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REPORTER'S NOTEBOOK

By Wendy Zellner

Analyzing the "Sins" of Wal-Mart

At a California conference, a diverse crowd, from academics to union workers, explored the growing backlash against the giant

After losing a bitter battle to build a store in Inglewood, Calif., Wal-Mart ([WMT](#)) might like to write off the humiliating defeat at the ballot box as an isolated event. But an unusual one-day conference at the University of California Santa Barbara on Apr. 12 suggests that the world's largest retailer ain't seen nothing yet.

"Wal-Mart: Template for 21st Century Capitalism?" drew historians, sociologists, and other academics from around the country. Community activists, environmentalists, union workers, and others eagerly absorbed the discussions as they pondered the kinds of coalitions that might stop or transform Wal-Mart in the future. Three hundred people, including students, attended the conference.

Yes, there was admiration for Wal-Mart's powerful use of logistics and information technology, the kind of activity that used to get most of the public attention. But the bigger agenda at the UCSB's Center for the Study of Work, Labor & Democracy focused on Wal-Mart's "sins" -- from low wages and lackluster benefits to stress-filled jobs and anti-union managers.

THEY DON'T GO THERE. In this oceanside city some 30 miles from the closest Wal-Mart, even the conference organizers expressed amazement at how the company has become such a lightning rod for controversy. Professor Nelson Lichtenstein, who teaches history at UCSB, says the idea for the event came to him after fielding numerous inquiries about Wal-Mart during the recent California grocery strike. "There's no such thing as 'Wal-Mart studies,' but there's something going on here," says Lichtenstein. Historian Susan Strasser from the University of Delaware says when she mentioned her plans to attend the conference to friends and acquaintances, she was stunned at the level of interest it generated.

Not surprisingly, on this liberal college campus in a city obsessed with urban planning, those attending were a decidedly anti-Wal-Mart crowd. One of the panelists was a United Food & Commercial Workers researcher. Another was a lawyer involved in the massive sex-discrimination suit against Wal-Mart. Many of the academic participants acknowledged that they rarely, if ever, step foot in a Wal-Mart store, and few had ever visited Bentonville, Ark., the company's headquarters.

Lichtenstein says Wal-Mart was invited to participate. Peter Kanelos, a spokesperson for Wal-Mart in California, says he didn't attend because he doesn't have time to go to all the events he is invited to. He told BusinessWeek Online that the anti-Wal-Mart reports at the conference were "the typical rhetoric that's espoused by labor." He continued: "I just have to question how fair and balanced the forum was."

MORE FACE-OFFS TO COME. So is this just the yapping of some Ivory Tower eggheads and some longtime Wal-Mart enemies preaching to media "elites" from *BusinessWeek*, *The New York Times*, *The Los Angeles Times*, PBS, and other outlets? That's certainly the way Wal-Mart's staunchest defenders are likely to paint it.

But like it or not, the opinions of this far-flung group are helping to shape a broad and growing anti-Wal-Mart movement that goes well beyond organized labor. And considering that the retail behemoth is in less than 40% of the top 100 grocery markets, Wal-Mart will increasingly face this crowd as it tries to move into untapped urban areas with its supercenters.

The daylong litany of Wal-Mart's alleged failings should provide plenty of fodder for its opponents. Take employee relations, once considered a Wal-Mart strength. Ellen Rosen, a professor at the Center for the Study of Women at Brandeis University, is using Wal-

Mart as a case study in a book on gender stratification in the retail trade. She has been collecting the tales of dozens of current and former Wal-Mart workers, from cashiers to store managers.

NO TAX BONANZA? Many hit on similar themes: humiliating discipline, constant stress, a lack of resources to do their jobs, and over it all, the ironic veneer that everyone is part of the "Wal-Mart family." Charges of sex discrimination and wage-and-hour law violations are no fluke, insists Rosen, but a direct result of the way Wal-Mart constantly strives to drive down labor costs.

David Karjanen of the Center for Comparative Immigration Studies at the University of California San Diego, sees few benefits for communities from the jobs and sales-tax revenue Wal-Mart generates. When he looked at the impact of one Wal-Mart project in San Diego, he found that it brought in very little, if any, additional tax revenue for the city, which gave \$10 million in direct subsidies to Wal-Mart. At the same time, most of the jobs created by the redevelopment project were part-time and below "self-sufficiency" levels in San Diego -- an hourly wage of \$11.38, according to the Center on Policy Initiatives, a local advocacy organization.

While some studies have shown that Wal-Mart creates a small number of net new jobs, "more important is the issue of job quality," insists Karjanen. "There's no reason why the world's largest retailer can't talk to communities about raising the bar."

"DESPERATELY AFRAID." Wal-Mart has argued that its wages and benefits are competitive with others in retailing. And given its ambitious growth plans, it contends, it would be self-defeating to treat workers as badly as critics say it does. Professor James Hoopes of Babson University, a conference participant, says "Wal-Mart is desperately afraid of the reputation it's getting as a bad employer."

Some conference goers took solace in the presentations on Wal-Mart's sometimes stumbling efforts abroad. Julio Moreno, a University of San Francisco history professor, called Wal-Mart's performance in Argentina "disastrous." He credits that in part to the retailer's initial obliviousness to the building fiscal crisis in that country and inflexibility in the store formats Wal-Mart used there. On top of that, it faced stiff competition from French retailer Carrefour.

Even in Mexico, where Wal-Mart is now the largest retailer, with about 7% of total sales, there are reasons to believe its future gains won't come easily, predicts Chris Tilly of the University of Massachusetts in Lowell. "Wal-Mart actually charges higher prices than the small stores" in Mexico, some 5% to 15% more, figures Tilly, based on his studies there.

SIMILAR FATE? Mexican shoppers don't have the "culture of convenience" and are more likely to care about the freshness of their food, prompting them to shop from street vendors, mobile markets, and other small venues. And many consumers say they don't see a difference in the service, prices, or assortments of the big chains, he says. "I think the future of Wal-Mart in Mexico is going to be marked with a question mark."

What about its future in the U.S.? Historian Strasser points out that Wal-Mart is hardly the first retailer to depend on low-cost labor or to face strong resistance. Woolworth openly boasted of its high turnover and low pay. Sears (S) was so concerned about an anti-mail-order campaign in 1906 that it started shipping its packages in plain-brown wrappers. Through the 1930s and '40s, anti-chain-store legislation proliferated across the country, and A&P fought a massive antitrust case.

Today, those campaigns are long forgotten. But Sears and A&P are shadows of their former selves, while the Woolworth stores have vanished. Is Wal-Mart destined to suffer the same fate? Strasser notes that Wal-Mart's size relative to the economy and its suppliers is much bigger than anything seen before. But, she says, "Wal-Mart's success is stimulating countervailing forces."

INNER CONFLICT. Whether those forces change or slow Wal-Mart remains to be seen. And that's in part because Wal-Mart's success puts so many people in conflict with themselves. Strasser cites her hairdresser as a case in point. As a small-business owner, he wants to oppose Wal-Mart. But still, he has bought seven low-price bikes from the chain so every member of his household can enjoy one. That seems like the stuff of which Wal-Mart ads are made.

Strasser appears sympathetic but then asks a question that might make many a shopper squirm: "Shouldn't kids learn to share? What's happening in a culture where everybody gets to have his own bike because they're so cheap? How do we move beyond the single-minded self-interest of price?" That's a debate that's now echoing far beyond the serene world of Santa Barbara.

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