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# MarketWatch

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## Wal-Mart aims to give apparel customers better fit

By [Jennifer Waters](#), MarketWatch

**CHICAGO (MarketWatch) - Wal-Mart Stores Inc., facing an apparel-identity crisis, is turning to its fledgling New York trend office to help it better understand customer clothing needs as it struggles to strike a balance between basic T-shirts and khakis and a trendier mode of dressing.**

After less than two years, Wal-Mart is transforming the New York office into a full-blown design center that will dictate styles, color and fabrics for Wal-Mart's roughly 3,100 U.S. stores.

It's a heady move for a retailer with rural roots and a no-nonsense approach to selling merchandise at cut-rate levels. But it's a necessary one if Wal-Mart is to beef up sales at established stores by attracting a hipper breed of shopper. The retailer appears to have failed in its first crack at bringing glam to the masses.

In September, Wal-Mart hired Hope Brick, a former May Co. executive, as vice president of apparel design to lead the team that works with designers, suppliers and buyers. She reports to Doug Howe, who is the senior vice president of product development.

Brick's hiring marked Wal-Mart's move from outside consultants to on-staff experts who will set design direction for the retailer. In all, Wal-Mart expects to have six people in its New York office.

The step prompted at least one analyst, Merrill Lynch's Virginia Genereux, to speculate that more changes were ahead.

"Some senior management change in apparel, currently run by Claire Watts, seems increasingly likely," she said in a research note.

Watts is senior vice president of merchandising apparel and home goods and was key to setting up the New York trend office, said Wal-Mart spokeswoman Linda Blakley.

She did not comment on Watts' tenure but said Brick's hiring is a "sign of our commitment to the trend and design office and to have people there who could live and work from New York."

Wal-Mart shares traded down Monday, losing some 2.4% amid slightly higher trading in the broader markets. Shares finished the session at \$49.53, off \$1.20.

### Fashion overload

Meanwhile, the world's largest retailer also is taking a closer look at how it distinguishes products by store to reflect the consumer needs and wants of the neighborhoods in which they sit, a strategy it calls "customer segmentation."

That's been a critical issue for Wal-Mart in recent years, but the retailer has put the differentiation focus on food and consumable items rather than apparel. Stores in heavy Hispanic areas, for example, will carry a much broader array of, say, tortillas and hot sauces, than those in Polish or Irish neighborhoods.

But Chief Executive Lee Scott told analysts last week that his company may have overdone it a bit with the fashion

quotient. "We over expanded," he said.

A year ago, Wal-Mart Stores Inc. trotted out the smart and stylish former Miss Universe Dayanara Torres as the face of Metro 7 in a wide-ranging - and expensive - marketing program unlike any it had done before.

Posing in trendy skirts, blouses and skinny-leg jeans in Vogue and other fashion magazines, Torres garnered immediate attention as customers snapped up the clothing and accessories at about 600 stores.

In fact, the buying was so frenzied that Wal-Mart boasted last April at a media conference that it couldn't stock the clothing fast enough.

But that wasn't the case when Wal-Mart expanded Metro 7 to another 700 stores, partly leading to this week's dismal prediction that October's same-store sales results will just rise a meager 0.5%. [See full story.](#)

Scott lamented last week that he and his team haven't figured out yet why the stylish clothing was flying out the doors at some stores and laying flat at others.

His early prognosis is that Wal-Mart was just too quick on the draw despite what executives thought was "a pretty good idea" of what consumers wanted.

"I think what happened is we didn't follow the strategy," he said, referring to fashion cues for segmentation that it had on certain consumers.

"We overloaded the fashion part," he said. "We need to remember who we are."

Wal-Mart is finding, for example, that many of its women shoppers aren't interested in squeezing into tight, straight-legged jeans - a must-have for many fashionistas.

"Skinny jeans just haven't worked for our customers," Watts told analysts last week.

Wal-Mart now is refocusing its apparel efforts on piecing store products to meet the needs and wants of consumers who shop there. "We went a little beyond what the segmentists might have told us," Blakley said. "We wanted to see what the limits were and we're finding them."

"As we match our apparel offerings to each of these customer segments and know which of our stores they're shopping at, we will know when to have our most fashion-forward merchandise in which stores."

### **A more sophisticated customer**

Analysts are mostly heartened by the direction, citing in research notes that they believed Wal-Mart is making great strides in its three-year effort to broaden its customer base, improve its quality and upgrade its stores.

"Wal-Mart is listening and responding to its consumers," said Oppenheimer Co. analyst Bernard Sosnick. But he, like some of other analysts, believe that maybe it's time - and maybe executives are hinting - for Wal-Mart to bring a "new" concept to the U.S. to create clearer lines of differentiation from a deep discounter with basic brands and clothing to a more sophisticated discount retailer that delivers cheap and chic.

In Mexico, for example, Wal-Mart goes beyond its two core concepts, Wal-Mart Stores and Sam's Clubs, to appeal to the lower-income consumers with the Bodega hypermarket and then tap on the better-heeled Mexicans with the Superama concept.

"Ultimately, we suspect Wal-Mart may adopt elements of this type of multiformat approach in the U.S., which may allow it to improve customer relevancy, increase overall market share and achieve greater long-term growth," said William Blair analyst Mark Miller. ■

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