

**WINNING WITH HIGH QUALITY RESEARCH:**  
**Wal-Mart's Customer-inspired 2007 "Save Money. Live Better."**

**Company Background and Business Challenge**

Founded in 1962 with the opening of its first store in rural Rogers, Arkansas, Wal-Mart Stores has grown to become the U.S.'s and the world's largest retailer. Committed to a business model that drives costs out of supply chains to deliver everyday low prices to customers, Wal-Mart U.S. has grown to be an immense success among American consumers, achieving \$226B in annual revenues and growing to more than 3,400 discount and supercenter stores in the U.S.

The company's scale has afforded it great efficiencies that allow it to drive its everyday low cost model, but it is the same immense scale and success that present a key challenge: How does a retail chain in which 84% of shoppers in the U.S. have shopped in the past year and in which over 100MM customers shop its stores in any given week continue to grow its share of customer spending? While a geographic penetration strategy via new store openings has been and will continue to be a necessary part of the answer to this question, new store openings' ability over time to win share of customer spending has its limits and those limits were beginning to become visible on the horizon in late 2005. At the same time, competitors like Target, JC Penney, Kohl's, Macy's, and others were making increasingly noticeable efforts to win share via advertising investment. It is within this context that senior management deepened its effort to win share of customer spending by radically changing its approach to marketing and advertising strategy.

**Marketing Challenges**

In late 2005 and in 2006, Wal-Mart's senior management hired several marketing and marketing research executives from outside the company to lead a revamping of marketing and advertising at Wal-Mart. The following challenges presented themselves upon the new executives' arrival.

1. Validated customer insights were few and far between..
2. A customer-centric ad development process had to be created from scratch..
3. There was a sizable opportunity to realize efficiencies in media buying.
4. Branding consistency was badly needed.
5. There was clearly an opportunity to effect the same degree of emotional resonance with customers that competitors were managing to establish at the time.

**The Customer Learning Rush of Late 2006**

**Customer Segmentation**

In mid-2006 the first priority of Wal-Mart's nascent Insights and Customer Strategy group was to thoroughly qualify and quantify the U.S. retail customer in ways that Wal-Mart would be able to leverage. A customer segmentation research path was conceived to address key business questions. Given the massive size of the Wal-Mart U.S. business and the scale of impact that the research promised, exceptional attention was given to the designs, sampling frames, and content of the research. One of the highlights of the segmentation study was the employment of a Conversion Model which enabled Wal-Mart to identify the relative proportion of its customers who were both behaviorally and

STRICTLY CONFIDENTIAL  
WAL-MART STORES, INC.

emotionally loyal to Wal-Mart relative to those who were merely behaviorally loyal to Wal-Mart.

From a customer perception standpoint, the segmentation study results showed that Wal-Mart has strong advantages on “offers low prices” and “makes me feel like a smart shopper” versus competition. This functional message and emotional message blended together would constitute the basis of the creative brief that would inspire the “Save Money, Live Better,” campaign.

#### *Providing insights on retailer advertising tactics. Meta-analysis of Retail Advertising and ARS Assessment of Wal-Mart's 2006 Ads*

So parallel to the segmentation work, a meta-analysis of over 100 retailer ads including over 20 historical Wal-Mart ads was conducted using Ameritest's TV Ad Appraiser. The objective was to identify drivers of attention, branding, and motivation in the retailer advertising space. At the same time, our initial Marketing Mix Modeling allowed us to qualify a copy test supplier that could predict the business impact of advertising at Wal-Mart while also being able to quantify an ad's impact on Wal-Mart's brand equity. After the ARS Group was selected as the ad testing supplier that could best achieve those goals, the majority of our 2006 were tested via the ARS Group's ARS methodology which yielded additional insights.

The meta-analysis, mix modeling, and ARS-testing had a profound impact on Wal-Mart's ability to provide its agencies with tightly written creative briefs. Principles that were adopted included, emphasis on the brands of the merchandise sold at Wal-Mart, wrap up our rational message of low prices in the emotion of “living better” to drive persuasion, and make sure that Wal-Mart brand was prominently communicated through the ads.

#### **The Customer Shall Guide the Way**

As the Martin Agency and Mediavest engaged with their newly-won account in early 2007, their efforts were girded by their collaboration with Wal-Mart's Insights and Customer Strategy group. All our ad agencies, including the multicultural shops (Lopez Negrete, IW Group, Global Hue), were able to quickly learn about the media habits, financial challenges, and life aspirations of Wal-Mart's key segments as well as Wal-Mart's customer perception advantages on “low price” and “makes me feel like a smart shopper” among those groups. Collectively, these insights directly inspired multiple tagline options and in turn rigorous quantitative and qualitative studies were employed to evaluate the tagline options. The “Save Money. Live Better,” tagline emerged from the research as the most relevant to Wal-Mart and its target customers.

#### **Impact of the Relaunch of Wal-Mart's Brand**

In summary, all the research discussed in this paper inspired the 2007 Back to School and Holiday ad campaigns featuring the “Save Money. Live Better,” tagline. Print, Circular, Radio, Online, In-store and TV creative were carefully reviewed to make sure that consistency of the message was adhered to. The creative connected emotionally with customers across multiple media and the “Save Money, Live Better,” message was integrated across Wal-Mart's multicultural communications efforts. The net result was a stronger emotional connection with key segments to drive a greater share of their spending as revealed in our business results noted below.

The integrated efforts of Marketing Communications, Operations and Merchandising at Wal-Mart yielded positive momentum during the Back to School seasonal period, and those positive results set the stage for even more pronounced positive results during the critical Holiday shopping season.

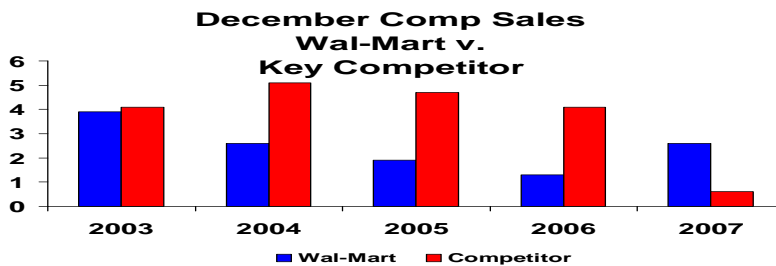
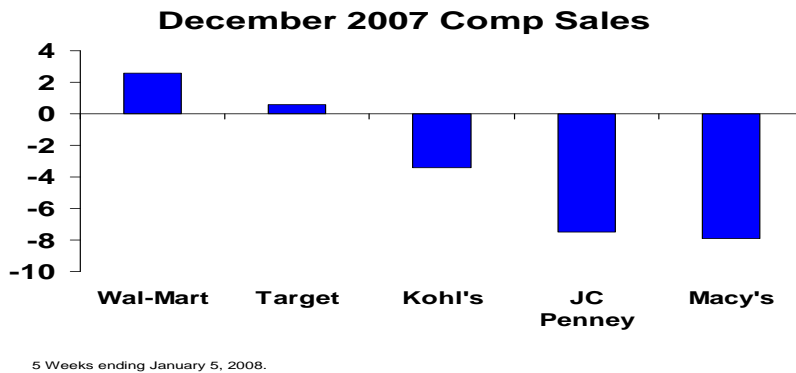
Results of our advertising research in 2007 show a dramatic year over year improvement in customer perception of Wal-Mart's core equities.

It is difficult to overstate the importance of Holiday sales to Wal-Mart and its competitors. To illustrate, December accounts for nearly \$7B more in sales relative to the next largest month of sales at Wal-Mart, thus the 2007 holiday results were especially heartening. Comp sales results for Wal-Mart in December 2007, the metric used by Wall Street, were +2.6 for Wal-Mart Stores US, substantially higher than competitors such as Target (+0.6%), Kohl's (-3.4%), JC Penney (-7.5%), and Macy's (-7.9%).

What made the December 2007 results more noteworthy was that in recent history a key competitor had gotten the better of Wal-Mart during the month of December on comps via its design-centric emotion-laden campaign. In December 2007, Wal-Mart not only stemmed the trend, but reversed it. The comparative comps of Wal-Mart versus this key competitor reveal this point (please see the slides on the following pages.)

Moreover, the +2.6 December 2007 comps for Wal-Mart were higher than Wal-Mart's last two years of December comp sales (2005: +1.9%, 2006: +1.3%).

Charts depicting the impact of the campaign follow.



STRICTLY CONFIDENTIAL  
WAL-MART STORES, INC.