CEO TALKS: Wal-Mart’s Marc Lore on Innovation and Acquisitions

The exec wears two hats in the oversight of online activities of a huge retailer and the e-commerce site targeting urban Millennials.

By Sharon Edelson on October 9, 2017
It’s been a little over a year since Marc Lore sold the company he founded, Jet.com, to Wal-Mart Stores Inc, for $3.3 billion, and as part of the deal, joined the retail giant as president and chief executive officer of U.S. e-commerce.

The Bentonville culture doesn’t seem to have rubbed off on Lore, who in lieu of a permanent office prefers to float from one small conference room to another at Jet’s Hoboken, N.J., headquarters. Staffers there, who are members of the Millennial generation that Jet courts, take breaks at the pool table in the lounge area, listen to music and chill beneath a purple ticker with the company name on a continuous loop hanging on the wall. A white and purple neon logo is affixed to the back of bleachers, one of several alternative work environments with stunning floor-to-ceiling views of Manhattan.
A longtime New Jersey resident, who grew up in Red Bank, Lore is a fan of native son Bruce Springsteen, but “I don’t know him. I have a Bruce Springsteen story. When I was a kid, I used to spot him at the gym,” he said. “I almost went fishing with him, too.”

Lore has been given wide latitude across Wal-Mart to iterate and innovate and even in the relatively short time he’s been on board, has had a major impact on the way the behemoth views digital and competes with its rival, Amazon. He’s leaving his imprint on the world’s largest retailer by helping to identify and direct a string of smaller acquisitions such as Shoebuy, Moosejaw, Modcloth and Bonobos. Other initiatives include leveraging Wal-Mart’s stores for order pick up, and forging partnerships such as the recent Google tie-in for voice-enabled shopping. Lore last week helped orchestrate the acquisition of last mile solution firm Parcel. Store No. 8, a platform he created, incubates new technology and he’s been attracting talent from other online start-ups.

The ceo, who juggles the Jet.com and walmart.com businesses, is great with numbers, able to look at a screen filled with digits and triangulate them, but he’s not a wonk-y technophile. With 13,000 people under his watch, he couldn’t be. Lore continues attracting talent from other online startups and various corners of the retail and e-commerce industries. “I’d like to think that we’re making a positive impact just bringing an entrepreneurial spirit to a large company,” Lore said during an exclusive interview at Jet’s offices. “Wal-Mart historically has been a pretty innovative company and we’re now doing our part. It’s just a big company, but Wal-Mart is still able to grow.”

Here, Lore talks about the deal with Wal-Mart, and putting it all together, including finding synergies between walmart.com and Jet.com; improving the store experience; elevating online assortments, and nurturing emerging
Marc Lore: What happened is, somebody introduced me to Doug McMillon [president and ceo of Wal-Mart Stores,] and we met up and we started talking about the future of retail. I told him what we were doing at Jet and he was talking about his goals for walmart.com and the whole omni experience. I think we shared a common set of values early on and built a lot of trust. We were pretty open with one another, which is probably not typical for a first meeting, but we were both very open and shared some things. And we met a second time, a third time and the trust kept building and we realized that together, we could do something amazing. Early on, I always wanted to create an amazing experience for customers, and with the assets of Wal-Mart, I thought we’d have a much better chance for success and would be able to move and get there quicker.

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M.L.: There’s a couple of things. There are two buckets of acquisitions. One is the Hayneedle, Moosejaw and Shoebuy properties. Those acquisitions were really to help accelerate our capabilities in the long tail categories, where they’ve got great merchant relationships, great product content and great merchandising teams. So, just being able to leverage those teams to accelerate growth on walmart.com or Jet is the reason for doing those acquisitions. On the other side, you have Bonobos and Modcloth, these digitally native vertical brands that we believe would give us an opportunity to differentiate our assortment and give us an opportunity to connect with the new generation of Millennial shoppers.

WWD: Will the new brands be sold on walmart.com, Jet, or both?

M.L.: Yeah, it’s not a guarantee, but we’re looking very closely at selling Mod and Bonobos on Jet. There are no plans to sell them on walmart.com.

WWD: It seems as if walmart.com has gotten a bit more upscale. Is there a conscious move to position the site further upmarket?

M.L.: That’s the thing — we’re going through a process now, and it’s going to be a multiyear process, to elevate the walmart.com brand. There are a number of things we’re doing. We just moved to colored blue boxes and we’re redesigning the walmart.com web site. Prestige beauty is a big push. We’ve also got a couple of partnerships in the works to bring more premium assortments to walmart.com. In addition, we’re going through and redefining the shopping experience for both home and fashion on walmart.com. We’re moving away from a transactional approach to think more about the occasion. For example, in the case of home, it’s thinking about the room and thinking about the whole experience, not just thinking about a chair, which is how it works today.
Another big advantage of Wal-Mart is that it has multibillion-dollar private brands. Three of the top five private brands in the world are Wal-Mart labels, so Wal-Mart has expertise with private brands. It’s private brand 2.0, sort of the next generation. They’re connecting with the shopper in ways traditional brands have not. They have a soul, they have a mission, they stand for something and Millennials are able to connect with them. On the other side of private brands, we have digitally native brands, which we’re now aggressively pursuing.

**WWD: How are you preparing for Wal-Mart’s future?**

**M.L.:** The strategy right now is multipronged. There’s preparing for the future of shopping, which is all about what Store No. 8 is doing, and there’s perfecting the fundamentals, which is making sure we’ve got the products people want, the products are easily found, the product content is right and the price is right, and it’s delivered fast and on time. We call that the five bellwether customer metrics. We monitor those five together via what we call the CVI, for customer value index. We’re maniacally focused on improving the CVI.

In terms of fundamentals, we’re preparing for the future, and at the core of that strategy is leveraging Wal-Mart’s unique assets, to provide a value proposition to the customer that’s unmatched anywhere. Wal-Mart’s assets are really about the stores, 4,700 of them, and 1.2 million associates. Wal-Mart being the largest grocer in the world, has unique advantages with respect to the fresh supply chain. So how do you put all those assets together and offer an amazing experience? One thing we’re doing is, we have fresh grocery pickup in 1,000 locations, and we’ll be aggressively expanding that next year. We have an 87 net promoter score, so customers
absolutely love it. More importantly, we’ve got picking capabilities now to do fresh and frozen in 1,000 stores and picking capabilities in 4,700 stores across general merchandise.

**WWD:** *Delivery seems to be the currency of consumer loyalty and a battle ground for online retailers these days.*

**M.L.**: We’re testing in 22 stores, same-day and two-hour delivery to home through Uber and our own associates. Parcel is for doing fast delivery in Manhattan and that will be from our central fulfillment center, so you’ll get a broader assortment that we can offer with speed. But the stores can offer 100,000-plus sku’s at a more attractive cost than anyone else because you basically have these warehouses that are effectively already making money, so any marginal dollar sales that are shipped home is going to flow through there at a really nice margin. So, we have more dollars to play with and we can offer that type of experience at the lowest cost. That’s probably what I’m most excited about right now at Wal-Mart, and how do you expand that more broadly.

**WWD:** *You sold your first e-commerce company, Quisdy, to Amazon in 2011, and earlier this year, Amazon ceo Jeff Bezos closed the business, saying it was unprofitable. Do you worry a lot about Amazon?*

**M.L.**: I don’t spend a lot of time thinking about Amazon, honestly. I feel like we’re really well-positioned with the assets we have to provide a value proposition to consumers that’s unmatched anywhere. It’s combining the online and offline assets in a truly omni experience. We do other things like pickup discounts, another way to leverage the stores to offer customers great prices on the longtail stuff. Also, Easy Reorder. You can
shop at a Wal-Mart store and buy 50 things and come home and see all 50 things on your app for easy reorder. Those are assets that are tough to replicate for a pure-play.

**WWD:** Wal-Mart announced a partnership with Google for voice shopping. Do you feel you’re getting into this technology early, late or at the right time?

**M.L.:** With voice shopping, we’re at the early stages of what will be a new way to shop in the future. Today, voice devices like Google Home are mostly used for things that are not shopping related. The deal we’ve done with Google makes it a lot easier and more seamless for consumers to buy things off their shopping lists via voice. In the next five to 10 years, with advancements in computing power and artificial intelligence, you’ll be able to converse with the device, which will be a phone, in a very conversational way. It will be the way you’d talk to an expert on the showroom floor of a specialty retailer. That assistant will know you as well as your mom, dad or spouse. It will be a very intimate experience and very conversational. I see shopping moving in this direction.

**WWD:** You’ve been able to recruit some impressive talent.

**M.L.:** We’ve hired a lot of really good people. Andy Dunn, [who sold the company he founded, Bonobos, to Wal-Mart for $310 million] is running the digitally native vertical brand strategy, we call it the DNVB, or brands born on the Internet. Jenny Fleiss, cofounder of Rent the Runway, is ceo of Code Eight, Store No. 8’s first portfolio business. We’ve just hired Denise Incandela [senior vice president of fashion for Wal-Mart U.S. e-commerce] who’s running all of fashion — the apparel and shoe businesses — for Jet.com and the Wal-Mart U.S. e-commerce portfolio, as well as
Shoebuy. Anthony Soohoo is senior vice president and group general manager of home for walmart.com, Jet.com and Hayneedle. The whole family has merged together.

**WWD: You hired five-time Olympic gold medalist swimmer Nathan Adrian as the category specialist for competitive swimwear. Can you talk about how you’re hiring for very narrow fields to drill deep into categories?**

**M.L.:** Our strategy is to hire these category specialists, that’s what we call them. They’re fairly junior, often directly out of top schools, and smart. They’re focused on running a very narrow category of product, where they own it, soup-to-nuts. They’re the general manager, where they own it, and do everything from making sure we have the right relationships with brands to making sure the product content is perfect. They’re also responsible for ensuring that the right search results come up for every key word search term in the category. Rather than have thousands of sku’s, like a traditional merchant’s responsibility, category specialists may only have 500 skus and they perfect them. It could be something as narrow as food storage bags. They own that, its 24/7, and that’s what they do.

**WWD: Are walmart.com and jet.com coming together, and if so, in what ways?**

**M.L.:** The back end’s already merged, but on the front end I see a place for both walmart.com and Jet.com. Jet is really focused on pushing into the higher-income urban Millennial crowd and we’re pushing the assortment to be more premium. We’re undergoing this transition now. We’ve always been a little bit more higher-end, but now we’re making a very concerted effort to take it to the next level. Products on Jet will be much more curated.
WWD: You’ve acquired several companies now, including Shoebuy, Moosejaw, Modcloth and Bonobos. What’s next?

M.L.: In terms of new companies, we’re looking at so many that can help accelerate our entry into long-tail categories. We’re looking at category-killing specialty retailers and always looking at digitally native vertical brands. We’re also looking at strategic acquisitions to help us in areas of merchandising and logistics. The lens we’re looking through is merchandising and logistics. We’re a retailer and we’re looking for companies to help us become better retailers. So it’s category killers, specialty categories that tend to be in the long tail. It wouldn’t be TVs or diapers. Fashion, apparel and shoes, beauty and fragrance — all the long tail categories.

WWD: How much of your time do you devote to jet.com and how much to walmart.com?

M.L.: Probably most of my time is spent on Wal-Mart, because it’s shared retail and backend. Only the front end, marketing and product are different. I spend an equal amount of time on technology and logistics, which cut across both. Advertising is part of elevating the brand. I’m on the road a lot. Tony Rogers, senior vice president of marketing at Wal-Mart U.S., is now overseeing marketing for the digital side as well as stores. He’s thinking about the customer shopping online, in stores or on an app. Tony started playing a role as direct report to me and you’re seeing the marketing reflect the digital side of things.
Marc Lore Touches Most Aspects of Jet and Walmart.com – WWD


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