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Don P. Diffine Ph.D.

Harding University, ddiffine@harding.edu

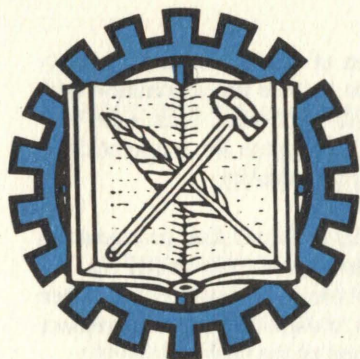
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Entrepreneur

The Belden Center for Private Enterprise Education
Harding University School of Business
Searcy, Arkansas

GOOD BUSINESS IS GOOD BUSINESS

1988 AMERICAN INCENTIVE SYSTEM CALENDAR —

A Daily Chronicle of Enterprise

In a joint venture project with Louver Manufacturing Company (Lomanco) of Jacksonville, Arkansas, the Harding University Students in Free Enterprise Economics Team presents the 1988 "AMERICAN INCENTIVE SYSTEM CALENDAR — A Daily Chronicle of Enterprise."

The 1988 "AMERICAN INCENTIVE SYSTEM CALENDAR" offers 365 brief reminders of great enterprising events and relevant comments on the idea of freedom applied to the marketplace. It should hang on the walls of offices, factories and school rooms all over the country. A limited amount of copies is available for \$2.00 to cover printing, postage and handling costs.

We Work Hard To Earn Our Stripes

The Harding University Economics team will attempt to win its seventh first place trophy at the National Students in Free Enterprise Competition next summer. The university economics teams have won first place ten times at the regionals and six times at the nationals which were started in 1978. Harding teams, the winningest in the country to date, were national runners-up in 1978, 1983 and 1986.

The 1988 team is composed of Joel Reed, Co-captain from New Haven, Indiana; Gabrielle DeMatteis, Co-captain from Chillicothe, Ohio; Brad Altman from Searcy, Arkansas; Lori Adams from Mt. Dora, Florida; Andrea Chrisman from Russellville, Arkansas; and Ron Cook from Searcy, Arkansas, and their sponsor, Dr. Don Diffine, Professor of Economics and Director of the student-staffed Belden Center for Private Enterprise Education.

Check it Out — That's the Wal-Mart Way

by
**D. P. Diffine, Ph.D., Director
Belden Center for
Private Enterprise Education
Professor of Economics
Harding University
Searcy, Arkansas**

Editor's Note: This is Part II of a four-part commemorative series, saluting Wal-Mart Stores, Inc., and especially its people, for their 25th Anniversary. Part I introduced the series and described in detail the following chapters: (1) "The Total Commitment Role Model — Mr. Sam" and (2) "Wal-Mart Means Business — Among Other Things."

This issue includes the following chapters: (3) "Providing a Quarter Century of Value," (4) "How Does Wal-Mart Do It?" and (5) "Customer Service — What's Important Is YOU!"

Parts III and IV of this series will be published in the Spring, 1988, and Summer, 1988, issues of the ENTREPRENEUR, respectively. For a preview of those topics, please see the back page of this issue.

3. Providing a Quarter Century of Value

From its inception 25 years ago, Wal-Mart has been a success story. Wal-Mart stores originally opened in small towns and were designed to be a one-stop shopping center providing rural areas with a wide assortment of quality merchandise at prices as low as, or lower than, those available to discount store shoppers in larger metro markets.

Wal-Mart's honest-to-goodness "Satisfaction Guaranteed" policy has positioned the company as the industry's role model. Today, Wal-Mart is the nation's third largest general merchandise retailer.

The company, with a record unparalleled in modern retailing, remains dedicated to the philosophy of serving the customer and providing quality merchandise at every day low prices.

Wal-Mart now has stores located in larger metro markets, but the original philosophy of quality merchandise and every-day low prices remains the same as it was 25 years ago.

Commemorating its anniversary, the Executive Committee of Wal-Mart's Board issued the following statement in early 1987:

We are positive about the new year, a very special year in which we celebrate 25 years of this unique partnership which has been forged with our customers, associates, shareholders and suppliers . . .

. . . This partnership has been built upon our valued associates, and we believe its continued success lies in their collectively capable hands.

It is ironic to this writer that recently at a prestigious Midwest university, a group of businessmen, scholars and ethicists came together to once again discuss the question, "Can a successful businessman be a Christian?"

A senior partner of a major national law firm, criticized business for its reward system, based on self-interest incentives:

If a person for the first 25 years of his career is shaped primarily by self-interest incentives to say nothing of the period of his educational career with its grades and prizes . . .

. . . it seems unlikely that we will produce corporate leaders that will have an adequate vision of the long-term good of the corporation and its constituencies, much less any broader concept of the common good of society.

Something very basic has been missed here. Again, Wal-Mart is an ideal case study. In order to make a profit, the discipline of the American incentive system dictates that the businessperson first satisfy the needs of others, much as religion has imposed similar rules on those who hope to "profit" in the hereafter.

Whether in the spiritual realm with respect to Heaven, or in the academic world for grades, or in the business world for profits, the fact is that rewards and punishments motivate people.

That motivation leads to competition; and that competition requires self-discipline and discipline under civil law. A result of honest competition is character, so superbly exhibited throughout the Wal-Mart organization.

Historically, the competition of the free market has only been possible when a common culture and a common faith lead individuals to cooperate with each other. Such is the Wal-Mart corporate culture. People compete for cooperation in the confidence that others respect quality.

Wal-Mart associates constantly improve their products and services to earn that cooperation. Conversely, in the marketplace, when cooperation dies, competition dies. When competition dies, then coercion, compulsion and force replace the free, cooperative operations of the market.

What we obtain too cheaply we esteem too lightly; it is dearness only that gives everything its value. Heaven knows how to put a proper price upon its goods; and it would be strange indeed if so celestial an article as freedom should not be so highly rated.

— Thomas Paine

Wal-Mart, or any other profit-oriented enterprise, must constantly improve efficiency, innovate and offer better values. Concern for profits and progress is compatible because the two are indivisible, as Wal-Mart strives to be the leader in truly taking care of her customers.

Wal-Mart's Cash Incentive Plan and Profit Sharing Trust reward associates in both the short term and long run respectively, for their hard work and dedication to control expenses, reduce shrinkage and, above all, serve the customer's needs.

When America's profit-incentive system is working well, those Wal-Mart profits (or business savings) provide steady jobs, higher wages, more jobs, worker benefits, better working conditions, safe and modern equipment, rising standards of living, opportunities for the future and social progress.

Losses also provide a valuable function in the American Incentive System. Losses are the market's way of sending a signal to businesses to reallocate their resources more efficiently, according to the demanding standards of the price- and quality-conscious customer.

A recent national survey found that, on the average, satisfied customers told three other people. However, dissatisfied customers told fifteen other people. In the latter case, no clearer message has been sent since Noah said, "It looks like rain."

Capitalism, therefore, contains its own built-in checks and balances. People are required to exercise sound judgment or suffer the consequences of their own folly. The American incentive system doesn't carry any guarantee, not even for Wal-Mart.

One risks failure along with the prospect of success. And if we are honest, we know that there are no real guarantees possible in life — not in theory, not in reality.

So, the bedrock foundation of Wal-Mart remains the same as it was 25 years ago — a dedication to bring the customer guaranteed satisfaction on quality products at the lowest prices every day.

Wal-Mart people work hard at keeping expenses down. Associates' ideas are solicited and every expense is checked. The Wal-Mart expense structure continues to be one of the lowest in the industry, and those savings are passed on to the customer.

4. How Does Wal-Mart Do It?

If a survey had been taken in 1962, and people were asked about the Wal-Mart Discount Store chain in Bentonville, Arkansas, the most common reply would have probably been, "Wal-Mart what? — Bentonville where?"

Today, this discount "superpower" is so well known that a different question is being asked: "Why is Wal-Mart so successful?"

The answer begins with the Wal-Mart associates and branches out to customer service, managerial autonomy, price-value relationships, store location strategy and efficient distribution centers.

Sam Walton, the driving force behind the company, brought all these ingredients together to keep the customer satisfied, expenses down and sales up, up, up. Mr. Sam is always right there to give input, to challenge, to encourage, to praise and to question.

He has often stated to his top management, "The key to success is to get into the stores, listen to what the associates have to say and get everyone involved."

So how does Wal-Mart do it so well? It goes back to Mr. Walton's philosophy that everyone is important. Every company associate is important, and every associate contributes to the success of the company.

Take people who make a difference and add good store locations, low prices and value, and you will see why Wal-Mart has become one of the largest discount chains in the retailing business. This is what happens when you have a goal to become the best and most respected.

Aggressive hospitality — a genuine awareness of the customer's shopping convenience through concern and commitment — has been the number one goal at Wal-Mart. It pervades the entire organization.

To insure that the customers get merchandise that they want at a value for their dollar, Wal-Mart buyers select the merchandise items reflecting the customers' needs and wants.

When the store is out of stock, customers shop elsewhere. So merchandise replenishers and fashion distributors at Wal-Mart decide quantities of merchandise to buy or distribute.

This insures that merchandise is on hand to be ordered from the warehouses.

At Wal-Mart distribution centers, the goal is to achieve careful loading of a shipment, with no damaged freight. Therefore, associates pull merchandise from inventory and work carefully to insure accurate counts. Truck drivers are charged with the responsibility of getting valuable merchandise to the stores in good condition and on time.

Wal-Mart accounting associates help to assure the availability of goods for the customer by processing all vendor payments efficiently.

To assist all Wal-Mart associates in gauging their effectiveness in serving the customer, data processing associates provide the figures that let all associates know where the company stands with respect to sales, expenses and performance.

Large investments in scanning systems and the use of check-cashing cards are just two examples of Wal-Mart's commitment to faster and more accurate check-out. Wal-Mart is continually seeking other ways to provide better, more efficient service.

So, what is the lesson here for the marketplace — indeed, for life itself? Life is a process of change and risk, growth and setback; ultimately all one can realistically hope for is to achieve a just measure of success commensurate with one's own ability. This is what capitalism is, and does, as Wal-Mart has superbly demonstrated.

Capitalism, personified so well by Wal-Mart, puts responsibility where it belongs — on the individual — which is, after all, the meaning of independence. The landscape of history is strewn with the skeletons of businesses, large and small, which failed to meet the exacting discipline of the marketplace.

PRESS ON

Nothing in the world can take the place of persistence. Talent will not. Nothing is more common than unsuccessful men with talent. Genius will not. Unrewarded genius is almost a proverb. Education alone will not. The world is full of educated derelicts. Persistence and determination alone are omnipotent.

Over the years, many major discount retailers have made their mark in a given trade area, only to falter or fail in a shifting competitive market situation. Why does this happen? What could have perhaps been done to avoid it?

Recently Wal-Mart associates were asked this question, "Why are so many major retailers failing today?" Here is a composite answer from associates around the Wal-Mart world:

Lack of communication . . . forgetting that the customer pays the wages . . . not remembering that there would

be no business without customers . . . lack of pride in one's work . . . not stocking basic items . . . not providing a smooth operation and friendly atmosphere . . . not passing along ideas . . . not functioning as a team . . .

. . . letting standards down . . . fear of change . . . inability to anticipate new trends . . . unwillingness to go the extra mile and be helpful . . . high retail markups resulting in losing the competitive edge . . . not having pride in their company . . .

. . . not having a profit-sharing program, which allows effort to be reflected in the bottom line . . . a loss of the "personal touch" in customer service . . . not helping a mom with a fussy baby, while she tries on clothes . . . not helping a child to reach the water fountain nor opening a door for someone . . .

. . . not taking part in community activities to keep trade areas alive . . . not encouraging employees to keep everyone aware of customer wants and needs . . . failing to stay competitive in price, quality and selection of merchandise . . . failing to take time to listen and be concerned about customer problems.

5. Customer Service — What's Important Is YOU!

The marketplace is so much more democratic than our political system. The average citizen votes every two, four or six years.

However, in the marketplace where Wal-Mart conducts business, every day is election day; all the candidates (competitors) are running scared, wondering if they have provided that right price and quality combination for that customer.

Each morning, Wal-Mart store associates find out how they are doing in the marketplace, as the doors are opened for business at 9 a.m. It boils down to Wal-Mart associates living by the two basic rules of customer service, as set forth by Chairman Walton:

Rule #1 — "The customer is always right!"

Rule #2 — "If the customer happens to be wrong, refer to Rule #1."

This is a very wise approach, for the customer is indeed the Supreme Court in our type of American incentive system. The consumer provides a never-ending purging force by extending or withholding patronage — even in Wal-Mart stores.

Through the way that the consumer votes his dollars in the marketplace everyday, he rewards excellence and penalizes mediocrity. So, customer service is everybody's job at Wal-Mart.

Customers are the reason that Wal-Mart is in business. Without them, there would be no Wal-Mart. Each associate, regardless of his job function, works toward the ultimate goal of providing 100% satisfaction with no hassles.

"Friendly Customer Service" is not just another program at Wal-Mart. Associates pride themselves in serving their valued customer in a friendly and helpful way.

Wal-Mart associates are intensely loyal to their company. The company hires senior citizens on a part-time basis, individuals who have proven to be a wonderful leavening influence with their associates and customers.

Some are "people greeters." Officially, the Wal-Mart "people greeter" has the job of handing out shopping carts. Unofficially, the "people greeter" has turned his job into handing out smiles.

As one senior citizen, "people greeter," put it recently, "I try to make people happy — if someone comes in frowning, I try to make them smile." This particular associate recently earned a "Wal-Mart Associate of the Month" award, proving that he accomplished that goal, especially with children.

The children smile and wave at him and often remember to say goodbye to him as they leave. All in all, each time an associate interacts with a customer, it is a direct reflection on the attitude that Wal-Mart stores have about its "Guests."

Greeting all customers and inviting them back, acknowledging them throughout the store whenever eye contact is made, personally following through when a customer asks for assistance until the request has been satisfied, remembering that customers are the people that make it possible to pay the associates' salaries — all are the top priorities of customer service at the Wal-Mart store level.

Being friendly, getting guests through the check-out lines quickly, providing smooth transactions on refunds and exchanges and making sure each customer leaves the store satisfied — these are the most important things that Wal-Mart associates do to insure the continued success of their great company. Their attitude of caring, involvement and dedication to Wal-Mart customers does make a difference.

Wal-Mart's competition is improving. Major competitors throughout the Wal-Mart trade area have added personnel to speed up their front-end service. Many of the competitors have also developed motivational campaigns to recognize and improve service.

But there really is a difference in Wal-Mart. All of the associates in the stores, general office and distribution center work together like a finely tuned clock.

Wal-Mart customers really are "Guests," and at Wal-Mart that is spelled with a capital "G." That genuine attitude of caring, involvement and dedication to customers does separate Wal-Mart from its competitors. That 100% commitment to customer service is Wal-Mart's edge over her competition.

THE BOSS

There is only one boss, and whether a person shines shoes for a living or heads up the biggest corporation in the world, the boss remains the same. It's the customer. The customer is the person who pays everyone's salary and who decides whether a business is going to succeed or fail.

And he doesn't care if a business has been around 100 years. The minute it starts treating him badly, he'll start to put it out of business.

The boss — the customer — has bought and will buy everything you have or will have. He's bought all your clothes, your home, your car. He pays your bills and for your children's education, and he pays in exact proportion to the way you treat him.

The man who works deep inside a big warehouse or in a retail store might think he is working for the company that writes his paycheck, but he's not. He's working for the person who buys the products offered in Wal-Mart's stores.

In fact, the customer can fire everybody in the company from the chairman on down and he can do it simply by spending his money somewhere else.

Some of the largest companies that had flourishing businesses a few years ago are no longer in existence. They couldn't or didn't satisfy the customer. They forgot who their real boss was.

The greatest measurement of our success is how well we please the customer, "our boss." Let's all support "aggressive hospitality" and have our customers leave 100% satisfied every day.

— Sam Walton

So, as the boss, Wal-Mart customers expect and command special treatment. At Wal-Mart, customers are truly the boss, and everything is done to provide service the boss deserves.

Throughout stores, from the "people greeter," who greets every entering customer, to the central check-out lanes, everything is designed and operated to assure the boss of a "no hassle" shopping experience.

Wal-Mart stores provide wide traffic aisles, courtesy rest benches and even power assisted shopping carts — all to make every Wal-Mart store visit a pleasurable one. Many of the improvements have been suggested by their boss, the customer.

Using "Letter to the President" memos provided at each store, Wal-Mart customers have spoken frankly and directly of both the good and bad of Wal-Mart service. Even an occasional negative comment can be an opportunity to begin again and tackle the problem in a more enlightened manner.

Many of the impressive numbers, percentages and demographics of the extraordinary Wal-Mart track record are cited in this publication.

However, as Mr. Walton has said many times himself, "The key is people . . . The reason for our success is our people and the way that they are treated and the way they feel about their company. The attitude of our associates is that things are different in our company. They deserve the credit."

The lapel button worn by his Wal-Mart managers says it in true, All-American fashion: "WHAT'S IMPORTANT IS YOU!"

Part III, the Spring, 1988, issue of the *ENTREPRENEUR*, will cover the following: (6) "Associates — People Trained and Dedicated to Saving the Customer Time and Money," and (7) "Community Service — The Rent Associates Pay for the Space They Occupy."

Part IV, the Summer, 1988, issue of the *ENTREPRENEUR*, will conclude with the following chapters: (8) "Buy American — Keep Us Strong and Working...," (9) "Sam's, Hypermarket USA Centers, and Systems — On the Leading Edge..." and "Summary."



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*The Belden Center for Private Enterprise Education
Harding University School of Business
Box 922, Station A
Searcy, Arkansas 72143*

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