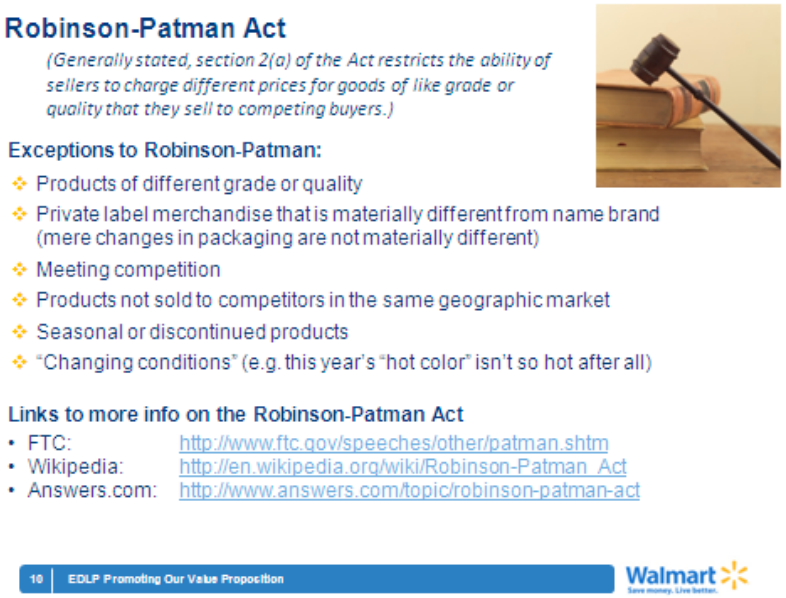
(Bloomberg/Businessweek)

EDLP Learnings

While watching the video, jot down any notes that relate to the followingt EDLP characteristics:

- 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.

The Robinson-Patman Act



Generally stated, section 2(a) of the Act restricts the ability of sellers to charge different prices for goods of like grade or quality that they sell to competing buyers.

Links to more info on Robinson Patman:

FTC: http://www.ftc.gov/speeches/other/patman.shtm

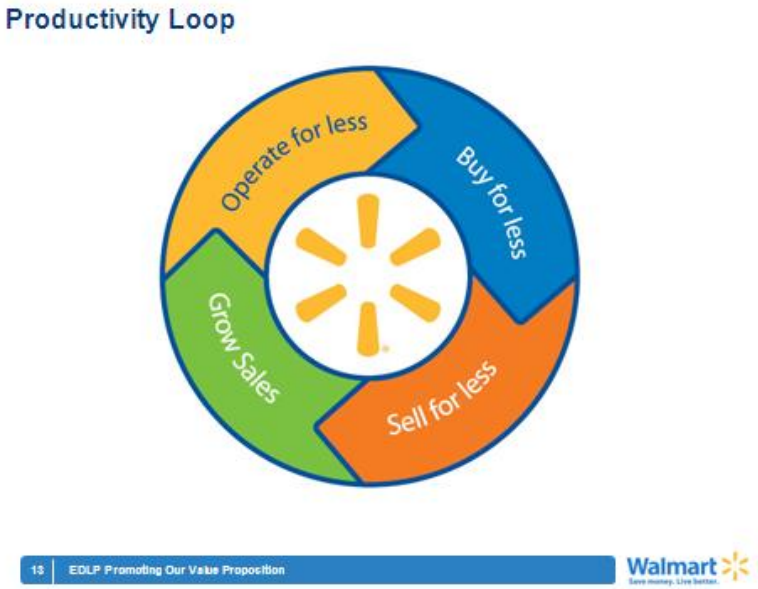
Wikipedia: http://en.wikipedia.org/wiki/Robinson-Patman_Act

Answers.com: http://www.answers.com/topic/robinson-patman-act

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)

The Productivity Loop



Interdependence of EDLP

"EDLP is the key enabler to the two strategies, low cost and low price, to allow you to win in markets."

-- David Cheesewright

- 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?

Global Role of Marketing

Questions:

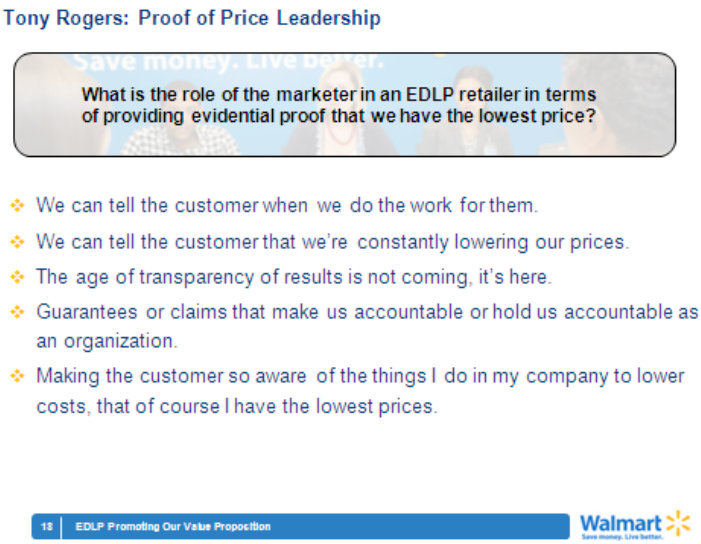
What are the global roles of Marketing when it comes to EDLP?

Global Role of Marketing:

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

Your Notes

Global Role of Marketing: Proof of Price Leadership



"All of these ideas, all of these different ways in to talk about price leadership, they rely on a foundation of objective, quantifiable price data so that number one, we know we have the lowest price, and number two, we have a way to communicate it that the lawyers will let us communicate and is believable by the customer."

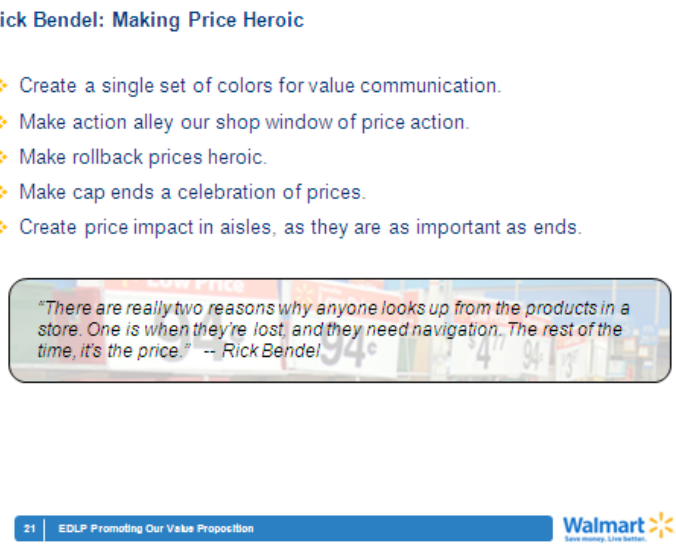
-- Tony Rogers

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

Your Notes

Global Role of Marketing: Making Price Heroic



"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."

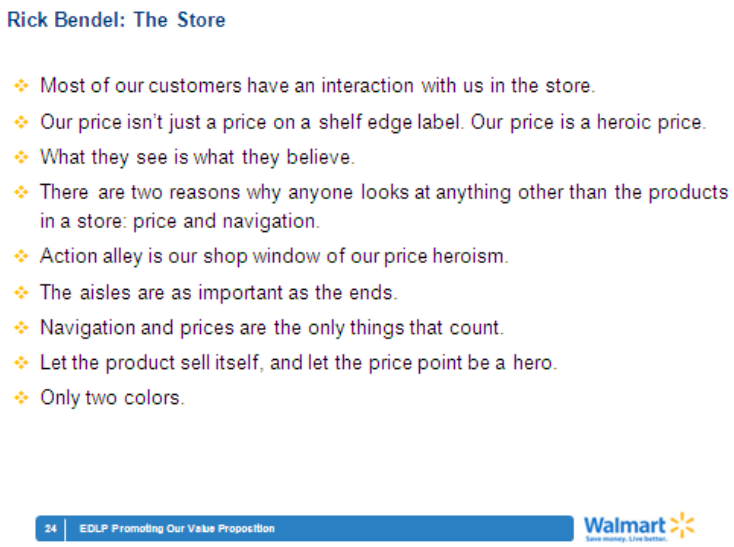
-- Rick Bendel

How do we make price heroic in stores?

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

Your Notes

Global Role of Marketing: Creating Demand in Stores



"An EDLP retailer is amazingly proud of its prices."

-- Rick Bendel

How do we create customer demand in our stores?

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

Your Notes

Global Role of Marketing: Harnessing Power of Our Assets

"If we get this rhythm in our business, EDLP becomes exciting, not dull."

-- Rick Bendel

What are our differentiated assets we can use?

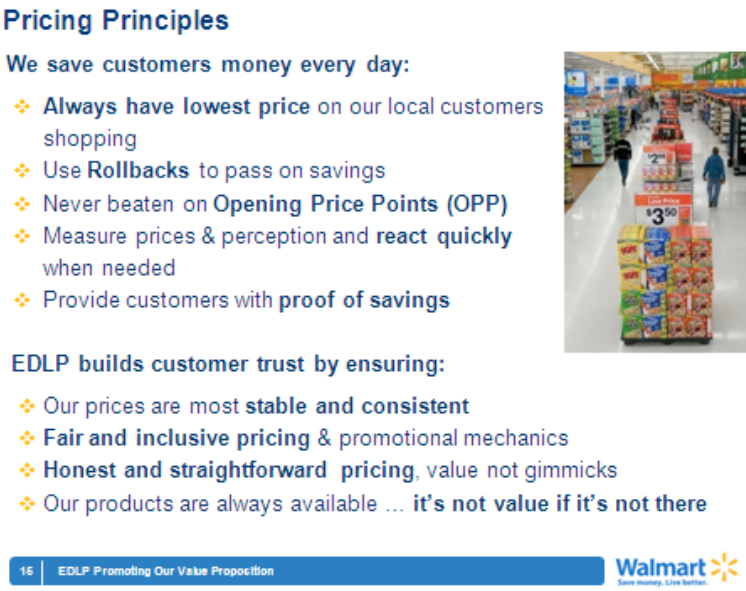
1. Rollback
2. Culture
3. Product
4. One-stop-shop
5. Demand is created by new news
6. What is a customer event?

What are the three unique reasons for a customer shopping at Walmart this week?

1. **Price Position:** Commitment to checking 100% of prices every week.
2. **The Store:** One person owns the store, in terms of it's look, it's feel and the price perception of it.
3. **Weekly activity meeting:** Operators, merchants and marketers come together to develop events that will make the difference in an EDLP world.

Your Notes

Pricing Principles



Questions:

What are Walmart's pricing principles?

We save customers money every day:

- **We always have the lowest price** on our local customers shopping
- We use **Rollbacks** to further reduce prices by passing on savings
- We are never beaten on **Opening Price Points (OPP)**
- We robustly measure prices & perception and **react quickly** when needed
- We constantly provide customers with **proof of their savings**

EDLP builds customer trust by ensuring:

- Our prices are the most **stable and consistent** in the trade area
- Our pricing & promotional mechanics are **fair and inclusive** to all customers
- Our pricing is **honest and straightforward,** we focus on value not gimmicks
- Our products are always available … **it's not value if it's not there**

Walmart's Pricing Goals

An independently-certified study showed that Walmart saves the average American household more than $3000 per year.

- 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.

Walmart Pricing Levers

What other types of pricing levers can you think of?

Your Notes

Pricing Levers: Rollbacks

Rollbacks *are our way of saying to the customer, "We've found a way to cut costs and we are passing on that savings to you."*

Your Notes

Pricing Levers: Special Buys

Did You Know?

Vudu, Inc. *(stylized as* ***VUDU****), acquired by Walmart in March 2010, is a content delivery media technology company responsible for the development of its Vudu-branded interactive media services and devices that are used to distribute full-length movies over the Internet to television in North America, via its content delivery network that uses a hybrid peer-to-peer TV technology. - Wikipedia.org*

Your Notes

Price Levers: Other Types

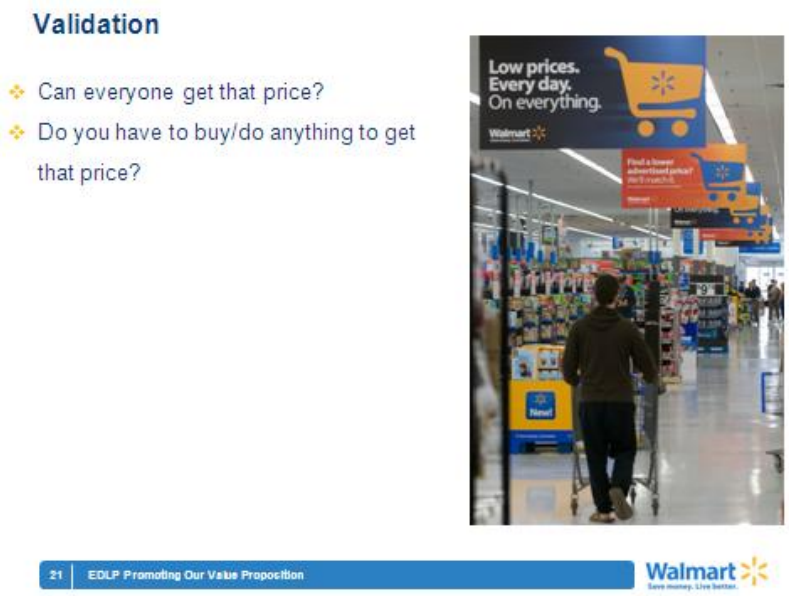
Can you think of any other price levers?

How are they used?

What kinds of parameters might Walmart set for them?

Your Notes

Validating Promotional Materials for EDLP



Two important questions help to validate whether a promotion aligns with our EDLP strategy:

Can everyone get it?

Does a customer have to buy/do anything to get it?

Your Notes

Examples for Discussion

fun fact

Last year, Walmart sold more bananas than any other item.

Your Notes

Grocery Circulars

Key Points

We have developed efficiencies in our supply chain, information systems, in our store operations, and at our home office. The purpose of which is to pass along low prices to our customers.

Something to Think about:

Should we, as a company, even market grocery items in a circular?

Grocery Circulars, cont.

Key Points

One important point to keep in mind is that these one-time flashy promotions can be very confusing to the consumer. Walmart has proven through its impressive growth that consumer prefer Every Day Low Prices…a place they can count on for consistent value. Sometimes these quick hits can damage that image and need to be weighed very carefully.

Your Notes

Seasonal Circulars

DID YOU KNOW?

The first Sam's Club opened in 1983.

Your Notes

Activity: Thanksgiving Circular

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.

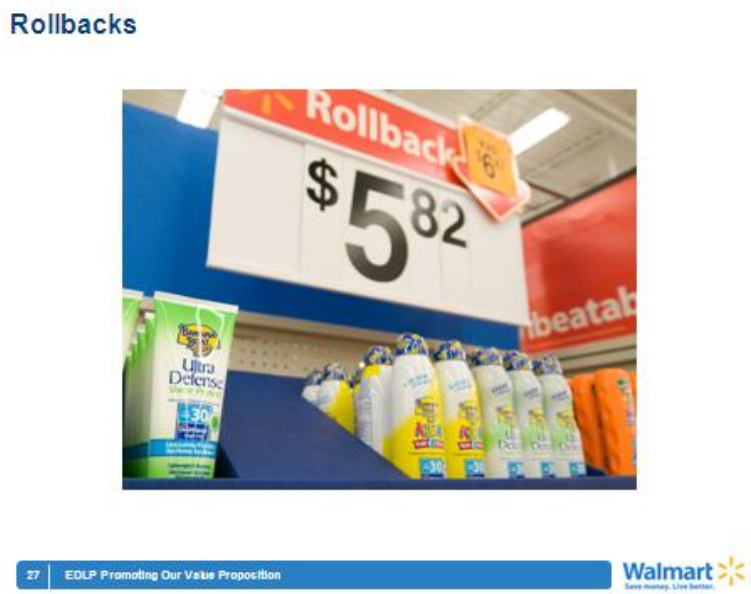
Have your group select one of the following solutions. Be prepared to discuss how it best fits our EDLP philosophy, and will perform the best for the Thanksgiving circular.

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 w/o 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 original idea!**

Your Notes

Rollbacks



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

-- Paul Higham

Your Notes

Comparison Shopping

How can we effectively promote comparison shopping?

Your Notes

Manufacturer's Coupons

What do you think was changed in the coupons in these ads?

Your Notes

Manufacturer's Coupons, cont.

spark

By offering the best possible prices on the products our customers need, we can help them afford something a little extra.

Your Notes

Ad Match

We Do Not 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

Your Notes

Special Buys/Add Ons

Customers come to Walmart because they trust us for our price leadership.

Your Notes

Digital and Social Media

Your Notes

Some of Walmart's social and digital media promotions include:

- Facebook
- Twitter
- Walmart.com
- YouTube
- Walmart Moms, a group of over 20 blogger moms.

Private Brands

Your Notes

With Private Brands, we should always have an OPP (open price point) – lowest cost item – offering.

Door Hangers

did you know?

Walmart parking lots alone take up roughly the size of Tampa, Florida.

Your Notes

Race Car Sponsorship

Your Notes

How many of our competitors with race car sponsorships can you name?

Should we avoid doing a promotion when so many of our competitors are getting prominent display?

Signage

Your Notes

Signage should promote two things – price (EDLP) and location.

Wrap Up and Questions

Closing Quotes

"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

*"*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 everyone in the conversation."

– Doug McMillon

"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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