

What Wal-Mart Should Learn From Target's Board

It's time for Wal-Mart to take a closer look at its Board.

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By Les Berglass

The retail industry may be in the midst of a digital transformation, but you would never know it by the composition of their Boards of Directors. Take Wal-Mart, whose Board is populated with leaders from traditional industries like banking, consulting and brick-and-mortar retail. With an average age of 59, it's not likely that this board is comprised of early adopters of the digital era.

I have no qualms with Wal-Mart's individual directors. Most have impressive biographies with invaluable contributions in their chosen fields. Nor would I argue that the mega-chain should wipe its slate clean and appoint all new members.

Yet, as an executive recruiter who specializes in retail, I would recommend Wal-Mart consider adding a few directors who have more contemporary experience and a mindset that is relevant to the way people buy products today. It's no secret that Wal-Mart has struggled with the U.S. consumer as of late. Recently it reported that U.S. same store sales dropped by nearly 1%--its ninth quarterly decline in a row. In an attempt to jumpstart sales growth, Wal-Mart also restructured its online business--an area primed for growth but which only accounts for a sliver of the retailer's overall business. While changing management should help, its problems could best be solved through an appointment or two to its Board.

After all, wouldn't a few directors from nascent industries--such as digital media or e-commerce--help the big box retailer in its quest for digital dominance? At top Internet retailer Amazon (AMZN), the Board of Directors includes a former head of Apple's iPod division and co-founder of video game giant Electronic Arts.

Retailers need Board members who can speak to today's consumer. Whether they're buying a blouse or tissue paper, young shoppers expect affordable products with stylish design elements. They also get bored easily, thus demanding new inventory on nearly a daily basis. Target is fluent in this contemporary language of consumption. The company's apparel and decorative items remain fresh and exciting, and its bulls-eye logo embodies the promise of a fun shopping experience.

Target's Board mirrors its modern ethos. Four of its Board members hail from industries such as new media, telecommunications and consumer goods companies. For instance, Mary Dillon, CEO of United States Cellular (USM), spent five years at McDonald's overseeing its global marketing strategy. Along with fellow Board member Steven Sanger, who ran General Mills for over a decade, she has the background to ensure Target's branding remains crisp and relevant. Roxanne Austen, head of Internet service provider Move Networks, can provide insight into new technological modes of engaging with the consumer. The Board's contributions seems to have paid off: Last week, Target reported its strongest quarterly same-store sales growth in four years, and the stock gained more than 3% for the five day period ending August 19.

Another requirement for retail Boards today: Finding a few directors who know how to transform emerging technology into sales. In addition to discussing the coolest stores, consumers today spend time marveling at the devices from which they can shop. Many are particularly enchanted by the Internet's ability to seamlessly blend community, knowledge and consumption. An athlete can simultaneously discuss training strategies with fellow runners, while buying dietary supplements. Someone with arthritis can purchase vitamins to relieve symptoms within moments of researching their benefits.

That cross-section was exactly where Vitamin Shoppe (VSI) believed it could unleash the power of its brand online. In 2009, its Board appointed Kathy Savitt, founder and CEO of Lockerz, a social media site. As a former executive at both American Eagle and Amazon, Savitt could speak to the challenges of retail in a digital age. Since then, Vitamin Shoppe's stock has gained more than 50% in a year, and its Web site--which offers live chat, mobile inventory look-up, and quick response code functionality--ranks among its most valuable brand assets.

Branding is not just important in the digital retail world. As companies, ranging from banks to pharmaceuticals, expand globally, they have become increasingly reliant on marketing platforms that can transcend cultural barriers. I often advise companies grappling with their global strategy to consider appointing directors from the consumer goods industry. After all, companies like Unilever (UL) and Proctor & Gamble (PG), have been viewing the globe through brand-tinted glasses for more than 100 years. An executive at Unilever knows that people wash clothing differently in Cameroon than in Des Moines, but she can also figure out a way to sell the universal concept of "clean."

With a presence in 26 countries, Staples recognizes the value of such branding savvy. Its Board consists of members who cut their teeth at companies like Campbell Soup Company, Kraft Foods and Mars Confectionary. One of its most interesting directors, Justin King, turned around the ailing British grocery, Sainsbury, by applying the sophisticated marketing skills he gleaned at Pepsico (PEP) and Haagen Daz.

While some might shrug off the impact such Board members actually have on Staples' day-to-day operations, I believe that important operational and strategic initiatives start with the Board of Directors. Last Wednesday, the office supply retailer impressed Wall Street with 15% gain in international sales during the second quarter, buoying its stock last week, amid one of Wall Street's most tumultuous rides.

Yes, it's time for Wal-Mart to take a closer look at its Board.

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