

# The Long Road to Wal-Mart

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**I**t was 7:50 a.m. last November on one of the most important Wednesdays of Colin Roche's career, and the rain was coming down hard in Bentonville, Ark. As he and his business partner, Bobby Ronsse, navigated the slick two-lane road leading to the headquarters of Wal-Mart Stores Inc., Mr. Roche began to sweat as their rental car inched along in traffic.

The pair had finally scored a coveted 8 a.m. appointment with a Wal-Mart buyer—giving them a chance to get their ergonomic pen, the PenAgain, in front of the world's largest retailer. But with only 10 minutes to spare, that chance was slipping away as the entrepreneurs sat, panicked, still a mile and a half away.

Desperate to make headway, Mr. Ronsse gripped the steering wheel tightly and pulled illegally into a side lane. Despite a 1 a.m. test drive to Wal-Mart from the Best Western that morning, the Bentonville first-timers had vastly underestimated weekday traffic—and, as it turned out, the number of daily visitors to Wal-Mart. By the time headquarters loomed into view, the parking lot was already filled.

"I'm getting out," Mr. Roche hollered to Mr. Ronsse as they pulled up to the entrance. "Find a place to park—anywhere." Gripping their presentation materials, the contents of which he'd been working on since high school, the 33-year-old Mr. Roche dashed umbrella-less in the rain toward the low-slung red-brick building where inventors' dreams can be made, or broken.

The time was now 7:57 a.m.

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Getting into Wal-Mart is an entrepreneur's equivalent of making it to Broadway. Even a short run on the shelves there can help transform an invention from niche product to household name. And while Wal-Mart certainly isn't the only retail path to commercial success, nor the right outlet for every product, for mass-market merchandise at a certain price point no other bricks-and-mortar retailer reaches so many shoppers. Today the company has 5,300 outlets world-wide, and gets more than 138 million customers a week.

But as with Broadway, there's more than enough talent to fill the stage. Last year about 10,000 new suppliers applied to become Wal-Mart vendors. Of those, only about 200, or 2%, were ultimately accepted. "We just don't have very many empty shelf spaces," says Excell La Fayette Jr., Wal-Mart's director of supplier development.

On a supplier's journey into Wal-Mart, Mr. La Fayette's office is often a first point of contact. In addition to taking solicitations by telephone and email, his staff of four sifts through hundreds of new online supplier queries submitted each week through the company's Web site ([www.walmartstores.com](http://www.walmartstores.com)), as well as those made through stores at a local level, before passing viable candidates on to one of Wal-Mart's hundreds of buyers.

"People come out of nowhere with all kinds of ideas that are not practical for our business," says Mr. La Fayette, noting that the company still receives "grandma's elixirs" in mason jars through the mail. "They see Wal-Mart and see dollar signs and think they can sell us anything."

Making matters trickier, in most established categories—like the \$4.8

billion writing-instrument market—there already is so much duplication that it's tough persuading a retailer to give shelf space to an unknown. "Unless there is something really unique that has a special advantage to help customers, a lot of 'me too' items just don't make it," Mr. La Fayette says.

But as the story of PenAgain and its founders shows, there are steps a small business can take to maximize the chance of getting its wares in front of a Wal-Mart buyer. These include everything from establishing solid relationships with other retailers to developing a broad product mix, having a flexible production capacity and illustrating why a new product deserves to replace an old one.

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Mr. Roche's path to Bentonville, Ark., began in 1987 during a Saturday detention at his Palo Alto, Calif., high school. On lunch break, Mr. Roche wandered into a flea market where he purchased a toy robot that, when twisted a certain way, doubled as a pen. While fiddling with the robot and a lighter, he burned the writing tip off one leg and then reattached it to the robot's head. Writing in that position, with one index finger between the robot's legs, he found he didn't need to grip so tightly because the design supported the natural weight of his hand. "I'd always had horrible writer's cramp, and this helped," he says.

Not long afterward, Mr. Roche began fiddling in his garage with other pens, melting them down and shaping them into V's. He recalls telling his father: "I have this idea to reinvent the pen."

Through college, he continued thinking about his invention, choosing its name after a friend jarred him from a daydream—"I was just thinking about that pen again," Mr. Roche told his pal. In June 2001, he teamed up with Mr. Ronsse, a former fraternity brother turned engineer, and the two began plotting development of the PenAgain, which they envisioned as a futuristic wishbone design modeled after the robot. Putting in \$5,000 each, they launched Pacific Writing Instruments in December 2001, filed for patent approval, launched a Web site ([www.penagain.com](http://www.penagain.com)) and set up production in the Bay area.

Had they first set their sights on selling to Wal-Mart, the results undoubtedly would have been disappointing. "We like companies to have a sales history and to be sold somewhere else first, even if it's just a downtown boutique," says Wal-Mart's Mr. La Fayette.

Plus, PenAgain's design was radical—something of a Catch-22 for the entrepreneurs. On the one hand, it distinguished their product from the "me too's," but was it too different to catch on? And while ergonomic pens were hot thanks to an aging population of baby boomers facing carpal-tunnel syndrome and arthritis, most traditional pen players addressed this need by tweaking a pen's length or width or the texture of the grip—not by varying its basic stick design.

"We've seen submissions with the wishbone design and tested similar designs," says Charlie McCaffrey, vice president and general manager of Newell Rubbermaid Inc.'s Paper Mate brand, which is sold in most major retail outlets, Wal-Mart included. "We think it lacks mass appeal at this time." Two of his company's most recent ergonomic introductions, the X-Tend and PhD, have cushioned grips at the tip, but are still a stick design.

Even PenAgain supporters acknowledge the uphill battle it faces. Mickey Miladinov worked for 28 years at Kmart Corp., her last stint as

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merchandise manager in the stationery category, including pens. While she sees opportunities for PenAgain, she says something “new, new, new doesn’t always play to the masses. Will there be other people in this universe that need that product? Yes. But when I looked at an item at Kmart, I had to say, ‘Does this hit the largest percentage of my shoppers?’ And if not, I’d have to pass on that product.”

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Such thinking meant Mr. Roche had his work cut out proving buyers existed. First, he wooed smaller sellers, such as Edwards Luggage Inc. in San Francisco. “It was gimmicky, but it looked good,” says the store’s owner, Fred Ebert. The risk paid off: Today, he sells about 700 PenAgains annually at \$12.95 apiece, making it his top seller of a single style pen. “This is different, yet it actually works,” he says.

Meantime, Messrs. Roche and Ronsse pushed hard to get their product viewed alongside more entrenched players at major trade shows, once staying up all night gluing together more than 300 pen samples in their hotel because the manufacturer hadn’t heat-welded the pieces in time. These shows got them hooked up with more buyers and distributors. Further, they worked less-obvious channels on a grass-roots level, including doctors who treated patients with hand troubles. That helped them rack up testimonials from customers with Parkinson’s, autism and other ailments that can make it hard to wield a traditional pen.

The business grew. Last year, PenAgain had \$2 million in revenue across a wide swath of retailers, including 5,000 independent stationery and office-supply stores, 200 Staples in Canada and other chain outlets including Fred Meyer and Hobby Lobby. Mr. Roche’s company also does a strong business in the promotional-products industry, has sold 1.2 million units in Europe alone, and sees about \$5,000 in Internet business every month. From time to time, PenAgain has been the No. 1, 2, and 3 seller on Amazon among all office products.

The breadth also helps, because Wal-Mart doesn’t like to account for more than 30% of a supplier’s total business; if it did, and suddenly had to change an order based on shifting trends, it could sink the supplier.

Still, to play with the big boys, the company needed to lower its prices and have high-volume manufacturing capacity—which meant moving production overseas. With financial backing from four outside investors, including a former chief information officer of Microsoft Corp., the PenAgain founders located manufacturers in China in late 2003 and have continued investing to have multiple molds for PenAgain produced; these cost about \$10,000 a piece, roughly half what they paid in the U.S. Having more molds ready to go means that if a big order comes in, they can ramp up quickly. “It allows us to push hard on expanding the distribution channels without fear of being unable to deliver,” Mr. Roche says.

It also helped them reduce PenAgain’s retail price to as low as \$3.99 on one model, something crucial on the Wal-Mart front. Simultaneously, Mr. Roche pushed to expand the line. By this November, the company will have 10 pieces in the PenAgain mix, including a pencil, highlighter, hobby knife, white-board marker and children’s writing instrument, in a wide swath of colors and textures. “That would have been one of the biggest obstacles, if he only had a single item,” says Ms. Miladinov, the former Kmart buyer, who is now an independent consultant. “Retailers want to know, so what can you do for me now? Sell me a program so that you become an important vendor to me.”

Even with these pieces in place, Mr. Roche says the pair still wondered, “How the heck do you get into Wal-Mart?” They talked to some local California store managers first, something Mr. La Fayette of Wal-Mart recommends because Wal-Mart maintains a national and local supplier program. “Local managers have a lot more buying autonomy now,” he says. “It’s sometimes a smarter route to go for an upstart business.” Still, Mr. Roche was determined to get face time with a national Wal-Mart buyer.

So last September, he and Mr. Ronsse forked over a hefty \$10,000 to attend an “arranged meeting” portion of a trade show hosted by the School, Home, & Office Products Association where vendors were promised individual meetings with major retailers, including Wal-Mart.

But the day of the show, the Wal-Mart buyer had to cancel because of an impending hurricane. Instead, the buyer sent an email to the event’s coordinator, offering to devote a day in Bentonville to see the jilted suppliers. The coordinator gave Mr. Roche the Wal-Mart number. He tapped it into his cellphone and went running back to the room where Mr. Ronsse sat waiting.

“Hey Bobby,” he said. “You’re never going to believe this.”

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A month and a half later, Mr. Roche stood inside the Wal-Mart lobby shaking water off his jacket and surveying all the other vendors clutching merchandise displays, video projectors and cardboard boxes with their inventions tucked inside. “Everyone had their game face on and looked really tense,” he says. Just then, Mr. Ronsse came running in the door, also soaking wet, having found a makeshift parking spot. The two were escorted into a small conference room where, at 8:01 a.m., the buyer walked in.

Immediately, she delivered bad news upon seeing the PenAgain. “I’ve seen this design before and passed,” she said, mentioning a competitor’s product manufactured in Korea with a similar shape.

Mr. Roche kept his own game face on, heart racing. “The difference,” he said, “is that we are building a brand. Rather than going to you first, we’ve got a base of independent retailers and distributors world-wide who have already picked us up.” He kept talking, showing her the testimonials, media write-ups, product extensions and everything else he and Mr. Ronsse had assembled over the previous few years. “She kept taking notes and looking really serious and professional,” he recalls.

Finally, with their time allotment nearly up, the buyer closed her notebook. “OK, we will give you a trial period for a certain amount of time,” Mr. Roche recalls she said. The parameters of the deal were this: Some 500 stores would carry the product for six weeks, with the expectation that PenAgain would sell at least 85% of the product displayed in that time to warrant more permanent shelf space. (Mr. La Fayette of Wal-Mart confirms that these are fairly standard terms.)

Over the past 10 months, PenAgain’s founders completed the intensive paperwork required to become an official Wal-Mart vendor. Finally, last week, Mr. Ronsse opened his email box to find a note saying their supplier agreement had been approved. Wal-Mart says on average it takes six months to a year for a supplier to get a first purchase order because buyers must review categories and give suppliers time to gear up. “We’ve taken the path that a company like ours can take,” Mr. Roche says. “No Wal-Mart buyer will call you out of the blue.”