Wal-Mart

A Study of Attitudes, Perceptions and Behavior among |
Chicagoland Discount Department Store Shoppers

*A Quantitative Benchmark Study

Prepared for Wal-Mart
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BACKGROUND

Discount Department stores throughout the U.S. have been growing at a rapid pace and fast becoming the dominant retail environment of our time. Discount stores appear to be taking business from the traditional department stores (e.g., Marshall Field's – now Macy's and J.C. Penny) and other forms of retailing as well. Two of the major discount department store chains in the Chicagoland market are Wal-Mart and Target. These stores are also major chains in other areas of the U.S.

Both Wal-Mart and Target have increased the number of stores in the Chicago market over the past ten years or so (including the addition of mega stores which sell food and all other supermarket type goods) and are looking for increased sales and market share. Both marketing departments are fighting for a greater share of the same target audience, and Wal-Mart needs to maximize our position in this very competitive environment in order to gain the upper hand over its most prominent direct competitor, Target.

It's obvious to anyone that lives within the Chicagoland area that discount stores will continue to be a permanent fixture in the neighborhood, however the market has become saturated with discount stores, such as Target and Kmart, and brand differentiation between the competing stores is becoming blurrier. Total sales for Wal-Mart in 2007 increased to $375 billion (www.walmartstores.com). Total sales for Target in 2007 increased to $63 billion (www.target.com). In a difficult economy where most retail store sales are on the decline, Wal-Mart has sustained in the market. Our top competitor, Target, has a tagline "expect more, pay less" and it appears their primary focus is value. Wal-Mart has repositioned itself in response to the troubling economy and our tagline is “Save money. Live Better.” Our goal is to help shoppers save money on everyday purchases so that they can live their lives to the best of their abilities. But, are our messages and efforts resonating with consumers?

PURPOSE OF RESEARCH

The primary purpose of the research is to determine what attributes or characteristics are considered most important to the target audience (women, age 21-65, who live in the Chicagoland market and have shopped Chicagoland discount department stores at least four times in the past six months) in deciding which discount department store to shop at and how Wal-Mart rates on these most important attributes or characteristics in relation to its key competitor Target.

METHOD

The data will be collected via quantitative means. Surveys will be tallied by eligible participants and one-on-ones will be performed for deeper participant responses via convenience samples which are non-probability samples using participants that are readily available or easily attainable (McDaniel & Gates, 2007). The total number of respondents interviewed via one-on-one was 74.

As previously mentioned the sample frame included women age 21-65 who shop at Target and Wal-Mart and shopped a minimum of two times each at Wal-Mart and Target. According to the MRI Reporter, female patrons of Wal-Mart stores vary slightly within this age group where as the male patrons show more differentiation between the different age groups. Women will be targeted for the purposes of this study in order to gain the perspective of the primary shoppers. The indexes for the female Wal-Mart customers are provided below:

Age	Index
Age 18-24	104
Age 25-34	106
Age 35-44	104
Age 45-54	102
Age 55-64	101
Age 65 +	84

The scheduling for the research study was determined and followed strictly in order to reach organizational goals and move forward with action plan in a timely manner. The timing for the research study presented was as follows:

Week 1	*Develop Research Proposal*	*10/14/2008*
Week 2	*Develop Questionnaire*	*10/21/2008*
Week 3	*Distribute Questionnaires*	*10/28/2008*
Week 4	*Conduct personal interviews*	*11/4/2008*
Week 5	*Complete coding/tabulation*	*11/11/2008*
Week 6	*Data tables available*	*11/18/2008*
Week 7	*Analysis*	*11/25/2008*
Week 8	*Report available*	*12/2/2008*
Week 9	*Presentation of study findings*	*12/9/2008*

EXECUTIVE SUMMARY

Consumers want to know they have options when they shop and that the options offered provide good quality merchandise at a reasonable price. Wal-Mart is strong on the latter part, price, but we are relatively weak where value and assortment are concerned. Target, our key competitor is fairly strong on assortment, but falls short on price and value.

A Quantitative study was performed to discover what discount department store attributes were important to shoppers living within the Chicagoland area and how Wal-Mart and our key competitor, Target ranked on these attributes. The sample size was 74 and the respondents needed to be women, age 21-65, who live in the Chicagoland area and have shopped Chicagoland discount department stores at least four times in the past six months and have shopped at Wal-Mart and our key competitor, Target, at least twice within that six month time frame. A representative sample was achieved as evidenced by the demographic tables provided in the appendix and in Table 1A below.

TABLE 1A – SHARE OF DISCOUNT DEPARTMENT STORE VISITS

	Total Number of visits = 2098	
	Total	%
Wal-Mart	683	33
Target *Key Competitor*	897	43

Out of the 2,098 visits reported, a third were visits to Wal-Mart and significantly more visits were to Target. The total number of Target stores in Illinois is 82 (www.target.com). Where as, the total Wal-Mart stores in Illinois is 147 (www.walmartstores.com). This is almost double the amount than Target yet Target achieved a higher share of discount department store visits. The data provided offers solid answers to the reason behind our weaker share of visits in the Chicagoland market.

Although, we have experienced a growth in same store sales of 2.8%, our perception among consumers leaves something to be desired (Neff, 2008). While sales are important, a positive overall impression is vital. The economy is likely the reason for our increase in sales when most retail stores on the decline. Data collected from the survey supports that Wal-Mart is ranked high regarding low price, but low-price is not among the top important attributes ranked. Price may be a factor now because Americans are struggling in a recession, but when the winds change consumers will again have the luxury to choose a store based on factors other than price. According to the responses, their decision will be based on the most important attributes provided in the Table 1B:

TABLE 1B – MINI TABLE OF GAP ANALYSIS DATA

	TOTAL					
	Importance	Wal-Mart	Gap	Target	Gap	Difference between Wal-Mart vs. Target
Number of Respondents	74	74		74		
	%	%	%	%	%	%
Has a wide assortment of merchandise	95	74	-21	85	-10	-11
Has good value for the money	95	75	-20	67	-28	8
Has convenient store locations	91	78	-13	87	-4	-9
Advertised sales merchandise is in stock	91	64	-27	74	-17	-10
Makes it easy to return merchandise there	87	70	-17	70	-17	0

The top five attributes ranked are detailed below. It should be noted that “low price” is not included amongst these. The top two are “wide assortment of merchandise” and “good value for the money”. Wal-Mart does not rate high enough when compared to importance and also ranks significantly less than Target, our key competitor, on the category of “wide assortment”. Variety within our stores needs to be communicated within campaigns and on shelves. It is tied for the most important factor on where to shop and should be heavily focused on for improvement. Regarding “value for money”, while we rank negatively when compared to level of importance, we are perceived better than Target. The gap within this category needs to be widened. Value is equally important to consumers and should therefore also be heavily focused on in order to strengthen an edge over Target.

Convenient Locations was ranked fairly high for importance and Target was ranked better than Wal-Mart. Although, Wal-Mart did not rank poorly when compared to importance there is still room for improvement. Further investigation is necessary to discover what is considered a convenient store location in the minds of consumers before moving forward with any changes to the current structure. The answer to this could be achieved by focus groups within the same target. Also, equally important is items in stock. More specifically, advertised items. Wal-Mart ranks poorly and less than our competitors. This is our biggest weakness. Distribution channels, Buyer processes and delivery frequency need to be scrutinized. It is either a lack of communication to employees or consumers. We need to learn where the miscommunication stems from and then proceed with clear steps to avoid this in future promotions.

Interestingly, ease of return also ranked high in importance. Even more interesting, Wal-Mart was tied with Target. This is where we can gain an edge on impression. Training is necessary to improve the customer service skills of employees when faced with challenging situations. This will improve the experience of the return and relieve the frustration of the consumer. If ratings do not improve, a more flexible policy will be necessary.

DETAILED FINDINGS

The following includes the data collected with an evaluation of the findings.

TABLE 2A - QUADRANT ANALYSIS – *Wal-Mart Results*

High in Importance/Low in Delivery	High in Importance/High in Delivery
• Has a wide assortment of merchandise • Has good value for the money • Advertised sales merchandise in stock • Carries the brands you want • Has a pleasant store environment and shopping atmosphere • Has fast service through check-out lanes • Store employees are quickly available when I need help in shopping	• Has convenient store locations • Has the lowest prices
Low in Importance/Low in Delivery	**Low in Importance/High in Delivery**
• Has check-out clerks that are friendly and helpful • Customer service desk is friendly and helpful • Carries trendy clothing you want for different family members	• Has good prices on advertised sales merchandise • Provides one stop shopping for merchandise and groceries • Has wide aisles to shop in • Is committed to community services and charities • Has advertising that speak to you • Has a good food court

Table 2A is a Quadrant Analysis and illustrates where Wal-Mart stands as an organization in the minds of the respondents questioned. The attributes were divided according to where they were ranked by the respondents and how Wal-Mart was rated overall based on the above attributions. The goal is High in Importance/High in Delivery. Out of the 18 attributes, nine are considered high in importance. Out of those nine, only two could be placed in the High in Importance/High in Delivery category. Those two attributes were convenient store locations and lowest prices. The remaining seven were ranked as low in delivery. This is where the focus for improvement should lie. It should also be noted that out of the 18 attributes, six were categorized as Low in

Importance/High in Delivery. While it is good to be ranked as high in delivery, it is almost a moot achievement when the attributes are regarded low amongst consumers.

TABLE 2B - TOP OF MIND AWARENESS

Total = 74	%
Wal-Mart	40
Target *Key Competitor*	46

Table 2B provides the results to the question "When you think of Chicagoland discount department stores that you could shop at for such items as clothing for yourself or for someone else, small appliances, kitchenware, sporting goods, toys or supermarket items, which one first comes to mind?". The question is all inclusive. Meaning, it is not limited to just Wal-Mart and Target. Yet, 96% of the respondents mentioned Wal-Mart or Target first. The results were close, but Target is 6% higher. Top of Mind can be translated to brand name awareness and is important because not only does it reveal the success of our marketing campaigns but more importantly where we stand "between the ears" of consumers.

TABLE 2C – FIRST CHOICE

Total = 74	%
Wal-Mart	37
Target	51

When asked "which discount department store would you shop at" slightly more than half of the respondents answered Target. This is more than likely a result of our standing in relation to the attributes mentioned previously. We don't get a chance to be a second choice. First choice is the only option and our primary goal.

TABLE 2D – OVERALL IMPRESSIONS

	Wal-Mart	Target
Net: Top Two Box	**13**	**40**
	%	%
10	5	9
9	8	31
8	16	35
7	19	16
6	19	3
5	14	5
4	11	0
3	4	0
2	1	1
1	3	0
Net: Bottom Two Box	4	1
Mean	6.3	8.1

Respondents were asked for their overall impression of Wal-Mart and Target. They were asked to provide their answer on a scale of one to ten. Ten is excellent and one is very poor. The top two boxes, results for nine and ten, are the most significant. It is the top two because it was taken into consideration that some respondents are hesitant to answer “ten” because it implies perfection. Thus nine and ten are added together, to accommodate this common notion. Out of the 74 respondents, 13% rated Wal-Mart a nine or higher. Our top competitor, Target, had 40% of respondents rank nine or higher. This is a significant difference. The average score for Wal-Mart was 6.3, nearly two points less than our competitor. However, Wal-Mart sells more than Target so it may be possible that our low prices transcend the reputation among consumers.

RECOMMENDATIONS

Based on the results provided above, change is crucial to improve the perception of Wal-Mart in the minds of consumers. More variety needs to be added and more importantly marketed so that consumers are aware of the many options available within our stores so that we may appeal to a variety of shoppers. Just as important is the perceived value of the merchandise available at our stores. It may be as simple as the way they're displayed on the shelves and racks, but stronger brand names and more durable products and packaging are necessary to achieve a quality appearance. Also to enhance the perceived value, testimonials will be helpful. Word of mouth is a powerful tool and would make an essential ally to change consumer attitudes and strengthen our perception of value over Target.

Convenient store locations are important to consumers, but what does convenient mean to them. Target has the edge on this, but we are not far behind. We need to perform further research to do determine how consumers define a convenient location. This could be achieved through focus groups using a similar target audience before proceeding with any major changes to our locations.

When frustration occurs from out of stock sale merchandise, it leads to unhappy consumers and unhappy consumers lead to frustrated sales. The distribution, buying and delivery channels need to be analyzed to discover where the problem occurs. If it is a case of limited availability, it should be clearly communicated in marketing materials. If it is a case of poor inventory judgment, cross-training would be beneficial to include a broader scope of opinions to avoid over or under stocking. Or it may be as simple as an increase in delivery to stores during peak promotions periods.

An important attribute that we are, according to these results, neck and neck with Target is ease of return. Consumers clearly consider this when choosing which department store to shop at and if we can tip the scales in our favor it will give us a better edge in the market place. This could improved by marketing our policy in a friendlier light, staff training to enhance customer service skills when handling difficult transactions and/or relaxing or broadening the current policy in place.

Overall, the variety and ease of shopping at a Wal-Mart store needs to be communicated to consumers. Convenience and ambiance is the name of the game and right now Wal-Mart is fumbling the ball. Consumers want choices and currently don’t perceive Wal-Mart as providing them with enough choices. We need to make our appearance and messages tighter. It needs to be conveyed that Wal-Mart is a pleasant store to shop in from the moment they pull in to the parking lot to the moment they arrive at home to assess their purchase decisions.

Once changes are in place, it is crucial that a similar survey be performed six months and one year from now to discover if our efforts have made an impact in the minds of consumers. Based on those results, we will know if we are moving in the right direction.

APPENDIX

TABLE 3A - GAP ANALYSIS

	TOTAL					
	Importance	Wal-Mart	Gap	Target	Gap	Difference between Wal-Mart vs. Target
Number of Respondents	74	74		74		
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Has good value for the money	95	75	-20	67	-28	8
Has convenient store locations	91	78	-13	87	-4	-9
Advertised sales merchandise is in stock	91	64	-27	74	-17	-10
Makes it easy to return merchandise there	87	70	-17	70	-17	0
Carries the brands you want	86	41	-45	73	-13	-32
Has a pleasant store environment and shopping atmosphere	82	31	-51	84	2	-53
Has fast service through check-out lanes	79	34	-45	66	-13	-32
Store employees are quickly available when I need help in shopping	78	31	-47	42	-36	-11
Has the lowest prices	77	93	16	44	-33	49
Has check-out clerks that are friendly and helpful	74	43	-31	70	-4	-27
Has good prices on advertised sales merchandise	72	88	16	60	-12	28
Customer Service Desk is friendly and helpful	69	43	-26	72	3	-29
Provides one stop shopping for merchandise and groceries	62	62	0	59	-3	3
Has wide aisles to shop in	50	48	-2	71	21	-23
Carries trendy clothing you want for different family members	50	16	-34	65	15	-49
Is committed to community services and charities	32	44	12	61	29	-17
Has advertising that speaks to you	32	29	-3	58	26	-29
Has a good food court	4	17	13	26	22	-9

TABLE 3B - AGE

	Grand Total=74
	%
21-29	28
30-39	27
40-49	23
50-59	10
60-65	7
Refused	5

TABLE 3C – RACE/ETHNIC BACKGROUND

	Grand Total=74
	%
White/Caucasian	81
Black/African American	12
Hispanic/Latino	4
Asian	3

TABLE 3D – CHICAGOLAND LOCATION

	Grand Total=74
	%
City/Chicago	15
Northern	49
Northwest	4
Western	24
Southern	8

TABLE 3E - EDUCATION

	Grand Total=74
	%
Education	100%
Some High School or less	0
Completed High School	7
Some College	27
Completed College	47
Graduated Studies or Advanced Degree	19

TABLE 3F – WORK OUT SIDE THE HOME

	Grand Total=74
	%
Yes	86
No	14
If yes:	
Full-Time	86
Part-Time	14

TABLE 3G – FAMILY INCOME BEFORE TAXES

	Grand Total=74
	%
Under $40,000	12
$40,000 - $49,999	8
$50,000- $59,999	10
$60,000- $69,999	7
$70,000- $79,999	8
$80,000- over	28
Refused/No answer	27

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