COMPETING WITH THE RETAIL GIANTS

Presented at Kentucky Entrepreneurial Coaches Institute
September 26, 2007

by

Kenneth E. Stone
Professor Emeritus of Economics
Iowa State University
Survival of the Fittest

MALLS AND CHAIN STORES

MEGA MALLS

NEIGHBORHOOD STORES
Will Wal-Mart Take Over the Great Wall?

SOMETIMES I WONDER IF OPENING OUR ECONOMY WAS SUCH A GOOD IDEA...

THE GREAT WALMART OF CHINA
Here’s What the Wall Really Looks Like
Wal-Mart Net Sales
FY1983-FY2007

Billion $
Top Ten North American Retailers By Sales, 2007

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Sales (Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wal-Mart</td>
<td>$351.1</td>
</tr>
<tr>
<td>Home Depot</td>
<td>$90.8</td>
</tr>
<tr>
<td>Kroger</td>
<td>$66.1</td>
</tr>
<tr>
<td>Costco</td>
<td>$60.2</td>
</tr>
<tr>
<td>Target</td>
<td>$59.5</td>
</tr>
<tr>
<td>Sears Hold</td>
<td>$53.0</td>
</tr>
<tr>
<td>Walgreen</td>
<td>$47.4</td>
</tr>
<tr>
<td>Lowe's</td>
<td>$46.9</td>
</tr>
<tr>
<td>CVS</td>
<td>$43.8</td>
</tr>
<tr>
<td>Safeway</td>
<td>$40.2</td>
</tr>
</tbody>
</table>

SOURCE: Fortune Magazine
TOP 5 U.S. GROCERY STORE RETAILERS, 2006

- Wal-Mart: 25.7%
- Kroger: 13.3%
- Supervalu: 8.6%
- Safeway: 8.0%
- Costco: 6.1%
TOP 5 U.S. TOYS RETAILERS, 2006

Market Share (%)

- Wal-Mart: 35.1%
- Toys "R" Us: 26.4%
- Target: 22.7%
- Sears/Kmart: 4.8%
- KB Toys: 2.4%

Source: DSN Retailing Today
TOP 5 U.S. AUTOMOTIVE RETAILERS, 2006

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wal-Mart</td>
<td>22.3</td>
</tr>
<tr>
<td>AutoZone</td>
<td>10.2</td>
</tr>
<tr>
<td>Advanced Auto Parts</td>
<td>7.9</td>
</tr>
<tr>
<td>Sears/K Mart</td>
<td>4.8</td>
</tr>
<tr>
<td>O'Reilly</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Source: DSN Retailing Today
TOP 5 U.S. APPAREL & ACCESSORIES RETAILERS, 2006

- Wal-Mart: 16.5%
- Macys, Inc.: 12.6%
- Gap, Inc.: 7.1%
- J.C. Penney: 6.1%
- Sears/K Mart: 5.3%

Source: DSN Retailing Today
TOP 5 U.S. SPORTING GOODS RETAILERS, 2006

Market Share (%)

- **Wal-Mart**: 13.4%
- **Bass Pro Shops**: 6.1%
- **Dick's Sporting Goods**: 6.0%
- **The Sports Authority**: 5.6%
- **Cabela's**: 4.0%

Source: DSN Retailing Today
TOP 5 U.S. HOME & HOUSEWARE RETAILERS, 2006

- Wal-Mart: 52.0%
- Target: 17.8%
- Sears/K Mart: 11.8%
- Bed, Bath & Beyond: 10.4%
- J.C. Penney: 5.2%
WAL-MART 2006 ESTIMATED SALES PER STORE BY TYPE

- Wal-Mart Supercenters: $80.0
- Regular Wal-Marts: $40.0
- International Wal-Marts: $27.0
- Sam's Clubs: $70.0
- Neighborhood Markets: $17.0
WAL-MART STORE AT BOONE, IOWA
Number of Wal-Mart Stores in the U.S., 2007

Alaska - 7 Stores
Hawaii - 8 Stores

1,075 Stores
Typical Sam’s Club

Like more than 500 other SAM’S CLUBS across the country, this club in Plano, Texas, is a members-only warehouse that stocks 4,000 items at members-only value prices.
Number of Sam’s Clubs in the U.S., 2007

Alaska - 3 Stores
Hawaii - 2 Stores
579 Stores
SIZES OF WAL-MART SUPERCENTERS

- 109,000 Sq. Ft.
  - Smaller towns
- 150,000 Sq. Ft.
  - Market areas of 20,000-30,000
- 180,000 Sq. Ft.
  - Market areas of 30,000-50,000
- 220,000 Sq. Ft.
  - Market areas larger than 50,000
Until Recently, Wal-Mart Was
Building Gasoline Pumps with Supercenters
Wal-Mart Supercenter at Pella, IA
With Faux Dutch Motif
New Color Scheme for Wal-Mart Supercenters
Tan and Green
Wal-Mart Has Gone to Case-ready Fresh Meat
Seafood Counter
Wal-Mart Neighborhood Market, 40,000 to 50,000 Square Feet
The Neighborhood Market's full line of groceries, general merchandise and specialty departments – all in a store one-fourth the size of a typical Supercenter – give customers added convenience at everyday low prices.
“Grab It & Go!” lets customers serve themselves coffee, soft drinks, pastries and newspapers – and pay on the honor system.
Wal-Mart operates distribution centers at about 80 locations across the United States. This center is located outside Bentonville, Ark.
High-speed conveyor belts and state-of-the-art technology help move merchandise efficiently through the distribution centers, keeping Wal-Mart’s nearly 3,000 stores in stock.
Location of Wal-Mart Distribution Centers, 2007

135 Distribution Centers

Alaska - 0
Hawaii - 0
Impacts of Wal-Mart Stores on Existing Businesses
IMPACTS OF BIG BOX STORES
Rules of Thumb for Host Town

• Local businesses that are selling something different are in good luck and will probably experience an increase in sales because of the “spillover” effect of the additional traffic.

• Local businesses that are selling the same merchandise as the big box store will probably lose sales unless they reposition themselves.
2006 STUDY OF WAL-MART SUPERCENTERS IN IOWA
IOWA HOST TOWN GEN. MDSE. SALES CHANGE AFTER OPENING OF WAL-MART SUPERCENTER (SML. TOWNS, AV. POP.=10907)
IOWA HOST TOWN EATING & DRINKING
SALES CHANGE AFTER OPENING OF WAL-MART SUPERCENTER
(SML. TOWNS, AV. POP.=10,907)
IOWA HOST TOWN SERVICES SALES CHANGES AFTER OPENING OF WAL-MART SUPERCENTER  
(SML. TOWNS, AV. POP. = 10,907)
IOWA HOST TOWN BLDG. MATL. SALES CHANGE AFTER WAL-MART SUPERCENTER OPENING (SML. TOWNS, AV. POP.=10,907)
IOWA HOST TOWN HOME FURN. SALES CHANGES AFTER OPENING OF WAL-MART SUPERCENTER
(SML. TOWNS, AV. POP.=10,907)
IOWA HOST TOWN TOTAL SALES CHANGE AFTER OPENING OF WAL-MART SUPERCENTER (SML. TOWNS, AV. POP.=10,907)

% Change from Base Year

Years After Opening

<table>
<thead>
<tr>
<th>Years After Opening</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Change from Base Year</td>
<td>7.1</td>
<td>10.3</td>
<td>17.7</td>
<td>20.2</td>
<td>21.8</td>
</tr>
</tbody>
</table>
IOWA HOST TOWN FOOD STORE SALES CHANGES AFTER WAL-MART SUPERCENTER OPENING (SML. TOWNS, AV. POP.=10,907)
Dillow’s Super Value, Ankeny, IA
Closed 1 Year After Opening of Wal*Mart Supercenter
Jubilee Foods, Polk City, IA, Closed Few Months After Opening of Wal*Mart Supercenter in Ankeny Now a Boat Storage Yard
IOWA HOST TOWN APPAREL CHANGE IN SALES AFTER OPENING OF WAL-MART SUPERCENTER, (SML. TOWNS, AV. POP.=10,907)

Years After Opening

<table>
<thead>
<tr>
<th>Years</th>
<th>% Change from Base Yr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>-13.1</td>
</tr>
<tr>
<td>2</td>
<td>-4.0</td>
</tr>
<tr>
<td>3</td>
<td>-8.0</td>
</tr>
<tr>
<td>4</td>
<td>-7.4</td>
</tr>
<tr>
<td>5</td>
<td>-16.9</td>
</tr>
</tbody>
</table>
IOWA HOST TOWN SPECIALTY STORE
SALES CHANGES AFTER OPENING OF WAL-MART SUPERCENTER
(SML. TOWNS, AV. POP.=10,907)
First-Year Impact of Supercenter on Host Town Sales

(100,000 Sq.Ft., Average Town Population = 6,000)

Based on Studies in Iowa & MS
Wal-Mart stores abandoned when new supercenters are built are “white elephants”
Abandoned Wal-Mart Store in Ankeny, Iowa
CHANGES IN TOTAL SALES IN IOWA SMALL TOWNS, 12 YEARS AFTER WAL-MART*

* Towns Under 4,000 Population

Year After Wal-Mart

Percent Change

<table>
<thead>
<tr>
<th>Year After Wal-Mart</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>-9.6</td>
</tr>
<tr>
<td>2</td>
<td>-13.9</td>
</tr>
<tr>
<td>3</td>
<td>-16.4</td>
</tr>
<tr>
<td>4</td>
<td>-17.6</td>
</tr>
<tr>
<td>5</td>
<td>-22.7</td>
</tr>
<tr>
<td>6</td>
<td>-26.5</td>
</tr>
<tr>
<td>7</td>
<td>-29.1</td>
</tr>
<tr>
<td>8</td>
<td>-27</td>
</tr>
<tr>
<td>9</td>
<td>-27.4</td>
</tr>
<tr>
<td>10</td>
<td>-27</td>
</tr>
<tr>
<td>11</td>
<td>-27.1</td>
</tr>
<tr>
<td>12</td>
<td>-27.3</td>
</tr>
</tbody>
</table>
Actions Necessary for Competing
HAVE AN ATTITUDE CHECK

• In a free-enterprise economy, all firms are free to compete.
• Recognize that big-box stores will enlarge the trade area size.
• It is possible to co-exist in a mass merchandise environment.
• You will probably need to change your mode of operation.
Develop a Two-part Approach
Part 1
DEVELOP A STRATEGY

• Analyze the Market
  • Ages
  • Income
  • Life styles

• Analyze Your Business and the Competition for:
  • Strengths
  • Weaknesses
  • Market Share
## Competitor Rating Sheet

<table>
<thead>
<tr>
<th></th>
<th>My Store</th>
<th>Walmart</th>
<th>Store A</th>
<th>Store B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Service</strong></td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Selection</strong></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Product Knowledge</strong></td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Price</strong></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Knowledge Of Customer</strong></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
DEVELOP A STRATEGY

- Determine your competitive advantage
- Determine your niche
- Determine necessary changes
  - Target market
  - Inventory
  - Pricing structure
  - Marketing methods
EXAMPLES OF STRATEGIES ADOPTED BY VARIOUS COMPANIES
Wal-Mart’s Over-arching Strategy is **Every-Day-Low-Prices**

The Word “Sale” is Never Mentioned In Today’s Ads.
FINALLY, WAL-MART REALIZED THAT IT COULDN’T HAVE SALES AND EDLP

WAL-MART

This is Not a Sale

BUT YOU WILL SAVE MONEY!

THESE ARE THE GREAT EVERYDAY LOW PRICES YOU EXPECT FROM WAL-MART, PLUS A SUPER SELECTION OF SPECIAL PURCHASES AND VALUE PACK ITEMS! SHOP AND COMPARE PRICES, QUALITY AND SELECTION.
EDLP Has Evolved
to
“Always, Low Prices”
Wal-Mart Adopted the “Smiley Face” as a Symbol for Falling Prices, a euphemism for Sale.
WAL-MART’S NEW LOGO

Save money. Live better.

200 million customers can’t be wrong: Saving money helps you live better.

- **Tide® Liquid Laundry Detergent Assortment**
  - 52 loads
  - 100-oz. 2X ultra concentrated or 200-oz. standard formula
  - Also available: 150-oz. Simple Pleasures
  - **$10** (Was 12.83)

- **Bounty® Paper Towels**
  - 6 Mega rolls or 6 Select-a-Size rolls
  - **$8.97** (Was 10.44)

- **Clorox® Bleach Assortment**
  - 96 oz. or new 82-oz. High Efficiency bleach
  - **$1.50** (Was 1.88)

- **Cascade® Gel or Powder Dishwasher Detergent**
  - 75 oz.
  - **$2.97** (Was 3.57)
INSTEAD OF EVERYDAY LOW PRICES
NEW TWIST IS FAMILY SAVINGS

Here at Wal-Mart, we're committed to saving people money so they can live better. It starts with our unbeatable values on quality, name-brand products. And ends every year with savings of over $2,300* for the average American family. The Wal-Mart customer? One smart shopper.

Target Ads are Distributed Weekly. Cultivating Up-scale Image and Promoting Price Mark-Downs (Sales).
Fareway is an Iowa Chain that has an Outstanding Meat Department and Produces Very Good Weekly Circulars, Featuring Good Values on Price-Sensitive Items.
ALDI is a Limited-Selection, Low-Service Store Featuring Low Prices Primarily on Private-Label Items
Part 2
Get Back to the Basics of Doing Good Business
MERCHANDISING TIPS

• Try to handle different merchandise.
• Fill the voids.
• Buy well.
• Consider upscale merchandise.
• Emphasize private-label merchandise.
• Get rid of slow-moving items.
MARKETING TIPS

• Know and evaluate your market.
• Focus your advertising; stress competitive advantage.
• Sharpen your pricing skills.
• Opening hours convenient to customer
• Adopt a “no hassle” returns policy.
Wal-Mart Ads Feature Associates as Models
# Bananas Are Highly Price-Sensitive

<table>
<thead>
<tr>
<th>Store</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aldi</td>
<td>$0.38</td>
</tr>
<tr>
<td>Super T</td>
<td>$0.45</td>
</tr>
<tr>
<td>Fareway</td>
<td>$0.45</td>
</tr>
<tr>
<td>WM SC</td>
<td>$0.48</td>
</tr>
<tr>
<td>CUB</td>
<td>$0.49</td>
</tr>
<tr>
<td>Hy-Vee</td>
<td>$0.49</td>
</tr>
<tr>
<td>Albertson’s</td>
<td>$0.89</td>
</tr>
</tbody>
</table>
MIRACLE WHIP IS VERY PRICE SENSITIVE

<table>
<thead>
<tr>
<th>Supercenter in Area</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>WM SC</td>
<td>$1.97</td>
</tr>
<tr>
<td>Hy-Vee</td>
<td>$1.99</td>
</tr>
<tr>
<td>Super T</td>
<td>$1.99</td>
</tr>
<tr>
<td>Fareway</td>
<td>$1.99</td>
</tr>
<tr>
<td>Cub</td>
<td>$2.99</td>
</tr>
<tr>
<td>K Mart</td>
<td>$3.39</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No Supercenter in Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shop ‘n Save</td>
</tr>
<tr>
<td>Foodland</td>
</tr>
<tr>
<td>Giant Eagle</td>
</tr>
</tbody>
</table>
SNACK CRACKERS ARE SOMEWHAT PRICE SENSITIVE

<table>
<thead>
<tr>
<th>Supercenter in Area</th>
<th>No Supercenter in Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wal-Mart</td>
<td>Foodland</td>
</tr>
<tr>
<td>$2.50</td>
<td>$3.89</td>
</tr>
<tr>
<td>Fareway</td>
<td>Shop ‘ Save</td>
</tr>
<tr>
<td>$2.50</td>
<td>$3.89</td>
</tr>
<tr>
<td>Super T</td>
<td>Giant Eagle</td>
</tr>
<tr>
<td>$2.59</td>
<td>$3.89</td>
</tr>
<tr>
<td>K Mart</td>
<td></td>
</tr>
<tr>
<td>$2.79</td>
<td></td>
</tr>
<tr>
<td>Hy-Vee</td>
<td></td>
</tr>
<tr>
<td>$3.59</td>
<td></td>
</tr>
<tr>
<td>Cub</td>
<td></td>
</tr>
<tr>
<td>$3.99</td>
<td></td>
</tr>
</tbody>
</table>
## COFFEE IS SOMEWHAT PRICE-SENSITIVE

<table>
<thead>
<tr>
<th>Supercenter in Area</th>
<th>No Supercenter in Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>Foodland</td>
</tr>
<tr>
<td>$6.89</td>
<td>$7.99</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>Shop ‘n Save</td>
</tr>
<tr>
<td>$6.97</td>
<td>$7.99</td>
</tr>
<tr>
<td>Fareway</td>
<td>Giant Eagle</td>
</tr>
<tr>
<td>$6.99</td>
<td>$7.99</td>
</tr>
<tr>
<td>Cub</td>
<td></td>
</tr>
<tr>
<td>$6.99</td>
<td></td>
</tr>
<tr>
<td>K Mart</td>
<td></td>
</tr>
<tr>
<td>$7.79</td>
<td></td>
</tr>
<tr>
<td>Hy-Vee</td>
<td></td>
</tr>
<tr>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>
Some Ice Cream is Price Sensitive

Supercenter in Area

Wal-Mart $2.98
HEB $2.99
Fareway $3.48
CUB $4.99

No Supercenter in Area

ND Store $6.29
STANLEY 25 FT. POWER LOCK IS ONE OF MOST POPULAR MEASURING TAPES

Lowe’s $7.96
Wal-Mart $8.44
Target $9.76
K Mart $9.99
Ace Hdwe. $11.99
Theison’s $16.95
BATTERIES ARE VERY PRICE SENSITIVE

<table>
<thead>
<tr>
<th>Store</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wal-Mart</td>
<td>$5.52</td>
</tr>
<tr>
<td>Target</td>
<td>$5.59</td>
</tr>
<tr>
<td>Lowes</td>
<td>$5.71</td>
</tr>
<tr>
<td>K Mart</td>
<td>$6.49</td>
</tr>
<tr>
<td>Ace Hdwe.</td>
<td>$6.49</td>
</tr>
<tr>
<td>CUB</td>
<td>$6.49</td>
</tr>
</tbody>
</table>
DISWASHER DETERGENT IS PRICE SENSITIVE

Wal-Mart: $2.97
Target: $2.99
CUB: $3.99
Hy Vee: $4.35
<table>
<thead>
<tr>
<th>Supercenter in Area</th>
<th>No Supercenter in Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>WM SC</td>
<td>Giant Eagle $2.69</td>
</tr>
<tr>
<td>Target</td>
<td>Foodland $3.59</td>
</tr>
<tr>
<td>Fareway</td>
<td>Shop ‘n Save $3.59</td>
</tr>
<tr>
<td>K Mart</td>
<td></td>
</tr>
<tr>
<td>CUB</td>
<td></td>
</tr>
<tr>
<td>Hy Vee</td>
<td></td>
</tr>
</tbody>
</table>
HIGHER WATTAGE BULBS ARE **NOT** PRICE-SENSITIVE

<table>
<thead>
<tr>
<th>Store</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fareway</td>
<td>$0.99</td>
</tr>
<tr>
<td>WM SC</td>
<td>$2.54</td>
</tr>
<tr>
<td>Super T</td>
<td>$2.56</td>
</tr>
<tr>
<td>Home D</td>
<td>$2.60</td>
</tr>
<tr>
<td>CUB</td>
<td>$2.87</td>
</tr>
<tr>
<td>Lowe’s</td>
<td>$2.98</td>
</tr>
</tbody>
</table>
Every Day Low Prices means we will be as low or lower than the competition on all similar items we carry. It has never been our intention to beat the competition on every item. We ignore short-term incentives designed to hype sales for a short period of time. This means we do not support couponing, rebates, sweepstakes, unnecessary advertising, etc. because those activities add costs that will come back to us in the form of higher cost of goods.
“Our basic competitive policy for the fresh department is:

– Use the 850 list plus any items specified by your regional vice president.
– Meet all competitive prices.
– If a competitor lowers the price on additional items in the marketplace, then you are to meet the price of the additional competition items.
– If a competitor lowers additional items again, then you should meet the price on those additional items, plus lower prices on other key items.”
WAL-MART PRICING STRATEGY

“Wal-Mart will not be undersold by any competitor. If a competitor has a lower price on any item, we will meet that price. Store Managers have the authority to lower our prices to meet or beat our competitors. We must regularly check our competitors and react to any changes.”
STRESS CUSTOMER RELATIONS

• Offer a friendly greeting to customers.
• Solicit complaints, take action.
• Go the extra mile.
• It costs less to keep existing customers.
• Handle irate customers with L E A R
Handling Irate Customers

- Listen
- Empathize
- Ask questions
- Resolve
Don’t Hide Your Light Under a Bushel.

Here’s the Free Advertising Wal-Mart Got for $1,000

Adams Elementary teacher reaps honors for her efforts

Helping students increase their self-esteem is a priority for Jan Egert.

By BRAHIA BLAKE  "USHER INSTANT MERIT"

A first-grader who had to repeat the grade because she couldn’t do math or comprehend what she read wanted to thank the teacher who helped her conquer her troubles in school.

So Mia de la Cruz, a student at Adams Elementary School on Des Moines’ east side, nominated her teacher for an award given by the Altoona Wal-Mart store.

Jan Egert was given the store’s Teacher of the Year award Thursday in a surprise school assembly. The honor earned the school a $1,000 check. The children will decide how to spend the money, but it is likely to be spent on helping students increase their self-esteem, a priority for Egert.

“I even had to repeat first grade, and now Mrs. Egert has showed me all that and also that I can respect myself now and she has helped me build my self-confidence, so even if she’s not picking, I know that she is my teacher of always,” Mia wrote.

Egert, who has taught in the Des Moines district for 20 years, said she did not expect to be the teacher honored.

“We have so many good teachers at Adams, and I’m just one of them,” she said after receiving the award from Wal-Mart Assistant Manager Marlis Ritzman. “She made an impact not only on a child, but the family and student’s self-esteem,” said Harryman.

The award is given annually by each Wal-Mart and Sams Club store in the country. Harryman said since 1996, Wal-Mart has honored over 16,000 teachers and given over $31.5 million to schools.

Ritzman said of Egert. “She’s very dedicated and an extremely hard worker. Her efforts are outstanding.” Egert’s students agreed.

“I learned to read some grown-up words this year,” said Pre-K student Paige Roberts. “Mia, she’s a good reader, she can read big words,” she said of her classmates, who was absent for her teacher’s special day. “At the beginning of the year, she just knew how to read little words and some medium ones,” Marlis Ritzman, 9, said Egert is “a nice teacher. Sometimes she gives us hard work, and sometimes easy work. She teaches us about not talking in the hallway and to go out when there’s a fire when your house.”

Helping students increase their self-esteem is a priority in Egert’s classroom.

“Children have to feel good about themselves before they can learn,” she said. “You have to look...”
OFFER GREAT SERVICE

• Develop knowledge of store and products.
• Offer deliveries/Carry-outs.
• Develop special order capability.
• Become a one-stop service center.
• Exceed customer expectations.
Some Stores, Like Hardwares Are Adding a Variety of Services as a Way of Attracting Customers

<table>
<thead>
<tr>
<th>services</th>
</tr>
</thead>
<tbody>
<tr>
<td>window repair</td>
</tr>
<tr>
<td>screen repair</td>
</tr>
<tr>
<td>window manufacture</td>
</tr>
<tr>
<td>glass cutting</td>
</tr>
<tr>
<td>screen cutting</td>
</tr>
<tr>
<td>key duplicating</td>
</tr>
<tr>
<td>lock rekeying</td>
</tr>
<tr>
<td>window shade cutting</td>
</tr>
<tr>
<td>tool rentals</td>
</tr>
<tr>
<td>handle installation</td>
</tr>
<tr>
<td>(rakes, shovels, axes, etc.)</td>
</tr>
<tr>
<td>lawn mower repair</td>
</tr>
<tr>
<td>LP gas service</td>
</tr>
<tr>
<td>kerosene service</td>
</tr>
<tr>
<td>sharpening service</td>
</tr>
<tr>
<td>(knives, saws, scissors, mower blades, etc.)</td>
</tr>
<tr>
<td>sprinkler system design</td>
</tr>
<tr>
<td>lumber cutting</td>
</tr>
<tr>
<td>paint mixing</td>
</tr>
<tr>
<td>custom color matching</td>
</tr>
<tr>
<td>chain cutting</td>
</tr>
<tr>
<td>rope cutting</td>
</tr>
<tr>
<td>special order catalog</td>
</tr>
<tr>
<td>(over 47,000 items)</td>
</tr>
<tr>
<td>free delivery</td>
</tr>
<tr>
<td>(on purchases over $200)</td>
</tr>
<tr>
<td>Ace Gift Cards</td>
</tr>
<tr>
<td>-----------------------</td>
</tr>
<tr>
<td>Key Cutting</td>
</tr>
<tr>
<td>Pipe Cutting</td>
</tr>
<tr>
<td>Pipe Threading</td>
</tr>
<tr>
<td>Post Office</td>
</tr>
<tr>
<td>Fax Service</td>
</tr>
<tr>
<td>Photocopy Service</td>
</tr>
</tbody>
</table>
HARDWARE SERVICES (POSTAL AND REPAIR)
DEVELOP A TEAM CONCEPT

• Set a good example.
• Train employees well.
• Have regular company meetings.
• Empower employees.
• Develop participative management.
• Consider “open book” management.
• Reward employees on total performance.
CONTINUALLY IMPROVE OPERATIONS

• Adopt modern technology.
• “Brain-storm” to find better methods.
• Persist in reducing operating costs.
• Maintain and repair facilities (carts).
• Know your financial statements.
• Network with other merchants.
• Consider a web site for your business
SAM WALTON’S TEN COMMANDMENTS OF BUSINESS LEADERSHIP

1. Commit to your business.
2. Share your profits.
3. Motivate your partners.
4. Communicate all that you know.
5. Appreciate what your associates do.
6. Celebrate your success.
7. Listen to everyone in the company.
8. Exceed your customer’s expectations.
9. Control your expenses better than competitors.
10. Swim upstream and avoid conventional wisdom.
Phases of the Retail Cycle
GROWTH BUSINESSES
HOME FURNISHINGS STORE SALES, 1976-2006

Percent Change in sales: 21.7%

Percent Change in Firms: 5.8%

Percent Change, Sales per Firm: 15.0%
CHANG IN BOOKSTORE SALES, 1976-2006

- Percent Change in sales: 59.4%
- Percent Change in Firms: 58.9%
- Percent Change, Sales per Firm: 0.3%
SPORTING GOODS STORE SALES, 1976-2006

- Percent Change in sales: 51.2%
- Percent Change in Firms: 51.1%
- Percent Change, Sales per Firm: 0.1%
CONSOLIDATING BUSINESSES
IOWA GROCERY STORE SALES CHANGES, 1996-2006

Percent Change in sales: -1.6%

Percent Change in Firms: -46.4%

Percent Change, Sales per Firm: 83.7%
MOVIE THEATER SALES, 1976-2006

- Percent Change in sales: -1.3%
- Percent Change in Firms: -13.8%
- Percent Change, Sales per Firm: 14.5%
PAINT & GLASS STORE SALES, 1976-2006

Percent Change in sales: -45.7%
Percent Change in Firms: -56.5%
Percent Change, Sales per Firm: 24.9%
SHOE STORE SALES, 1976-2006

Percent Change in sales
-40.0%

Percent Change in Firms
-45.3%

Percent Change, Sales per Firm
9.7%
SATURATED BUSINESSES
DECLINING BUSINESSES
VARIETY STORE SALES, 1976-2006

Percent Change in sales:
-84.3%

Percent Change in Firms:
-65.2%

Percent Change, Sales per Firm:
-54.8%
FURNITURE STORE SALES CHANGES, 1976-2006

Percent Change in sales
-25.4%

Percent Change in Firms
-17.8%

Percent Change, Sales per Firm
-9.3%
IOWA DRUG STORE SALES CHANGES, 1976-2006

Percent Change in sales: -40.6%
Percent Change in Firms: 0.3%
Percent Change, Sales per Firm: -40.8%
JEWELRY STORE SALES, 1976-2006

-40.0%  -33.0%  -11.0%

Percent Change, Sales

Percent Change in Firms

Percent Change in sales

Percent Change, Sales per Firm
EXAMPLES OF SUCCESSFUL SMALL RETAIL FIRMS

- Bicycle Store
- Sporting Goods Store
- Fabric Store
- IGA Grocery Store
- Hardware Store
- Jewelry Store
FOR ADDITIONAL INFORMATION

Contact: Kenneth E. Stone
Professor Emeritus of Economics
140 Atlantic St.
Corpus Christi, TX 78404

Phone: (361) 883-3180
E-mail: kstone@iastate.edu
Web: WWW.econ.iastate.edu/retail