

Interview of Al Norman, author, "The Case Against Wal-Mart"

Interviewed by Kevin Coupe, morningnewsbeat.com

Wal-Mart: "The End Of Competition"

Al Norman is one of the best-known thorns in Wal-Mart's side, having written two books that attempt to expose what he believes are the negative implications for American business and culture of Wal-Mart's unbridled growth.

In his newest effort, "The Case Against Wal-Mart," Norman constructs a multi-layered case against allowing the retailer to grow unfettered, suggesting the numerous ways in which Wal-Mart's "sprawl" is a phenomenon worth examining.

To get a distillation of Norman's case, MNB conducted an exclusive e-interview with the author.

MNB: Okay, let's get to the meat of it. Do you think Wal-Mart is evil? Or, at the very least, terribly bad for US culture, business and the economy?

Al Norman: There is no question that Wal-Mart has hollowed out almost every retail segment it has gone into. In each sector--from groceries to gasoline - Wal-Mart succeeds by capturing market share from existing merchants. The most dramatic illustration is in the grocery industry, where Wal-Mart now controls roughly 20% of all grocery sales. During mid 1990s, we lost 9,500 grocery stores, ironically leaving consumers with fewer hands controlling more sales. Wal-Mart represents the end of competition locally, not the beginning. As power consolidates at the top, those low, everyday prices don't have to be so low anymore. Instead of being a shot in the arm to the economy, Wal-Mart has been like a shot to the head. At the macro level, we've seen a dramatic loss of manufacturing base, as retailers like Wal-Mart globalize their sources.

Culturally, Mr. Smiley represents the "blanding down of America", the spread of a corporate culture that destroys regional differences and turns our roadside into miles of windowless concrete walls and parking lots the size of an airport.

MNB: On the one hand, you cite the many ways in which Wal-Mart benefits from "a chain of exploitation," that it "has no means of production" and "claims plausible deniability for all the wrongs committed in its name." On the other hand, many would say that Wal-Mart is the very prototype of the successful, modern American business. What makes Wal-Mart different?

Al Norman: The Wal-Mart paradox is this: It has become the darling of Wall Street, and the devil of Main Street. Business executives rank it as American's Most Admired Retailer, yet the company did not even break into Fortune's 100 Best Places to Work. Wal-Mart has been praised for its technological success and its productivity per worker, but it has been reviled for the economic displacement it has caused in community after community. The fundamental schism is that what makes a stockholder happy may make a community miserable. There may be millions of Americans whose sense of community is no bigger than the dimensions of their shopping cart, but there are millions of others in this country who now realize what Wal-Mart represents, and their voice is growing louder and louder.

Wal-Mart can no longer claim its opponents are a "vocal minority." Wal-Mart has proven that it is possible to have enormous financial success that brings with it enormous misery, pain and dislocation. As one Wal-Mart official put it: "At Wal-Mart, we make dust, our competitors eat dust." Wal-Mart is the great American Dust Machine, grinding through small town U.S.A.

MNB: If Wal-Mart is so bad to its workers, why do employees keep rejecting unionization? Isn't it likely that at some point a dysfunctional relationship with employees would come back to haunt Wal-Mart?

Al Norman: The disconnect between Wal-Mart and its own "associates" is obvious. The company is facing so many lawsuits from its own workers, it had to add a lengthy footnote to its annual SEC filing noting all the various legal exposures the company now has. Every year, at least 40% of its workers quit, which comes to 600,000 people taking off their Wal-Mart vests every year. My email has been active for years with the stories of Wal-Mart workers complaining of mistreatment and exploitation. When I say Wal-Mart is a chain of exploitation, one of the biggest links in that chain is its own workforce, and the subsistence wages they earn. One Black commentator recently referred to the "Wal-Mart Plantation", and I think that is a pretty accurate comparison.

MNB: We've never been able to figure out why so communities give tax breaks to the wealthiest company on the planet. Exactly how is Wal-Mart able to achieve this? And what can competing retailers do to level the playing field?

Al Norman: I have documented in my book a number of cases of corporate welfare - the use of public tax subsidies to write down Wal-Mart's costs. The company will tell local officials that it can't afford to build a store without financial help--widening roads, extending water and sewer lines, even buying the property--and many local officials, thinking they have touched some kind of retail Elvis, will turn over public funds to the world's richest retailer giant.

Smaller businesses in town that paid their taxes and followed the rules, watch as Wal-Mart sucks down the taxes they paid into the town. Wal-Mart is able to take full advantage of the fact that most local officials have no idea what "added value growth" means. They see a building going up and assume it's progress. They have no analysis that shows them the economic damage they are creating, no cost/benefit study, and so they throw good money after bad, and end up costing the town more money than they save. All Wal-Mart has to do is put out its corporate hand, and the locals fill it with tax incentives, land, and infrastructure. These give-aways can come to millions of dollars per project. Smaller retailers have no recourse, because they will not even be offered the same incentives, because the corner jewelry store offers the town no gargantuan promises of jobs or revenues. They are just the backbone of the community. The best thing competitors can do is close the door on tax breaks to retailers, and insist that such incentives be used only for industrial projects, or projects with a clear benefit to the public.

MNB: The notion of abandoned premises is one that we've heard a lot about, but we're not sure what anyone can do about it. What would you suggest?

Al Norman: Wal-Mart now has 371 "dead stores" on the market, over 28 million square feet of empty stores. That makes them the King of Dead Space in this country.

No retailer before or after is likely to have so many wasted stores in the ground. In response, a number

of communities are now passing "demolition bond" zoning ordinances that require developers to put funds into escrow to cover the costs of restoring a site to its pre-development state if the store stays vacant from more than 24 months, or other finite period of time. It's unfortunate that communities need to defend themselves that way, but one third of Wal-Mart's dead stores today were on the market in 1999. Towns don't want blighted property on their rolls year after year, so they are asking developers to protect them against such a liability.

In some cases, Wal-Mart has given away its stores, rather than pay the taxes on them. The company also doesn't allow potential new tenants to use their dead stores for discount retailing, pharmacies, or other competitive uses. So the stores just sit there.

MNB: What do you make of Wal-Mart's continued interest in the financial services business?

Al Norman: Before he opened Wal-Mart, Sam Walton bought a bank in Arkansas. That banking investment has now grown into a multi-state chain called Arvest, and is run by son Jim Walton. I think Sam Walton wanted a ready source of cash as his business grew and needed to borrow money cheaply. Arvest is now a very potent banking force in its communities. I think Walton also wanted a repository for his stores' earnings--better to invest it in yourself than to let it sit in some local bank. Wal-Mart actively markets its credit cards, and I believe sees financial services as just one more way to bring people of limited incomes into the store to shop. They recently signed a deal with another banking firm to open up "Wal-Mart Money Centers" inside the store, where people can cash their checks. Banking to Wal-Mart is just another potential profit center, but for the consumer, the firewall that separates retailers from banking is a helpful protection. Can you imagine a Wal-Mart bank wanting to give a major loan to its competitors?

MNB: The bottom line seems to be that Wal-Mart appeals to consumers, that shoppers simply don't care about the means to the end. How do you do battle with an entity with such sway over consumer consciousness?

Al Norman: You have to educate people before you activate them. The fact is, more and more Americans are starting to "get" Wal-Mart's impact. Wal-Mart has the highest negative ratings of any retailer in the U.S. They rank right up there with Enron. That's where we start. With the unions, the churches, the community groups, and spread information about what kind of a corporate citizen they really are.

The battle against Wal-Mart will be won in the aisles. If we can convince shoppers to stay out of Wal-Mart aisles, we will gum up the works. Wal-Mart's engine runs on one thing, and one thing only: expanding sales. If we can slow the growth in sales, we can impact their stock performance, and alter their corporate behavior. That's the only way we can impact Wal-Mart--by impacting Wal-Mart shoppers.

The focus needs to shift from Wal-Mart to its customers. As Sam Walton said, without customers, Wal-Mart workers would be looking for other work. So we write books, we speak at public forums, we talk to the media. The more we talk about the "other side of the WAL", the more we help shoppers to clear the aisles.

MNB: There seems to be a sense out there that Wal-Mart is a different company than it would be if Sam Walton were still alive? Do you think that's true?

Al Norman: No. I think that's part of the iconography of Wal-Mart. They deify the Founder, but he really had the same down-and-dirty philosophy that the current managers have. Walton used to secretly tape his competitors prices, encouraged his workers to rummage through dumpsters looking for price tags, etc. One of Walton's sweetest memories was putting out of business the people who once forced him out of his first

store in Arkansas. It was a moment of revenge, and that moment seems to be burned into the corporate conduct of the company since then.

The new bureaucrats at Wal-Mart are simply more technologically proficient than Mr. Sam, which means they can do more damage in less time. But the basic goal and intent of Sam Walton has not changed. Walton said if a town didn't want Wal-Mart, the company wouldn't go in and create a fuss. That was not true when Walton said it, and it's certainly a stretch today.

MNB: Forget the consumer perspective...if you were a retailer competing with Wal-Mart, what would you do to fight off the overwhelming odds against you?

Al Norman: There are dozens of consultants who go round the country telling smaller merchants they can "survive and thrive" in the shadow of a Wal-Mart.

I know all the techniques they proffer, but I don't subscribe to any of them.

I would tell local merchants to pull out their town's zoning code and land use plan, and talk with a land use attorney about updating the community's zoning to restrict the size and frequency of big box stores.

I would begin lobbying for a cap on the size of stores, and I would write a Major Development Review ordinance that required any big project to underwrite the cost of independent economic, environmental and traffic impact studies.

I would emphasize that competing with Wal-Mart does not begin with the ribbon cutting on the superstore, it begins proactively with changing your local zoning code to minimize the damage they can do. It's the only way to begin to level the playing field.

MNB: So what do you believe is the short-term and long-term prognosis – realistically – for Wal-Mart?

Al Norman: In the short-run, thousands of retailers are going to lose market share, and many of them will die off. This will continue to happen up and down the food chain of retailing, from small to big. In the long run, Wal-Mart is going to suffer the same fate that Kmart, Montgomery Wards, and A&P met: they will fall from their own weight and mistakes.

If Wal-Mart continues with its 'in-your-face' development style, they will amass more enemies, and antagonize people who will stop shopping with Mr. Smiley. It is only when consumers go on a "megastore diet" that we will begin to see the change. But it will happen, just as it did to the great Atlantic & Pacific. It will happen to Wal-Mart also, from coast to coast. The only difference is that Wal-Mart will make a louder sound when it falls.

You can order a copy of "The Case Against Wal-Mart" by going to:

<http://www.raphel.com>