



Presented by the Advertising Research Foundation

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SILVER WINNER

Winning With Mom During the Great Recession – Walmart

Company Background and Business Challenge

Founded in 1962 with the opening of its first store in rural Rogers, Arkansas, Walmart 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 enable customers to save money and live better, Walmart U.S. has grown to be an immense success, achieving \$256B in net sales in fiscal 2009 and growing to more than 3,600 stores in the United States.

As the United States headed into an economic tsunami in late-2008, Walmart was poised for success. Walmart's established equity in being the low-price leader would likely lend well to consumers who were suddenly more akin to penny-pinching and inconspicuous consumption. Strategically, Walmart's Customer Insights team had previously conducted a large customer segmentation study that helped align the organization to focus on price-conscious consumers. Walmart had re-launched its brand and unveiled a new tagline, "Save Money. Live Better". Walmart's merchandising was beginning to bring in high-quality name brands to the store shelves, driven by solid customer insights that indicated a desire for name brands among its core segments.

But these changing macro-economic trends would also create new challenges for all retailers, including Walmart. A confluence of factors were impacting consumer spending: unemployment was beginning to rise, consumer credit was shrinking, and paper wealth created from rising home prices began to evaporate. Consumers suddenly were re-thinking each purchase, no matter how big or small. In addition, competition began attacking Walmart's position as the low price leader by slashing prices on merchandise and placing greater focus on price / value messaging.

It is within the context of this economic meltdown combined with a changed competitive landscape that Walmart decided to place significant investment into research to drive new insights on the customer. Walmart's Customer Insights team, working closely with Walmart marketing, research partners and advertising agencies, stepped-up efforts to understand the impact of the economy, competitors, and the ever-changing consumer mindset.

Key Research and Insights

While many great advertising campaigns are built off a singular research project or single insight, Walmart's innovative strategy and impactful outcomes from 2009 are truly based on a synthesis of customer insights from numerous research studies and ongoing customer listening

platforms. Highlighted below are the customer insights that directly inspired the most innovative ideas and advertising.

In late 2008, Walmart Insights engaged with Impact Consumer Research to undertake a comprehensive quantitative study of consumers in this changing economy. This study was designed specifically to help us understand the coping mechanisms that consumers were using depending on their economic outlooks. Additionally, Walmart conducted a deep dive on households that were currently suffering through unemployment. This focus on households that were truly struggling allowed us to understand how dire consumer spending might get if the economy, and unemployment, continued to worsen. This quantitative research resulted in great insights into the minds and behaviors of consumers. Specifically, it put the focus squarely on the moms in these households, as they were being asked to somehow get bills paid with much less income, find ways to keep the family fed, and often times take a larger role as a breadwinner outside the home. **The key insight: Mom was feeling an elevated burden, and her time and energy were scarce.**

Walmart was also able to size the threat of the economic downturn on retail spending within key specific categories. Mom was much more focused on shopping deals in food and consumables, leveraging coupons and shopping around to get the best prices for her family. Mom had checked out completely from buying electronics and home goods, and was only buying apparel for the kids on an as needed basis. Additionally, households where unemployment was not an issue behaved very much like households that had been hit by unemployment, but instituted less extreme cutbacks. Based on these insights Walmart estimated that overall retail spending could decline as much as 30% in the short-term. **The key insight: Mom needed permission to spend, and for now she was focused only on the basics.**

Further exploration with Impact Consumer Research tackled resizing the opportunities originally presented in the seminal customer segmentation research from 2006. In 2009, price-conscious consumers now made up almost 70% of the shopper universe, a 17% increase over the past three years. One in five consumers was a price-conscious mom, further solidifying the need to focus on mom as financial epicenter of the family, especially as the economy worsened. **Key insight: Walmart's customer base was growing, and mom is the critical constituent.**

Concurrently with the quantitative research, Walmart embarked on a series of ethnography / shop-alongs with Deep Blue Insight. Starting in early 2009 and spanning throughout the year, key insights and marketing personnel traveled the country talking to moms of all walks of life to better understand their key challenges and how Walmart could better serve them. This ethnography work re-enforced the earlier insights that mom was tired. Her full-time job of keeping bills paid, kids fed, and husband happy was being further stretched by needing to take a more active role supplementing incomes outside the house. She was scouring newspapers and ads for deals on the things her family used most. She was searching for solutions. **Key Insight: Mom qualifies being a smart shopper as saving money but not sacrificing her personal time or time with family.**

Rachel, a mom in Toledo, Ohio, told the story of her husband losing his job and how she was struggling to learn how to budget. She didn't feel like any retailers really understood what she was going through, and she broke down in tears recalling when she had to take items off the check-out line because she didn't have enough cash to pay. As more retailers began to heavily message price savings in their advertising, she expressed frustration with trying to sort out where she could get real savings, vs. hi-lo price switching. She knew she should use coupons

and sort the Sunday ads, but truly lacked the experience, knowledge, and time to do so. **Key insight: Mom wanted easier ways to save than coupons and circulars.**

The ethnography research also kept indicating a similar refrain among Walmart shopper moms, a refrain that, two years earlier, had been critical to developing “Save Money. Live Better.” Moms said that by saving money at Walmart, they could apply the savings in other areas of their lives: a vacation, some DVDs to watch as a family, or taking everyone out to dinner all were all ways they would leverage the savings they received from shopping at Walmart. In fact one mom of meager means postulated that with the money she saved by shopping at Walmart, she could afford to budget a trip to Disney World each year for her family. **Key insight: Savings add up, and mom is doing some pretty incredible things with those savings.**

Walmart Customer Insights leveraged analytics functions to expose additional insights into customers. First, as the economy declined towards the end of 2008, new households began shopping at Walmart stores. Leveraging traceable tender databases, Walmart was able to understand that growth in customers trying Walmart for the first time over-indexed to higher income households. Keeping these customers through the recession and beyond was established as a top priority for the company. **Key insight: Incremental traffic increases were partially due to customers shopping at Walmart stores for the first time and keeping these new customers was established as a strategic long-term growth goal.**

Second, in partnership with research supplier Marketing and Planning Systems (MaPS), Walmart began to mine the wealth of tracking data available. From this data collected over the past two years, a unique loyalty model was created. Leveraging this existing database with 24 months of data, this model allowed Walmart to understand loyalty from a much deeper perspective than had the project started from scratch. Specifically, Walmart had proof that loyalty among customer base had increased significantly over the previous two years. Also from this research Walmart learned that loyalty was driven by several factors, including establishing Walmart as “a smart choice for one’s family”. This was a key differentiator—less-loyal shoppers did not share this same sentiment. Lastly, creating a positive emotional bond with customers was critical to moving them to become more loyal. Walmart had room to improve its emotional bond with customers, *especially among the new, more affluent shoppers visiting its stores.* **Key insights: Loyalty to Walmart is driven by several factors, including feeling like it is the smart choice for one’s family, and having an emotional connection to the brand.**

Finally, Walmart looked to Global Insight to undertake an update to an independent research effort to analyze the issue of the impact that Walmart has on communities. The updated research study concluded that the reduction in the consumer prices due to the presence of Walmart translated directly into savings for consumers amounting to over \$350 billion in 2007, corresponding to savings of \$3,100 per household. **Key insight: By being in their community, Walmart saved consumers \$3100 per year.**

In summary, the research conducted in late 2008 and throughout 2009 lead to numerous breakthrough insights, including:

1. Mom was feeling an elevated burden, and her time and energy were scarce.
2. Mom needed permission to spend, and for now she was focused only on the basics.
3. Walmart’s customer base was growing, and mom is the critical constituent.

4. Mom qualifies being a smart shopper as saving money but not sacrificing her personal time or time with family.
5. Mom wanted easier ways to save than coupons and circulars.
6. Savings add up, and mom is doing some pretty incredible things with those savings.
7. Incremental traffic increases were partially due to customers shopping at Walmart stores for the first time and keeping these new customers was established as a strategic long-term growth goal
8. Loyalty to Walmart is driven by several factors, including feeling like it is the smart choice for one's family, and having an emotional connection to the brand.
9. By being in their community, Walmart saved consumers \$3100 per year.

Applying the Key Insights

Using these insights, the Walmart Marketing Department and key partners The Martin Agency and R/GA conceived multiple marketing programs to apply against a media plan optimized by Walmart's internal media team and partner Mediavest across mass media, in-store, and digital touch points. These new programs were executed across 2009.

TV advertising: The Martin Agency created several high watermark ads, with three that eloquently leveraged these insights:

- *"Circular Swirl 15"*: This ad focused on providing mom with a solution to ease the frustration and time of shopping around, which is time she didn't have and would be better spent with her family. Highlighting Walmart's Price Match policy, the ad succinctly told the story that mom didn't need to waste time going through circulars to get the best deals, she could rely on Walmart to check prices for her and match any competitors that might be lower.
- *"Visit 30"*: This ad clearly demonstrated how savings on the little things can add up to amazing things. It focused on a grandfather using the savings he achieved by shopping Walmart to be able to buy a plane ticket to visit his family. It also leveraged the \$3100 savings claim, which gave mom a new, quantifiable reason to believe that Walmart truly help her save money. The ad was intentionally emotional, to drive home to both loyalists and new customers that Walmart is there to help them save money *and* live better.
- *"Christmas Wish 30"*: This ad was a thank you note to the troops serving overseas, and the families back home that miss them. Launched over Veterans' Day and played throughout the holidays, the emotional ad showed soldiers in a hot, dusty locale deluged by a snowstorm that one soldier's son had implored Santa to deliver to his dad. Designed strictly as an emotional bond-builder, the ad contained no merchandising or price message, ending on the logo and "Save Money. Live Better." With this ad, Walmart was looking to reach out to customers in a gentler way, and attempt to build an emotional connection beyond merchandising and customer experience.

In Store: Starting in highly competitive areas like Denver and Minneapolis, Walmart leveraged messaging focused on Unbeatable Prices both to re-assert Walmart as the premier location for the lowest prices and best value, and as a re-investment in its Price Match Policy. Price matching assured that mom could be positive she was always getting the best deal. In selected markets, Unbeatable Prices messaging was further buoyed by heavy-up TV advertising. Because of the success of the Unbeatable Prices message in these pilot markets, signage was rolled out to stores across the country.

Digital: Based on new trends in digital and listening to customers in the digital space, it became clear that Walmart needed to take a more active role in its digital presence. Walmart’s voice was absent from a conversation that it needed to be in. Leveraging key insights on mom, specifically needing to find ways to simplify her life and provide her the savings she demands, Walmart developed a digital presence to share the its perspective, take “Save Money. Live Better.” directly to moms, and create new opportunities to listen to its customers.

First, Walmart’s Facebook site would allow mom to use a medium she’s already on-social networking-to stay informed about the latest deals, news, and information, as well as connect with like-minded customers and hard-working associates. It also provides a critical listening platform to address potential issues and foster new ideas. Second, an iPhone app was launched just in time for the holidays, and could help mom find the products she wanted at Walmart stores, as well as deliver her the latest deals.

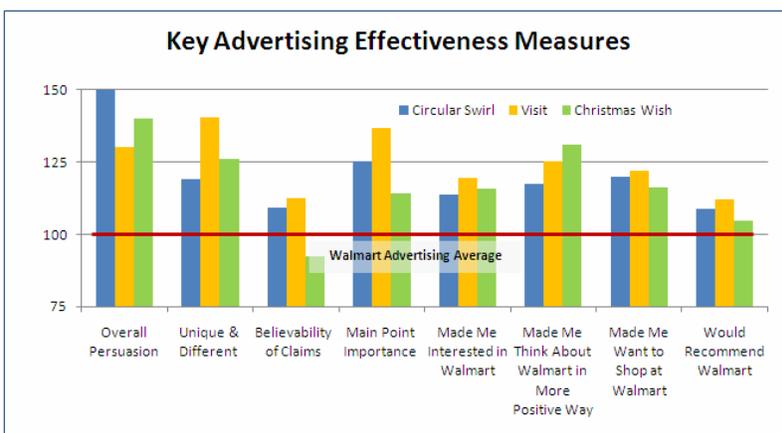
Impact of Walmart’s Activation of Key Insights

The impact of applying these key insights into impactful creative marketing throughout 2009 can be measured in several ways:

Direct outcomes of key TV advertising

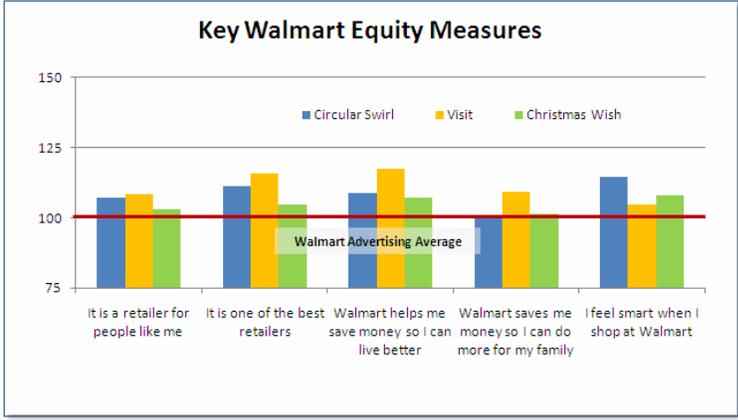
Testing through ARS indicated “Circular Swirl 15”, “Visit 30”, and “Christmas Wish 30” television ads far out-paced established Walmart norms for advertising effectiveness. “Circular Swirl 15”, with its extremely focused message on price matching and doing the hard work for mom to save her time and frustration was the most persuasive 15 second ad Walmart had ever produced.

“Visit 30” clearly illustrated how saving on small things can add up to big things, and was both persuasive and unique. It was one of the most persuasive brand ads Walmart had ever created, especially among price-conscious moms. That is until “Christmas Wish 30”, which despite any merchandising, price, or savings message exceeded the highest persuasion score for Walmart brand ads. “Christmas Wish 30” also had to a strong positive impact on Walmart’s brand.



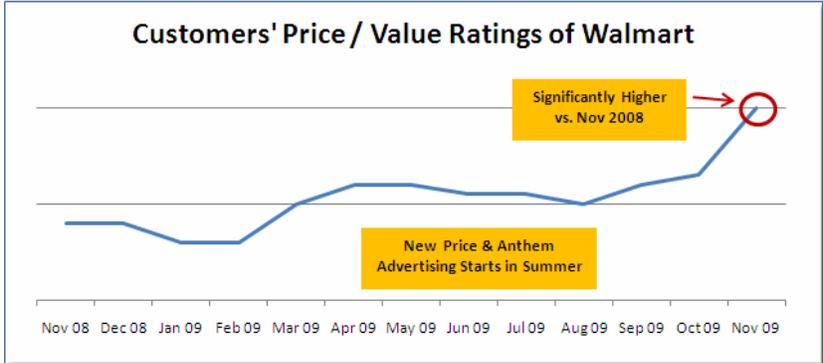
All three ads scored better on key Walmart equities compared to average. “Circular Swirl 15” made moms feel smart shopping a Walmart, a key indicator of loyalty. “Visit 30” elevated Walmart as a retailer and advanced the brand’s promise of saving people money so the can live

better. And “Christmas Wish 30”, lacking any sales message, was better than average at re-enforcing “Save Money. Live Better.” and making mom feel smart for shopping at Walmart.



Impact on Walmart’s price equity among customers

While Walmart’s price/value equity rating among customers was slowly elevating through the year, a significant bump in price/value equity occurred as this new advertising went to air. This advertising helped to reinforce a commitment to price leadership as Walmart entered the holiday season, which also included lowering prices in-store and class-leading Black Friday deals.

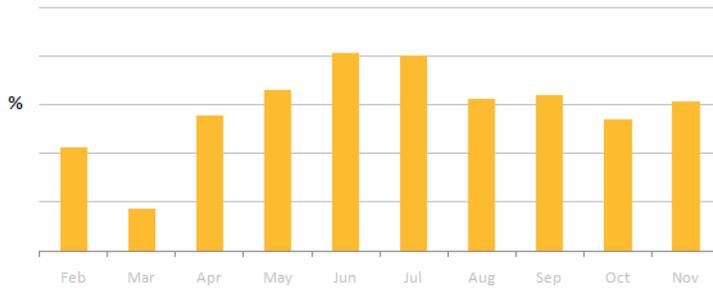


Impact on New Household retention

One of the key challenges facing the organization was to retain new households gained at the beginnings of the recession through the year. New, primarily upper-income shoppers were also the most likely to leave when the economy began to improve.

One of the keys to creating and maintaining behavior loyalty is establishing that Walmart offers a price and value proposition that makes it the smart choice for one’s family. Additionally, creating an emotional connection with the brand is critical. As Walmart leveraged customer insights to hone its new advertising focused on price-conscious moms, Walmart was able to build and maintain the relationship with the new, more affluent customers shopping in stores. Even as the economy has begun to show signs of recovery for more affluent households, Walmart has continued to attract new households looking for savings.

New Household % of Total Households



Impact on Digital Presence

As of January 2010, Walmart's Facebook site had attracted over 430,000 fans in less than three months of existence. Walmart's iPhone app, launched in December 2009, has been downloaded over 600,000 times. The Facebook page and iPhone app have given Walmart its own voice in the digital space. But most importantly, they provide a listening device for Walmart to hear what moms need and want, and how Walmart can provide it to them.



Outside Recognition

According to a National Retail Federation survey, Walmart overtook Target as the company with shoppers' favorite holiday commercial in 2009 ("Christmas Wish 30"). Target had topped the list since 2005, the inaugural year of the survey.

Walmart was named by Ad Age as the 2009 runner-up "Marketer of the Year." CMO Stephen Quinn was named #6 Power Player of 2009.