<RETAILER NAME>

Stationery Department
Supplier Strategies

Strategy assigned to the GP/BIC/Avery Dennison team

1. Stationery Department Strategies

OBJECTIVE
Obtain double-digit comp store growth

1. Win The Season
2. Fashionable and Functional
3. Comprehensive Solutions
4. Focus on Basic Consumables*

- Marketing
- Communication
- Social Media
- walmart.com

Distribution, shelving, promotion and pricing are at the sole discretion of the retailer.

Strategy 3: Comprehensive Solutions

- How We Will Measure Success: **Need to determine "Size of the Prize' for 8/21 presentation**
  1) Revenue, Market Share
  2) Traffic/HH Penetration/Conversion
  3) Trial/Repeat/Loyalty
  4) Basket size/analysis
  5) Through qualitative & quantitative consumer research, determine **change** in Customer Perception/Awareness/Penetration
     - Baseline measurement prior to strategy implementation
     - Measure effectiveness of tactics & adjust based on feedback
     - Measure effectiveness of adjustments

- Stretch Goal:
  – What will drive this strategy beyond just achievement?
  – **Discuss as a team on 8/14**

Strategy 3: Comprehensive Solutions

- Find "Quick Wins" using market data
- Missing Items?
- Missing Subcategories?
- Communicate assortment more effectively to SOHO customer
- What categories matter to the SOHO shopper?
- Explore the awareness to conversion for the SOHO shopper
- Change perceptions of SOHO shopper
- Opportunities for growth with ink and paper
- Potential to use walmart.com to close the assortment gap
- Communicate variety and quality of products
- Identify and add key traffic driver items and pack sizes
- Increase convenience for SOHO shopper

Strategy 3: Comprehensive Solutions

Within each strategy:

1) Where are the biggest share opportunities?
   - How do we get there?
     - Price
     - Promo
     - Shelf
     - Assortment
     - Communication
2) What is the value of the share gap?
3) How much will each category contribute to the growth of the overall department?

Tactic Considerations

✓ **Consumer Insights**

1. ***Identify gaps in existing research***
2. ***New research***
   - o Department-wide to include top suppliers
     - Close information gaps / understand how to capture fair share of SOHO wallet
     - What would change perception of current SOHO consumer not purchasing at retailer?
     - Can retailer re-position the Department 03/05 as a destination for SMB & SOHO business, not just BTS? (Currently not business oriented)
     - How do we blend home office with home décor? (Work/Life integration)

✓ **Gap Analysis**

1. Identify Items, Sub-Categories and Categories where retailer does not get their fair share: **NPD analysis**
2. Identify Key Traffic Driving products purchased at Office Super Stores, not found at retailer

Strategy 3: Comprehensive Solutions

Tactic Considerations *(continued)*

- ✓ **Build Awareness / Change Perceptions – '360° Communication'**

  1. In-store: increase the 'convenience factor' for SOHO shopper

  - Signage:
    - Develop in-store signage / shelf communication that speaks to the SOHO shopper / consumer
      - Signage to locate the section
      - Signage throughout the store to build awareness of Stationery Dept, BTS / 2nd Semester-Tax Time modular, etc.
      - Signage to communicate additional assortment on walmart.com

  2. Off shelf

  - Total Solution: endcaps / pallets featuring multiple suppliers vs. single product endcaps / pallets
  - Tie-ins with high affinity categories in Dept. 03/Dept. 05/balance of store: Paper for Every Room, etc.

  3. Shelf

  - Merchandise **key** SOHO traffic driving products (ink/printers/paper) in secondary locations (Dept. 03/Dept. 05/Grocery Modulars) with call out (shelf talker) to direct consumer to 'home' department to find additional selection
  - Heavy/Large items: move to front of store for pick-up and use "pharmacy card" tactic
  - Shelving refresh – use of price rail colors / shelf talkers, holding power understanding
  - Create a "STORE WITHIN A STORE" horseshoe arrangement with similar signage as other destination departments (i.e. Pet, Household, Baby, etc.) and move kids items outside of main office supplies section. Connect better with Dept. 05.

  4. Outside of Store: marketing activities to build awareness on Brands, Quality, Assortment

  - TV: Brands / Assortment / Quality message in addition to Price Comparison (but do a price comparison to OSS)
  - FSI / TAB
    - Products / Messaging to drive the SOHO consumer to the Stationery department
    - Key Traffic driving Products
  - Digital Media / walmart.co / Social Media
  - Create messaging strategy around assortment and savings, not just savings
  - Small Business Connections – Loyalty program?
    - Building relationships with Trade Groups, Small Business associations, Chamber of Commerce

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Strategy 3: Comprehensive Solutions

Marketing, Communication, Social Media, & walmart.com

- Focus on conversion
- Incorporate the stationery department into the overall retailer corporate strategy when communicating savings
- Interdepartmental collaboration
- Receipt comparisons
- Make savings a central focus of Co-Marketing program
- Make retailer.com a destination for office supplies
- Identify appropriate assortment for online purchase
- Offer buy in-store and visit online for a free item
- Must make sure online is aligned with in-store

Consumer-driven Initiatives built from focused Customer Strategies

Traffic Generation

- Initiative
- Initiative
- Initiative

Conversion

- Initiative
- Initiative
- Initiative

Transaction Building

- Initiative
- Initiative
- Initiative

Loyalty Building

- Initiative
- Initiative
- Initiative

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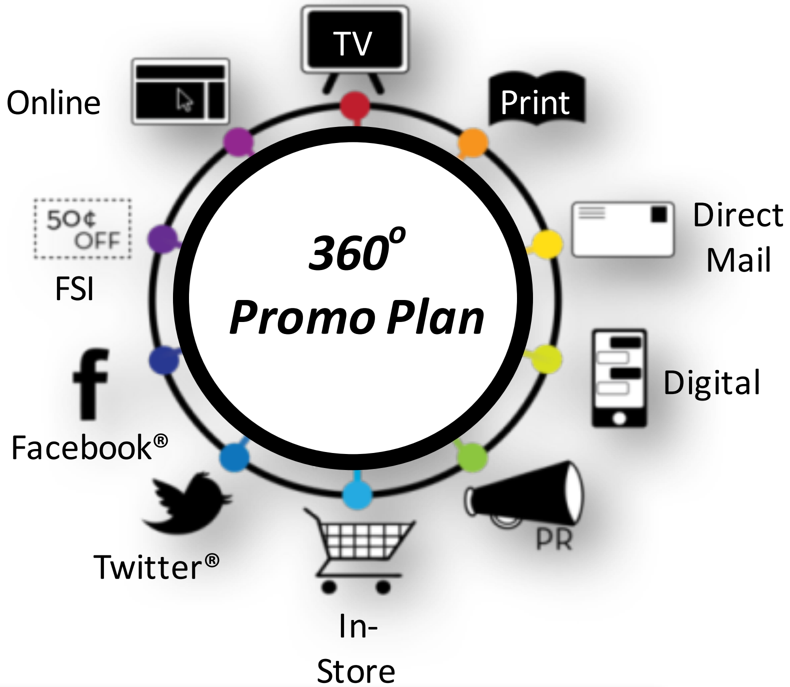
Comprehensive Solutions: 360° Communication / Promo Plan



What's the insight?

- Insert insight

What's the initiative?

- Insert initiative
- Insert initiative
- Insert initiative

Retailer Strategy

- Example: Awareness/Conversion & Basket Building:

Tactic Ideas

TV: Receipt comparison to OSS

Print/FSI: Appeal to a broader consumer group

In-store:

Email

Website: Links to Micro Sites

Promo Calendar: Seasonal Theme

SMB/SOHO: Continuity Programs / Coupons

Facebook® / Twitter®: Loyalty Programs

Blog: Tips for Planning & Organizing

Digital Coupons

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Promotional Excellence

Awareness
Conversion
Basket Building

Calendar of Seasonal Communication (DRAFT)

Back to Business Stock Up / BTS2
- Jan/Feb

Tax Time
- March/ April

Small Business?
- May/June

Back to School
- July/August

???
- September

Holiday Prep
- Oct/Nov/Dec

What's the insight?

•Shoppers are looking for value in their *<category>*purchases. Consumption rates also determine the amount of *<category>* purchased on a given trip.

What's the initiative?

•Offer shoppers multiple/variety of promotions that provide consumer value and representative of varied consumption rates amongst differentiated consumers.

Retailer Strategy

•Awareness/Conversion & Basket Building: Get 'em to buy & Increase the amount purchased per buying occasion.

Tactic Ideas (Draft)

Email

Micro Site

Seasonal Theme

Continuity Coupons

Loyalty Programs

Tips for Planning & Organizing

Digital Coupons

Spend $15, Get $5 across GP Brands

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GP Communication Papers: 20xx Support Plan Highlights

- Awareness
- Traffic
- Conversion
- Basket Building

Communication vehicles	Walmart themed event participation	Custom packs/display vehicles	Additional *potential* consumer support
• Back to School/College themed event - circular • "Everything you need for Tax Time" - direct mail • Holiday Planning – bounceback / continuity program with special packs • Organizing and Stock Up – New year / new savings! Use on-shelf instant coupons	Funded to participate in: • x Events • H&R Block Co-branding event @ Tax Time • Hot SRP for display events • Cause related events • Partner tie-ins (GP Paper and File Folders, Bankers Boxes, Binders, etc.) • Tie-ins outside of Dept. 03 (GP Paper and Angel Soft)	• Display ready pallets • Right Sized Pallets • Corner wrap pallets • Bonus Packs • Trial Packs	• Banners and Microsite on Walmart.com • Mobile/Digital connection • Paperless coupons • Retail Connect executions are an option to consider • Tie in with Walmart National TV showing Office Supplies savings vs. Office Super Stores

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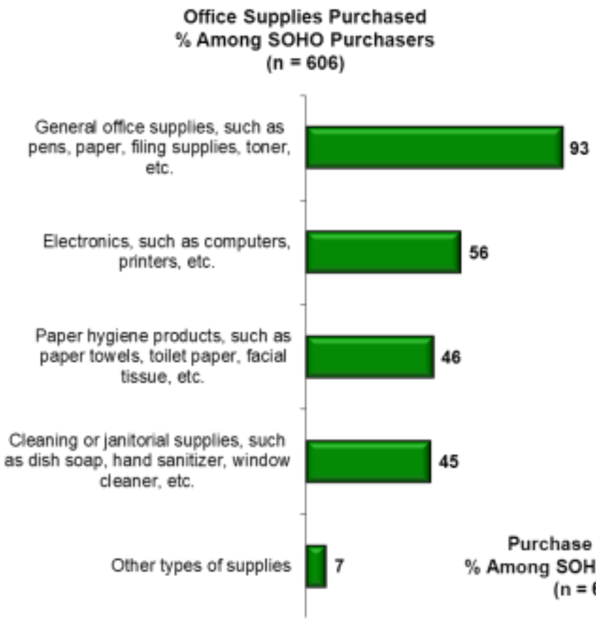
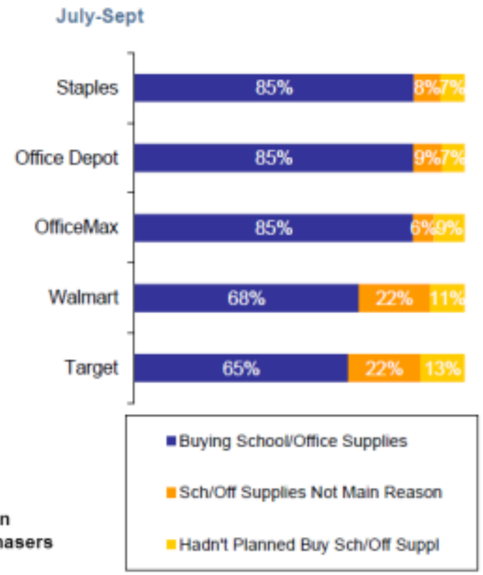
Headlines about the consumer (Other retailer research)

- Customers primarily shop retailers close to their home or place of business. This is equally true for stock up or fill-in trips.
- Club Store shoppers generally travel 5-10 miles/30 minutes to get to their club store, but ideally it’s a stop on the way to or from work.
- SMB’s were less likely to shop online as they want to escape the office and want to “see, touch and feel” the items in-club.
- Superior customer service can make SMBs reconsider which retailers in-store or online, and consequently, can drive retailer loyalty.

Source: The Partnering Group

Research indicates a need to better understand purchaser's motivators





Small Office (n = 286)	Home Office (n = 320)
21	32
20	25
9	15
20	1
9	6
6	8
5	6
5	4
5	3

Purchase Location	Small Office (n = 286)	Home Office (n = 320)
In a store	52	73
Online	48	28

Source: The NPD Group Back to School Monitor as of 6-5-12

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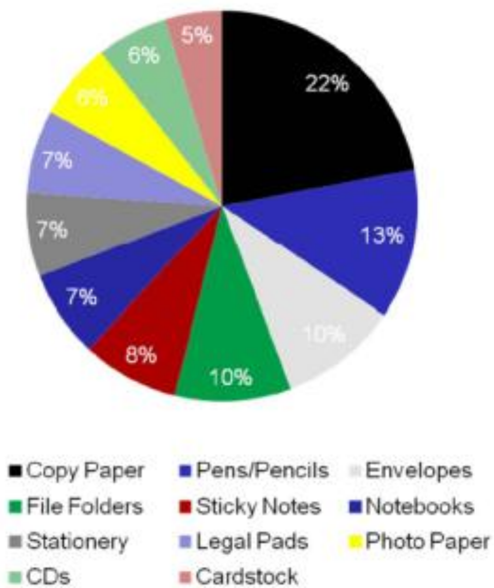
Research indicates a need to better understand purchaser's motivators

Q200. How important are each of the following products to you? (n=891)



33% = Communication Papers

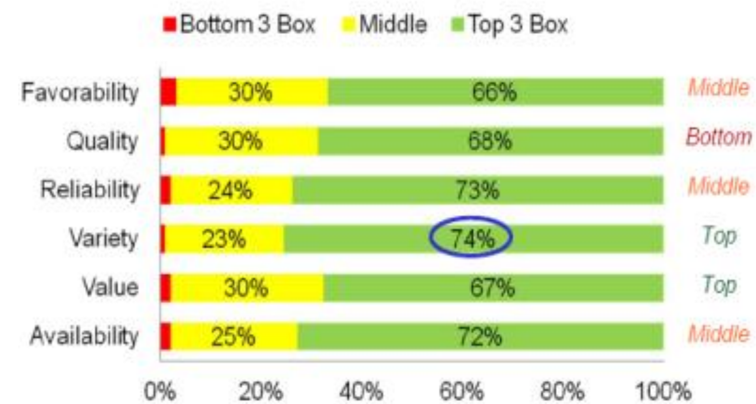
Q190. How important are each of the following attributes when making your office supplies purchase decisions? (n=891)

brand takeaway

Ranking first in aided awareness, variety, and overall purchase likelihood, Staples is the go-to store brand and purchase channel for a wide range of office products, despite its poor quality rating.

Has this shifted in the past 2 years?

How would you rate Staples on the following attributes? (n=183)



Sources: Brand Equity study – Office Supplies by The Link Group, January 2010 for GP.

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Shoppers today use "bulking-up", "picking-up" and "dealing-up" when describing their shopping trips.

Awareness
Traffic
Conversion
Basket Building

Mass trips are planned by shoppers, who cite good selection, great prices and consistent brands as reasons why they choose this channel.

Customer Quotes:

"Mass has an "inclusive" feel...there is a large variety of products... something for everyone."

"Mass has great everyday prices and that's what keeps me coming back."

Channel Headlines:

- Shoppers spend more time shopping in Mass and Club than other channels.
- Pricing and value can drive "bulking-up" trips and may postpone a buying trip to Club.
- Large variety of products means there is something for everyone: "inclusive."
- Store Brands in Mass and Club are viewed by shoppers as having quality that is close to similar name brand items.
- Grocery and Drug Store Brands are viewed as being of lesser quality than Mass and Club.

Source: GP Ethnographies and Focus Groups, Hemispheres, Inc 2010

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Potential chart to view how to "Size the Prize"

Nielsen® Channel Views YE 2009 - 2011

SCHOOL AND OFFICE PAPER AND FORMS

		TOTAL MASS MERCH W/ SUPERS-US					WAL-MART BANNER-CORP-US					TOTAL OUTLETS-US				
		2009	2010	2011	% Chg	Delta	2009	2010	2011	% Chg	Delta	2009	2010	2011	% Chg	Delta
Customer Scorecard	$ Market Spend (M)	$396,286	$342,413	$421,469	23.09%	$79,056	$307,839	$259,679	$324,730	25.05%	$65,051	$1,018,283	$975,569	$1,056,412	8.29%	$80,844
	Category Market Share ($)	38.92%	35.10%	39.90%	4.80%		30.23%	26.62%	30.74%	4.12%						
	Market Penetration	62.0	60.5	63.0	4.19%	2.5	55.5	54.0	56.2	4.04%	2.2	64.0	62.4	65.0	4.17%	2.6
	Shopper Conversion	63.7	61.8	63.6	2.93%	1.8	55.6	54.3	55.3	1.97%	1.1	100.0	100.0	100.0	0.00%	0.0
	Market Basket Size	$88.35	$87.02	$88.74	1.98%	$1.72	$95.11	$93.21	$94.44	1.32%	$1.23	$71.98	$71.42	$72.56	1.60%	$1.14
Shopper Scorecard	Purchase Frequency	2.1	2.0	2.1	0.1	0.1	2.0	1.9	2.0	5.29%	0.1	2.7	2.6	2.7	4.23%	0.1
	$ Per Item Trip	$8.47	$7.71	$8.91	15.56%	$1.20	$8.41	$7.46	$8.85	18.63%	$1.39	$13.42	$13.16	$13.77	4.64%	$0.61
	Retailer Trips Per Item Shopper	34.8	33.6	35.1	4.68%	1.6	28.7	27.4	28.9	5.43%	1.5	171.1	168.2	173.0	2.90%	4.9
	TOTAL UNITS PER ANY TRIP	14.9	14.8	15.1	2.16%	0.3	17.0	16.9	17.3	2.25%	0.4	10.9	10.9	10.9	-0.64%	-0.1
	% Item on Deal	11.7	10.3	13.7	33.27%	3.4	9.2	7.6	12.3	61.45%	4.7	21.9	25.6	21.8	-14.79%	-3.8
	Raw Shoppers	38,392	37,715	39,473	4.66%	1,758	34,656	33,871	35,574	5.03%	1,703	39,537	38,873	40,576	4.38%	1,703
	Raw Buyers	23,958	22,840	24,695	8.12%	1,855	18,998	17,958	19,489	8.53%	1,531	39,537	38,873	40,576	4.38%	1,703

- Solid $ growth (25%) for 2011 vs. 2010
- A 2 point growth in penetration equates to large baskets and positive shopper conversion purchasing within retailer Banner. But, it did not keep pace with Total Mass Merch w/supers-US (penetration = +2.5pts)
- Conversion and Market basket Size growth did outpace Total Outlet-US but not Total Mass w/supers
- $ Per Item Trip outpaced both Mass and Total Outlets-US by a significant margin
- Retailer also outpaced both Mass and Total Outlets-US for increases in Raw Shoppers & Raw Buyers

- Solid growth in many areas indicates that the promotional strategy (increase in % item on deal) drove these gains.
- Has 2012 promo calendar been replicated and driving the same gains?
- The promo calendar should be evaluated for more efficient reach tactics/vehicles to drive even larger gains.

Source: Nielsen Channel Views YE 2009-2011

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Summary (Draft)

- Retailer is uniquely positioned to address the office supply needs for the consumer and SOHO segments. Through a deeper knowledge of and action upon the shopper insights that impact the trial, conversion and retention of these customers, Retailer has the prospect to grow their position in this market space.

- The one-stop shop value proposition that Retailer provides its customers is an opportunity for us to leverage to further penetrate the office supply buyer. Cross promotional efforts, new adjacencies and trial methodologies can help us to drive shoppers to consider and remember Retailer as a source for office supplies. They may not need our department each time they shop, but we do want them to have us top of mind when they do.

- Retailer stores have a strong annual calendar for marketing and promotional events that we can leverage. Invoking new creativity and introducing the drive to buy for office supplies beyond the traditional BTS season is key to developing a steady foundation of ongoing business.

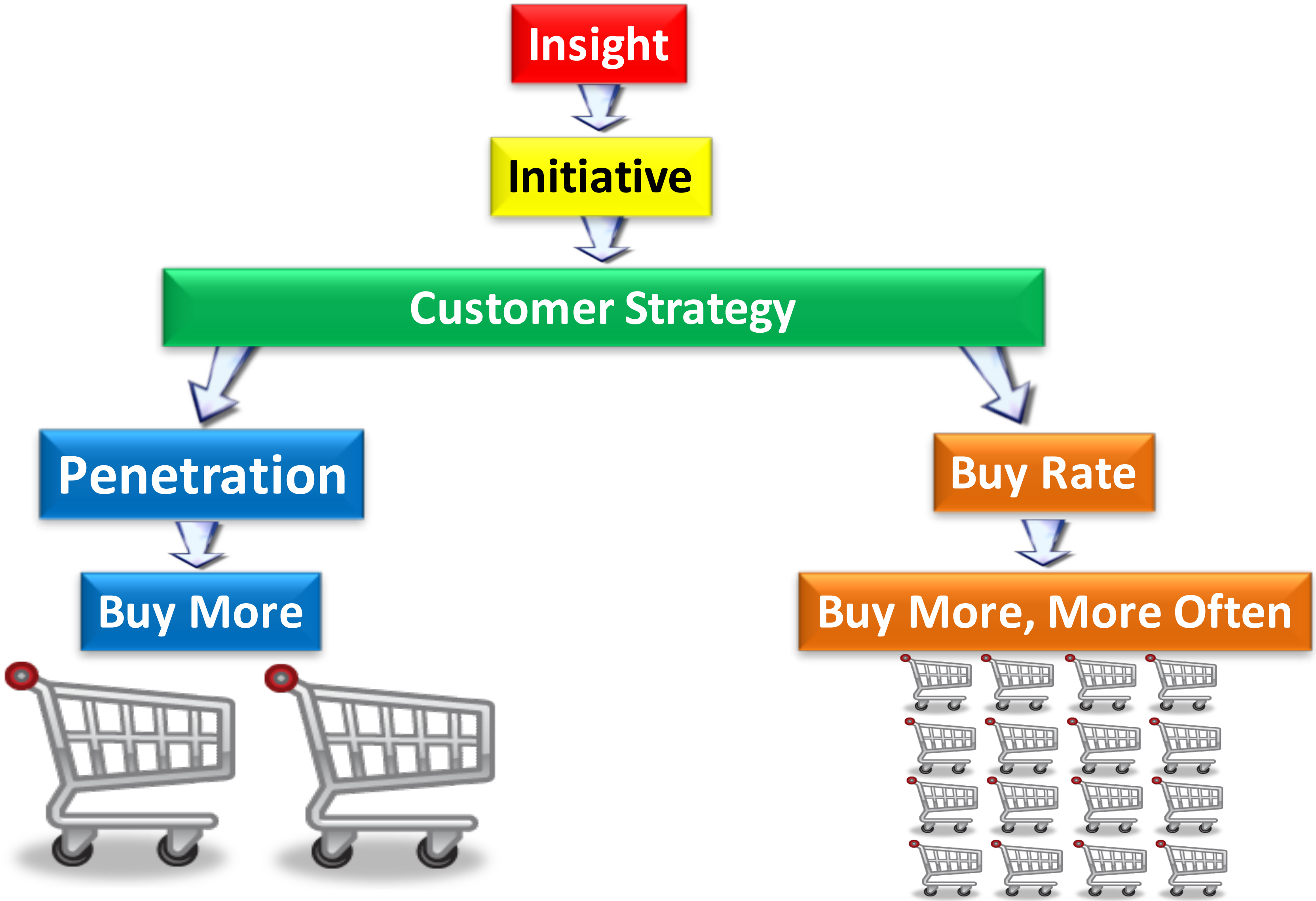
- Collaboration amongst the department suppliers in both insight collaboration and potential promotional activities will be a strong method for Retailer to bring added value to consumers unlike other office supply outlets.

Appendix / Other Supporting Data

<u>Mom's shopping basket</u>
Back to School/College
School activities
Clubs
Team Moms
Sports teams
Homework/Assignments
Replenishment trip

<u>SOHO shopping basket</u>
Stock up
Replenishment trip
Quick Fill in trip
Multiple room needs

What does it look like?



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Execution of a sound promotional plan drives growth

2. Consolidation of two strategies:

A. Execute a "two season" promotional pricing strategy AND

B. Develop a seasonal promotional activity plan.

✓ *These should work hand in hand to drive a complete promotional plan*

- **How will this strategy best position the Department to achieve its Objective?**
  - ✓ Implementing a balanced plan across the annual calendar will help drive **awareness**, **repeat purchases** and build a more steady foundation of business with "regular" type buyers vs. the one time per year shoppers of BTS
  - ✓ Connecting during overall Walmart focus events (i.e. Game Time, Holiday, etc.), capitalizes upon strong **traffic driving** marketing campaigns already in place, **broadens** the audience for office supplies and reinforces the **breadth** of all available through the one-stop shop value proposition.

- **Supporting Data:**
  - ✓ For most shoppers, paper is a planned purchase. However, among those that did not plan to buy paper pre-trip, almost half indicate that just seeing the product triggered a buy
  - ✓ During non-BTS periods, features and end cap positions drive incremental sales – for paper, we experience a minimum **35% lift with discount** and **10% lift without a discount** offer
  - ✓ Beyond the Role of Mom: Women-owned firms account for 28% of all firms in the US. Of those, 93% are sole proprietors and 71% of their businesses are home-based. Cash flow is identified as their most important business problem. Walmart has solutions.
  - ✓ Every week, one or more of the office superstores is promoting key category driving items (paper, ink, etc.)

- **Suggested Tactics (draft) to execute:**
  - ✓ Develop promotional plan of **"special buys" during off season times** of year supported by purchase frequency and basket analysis
  - ✓ Implement **co-promotional** efforts, both **within category and outside category**, to drive trial and repeat purchases
  - ✓ In conjunction with the overall Walmart marketing calendar, develop **seasonal promo events within stationery**

Sources: Corporate Executive Board Company, Female Business Owners Study, 2010; ECRM MarketGate AdWatch evaluation 6/2012; GP internal data

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Deep understanding of HOW AND WHY "they" buy drives satisfaction

3. Leverage knowledge of the Retailer SOHO customer.

✓ *Existing knowledge of the SMB customer can be leveraged to learn more about the Retailer SOHO customer and their needs*

- **How will this strategy best position the Department to achieve its Objective?**
  - ✓ Understanding the **motivators** for shopping at Retailer **AND** shopping other retailers will guide strategies and tactics to stem the **leakage** and drive department and category growth by maintaining current customer base and securing new customers.
  - ✓ The SOHO shopper (primarily the Home Office shopper) is already in the store. Tactics to drive them from **one side of the store to Dept. 03** will drive traffic and build the basket through targeted execution that positions Retailer as the store of choice for office supplies.
- **Supporting Data:**[1]
  - ✓ **Mass trips are planned** by shoppers, who cite good selection, great prices and consistent brands as reasons why they choose this channel.
  - ✓ Home Office Purchasers slightly out number the Small Office Purchasers (53% to 47%) with **93%** of items equally purchased by each that includes General Office Supplies (Paper, Pens, Filing Supplies, Toner, etc.) and they are primarily purchased when needed (81% of the time)
  - ✓ For BTS, **85%** of SOHO purchasers at Staples buy school/office supplies **vs.** Retailer at **68%** indicating the Retailer shoppers' basket includes items from multiple departments. This allows for a variety of cross-department & affinity tie-ins.
  - ✓ With 40% of purchasers taking advantage of the deals during BTS, it is important to note that **Price** is the main reason for choosing a purchase location with 63% preferring to shop in an actual store vs. online (73% for home office purchasers)
  - ✓ With 64% of SOHO purchasers (75% of Home Office) shopping **multiple retailers** for office supplies, it is critical to understand the motivators. **Price and Convenience** drives the same retailer purchases. What is driving the leakage? Price (best "deals")
  - ✓ For all shoppers, even though price and quality are stated as the most important attributes, having the **right blend** of 'good enough' quality, excellent value, and a wide variety of product offerings drives the purchase behavior.[2]
- **Suggested Tactics (draft) to execute:**
  - ✓ Develop promo calendar around **consumer driven events** with Price/Convenience as key motivators for purchase
  - ✓ Enhance current **knowledge base of shopper** in/out of Retailer that purchase office supplies (SOHO)
  - ✓ **Tie-in promotions** with affinity categories from "other" side of store

Sources: 1. See Appendix pages 17-18. 2. Brand Equity study – Office Supplies by The Link Group, January 2010 for GP.

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