

3 The Wal-Martization of our society

How we are all becoming Wal-Mart¹

Excess, superabundance and rock-bottom prices are part of the same phenomenon. They are the logical counterparts to an ascetic form of business management: be faster, better, cheaper. They are also the quintessential expression of the paradox of globalization. The pressure of shareholder value, or to put it more generally of today's financial markets, means on the one hand that management salaries have reached a level that to some arrogant consultants might seem justified, but that in the light of plain common sense seems unreasonable. The same can be said of the excesses in the downward spiral in discounting: if you are right at the bottom of the wage hierarchy, you will never earn decent money, no matter how fast you run. On the contrary, you will need low prices because your wages will fall. To understand Wal-Mart is to reach a basic understanding of an economy that is in the process of becoming global.

Why Wal-Mart concerns us all

Business schools make their money by continually tracking down new success models in business life and then teaching them in

courses. Thus they teach students what real success is. The more a company is considered a model case, the more likely it is to be the subject of a so-called case study today. And if the big business schools use your company as a case study, all the other schools immediately follow suit. What Harvard or Stanford or INSEAD offer will be taught immediately all over the world, from Singapore to Dallas to Manchester. Case studies are rituals every student has to go through today. Traditionally, it was mainly the big US industrial groups and their development, for example General Motors or General Electric, that were among the favourites worldwide, and the case 'Polaroid versus Kodak' was one of the classic case studies. However, the last five years have seen a change. For a long time, retailers were not taken seriously and university chairs for retail trade were rare. Hardly anyone paid them much attention. But now the retail trade has become the focus of attention. The Harvard Business School now sells Wal-Mart case studies to other business schools all over the planet – Wal-Mart has become a bestseller! In March 2003, an in-depth study of the strategy of neighbourhood markets was published, ie the strategic expansion of the Wal-Mart model that declares war on the smaller local chains over shares of the food market. Wal-Mart is the star today, and there is far more interest in Wal-Mart than there ever was in the classics of industry.²

Why is this so? For the past hundred years, the power lay with the manufacturers. In the power game between manufacturer, retailer and customer that we described in Chapter 1, the customer didn't come into it and the retail trade played a very subordinate role. It was the manufacturer who had the power and the know-how, particularly in the sector of consumer goods, while the retailer was simply a distributor of goods, often also dependent on intermediaries, a relatively insignificant link in the value creation chain. The great brands of Procter & Gamble, Nestlé and Coca-Cola, on the other hand, have long reached worldwide fame and presence. The distributors of goods needed

them in order to reach their customers. This has changed drastically since the 1990s. First of all, the retailers who were traditionally active only at a local or regional level expanded geographically and made a name for themselves at a national level. And over the last few years, a consistent if not always simple process of internationalization has taken place, a process that goes beyond the mere conquest of neighbouring markets. The French Carrefour group was the spearhead, followed in France by Auchan and Casino, in Germany by Metro and in Britain by the late starter Tesco, which is now pushing towards the east. And in the USA, of course, there is Wal-Mart. These companies are all examples of the shift in power in distribution – from the manufacturer to the retailer, a shift that will tend to cut out the intermediary, since the big retailers can buy direct (global sourcing). The question today is: who has privileged access to the customer?

Manufacturer → Retailer → Customer

It is the retailers who definitely have the advantage. They have direct contact with the customer and, over the last few years, have learned how to handle IT systems and how to make better use of the advantages of customer communication. With the help of ECR (efficient customer response), they have steadily expanded their know-how and made themselves more independent of the manufacturers.

Today, Wal-Mart is *the* company to watch for strategy, pricing, logistics, IT, dealing with rivals, relationships with suppliers, cost structure and advertising. The fact that, here, cost cutting is an integral part of company culture may be the most striking. But Wal-Mart is also admired for the fact that it makes markets and that its growth is mainly organic and not simply the result of acquisitions as Ahold's was. Wal-Mart's role is that of a market maker, not simply a market taker.

Of course, Wal-Mart is also talked about because, as a representative of a traditional sector, it has the most amazing growth

history and is now gaining in significance internationally and in connection with the battle for globalization. Wal-Mart sells goods we all need. Twenty years ago, the teachers at the business schools ignored Wal-Mart because, in accordance with the will of its founder, Sam Walton, it concentrated on the unsophisticated needs of customers in rural areas, but when the chain expanded into suburban, more prosperous areas hardly anyone could ignore Wal-Mart any more. Moreover, many former MBA students are now among the losers in this expansion process: small, independent retailers in the non-food and more and more frequently also in the food sector were forced to give up when they lost the price battle to the giant Wal-Mart. Nowadays, unlike just 10 years ago, Americans grow up with Wal-Mart – it sells everything you need for everyday life. A further important reason for the high degree of interest is that it is much easier to analyse Wal-Mart than Microsoft or HSBC. The basic principle ‘higher value, lower cost, every single day’ is their message to the customer. What bank or software company could make that claim?

What is Wal-Martization?

Wal-Mart is a symbol we customers have been trained to react to, which has become such a part of our consciousness that we intuitively and ritualistically call it up whenever we go shopping.³ Wal-Martization is the dominant model of the rationalization of consumer living today. It is the most consistent embodiment of the philosophy ‘faster, better, cheaper’ and ‘bigger, more global, standardized’. Wal-Mart cuts prices because it can. All the time. And much more – Wal-Mart is an expression of the paradox of a world involved in a process of globalization and liberalization. While we profit as customers from the mountains of low-priced products, at the same time we are accelerating the process of

downsizing, which tends towards a system where you have badly paid, unskilled jobs with poor career prospects on one hand and a few extremely well-paid and exciting top jobs on the other – with nothing in between the two. In the USA there is increasing criticism of the fact that Wal-Mart became so successful with the slogan ‘Buy American’ and by catering to the needs of a rural clientele but is now the biggest promoter of job outsourcing from the USA to Asia. The emotional area of superstores and discount stores provides the clearest example, because it affects such an everyday occurrence as shopping. Wherever Wal-Mart appears on the scene, the landscape changes: economically, socially, culturally. According to Retail Forward,⁴ for every Supercenter that Wal-Mart opens in the next two years two existing supermarkets will close and disappear from the scene. This makes Wal-Mart the most prominent and authoritative expression of the paradoxical and insoluble link between excess, superabundance and discount.

How does the company see itself? Interestingly, Wal-Mart sees itself first and foremost as a distributor of goods for its customers and not as a retailer. Accordingly, the parameters for success are the low distribution costs it achieves in cooperation with its biggest suppliers. Jay Fitzsimmons, Treasurer of Wal-Mart, says: ‘Wal-Mart is not in the retail business, but in the distribution business. It is concerned with getting merchandise from the dock of Procter & Gamble into the trunk of a customer’s car in as little as 72 hours. Wal-Mart has the lowest prices because it has the lowest distribution costs.’⁵

Thus, bridging distances efficiently and effectively is at the core of Wal-Mart’s success. In the Age of Cheap, logistics is the key. What counts in the end is logistical intelligence, the mastery of routes and a corresponding IT architecture. Everything else follows on from that. A faster turnover of consumer goods, meaning better inventory management with the FMCGs (fast-moving consumer goods), is the basis for success, because

fast-moving consumer goods mean fast-moving consumers. If the target today is to get an article from the dock of Procter & Gamble into the trunk of the customer's car within 72 hours, it will be 68 hours tomorrow and 62 hours the day after that. A faster turnaround of goods means a faster turnaround of customers. In other words, the company doesn't simply have the lowest prices because, thanks to the scale of the orders it places, it has the lowest purchasing prices. Wal-Mart has the lowest prices because it has the lowest distribution costs. While Target, one of Wal-Mart's few strong competitors in the USA, also places its focus on efficient supply chain management, it retains an even stronger focus on warehousing and above all on retail trends.⁶

However, as we have already indicated, the Wal-Mart phenomenon does have two sides. We have said that it stands for the paradigm of globalization and deregulation. And globalization and deregulation can only be had with a resulting paradox. While on the one hand customers have a high degree of faith in the company and the basic message of low prices sounds positive, step by step Wal-Mart is destroying not only organically grown trading landscapes, but also social networks. There are websites, case studies and books on this subject, too.⁷ The significance and social relevance of Wal-Mart in this area can hardly be overestimated.⁸ The company has recognized that it can make best use of its strengths if it concentrates even more on the domestic market and on the neighbouring Canadian and Mexican markets. And then, using the profit thus generated and together with its British base (Asda), it can continue to invest in the global markets, after first exploiting its synergy potential in the USA, for example by creating new distribution channels.

For example, in February 2004, the Grocery Supercenter channel opened, a cross between the well-known General Merchandise Stores (the traditional channel of the discounters) and the Supercenters, which rely heavily on food. It is thus in direct competition with Californian supermarkets like Vons

(which belongs to Safeway), Albertsons or Ralphs (Kroger group), which are on average 14 per cent more expensive. This has led to mass protest, as these other chains are only too aware that, in the last 10 years, Wal-Mart has already driven more than two dozen national supermarket chains bankrupt.⁹ And they also know full well that this increases pressure on employees to work for lower wages. Whereas the average hourly wage for union-organized employees in California is US \$13, Wal-Mart pays a mere \$8.50. This amounts to around US \$14,000 a year – in California, the poverty line for a family of three is US \$15,060. And the social insurance system, for example health insurance, is much worse.

Because of this many employees fear it will bring to an end their modest middle-class standard of living. And in the end, it is the state that is called upon to solve the problems created by the company. Today, young people who (have to) take jobs where they earn only \$8.50 an hour have no chances of promotion – in stark contrast to the situation 20 years ago. Today they quit after only a few months. And the pressure is increasing. As wage costs are high in the supermarket branch (Supercenters), cuts are being made in social insurance and, of course, the employers want no truck with the unions. Highest priority is accorded to the philosophy of EDLP – every day low price – or, as Wal-Mart's enemies have it, EDLE – every day low ethics. But since Wal-Mart follows its philosophy so relentlessly, its competitors are forced to string along in order to remain competitive, for at least a little while.

Most economists in the USA argue that the Wal-Martization of labour is simply evidence of a functioning free market economy. They argue that, if Wal-Mart helps its customers to save billions of dollars every year, all its rivals have to follow suit. In this way, US consumers save around US \$100 billion per year.¹⁰ This intensifies the paradoxical consequence of globalization and deregulation. 'In this day and age, the United States needs more

companies like Wal-Mart to create jobs, even if not at the highest pay. The company that makes its mark by taking the cost of manufacturing products and services up will lose, and the country that promotes that will lose.¹¹

The Wal-Mart phenomenon is of such significance because it carries a symbolic value. It stands paradigmatically for the economic and social trend towards cheaper products and services and it stands for the last 25 years of the US way of rationalizing our way of life. Let us now summarize the most important points.

Everything is about 'price' and 'value' as the motor for development

Wal-Mart may have low prices every day, but that doesn't necessarily mean that Wal-Mart is the cheapest store or even a store whose entire range is cheap. It does not only sell low-priced products, but proceeds from the premise that price and value are increasingly important. What value do I get for what price? Potentially, every product could be included on its list if its value can be made attractive. In other words, Wal-Mart will continue to develop wherever it has something to offer for customers from all levels of society. If Wal-Mart can offer its customers diamond rings for US \$100,000 or exclusive Opus One wines from Mondavi for more than \$100 a bottle, then it is happy to do so. In 2001, the distribution outlet Sam's Club began offering the prestige wine Opus One for US \$114 a bottle – 30 per cent less than the normal retail price. And they also have diamond earrings for US \$40,000, and they do sell well, even in such a prosaic environment as that of Sam's Club.¹² And when you see what additional incentives can be generated for the customer, it becomes immediately clear that a new type of shopping experience is being created here.

The customer can choose between the following modes of payment: paying cash or paying with the channel's own credit card. But the traditional big-name credit cards are not accepted! One customer who bought \$40,000 diamond earrings was not too happy about this. He wanted to get bonus miles for the sum, a sort of incentive to make such a big purchase at Wal-Mart – free flights to the Bahamas for himself and his wife. How did he solve the problem? He went to the normal Wal-Mart discount store and bought gift vouchers for US \$40,000, paying for them with his gold card from one of the big credit card companies, which put the bonus miles on his account. And with the gift vouchers, he went to Sam's Club and bought the diamond earrings.

This example also illustrates that a growing number of customers no longer feel the need to go to Tiffany's or upmarket boutiques where there is an appropriate ambience for the product. The favourable price is more important. And the emotional pull of the low price is such that they are more than happy to do without the sales patter.

In the battle for financially strong but price-conscious customers, Wal-Mart, Costco and Target are always adding new products and ranges. You could say that premium articles are rapidly becoming mass merchandise.¹³

But whichever way you look at it, suppliers on Wal-Mart's list don't have an easy time of it. Wal-Mart – like Aldi – adheres strictly to its own set of principles. They include keeping to agreements, being honest, settling invoices punctually and not cheating. The first effect of such a cooperation is a disciplinary one. In the case of basic products that remain unchanged, Wal-Mart's product policy states that Wal-Mart and the final consumer will pay less for them every year. Suppliers have to adapt to that and fulfil Wal-Mart's requirements; then they have to live with it. For Wal-Mart's approximately 21,000 suppliers, low prices come at a high cost that they have no choice but to accept. Let us return to the example of the pickled gherkins

mentioned in Chapter 2. These gherkins are the United States' leading brand, Vlasic. It may be a bargain for customers to get a gallon of best-brand pickled gherkins for only \$2.97. But the bottom line is that Vlasic and Wal-Mart earn next to nothing on this product.¹⁴ With the start of this mega-price campaign, Vlasic began to cannibalize itself. Consumers who used to buy their gherkins in the supermarket now buy them at Wal-Mart, because they are far cheaper there. A family eats a quarter or a third of the jar and then has to throw the rest away because they can't possibly eat them all before they go bad. Even if the whole family eats the gherkins, there's no way they can get through all of them in time. The deal has given Vlasic celebrity status on the Wal-Mart shelves, but at the same time the company is forced to buy and produce much more cheaply, as margins have been eroded. Companies like Vlasic that make 30 per cent of their turnover at Wal-Mart are not to be envied. Unless they have done some careful strategic planning, they will run into difficulties. And a supplier that tries to negotiate a higher price with Wal-Mart will very probably be refused and at the same time risks having the rest of its products struck from Wal-Mart's range.

However, the area where most adaptability is required is management. Suppliers that want to work with Wal-Mart have to be leaner, more focused and more efficient. Their whole organization has to be brought into line with these aims. If we look at the power-politics aspect of this, we could speculate that compared with large suppliers – the cooperation between Wal-Mart and Procter & Gamble is the showcase study here – small suppliers are less likely to be in a position to defend themselves against conditions that don't suit them. If they want good growth rates, they have to consider whether they will be able to keep pace with Wal-Mart and its conditions in future. Many cannot resist the temptation to try. And it's not the fault of the retailer. A supplier that loses the Wal-Mart account is going to have to find several new retailers to get anywhere near the same volume of

orders. And so it can be said that there's only one thing worse than doing business with Wal-Mart – and that's not doing business with Wal-Mart. If you do business with Wal-Mart, you become a Wal-Mart double. The entire structure and all processes in your company mirror the giant's.

Take the example of Levi Strauss. The giant jeans manufacturer has been having serious problems on all fronts over the last few years, and sales have been falling steadily. Should Levi prostitute itself and crawl to Wal-Mart? The answer is yes, because then it will be forced to bring its chronically unpunctual organization, which almost always delivers late, into line with rigid Wal-Mart standards. What Levi stands to gain by this is volume and attention. The rest, however, could mean the beginning of the end for the brand – look at Vlastic. Wal-Mart expects its suppliers to deliver at prices that are in the lower price segment, unknown territory to Levi Strauss, which has only produced premium jeans so far. The jeans manufacturer finds itself in the bargain basement competing with low-price brands, and experience shows that this is unlikely to result in a strengthening of Levi's higher-priced articles in another channel. Here, too, it is the symbolic significance of the deal that is more important: anyone who enters into a cooperation with Wal-Mart automatically gets an image transfer free of charge. And the new image is unmistakable: cheap. And so one of the icons of US consumer culture closed its last two US production sites in 2003, both of them in San Antonio. Two thousand five hundred jobs were lost, and this once proud company, a company with a well-developed sense of social responsibility, now produces all its goods in Asia and sells them at rock-bottom prices at Wal-Mart. Can there be clearer evidence of the Age of Cheap than the situation of Levi Strauss and Wal-Mart?

In short, Wal-Mart's power over its suppliers is so great that it can find a replacement immediately if they fail to fulfil their obligations. Either Wal-Mart does the job itself (verticalization) or it

finds another manufacturer for the product. This means that the supplier's only chance of offsetting its eroding margins is to innovate. This, however, is not a path that automatically guarantees success, because the others will all be trying to do the same thing in order to gain more freedom of action.

The change in the labour force

As described above, this naturally has its effect on a labour force carrying out skilled and well-paid work, as, for example, was typical in the automotive industry. This kind of labour force disappears. Today you can find the same people working on the checkout at Wal-Mart for half the wage.¹⁵

Many of the more subtle analyses of Wal-Mart were unable to reach a conclusion as to where this development will lead in the end. One thing seems certain: Wal-Mart will have to continue cutting its operating costs. Wal-Mart's wage costs are much lower than those of its competitors, and this is one of the main reasons why its operating costs are also far lower.¹⁶ And so it is hardly surprising that labour relations have clearly deteriorated over the last few years. For many skilled and qualified workers, the fact that they have to work for Wal-Mart symbolizes their failure.

The shift towards a clear separation between a low-cost/low-wage world and a premium world

Shopping at Wal-Mart, people learn that thanks to Wal-Mart they can continue to live their American Dream because the prices are low. A good selection of goods at good prices. But they pay for this with hard work and low wages. And with this logic, it seems inevitable that, if you look closer at the organization, you are going to find it employing illegal immigrants.¹⁷ The downward spiral this causes accelerates.

And this in turn produces the unavoidable double moral standard of a world in the process of globalization.¹⁸ We have a stark

contrast between a more and more uncompromising asceticism in working life and utter hedonism in our leisure time, where we have a wealth of inexpensive options. While our work processes require us to exploit our personal resources more and more – time, money, mental and physical energy – in a deregulated world of leisure we get to do whatever we want in our free time. Uninhibited hedonism and inhibited work standards meet in an insoluble paradox.

This Wal-Mart with its low prices (in the sense of value plus price) and its low wages is in an increasingly polarized position in contrast to a world of premium values with exorbitant wages in top management. Here, too, the question is how long this can go on. While the premium prices quickly come under increasing pressure, there isn't really an analogous development with regard to top salaries. If anything, the opposite is the case.

The shift towards standardization and the cheapening of the dream of the 'American Way of Life'

The dream is still there, but it has become standardized and less valuable. It can still be lived, but in a new way, one that changes our lives. According to Marshall Blonsky, Professor at the New School and Parsons School of Design in Manhattan, the culmination of the Wal-Mart way of life today is that it consists of 'America's least common denominators gathered together'.¹⁹ The Wal-Mart stores are not aggressive, but they are soulless and without style. This process of standardization knows no mercy. It relentlessly promotes the highest form of equality among people: 'It [the shopping experience at Wal-Mart] proves something I have been trying to teach for years: the indifferent equivalence of everything with everything else, for an audience that has no concern for that difference, and no discernment of quality.'²⁰

In brief, from this perspective too we find a model that subjugates all its activities unconditionally to the tenets of 'faster, better, cheaper'. Perhaps the most interesting consequence of this is that customers forget how to distinguish between the cost of an article and its price. It doesn't matter, as long as the American Dream is cheap. The issue of how it is possible to produce at such low cost and whether, in the end, this makes sense for businesses and for the overall economy becomes blurred.

Shaping leisure and cultural tastes

How do you become a music superstar today? How do you become a movie action hero? How does an author become a best-selling author? It's easy: you just have to get on Wal-Mart's lists. Music experts confirm that the purchasing power of big chains like Target, Kmart or the market leader Wal-Mart also dictates what we do in our free time and sets cultural standards. Without it, country and western musicians like the Dixie Chicks, Toby Keith or Faith Hill would never have achieved star status. And it was mass bookselling and not the modest specialist book trade that made authors like Bernard Goldberg, Ann Coulter, Michael Savage or Bill O'Reilly bestselling authors.²¹ Such a development naturally favours the separation of the market into smaller premium segments and the large discount segments. The big retailers and the price clubs have only a very limited range of videos, DVDs, CDs or even vinyl. If it doesn't sell straight away, it is removed from the shelves.

What else is important for Wal-Mart? That there is no cultural deviation. The world's largest trading company has stripped its range of anything that could not be classed as mainstream, for example rapper Eminem's albums or the diaries of Nirvana's Kurt Cobain, which were bestsellers elsewhere. Wal-Mart also

took a Sheryl Crow CD off the shelves because the singer criticized the store on the album for selling guns.

This attitude will of course have immediate consequences for the production of new titles. 'It is going to hurt the sales of anything that is at all controversial, and if the stores are not going to put the CDs on the shelves, then the record companies are not going to make them,' says lawyer Jay Rosenthal from the Recording Artists Coalition.²² In other words, the big retailers limit the choice their customers have and they only buy from suppliers who produce hits. The latter are too afraid to criticize Wal-Mart publicly, because their profits hinge on the big hits. This in turn determines what we get to see and hear in the traditional trade with leisure and cultural articles. And as Wal-Mart only takes care of its most important (end) customers, the process of standardization of the product range is further accelerated – in contrast to Target or Costco, where there is also a more generous selection of such goods available for customers with a slightly fatter wallet.

If you take a look at the range of goods on offer in Europe's hypermarkets, you will see what a pioneer Wal-Mart is here. Its huge stores with their sales areas of 10,000, 15,000, 20,000 (sometimes even more) square metres have to stock the most sought-after entertainment products, because a low-price – if limited – selection of such articles gives customers an important reason to shop at Wal-Mart again. According to Nielsen Sound Scan, the big distributors already account for 34 per cent of the overall US music business's sales to the end consumer, and Wal-Mart is already at 20 per cent. Many suppliers are forced to record new versions of their CDs, videos etc to satisfy Wal-Mart's strict moral standards. All the commonplace stickers you see today, like 'parental warning', almost unavoidable for hip-hop music, have to be removed and the offensive song texts wiped. The result is that many of the larger CD companies in the music industry have satellites near Bentonville (location of the

Wal-Mart headquarters) so that they are always on the spot to filter out what needs to be censored. Some large companies like Warner Brothers, BMG or EMI even invested in Christian labels for the same reason when there was a hike in the demand for religious music and Wal-Mart decided to improve its service to its customers by catering to it.

This may sound ironic, though it is not intended to. Because the majority of Wal-Mart customers are from a rural, small-town or at most suburban background, we get a distorted picture: trend music like hip-hop or electronic is unnaturally neglected in favour of a mass trend towards country music or Christian-inspired songs such as gospel music. For example, of the total 2.5 million copies of Toby Keith's country CD, 72 per cent were bought from these big distributors and, in the case of the Dixie Chicks, such distributors sold 60 per cent of the total of 7.5 million albums.

In the book trade, the market share of the big distributors and price clubs increased from 9.1 per cent in 1992 to 12.6 per cent in 2002, a fact that is even more surprising when you consider that, owing to its troubles over the last few years, Kmart no longer contributed to this growth. Over the same period of time, Wal-Mart doubled its book sales from 2 per cent to 4 per cent. Typically, the range will encompass fewer than 500 titles and most of them will be paperback. The cover design chosen for a book depends to a large extent on whether it will be Wal-Mart listed. And, as in the music sector, books with a religious/Christian leaning are consciously or unconsciously favoured: large publishing houses such as Crown (Random House and Bertelsmann) or Penguin (Pearson) have launched new product lines to better accommodate this conservative religious trend.

And the same is also true of the growth market in DVDs: 'Wal-Mart now comes close to spending as much on purchasing DVDs and videos as the major studios earn from all the theaters in

America.’²³ This statement was made by former Warner Brothers manager Warren Lieberfarb, who is seen as the father of the DVD.

In the opinion of one of the United States’ most influential authors and columnists, David Brooks,²⁴ Wal-Mart is a projection of the values of the modest middle-class American. ‘Wal-Mart knows the value of a dollar. Wal-Mart is patriotic, community oriented, family-centered, rural and religious.’²⁵ Against this background, it becomes clear why magazines like *Maxim*, *Stuff* or *FMH* have been cleared from the shelves. Topless cheerleaders on the back seats of Maseratis just don’t sit well with this world picture. (Although it has to be said that Wal-Mart’s attitude is beginning to mirror that of concerned parents in urban areas. Its stores sell a range of condoms, rifles, see-through trousers and cosmopolitan magazines and even a selection of Ozzy Osbourne articles for kids.) The emphasis is on potentially threatening factors, and nothing is allowed to disturb the comforting emotional mood. Exceptions to the rule are made as seldom as possible. Wal-Mart is predictable and security-oriented – an important precondition for growth in these times.

The subtle shift in the significance of media in communication

Wal-Mart is also changing our media landscape. With its 138 million customers per week, the group can be seen as a channel to which the masses tune in every day and might even be said to be first and foremost a centre for mass-media interest. Wal-Mart has the customer completely in its power for as long as he or she is in the store, and so it is not going to waste a moment. Customers have to be taught and bound to so-called patterns of recognition. And in the US consumer landscape today, these patterns have become more important than television, as there is less distraction because the store has direct access to our attention. Although the Americans still hold the international record

in average daily television consumption, anyone with an interest in advertising cannot afford to ignore the possibilities offered by the Wal-Mart mass channel.

We can put it like this: the mass channel has replaced the mass media, because the retailer is controller of the time the customer spends in the store. The retailer has the privilege of direct access to the customer. If I'm watching TV, I can zap away from the commercials or even completely programme them out, with the help of the very successful Tivo system, and banish them from the screen. I have no such option with the mass channel. I can't escape the checkout queue. My path from the car park to the frozen goods section of the store is predefined. And a visit to the in-store restaurant is almost inevitable, because by the time I've done my shopping I'm hungry again. And all this means a wealth of opportunities to employ mass media in such stores. Skilful manipulation of the customer with marketing and advertising promises much more success and is much more individual and more personalized than advertising on TV or in the press.

The pioneer of 'faster, better, cheaper' and 'bigger, more global, more standardized' is an economic force to be reckoned with

Larger and larger sales areas, higher turnover, more profit, lower costs, lower prices. It's worth taking a short look at the impressive history of this company from its beginnings in 1962.²⁶ In 1979, Wal-Mart went public on the New York Stock Exchange. In 1979, it made a turnover of US \$1 billion as a discounter. In 1983, the Sam's Warehouse concept was added. In 1988, the first Supercenter was opened. By 1994, there were already 100 of them. By 1995, there were 500 and, in 2001, the 1,000th Supercenter opened its doors. In 1991, Wal-Mart took the plunge and started to operate in Mexico, and from the mid-1990s on it started adding units in countries like Argentina,

Brazil, China, Germany, South Korea and Britain at a rapid, even hasty, pace. The first Neighborhood Market opened in 1998. By 1992, the group employed 371,000 people, by 2000 its workforce exceeded 1 million and by 2008 it will probably have 2.2 million employees.²⁷ The question that arises is: how long can this go on? The corporate culture of this group is geared to achieving two-digit growth rates every year. So far, this has been possible, in particular in view of the fact that the home market with its population of 280 million holds almost inexhaustible growth potential. By adding new distribution channels, the trade landscape can be revolutionized step by step in almost all relevant product categories.

Wal-Mart really is unrivalled. No other retailer can match these conditions – neither Carrefour nor Metro nor Tesco nor even the bankrupt Dutch Ahold group. They all grew up in much smaller markets. And because of their specialization, stores like Home Depot do not have the same potential for continually integrating new ranges of products and opening new channels. Wal-Mart cannot be topped.

An icon of globalization with the paradox of good and bad

‘Americans have decided they want discount shopping in volume, and that’s the real world.’²⁸ On the one hand, this fact makes Wal-Mart the ‘most admired’ US company, according to an annual survey published by money magazine *Fortune*. But at the same time, this image means that one in three planned new stores will come up against opposition from the local inhabitants. A US market research magazine prefaced its heading for an article on the company with the German words ‘Wal-Mart über alles’.²⁹ What Wall Street sees and praises as ‘efficiency’ and what meets with the approval of the shareholders are seen as negative by those who see their quality of life impaired by an existing or planned Wal-Mart store in their area. Studies such as that

carried out by Professor Kenneth Stone from Iowa State University clearly show the effects Wal-Mart has had on trade and communities in rural and small-town areas over the past 15 years. On the trade side, the bottom line is no gain for anyone except Wal-Mart. When a Supercenter with a sales area of 20,000 square metres descends on a small town like Ankeny, Iowa, which has a population of 27,000, if it generates an approximate turnover of US \$75 to 80 million that turnover is simply rerouted from existing trade structures. For the community, the consequences are primarily tax-related: tax revenue falls because, unlike specialist stores and local retailers, Wal-Mart does not reinvest money in the region. Profits are siphoned off to Bentonville. And as the group's organization is more efficient than that of small businesses, it destroys on average 1.5 jobs in rival companies for every new job it creates.³⁰

Notes

- ¹ See also the introductory remarks on Wal-Mart and the 'axis of evil' in Chapter 1.
- ² A look at the following examples will suffice: St Michael's College in Colchester, VT teaches 'Retailing management', with Wal-Mart as the model for trade today. The Cox School of Business, Southern Methodist University in Dallas offers an MBA course entitled 'Operations and technology management', in which Wal-Mart's supply chain management is discussed. The Arizona State University in Temple teaches 'Logistics management' as an undergraduate course in which the main focus is on the use of technology in Wal-Mart's distribution centres. More and more books are being written about Wal-Mart and, whereas until the 1990s interest centred on Sam Walton as its founder, the main question today is how his heirs have handled their inheritance and what happens to a group that is subjected to a process of forced growth and internationalization.
- ³ Among the more recent literature on Wal-Mart, see Robert Slater (2003) *The Wal-Mart Decade: How a new generation of leaders turned Sam Walton's legacy into the world's no. 1 company*, Portfolio. The title says it all. The era of Wal-Mart has dawned.