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Right On The Money

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Right
on the
Money

**The WAL★MART Story
of Quality and Value**

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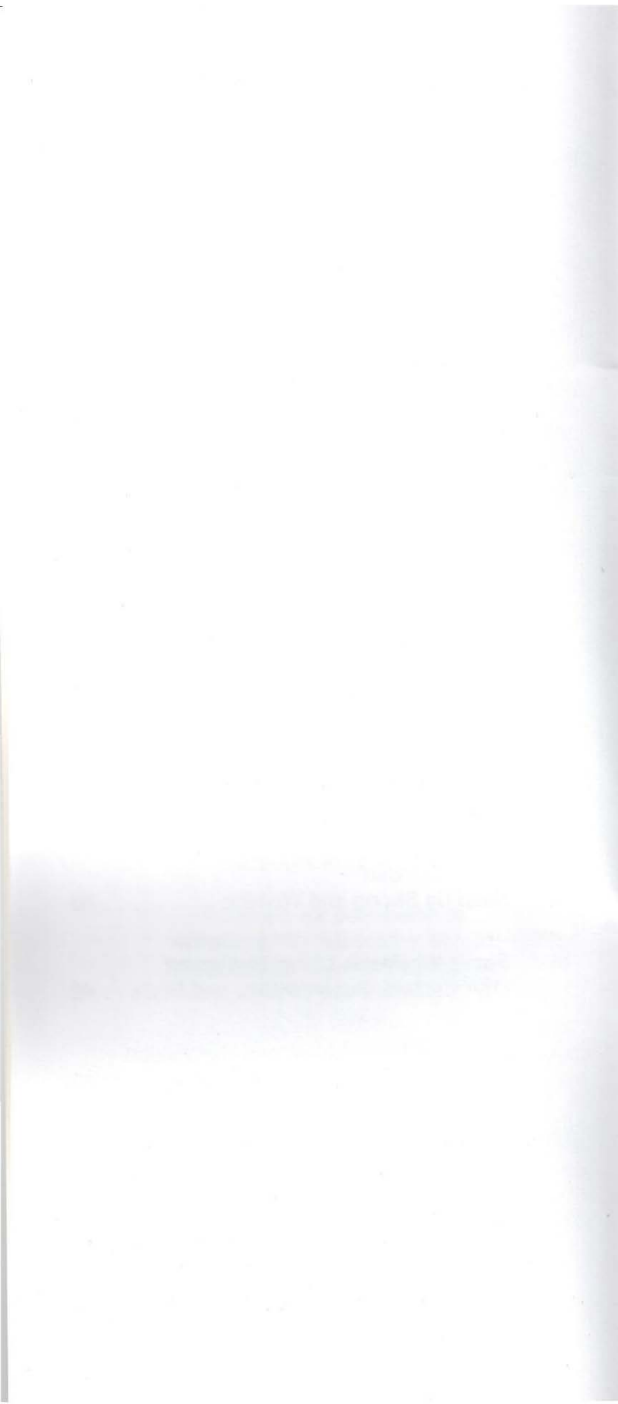
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INTRODUCTION

What's Good for People Is Good for Business

This publication is a comprehensive digest about America's leading retailer, Wal-Mart Stores, Inc. As a one-stop-shopping source of information, it is also a human interest narrative about Wal-Mart Associates --people who have gone beyond committing the Golden Rule to memory; as servant leaders, they have also committed the Golden Rule to life itself. The result of their partnership at Wal-Mart has been an economic horn-of-plenty that has blessed people in so many walks of life for 30 years. Sound too good to be true? The story is good, and it is true.

In trade and commerce, there will always be those few naysayers who would say, ". . . *but the bad done by business would fill a book.*" True. However, the good done by business would literally fill a library. That "good" is the focus of this publication which surveys Wal-Mart country. The American Incentive System, Wal-Mart style, has a wonderful track record, and we should be very pleased to be partakers in it.

Nevertheless, questions abound throughout any stakeholder group in modern times. Does the Wal-Mart brand of free enterprise help solve the problems of society? What benefits do customers, Associates and investors receive from Wal-Mart? Why has Wal-Mart's program consistently out-performed its competitors? Was Emerson correct when he observed that "*an institution is the lengthened shadow of one man*"? Was Chairman Walton a modern-day Renaissance man of enterprise? What role does open communications play in Wal-Mart's participative management?

Has Wal-Mart become the leader in truly taking care of its customers? Is honest-to-goodness "*Satisfaction Guaranteed*"? What has positioned Wal-Mart as the industry's role model? Does "*Aggressive Hospitality*" pervade the entire Wal-Mart organization? Why are some major retailers faltering today? Are the attitudes of caring, involvement, and dedication to Wal-Mart customers all part of its competitive edge? Who is really "*The Boss*" at Wal-Mart?

Do Wal-Mart Associates support what they help to build? What do "*interpromotion*" and "*intrapreneurship*" mean to Wal-Mart Associates? Should community service be the rent Associates pay for the space they occupy? Will "*Buy American*" keep us strong and working, or does a blend of capitalism and patriotism really make sense? What is Wal-Mart doing to stay on the leading edge of mass merchandising?

All of the above questions, and more, will be answered as the reader sketches through this publication. One reason this writer became interested in the Wal-Mart brand of freedom of enterprise is that it solves the problems of society better than any other economic system known, by solving the problems of the individual.

The application of freedom to the marketplace in Wal-Mart fashion allows people to achieve much more than under other systems. Freedom of enterprise, as personified by Wal-Mart, is an attitude of responsibility, citizenship, pride, dignity and decency and, above all, it is an attitude of thankfulness.

For too long, we who write and speak have mainly emphasized the free market's advantages, when perhaps we should also have been passing the word about its "*good news*." In all of human history, only the free market has come to bear successfully on solving the age-old problems of scarcity and poverty. Through the American Incentive System, Wal-Mart has developed a superb track record of doing things that benefit people.

Wal-Mart's nearly 500,000 Associates are dedicated to saving customers time and money; it is the nation's premier growth retailer. Its discount store and membership wholesale club strategies have catapulted Wal-Mart to a position of being the largest U.S. general merchandise retailers.

Why has Wal-Mart's program consistently out-performed its competitors, and in the process created more jobs in the past seven years than any other business in America? The answer is found in its involving people to achieve total customer satisfaction. If one sketches back through the past 30 years and compares Wal-Mart with other discounters, there are numerous differences.

Wal-Mart's people reflect her commitment to "100% Satisfaction Guaranteed." The tandem development of efficient and cost-effective systems continues to move forward at Wal-Mart. The free flow of information and the continuous exchange of ideas with all Associates are also cornerstones of the Wal-Mart philosophy.

Recently, President and CEO David Glass, who in this past year was named "Retailer of the Year," made the following presentation to Wal-Mart Associates at an annual meeting: "We have one encompassing and consistent message for our customers--ALWAYS the low price on brands you trust. ALWAYS." Wal-Mart's new ALWAYS theme is comprised of six points:

1. *Allegiance To Our Customers--every day.*
2. *Leadership--every day a servant leader.*
3. *Work Ethic--harder and smarter than our competition.*
4. *Aggression--never being complacent.*
5. *Yes Attitude--for a positive "Yes we can!" approach.*
6. *Single-Minded Focus--giving superior value and outstanding service.*

Glass continued, "We want to ALWAYS have the best customer service. We want to ALWAYS have the best prices every day. We want to ALWAYS have a people greeter. Our commitment to the customer is ALWAYS--in everything we do. We have to challenge the obvious, continue to improve, and ALWAYS be on the leading edge. Then we will continue to be a company of winners."

In a recent article, the editors of the trade publication Mass Market Retailers paid tribute to the Wal-Mart Associates by recognizing them collectively as the "1989 Mass Market Retailers of the Year." They summed up Associates' contributions by stating, "The Wal-Mart associate--In this decade that term has come to symbolize all that is right with the American worker, particularly in the retailing environment and most particularly at Wal-Mart..."

I. The Total Commitment Role Model--Mr. Sam

This publication could easily have been written solely to celebrate the achievements of Sam Walton--capitalist, patriot, enterpriser, founder and Chairman of Wal-Mart stores--for his total commitment to nudge the American Incentive System to prove, once more, that free enterprise delivers the goods. However, this publication will primarily touch on numerous ways that the Wal-Mart organization is committed to people. The obvious role model for total commitment at Wal-Mart was Mr. Sam Walton.

So, we begin the story with Mr. Sam, who personified the Latin phrase *primus inter pares*--"first among equals." As economics is the study of production, distribution and consumption, this writer was thrilled to learn that Mr. Walton graduated from college with a degree in economics. Studying economics by itself won't make us rich, nor will it destine us for the soup line. Certainly, a working knowledge of economics can give us a better understanding of how we got there.

The story of Sam Walton and his company, Wal-Mart Stores, Inc. is really an examination of two sides of the same coin. Certainly Emerson must have had someone like Sam Walton in mind when he observed that "an institution is the lengthened shadow of one man."

Here, this writer will try to capture some of Mr. Walton's salient characteristics. Mr. Walton was a symbol, an exemplar of American energy and initiative. He was a superb business strategist with a tremendous competitive spirit and a dedication to match. Mr. Walton and Wal-Mart have a dual fame that has neither been sudden, nor has it burst and faded. It remains fixed in the skies as a brightening star.

Few leaders in commerce understood so acutely the anatomy and physiology of the management function. And even fewer men in general merchandise retailing have done so much to make Wal-Mart management techniques the envy of the business world. Mr. Walton possessed dynamic personal insights into creating and running a general merchan-

dise discount retail company in today's tough, competitive climate.

He assembled a splendid and talented Executive Team of associate-partners who shared Mr. Walton's servant-leader philosophy: dedicated, assertive, hard-working, enthusiastic, able to interact well with people, excited and willing to take on challenges, thriving on the pressures which come with great responsibility. By their example, this turned-on, involved Executive Team actively mentors Associates throughout Wal-Mart country. Like his Executive Team, Mr. Walton never gave less than his best to Wal-Mart.

The Executive Team Mr. Walton selected and trained, the policies he instituted, the systems he developed and the human relations skills he breathed into the organization--all are serving Wal-Mart Associates and customers well. Mr. Walton had always been able to find ways to get people, who think they are doing their best, to do better. In fact, he was always in the stores to question, question, question.

In 1988, Financial World magazine named Sam Walton the Gold Award winner "*Chief Executive Officer of the Decade*." The award, presented in New York, was based on Walton being the single CEO representing excellence in leadership regardless of industry. He was chosen from among 3,000 past and present chief executives. Mr. Walton commented on the award recently during a Saturday morning management meeting:

Together, the Associates of this company created something unique, something different in the world of retailing. It has to do with teamwork. Communicating, sharing, involvement--doing this together has caused this thing to happen. If we keep believing and sharing together through our universe and our work, then we can achieve anything. And what we achieve will be really good for our customers, our stockholders and ourselves. The light shouldn't shine on me--it should shine on each and everyone in the great Wal-Mart company. I've truly been blessed by all of the wonderful Associates. As a company, we're pretty tough!

This writer is of the opinion that somewhere along life's journey, Mr. Walton was profoundly affected by the writings of Rudyard Kipling who said, "*I had six honest serving men. They taught me all I knew. Their names were Where and What and When--And Why and How and Who."*

Both creative and inquisitive, Mr. Walton was always ready to try new and better ways. He believed that Wal-Mart must change with the times; more can be achieved through team work, than through close compliance to any inflexible book of rules.

A pragmatist of the first order, Mr. Walton had good judgment of organizational structures and systems, as well as of the men and women of Wal-Mart. His abundant energy became constructive impatience, and his boundless enthusiasm turned into startling immediacy. The activist in him said that problems were really opportunities, and they need to be dealt with--now!

The credit belongs to the man who is actually in the arena--whose face is marred by dust, sweat and blood--a leader who knows the great enthusiasm, the great devotion and spends himself in a worthy cause--who, at best if he wins, knows the thrill of achievement--and if he fails, fails while doing greatly--so that his place shall never be with those cold and timid souls who know neither victory nor defeat.

--Theodore Roosevelt

There will always be those who will say, "*What was Sam Walton really like? Why did he attempt so many things simultaneously? Why did he labor so long and hard? What really made him tick? What talents did he have that most others do not have?*" Scores of similar questions may be answered someday. But, Sam Walton will not be easily stereotyped.

From an early age, Mr. Walton developed an intense desire to succeed. He polished his tremendous powers of concentration. That, combined with unrelenting drive and experience along the way,

helped him to capitalize on opportunities to prosper the lives of people whom he has touched.

His entire life was action-oriented. "*Perpetual motion*" is the reaction of the Wal-Mart Associates who have worked with Mr. Walton. He placed great faith in his Associates. He trusted them implicitly; they did come to trust him completely.

Did Sam Walton change over the years? He most certainly did, although no man can ever be fully liberated from his past. As the writer, Tennyson, spoke through his character, Ulysses, "*I am a part of all that I have met.*" Sam Walton's obsession was always with being the very best. He worked and dreamed for it in all quarters: his company, his Associates, his customers, himself.

At work or on the tennis court, he enjoyed the reputation of being a fierce competitor. An aggressive, highly competitive, resourceful entrepreneur with a near-unique talent for inspiring other people to perform better and better--it would be hard to imagine Mr. Walton in any other role than the one he has developed so well at Wal-Mart. Mr. Walton immersed himself completely into whatever he tackled wholeheartedly, thoroughly, completely. Such is the nature of a Renaissance man.

In an interview around 1990, Mr. Walton was asked this question, "*How would you like to be regarded?*" His modest reply says it all:

I just would like to be regarded as a good friend to most everyone whose life I've touched--as their friend, as someone who has maybe meant something to them and has helped them some way. That, I guess, is important. I have such a strong feeling for the folks in our company; they have meant so much to me. I know they respect me. They have affection for me. I appreciate that, and I don't know that I deserve it. I don't think that I really deserve it, but it's a tremendous feeling to know that you have that relationship with people throughout the company.

Beginning in early spring of 1990, Associates and their families, stockholders and the general public were able to retrace Mr. Walton's entrepreneurial adventure and the 30 years of Wal-Mart history free of

charge at the new Wal-Mart Visitor's Center, located in the original Walton Five and Ten store on the Square in downtown Bentonville, Arkansas. One year after its Grand Opening, more than 50,000 visitors had toured the facility.

A team effort by a committee of 50 company Associates and retirees, many of whom were with Mr. Walton from the early Five and Ten days, provided much of the input for the content of the Center. Included are a history of the Company and a salute to its customers, Associates and vendors. Using photo murals, the entrance into the Center captures the feeling of Mr. Walton's original Five and Ten.

The Center appeals to people of all ages. Electronic maps and scale models add excitement for young children, while their parents probably will be more interested in seeing the history of a retail success story. A souvenir shop with Wal-Mart history books for sale is also included.

All of Mr. Walton's life focused on one primary objective--**servi**ng people. Wal-Mart's story is a legacy of what is right with and about America. As long as men like Sam Walton walk our land, we can indeed be optimistic about our future.

Here is the way Chairman Sam Walton put it: *"The key to success must be that we all truly embrace the philosophy that our sole reason for being is to serve, even spoil, those wonderful customers. To keep this focus on customer service, despite our continuous change, is just as critical today as it was in those dime stores decades ago!"*

So, for 30 years, out in front and mentoring his Wal-Mart Associates was Mr. Sam Walton, a dynamic leader in American retailing who courageously stepped forward and asked all Americans to join him in preserving and spreading the word about the human side of free enterprise. Why? So that all of us who have been blessed so abundantly can commit ourselves to leaving our country and our way of life a little bit better for the next generation than it was when we found it.

II. Wal-Mart Means Business-- Among Other Things

What is a business? Wal-Mart provides an excellent case study. A business is both a process and an association. It is a process of anticipating and responding to customer wants, with the hope of earning a profit. It is providing goods and services, at a risk, with the hope of a profit. A business like Wal-Mart is a voluntary association of people who are dedicated to serving the needs of customers, to the benefit of all concerned.

Everyone engaged in the business--customers, Associates, and investors--all are looking for the benefits that result from their relationship. Each participant at Wal-Mart wants to gain some benefit from his business association, and generally each participant does. Everyone should benefit from a properly run business. Customers, Associates and the investors should each derive a continuing flow of increasing benefits from their business relationship.

Specifically, Wal-Mart Stores, Inc. is the leading national discount department store chain offering a wide variety of merchandise to the consumer. Wal-Mart's philosophy is to offer quality name-brand merchandise at everyday low prices, as part of a clean, pleasant and friendly shopping experience. Each local store strives to be an active part of the community and endeavors to develop a long-term partnership with its customers and Associates.

Wal-Mart has long stressed open communication, whereby customers and Associates can provide input on the operation and merchandising of each store. From the Chairman on down, Wal-Mart desires to maintain the highest standards of honesty, morality, and business ethics in dealing with the public.

Tom Peters, co-author of In Search of Excellence said it well as he selected Wal-Mart as "The 1988 Company of the Year:"

While most companies pay lip service to soft things like "productivity through people," "values" and "service," excellent companies like Wal-Mart actually live these concerns with unmatched intensity and they experience

direct bottom-line benefits as a result. They understand that "soft" is "hard."

Consequently, Wal-Mart is considered to be the best managed retailer in the country today. Within the Wal-Mart 45-state trade area, there are 1,920 Wal-Mart store locations and 285 Sam's Wholesale Clubs with a combined total of nearly 500,000 Associates employed. There are a total of 20 distribution centers and 1 General Office. Suppliers who operate within Wal-Mart's 45-state area number nearly 5,000, providing Wal-Mart stores and Sam's Wholesale Clubs with top-quality products.

SALUTE TO COMPETITION

My competitors do more for me than my friends do; my friends are too polite to point out my weaknesses; but my competitors go to great expense to advertise them.

My competitors are efficient, diligent, and attentive; they make me search for ways to improve my service and products. My competitors would take my business away from me if they could: this keeps me alert to hold what I have.

If I had no competitors, I would be lazy, incompetent, and inattentive; I need the discipline they enforce upon me. I salute my competitors; they have been good to me. God Bless Them All!

-- author unknown, but wisdom eternal

Wal-Mart has been very successful in lowering expenses as a percentage of sales. The company has had a policy of passing along savings to customers through lower prices when improvements have led to lower operational costs. When taxes have been lowered and suppliers have similarly lowered their costs of operation, the savings have also been passed on to Wal-Mart customers through lower prices.

There has been a continual flow of improvements through upgraded scanning methods, automated receiving systems, and other efficiency programs.

Wal-Mart has also been able to lower its expenses by encouraging a continual flow of information between its divisions to improve all areas of the business. Open communications have provided excellent participation throughout the organization. The fine Executive Team assembled by Mr. Walton helps Wal-Mart remain on the leading edge of discount retailing.

In 1988, Wal-Mart commanded about an 8% market share of the discount industry in the United States. By 1990, Wal-Mart doubled its market share and was operating more than 1,500 stores. In February, 1991, Wal-Mart became the largest retailer in the United States in terms of sales volume and profits.

With 1992 sales of \$55 billion, an increase of 26%, it is very possible that in the next four years Wal-Mart has the potential to double its present sales. That is, there is very likely to be as much growth in the next four years, as the total of the last 30 years. Wal-Mart's profitable growth has been recognized many times during the past 30 years by business and trade publications.

Forbes Magazine, in its annual report on American Industry, has for the past several years ranked Wal-Mart first among all general retailers (including department stores, discount and variety stores) in four reported measurements of profitability and growth. The above mentioned measurements include five-year averages for return on equity, sales growth, growth and earnings per share, and return on total capital. Forbes Magazine also ranked Wal-Mart Stores, Inc. as first in the nation in job creation.

According to the January 30th, 1990, issue of Fortune Magazine, Wal-Mart Stores, Inc. placed third in a poll of ten American companies as one of the country's Most Admired Corporations. Wal-Mart topped the retailing category and was first among all surveyed companies in total return to investors.

To compile the eighth annual Corporate Reputations Survey, Fortune polled nearly 8,000 senior executives, out-side directors, and financial analysts. They were asked to rate the ten largest companies in their own industry on eight attributes of reputation. Within those categories, Wal-Mart ranked highest in ability to attract, develop, and keep talented people; use of corporate assets; and quality of management.

According to the magazine, discounters such as Wal-Mart "have kept customers loyal with low prices and vast selection." During a recent interview with Fortune Magazine, Company President and CEO David Glass stated:

There's more opportunity ahead of us than behind us. We're good students of retailing and we've studied the mistakes that others have made. We'll make our own mistakes, but we won't repeat theirs. The only thing constant at Wal-Mart is change. We'll be fine as long as we never lose our responsiveness to the customer.

Megatrends author, John Naisbitt, recently concluded that escalating competition for the consumer dollar, coupled with fast-changing buying habits and shifting demographics, will produce major retailing industry shakeouts over the next decade. He cited discount stores, like Wal-Mart, for their successful "everyday low prices" strategy as a way to tap into the growing block of price-conscious consumers who value savings over service. This advantage cuts advertising costs and compels other companies to operate extremely efficiently.

The 1990 "Special Edition" of U.S. News and World Report, citing "*The Best of America*," singled out Sam Walton for "*setting the standard for excellence in business, as his wealth has grown in proportion to the enormous savings he has produced for American customers.*" In March 1991, Mr. Walton was introduced into the "*National Sales Hall of Fame*" for his ground-level management style.

In 1991, the Wall Street Journal listed Wal-Mart, Inc. as No. 17 in the list of the world's largest public companies. Up from No. 37 in the previous year, the ratings are based on the market value of the company's stock in U.S. dollars.

A recent Forbes survey listed Wal-Mart in the "*Top 50 Most Profitable firms for the Decade of the 1980's.*" Ranked No. 11 on the list and leading all retailers, Wal-Mart was also selected by Forbes as one of the 20 businesses best prepared for the decade of the 1990's.

The United Shareholders Association recently stated that Wal-Mart Stores, Inc. was among the

highest scoring companies on the "Shareholders 1000" list. The group annually rates 1,000 major U.S. corporations based on responsiveness to shareholders.

Cornell University, commissioned by the National Mass Retailing Institute which ranks discount retailers on various aspects of their earnings, reported that Wal-Mart's expense structure, measured as a percent of sales, continues to be among the lowest in the industry.

The highly respected Goldman-Sach's research firm recently expressed: *"Wal-Mart's record of sales and earnings growth is, in our view, unparalleled in the retail industry for its dimension, duration and consistency. The company has not experienced a single quarterly earnings per share decline since fiscal 1972."*

Financial analyst, Margaret Gilliam of The First Boston Corporation, a major investment banking firm in New York, has been a close watcher of Wal-Mart's performance for years. According to Ms. Gilliam, many of Wal-Mart's competitors are trying to convert their pricing structure to an everyday low price program like the one that has helped to make Wal-Mart so successful.

However, she goes on to note there is more to Wal-Mart's success than just everyday low prices. *"Wal-Mart had to be just that much better in its execution in every other area in order to retain its edge."* Those "other areas" include important basics like aggressive customer service, high in-stock position, in-store cleanliness, and satisfaction guaranteed.

In a recent report on retail trade, Ms. Gilliam noted that the answer to the discounting battle does not lie in diversification. *"...It is absolutely essential to aim all guns at the discount store competition rather than to dilute emphasis on it by directing efforts to new areas."* Again, the basics win out.

III. Providing 30 Years of Value

From its inception 30 years ago, Wal-Mart has been a success story. Wal-Mart Stores, Inc. originally opened in small towns and were designed to be one-stop shopping centers providing rural areas with a wide assortment of quality merchandise at prices as low as, or lower than, those available to discount store shoppers in larger metro markets. The company's recent ad says it best, ". . . *The lowest prices on every item -- on every shelf -- in every aisle. . .*"

Wal-Mart's honest-to-goodness "*Satisfaction Guaranteed*" policy has positioned the company as the industry's role model. Today, Wal-Mart is the nation's largest general merchandise retailer. The company, with a record unparalleled in modern retailing, remains dedicated to the philosophy of serving the customer and providing quality merchandise at everyday low prices.

Wal-Mart now has stores located in larger metro markets, but the original philosophy of quality merchandise and everyday low prices remains the same as it was in 1962. Commemorating its 25th Anniversary, the Executive Committee of Wal-Mart's Board issued the following statement in early 1987:

We are positive about the new year, a very special year in which we celebrate 25 years of this unique partnership which has been forged with our customers, Associates, shareholders and suppliers. This partnership has been built upon our valued Associates, and we believe its continued success lies in their collectively capable hands.

It is ironic to this writer that recently at a prestigious Midwest university, a group of businessmen, scholars, and ethicists came together once again to discuss the question, "*Can a successful businessman be a Christian?*" A senior partner of a major national law firm criticized business for its reward system based on self-interest incentives:

If a person for the first 25 years of his career is shaped primarily by self-interest incentives to say nothing of the period of his educational career with its grades and prizes, it seems unlikely that we will produce corpo-

rate leaders that will have an adequate vision of the long term good of the corporation and its constituencies, much less any broader concept of the common good of society.

Something very basic is missed by the above mentioned approach. Again, Wal-Mart is an ideal case study. In order to earn a profit, the discipline of the American Incentive System dictates that the business person first satisfy the needs of others, much as religion imposes similar rules on those who hope to "profit" in the hereafter.

Whether in the spiritual realm with respect to the hereafter, or in the academic world for grades, or in the business world for profits, the fact is that rewards and punishments motivate people. That motivation leads to competition; that competition requires self-discipline and discipline under civil law. A result of honest competition is character, so superbly exhibited throughout the Wal-Mart organization.

What we obtain too cheaply we esteem too lightly; it is dearness only that gives everything its value. Heaven knows how to put a proper price upon its goods; and it would be strange indeed if so celestial an article as "freedom" should not be so highly rated.

--Thomas Paine

Historically, the competition of the free market has been possible only when a common culture and a common faith lead individuals to cooperate with each other. Such is the Wal-Mart corporate culture. People compete for cooperation in the confidence that others respect quality.

Wal-Mart Associates constantly improve their products and services to earn that cooperation. Conversely, in the marketplace, when cooperation dies, competition dies. When competition dies, then coercion, compulsion, and force replace the free, cooperative operations of the marketplace.

Wal-Mart, or any other profit-oriented enterprise, must constantly improve efficiency, innovate, and

offer better values. Profits and progress are compatible, because the two are indivisible. Wal-Mart strives to be the leader in truly taking care of its customers. Wal-Mart's Cash Incentive plan and Profit Sharing Trust reward Associates in both the short term and long run respectively, for their hard work and dedication to control expenses, reduce shrinkage and, above all, serve the customer's needs.

When America's profit-incentive system is working well, those Wal-Mart profits (or business savings) provide steady jobs, higher wages, more jobs, worker benefits, better working conditions, safe and modern equipment, rising standards of living, opportunities for the future, and social progress.

Losses also provide a valuable function in the American Incentive System. Losses are the market's way of sending a signal to businesses to reallocate their resources more efficiently, according to the demanding standards of the price- and quality-conscious customer.

A recent national survey found that, on the average, satisfied customers told three other people. However, dissatisfied customers told fifteen other people. The good news is that 90% of dissatisfied customers returned as regular patrons, if their complaints were promptly and cheerfully dealt with.

Capitalism, therefore, contains its own built-in checks and balances. People are required to exercise sound judgment, or suffer the consequences of their own folly. The American Incentive System doesn't carry any guarantee, not even for Wal-Mart. One risks failure along with the prospect of success. And if we are honest, we know that there are no real guarantees possible in life--not in theory, not in reality.

In December, 1989, Wal-Mart was named "*Retailer of the Decade*" by Discount Stores News, a biweekly national magazine covering the retail industry. According to its editor, whose entire 264 page publication is devoted to "*the story of Wal-Mart's decade of excellence*," the award is "*the first of its kind, and unprecedented in the history of Discount Stores News. Everything we looked at and analyzed showed that Wal-Mart was certainly the premier retailer of the '80's in terms of growth and expansion.*"

In January, 1990, Wal-Mart became the first retailer in history to reach a billion dollars in profit. In eleven very fast years, Associates have built this special partnership with customers and vendors from the first billion dollars sales year in fiscal 1980, to \$55 billion in fiscal year 1993.

How have they done it? Serving one customer at a time with the single-purpose mission of exceeding each customer's expectation--one customer at a time. Wal-Mart also made retailing history in January 1990, by opening the largest number of new stores/facilities ever in one day (36).

Wal-Mart made it to a list of the nine best companies for the 1990's picked by a panel of regional brokerage firms convened by Southpoint magazine. Wal-Mart Stores, Inc. was also listed as No. 39 among 100 American companies in a book, The 100 Best Stocks to Own in America. Business Month magazine ranked Wal-Mart Stores, Inc. 67th of The 200 Fastest Growing Large Public Companies.

Boardroom Reports had it right on the money recently, quoting Personal Selling Power author Ken Blanchard:

Turn the organizational chart upside down. Put customers at the top, line employees next, managers under them, and the top bosses at the bottom. You'll see the company's true purpose is to meet the customers' needs--not the bosses needs--and that the bosses' job is to help employees help customers.

So, the bedrock foundation of Wal-Mart remains the same as it was 30 years ago--a dedication to bring the customer guaranteed satisfaction on quality products at the lowest prices every day. Wal-Mart people work hard at keeping expenses down. Associates' ideas are solicited, and every expense is checked. The Wal-Mart expense structure continues to be one of the lowest in the industry, and those savings are passed on to the customer.

IV. How Does Wal-Mart Do It?

If a survey had been taken in 1962, and people were asked about the Wal-Mart Discount store chain in Bentonville, Arkansas, the most common reply would have probably been, "Wal-Mart what?--Bentonville where?" Today, this discount "superpower" is so well known that a different question is being asked: "Why is Wal-Mart so successful?" The answer begins with the Wal-Mart Associates and branches out to customer service, managerial autonomy, price-value relationships, store location strategy and efficient distribution centers.

Sam Walton, the driving force behind the company, brought all these ingredients together to keep the customer satisfied, expenses down, and sales up, up, up. Mr. Sam was always right there to give input, to challenge, to encourage, to praise, and to question. He often stated to his top management, "the key to success is to get into the stores, listen to what the Associates have to say and get everyone involved."

PRESS ON

Nothing in the world can take the place of persistence. Talent will not. Nothing is more common than unsuccessful men with talent. Genius will not. Unrewarded genius is almost a proverb. Education alone will not. The world is full of educated derelicts. Persistence and determination alone are omnipotent.

So, how does Wal-Mart do it so well? It goes back to Mr. Walton's philosophy that everyone is important. Every company Associate is important, and every Associate contributes to the success of the company. Take people who make a difference, add good store locations, low prices and value, and you will see why Wal-Mart has become the largest in the retailing business. This is what happens when you have the goal of becoming the best and most respected in your field.

"*Aggressive Hospitality*"--a genuine awareness of the customer's shopping convenience through concern and commitment--has been the prime motivator. It pervades the entire organization. To insure that the customers get merchandise at a good value, Wal-Mart buyers select merchandise items that reflect the customers' needs and wants.

At Wal-Mart distribution centers, the goal is to achieve careful loading of a shipment, with no damaged freight. Therefore, Associates pull merchandise from inventory and work carefully to insure accurate counts. Truck drivers are charged with the responsibility of getting valuable merchandise to the stores in good condition and on time.

Wal-Mart accounting Associates help to assure the availability of goods for the customer, by processing all vendor payments efficiently. To assist all Wal-Mart Associates in gauging their effectiveness in serving the customer, data processing Associates provide the figures that let all Associates know where they stand regarding sales, expenses, and performance.

Large investments in scanning systems and the use of check-cashing cards are just two examples of Wal-Mart's commitment to faster and more accurate check-out. Wal-Mart is continually seeking other ways to provide better, more efficient service.

Over the years, many major discount retailers have made their mark in a given trade area, only to falter or fail in a shifting competitive market situation. Why does this happen? What could have been done to avoid it? Recently Wal-Mart Associates were asked this question, "*Why are some major retailers faltering today?*" Here is a composite answer from Associates around the Wal-Mart world:

Lack of communication . . . forgetting that the customer pays the wages . . . not remembering that there would be no business without customers . . . lack of pride in one's work . . . not stocking basic items . . . not providing a smooth operation and friendly atmosphere . . . not passing along ideas . . . not functioning as a team . . . letting standards down . . . fear of change . . . inability to anticipate new trends . . . unwillingness to go the extra mile and be helpful . . . high retail markups resulting in losing the competitive edge . . .

not having pride in their company . . . not having a profit-sharing program, which allows effort to be reflected in the bottom line . . . a loss of the "personal touch" in customer service . . . not taking part in community activities to keep trade areas alive . . . not encouraging employees to keep everyone aware of customer wants and needs . . . failing to stay competitive in price, quality and selection of merchandise . . . failing to take time to listen and be concerned about customer problems.

What is the bottom line on this issue? Today, there are about two million retailers in the United States. Retailing is in a perennial state of evolution. Many of the so-called conventional retailers have long believed that product demand in their area was fixed. That is not so; quantity demanded by the consumer is a function of price.

Those traditional retailers have erroneously believed that because population demographics were fairly stable, so was their potential market share. However, everyday low prices at Wal-Mart give the customer, in effect, a raise in pay. The purchasing power of his dollar is greater. And that prospers all with whom he does business in the community.

Over the decades, retailing has evolved from the peddler to the general stores, specialty stores, department stores, variety stores, supermarkets, discount department stores, and now mass merchandisers with super centers. Mass merchandisers reject the approach that market size is fixed. Mass merchandisers have instead elected to stay on the leading edge of an entire new series of learning curves, always at some risk.

In the tradition of freedom of enterprise, let us remember that all retailers make decisions voluntarily. Some choose to stay with small, single unit outlets. Others decide to go for volume and turnover, along with more careful market segmentation. Mass merchandisers find unsatisfied customer needs that have a long life expectancy and which can be met with low levels of additional investment. One-stop-shopping will always remain at the hub of the wheel of retailing theory and practice; just as it was in those open-air bazaars two thousand years ago.

Numerous benefits typically accrue to small town America where there are Wal-Mart stores. That town begins to evolve into a regional trade center. Retail sales, sales tax revenue, consumer traffic, and payroll dollars in that community usually increase by more than Wal-Mart's share. Correspondingly, stores which modernize, develop a niche, stay on the leading edge of merchandizing and offer more flexible hours--these stores will also prosper, because competition promotes excellence.

Further, Wal-Mart stores and distribution centers bring into small town America career opportunities that heretofore were not available. Additionally, how do you spell "relief"?--J-O-B-S. As cited earlier, in the past seven years Wal-Mart has created more jobs than any other company in America. Nearly 5,000 suppliers of Wal-Mart stores also provide employment opportunities, often in small towns across the 45-state trade area called Wal-Mart Country. The recently released book, The 100 Best Small Towns in America, by Norman Crampton, contains 65 small towns which have Wal-Mart stores.

In 1991, Wal-Mart entered into a joint venture with CIFRA in Mexico. In 1993, Wal-Mart and Cifra agreed to expand their operations as equal partners in future growth opportunities in retail, wholesale distribution, and related businesses in Mexico. The plans include Wal-Mart Supercenter combination stores, Club Aurerra units (the clubs SAM'S currently operates with Cifra), McLane wholesale business, distribution center operations and all Gran Bazar combination stores, Bodega Aurrera discount stores and Superama supermarkets.

So, what is the lesson for the marketplace where Wal-Mart does business--indeed, the lesson for life itself? Life is a process of change and risk, growth and setback; ultimately all one can realistically hope to achieve is a just measure of success commensurate with one's own ability. This is what capitalism is, and does, as Wal-Mart has superbly demonstrated.

Capitalism, personified so well by Wal-Mart, puts responsibility where it belongs--on the individual--which is, after all, the meaning of independence. The landscape of the history of commerce contains the remnants of businesses, large and small, which failed to meet the exacting quality-and-price discipline of the marketplace.

V. Customer Service--What's Important to YOU!

The marketplace is more democratic than our political system. Citizens vote in an election every few years. However, in the marketplace where Wal-Mart conducts business, every day is election day. All the candidates (competitors) are running scared, wondering if they have provided value--that right price and quality combination for that customer.

Every week, approximately 40 million people shop in Wal-Mart stores across the country. Each day, when the doors are opened for business at 9 A.M., Wal-Mart store Associates find out how they are doing in the marketplace. It boils down to Wal-Mart associates living by the two basic rules of customer service, as set forth by Chairman Walton:

Rule #1--"The customer is always right!"

Rule #2--"If the customer happens to be wrong, refer to Rule #1."

The customer is indeed the Supreme Court in our type of American Incentive System. The consumer provides a neverending purging force, by extending or withholding patronage--even in Wal-Mart stores. Through the way the consumer votes his dollars in the marketplace everyday, he rewards excellence and penalizes mediocrity. So, customer service is everybody's job at Wal-Mart.

At store #157 in Searcy, Arkansas, Manager David Wilson puts it this way, "*Customers are the reason that Wal-Mart is in business. Each Associate works toward the ultimate goal of providing 100% satisfaction with no hassles.*" "*Friendly Customer Service,*" according to Wilson, "*is not just another program at Wal-Mart. Associates pride themselves in serving their valued customer in a friendly and helpful way.*" It appears to be working, as the Searcy store was recently selected as the Region Store of the Year, of 115 stores in a 10-District area.

Wal-Mart Associates are intensely loyal to their company. The company hires senior citizens on a part-time basis; individuals who have proved to be a wonderful leavening influence with their Associates and customers. Some are "*people greeters.*"

Officially, the Wal-Mart "people greeter" has the job of handing out shopping carts. Unofficially, the "people greeter" has turned his job into handing out smiles.

As one senior citizen "people greeter" put it recently, "I try to make people happy--if someone comes in frowning, I try to make them smile." He recently earned a "Wal-Mart Associate of the Month" award, proving that he has accomplished that goal, especially with children. The children smile and wave at him and often remember to say goodbye to him as they leave. All in all, each time an Associate interacts with a customer, it is a direct reflection on the attitude that Wal-Mart stores have about their "Guests."

Greeting all customers and inviting them back, acknowledging them throughout the store, personally following through when a customer asks for assistance, remembering that customers are the people who make it possible to pay the Associates' salaries--all are top priorities of customer service at the Wal-Mart store level.

Being friendly, getting guests through the checkout lines quickly, providing smooth transactions on refunds and exchanges, and making sure each customer leaves the store satisfied--these are the most important things that Wal-Mart Associates do to insure the continued success of their great company. Their attitude of caring, involvement, and dedication to Wal-Mart customers does make a difference.

The competition is improving. Major competitors throughout the Wal-Mart trade area have added personnel to speed up their front-end service. These competitors have also developed motivational campaigns to recognize and improve service. But there really is a difference in Wal-Mart. All of the Associates in the stores, the General Office and the distribution centers, work together like a finely tuned clock.

Wal-Mart customers really are "Guests," and at Wal-Mart that is spelled with a capital "G." That genuine attitude of caring, involvement, and dedication to customers does separate Wal-Mart from its competitors. The 100% commitment to customer service is Wal-Mart's edge over the competition.

THE BOSS

There is only one boss, and whether a person shines shoes for a living or heads up the biggest corporation in the world, the boss remains the same. It's the customer.

The customer is the person who pays everyone's salary and who decides whether a business is going to succeed or fail. And he doesn't care if a business has been around 100 years. The minute it starts treating him badly, he'll start to put it out of business.

The boss--the customer--has bought and will buy everything you have or will have. He's bought all your clothes, your home, your car. He pays your bills and for your children's education, and he pays exact proportion to the way you treat him.

The man who works deep inside a big warehouse or in a retail store might think he is working for the company that writes his paycheck, but he's not. He's working for the person who buys the products offered in Wal-Mart's stores.

In fact, the customer can fire everybody in the company from the chairman on down, and he can do it simply by spending his money somewhere else.

Some of the largest companies that had flourishing businesses a few years ago are no longer in existence. They couldn't or didn't satisfy the customer. They forgot who their real boss was.

The greatest measurement of our success is how well we please the customer, "our boss." Let's all support "aggressive hospitality" and have our customers leave 100% satisfied every day.

—Adapted by Sam M. Walton

So, as the boss, Wal-Mart customers expect and command special treatment. At Wal-Mart, customers are truly the boss, and everything is done to provide service the boss deserves. Throughout Wal-Mart stores, from the "people greeter" to the central check-out lanes, everything is designed and operated to assure the boss of a "no hassle" shopping experience.

Wal-Mart stores provide wide traffic aisles, courtesy rest benches--all to make every Wal-Mart store visit a pleasurable one. Many of the improvements have been suggested by their boss, the older customer, who makes 40 percent of all purchases at Wal-Mart.

Using "Letter to the President" memos provided at each store, Wal-Mart customers have spoken frankly and directly of both the good and bad of Wal-Mart service. Even an occasional negative comment can be an opportunity to begin again and tackle the problem in a more enlightened manner.

People will support what they help to build. Accordingly, Wal-Mart is noted for its bright, clean stores with a broad assortment of quality merchandise attractively displayed. The level of friendly customer service is beyond that normally associated with a self-service discount department store operation.

Wal-Mart is also on the leading edge of retailing in announcing its concern for and a commitment to helping clean up the world in which we live. Associates believe that customers are also concerned about the environment and want to do something about it, given the opportunity. Wal-Mart also believes that it is its corporate responsibility to step up to this challenge. The goal to unite people throughout the nation and to help improve our land, air, and water.

Many of the impressive numbers, percentages, and demographics of the extraordinary Wal-Mart track record are cited in this publication. However, as Mr. Walton said many times himself, "*The key is people. The reason for our success is our people and the way that they are treated and the way they feel about their company. The attitude of our Associates is that things are different in our company. They deserve the credit.*"

The lapel button worn by his Wal-Mart store managers said it in true, All-American fashion: "**WHAT'S IMPORTANT IS YOU!**"

VI. Associates--People Trained and Dedicated to Saving the Customer Time and Money

It is certainly by no accident that Wal-Mart's success has been the result of a blend of capitalism and patriotism. On down the line, the one reason why Wal-Mart Associates are more vital and seem more alive is their daily engagement with problem-solving and challenges. This is not to say that they are in a state of bliss. Rather, as a group, Wal-Mart Associates have a comparatively strong sense of purpose, which their work gives them.

Wal-Mart believes in cross-training its people throughout all levels of the organization. This assures a growing commitment to the corporation as a whole and promotes a healthy cross fertilization of idea sharing. This does not mean that there are never disagreements among Associates. However, there is an unwritten code that Associates can disagree without being disagreeable.

Management By Walking Around (MBWA) is practiced by Wal-Mart's senior management team. Each Monday morning, the senior management team, led by 14 regional vice-presidents, is dispatched throughout the trade territory, where the week is spent in stores and in support facilities. The group reassembles at 7 A.M. each Friday at Wal-Mart headquarters in Bentonville, Arkansas to exchange information and to formulate action plans for the weeks ahead.

Utilizing this series of defined-purpose meetings and conference calls, the results of the week just passed and opportunities for the week to follow are shared throughout the Wal-Mart organization by noon Saturday. Therefore, there is a constant, progressive evolution of ideas flowing throughout the Wal-Mart organizational structure, as all Associates are encouraged to communicate directly and frequently with customers and with each other.

The Walton Institute of Retailing was established in 1985 as a coordinated effort of the University of Arkansas Continuing Education Center and Wal-Mart. The Institute combines the collective talents of the Wal-Mart management group, the University of Arkansas College of Business Administration, and nationally recognized lecturers.

Several courses are conducted each year for select groups of store managers, regional and district managers, combined with representatives from general office management. The management development program is offered to every member of the management team throughout the stores, distribution facilities, and the General Office.

ENTREPRENEUR'S CREDO

I do not choose to be a common man. It is my right to be uncommon, if I can. I seek opportunity, not security. I do not wish to be a kept citizen, humbled and dulled by having the state look after me.

I want to take the calculated risk; to dream and to build, to fail and to succeed. I refuse to barter incentive for a dole; I prefer the challenges of life to the guaranteed existence; the thrill of fulfillment to the stale calm of Utopia.

I will not trade freedom for beneficence nor my dignity for a handout. I will never cower before any master nor bend to any threat.

It is my heritage to stand erect, proud and unafraid; to think and act for myself, to enjoy the benefit of my creations and to face the world boldly and say: This, with God's help, I have done. All this is what it means to be an Entrepreneur.

--Dean Alfange

Going beyond the usual in-store training programs and seminars/meetings with management personnel, the Institute provides a more intensive level of training for managers throughout the Wal-Mart organization. The Walton Institute is an indication that the senior management wants to polish the development of its managers whose responsibilities will continue to grow at an accelerated pace, as expansion points the company toward the direction of doubling its sale and market share within the next four years.

The key to Wal-Mart's continued growth and success is having the best possible leadership, especially at

store level. Over the next two years, Wal-Mart will recruit over 2,000 new management associates to support continued growth. There are three key recruiting sources for this management talent: promoting hourly associates to management; utilizing retail experienced people; and college recruitment.

Since early 1986, over 7,000 Wal-Mart Associates have gone through the Walton Institute. Typically, the participants arrive Saturday evening, work until 10 P.M. each day during the week and finish at noon on Saturday. The Walton Institute curriculum includes problem-solving, time management, people evaluation, and leadership training.

Wal-Mart's Retail Management Training Program for trainees and assistant managers is recognized as one of the best in the industry. The varied-structure training programs lead the individual from a person new to retailing in the company to the threshold of a polished professional. The trainee receives direct personal guidance and supervision throughout his career period.

The People Division recently began a new decentralized approach to improve retail management development, in the belief that store and club managers are the best teachers and instructors. To provide practical hands-on methods, Retail Management Seminars were moved from the home office out to ten distribution centers, near to the stores and clubs, to expose management team members to the heart of the Wal-Mart distribution network.

Currently the Walton Institute is taught in Bentonville by members of the Training and Development team and outside experts. New people development training modules have been launched. *"People to People"* is a leadership seminar series, via satellite broadcasts, which targets an audience of facility managers company-wide to increase the recruiting, selection and coaching skills to match today's highly competitive, team-focused environment.

A new *"Leadership Foundation"* seminar for assistant managers and Specialty Group focuses on the basic beliefs and values that have made Wal-Mart Company so successful. *"Recruit The Best"* is a program designed to help Training Coordinators, Recruiting and Selection committees, and Assistant Managers with attracting and hiring of the best possible people.

According to Suzanne Allford, Senior Vice-President, People Division, in addition to being recognized in Fortune Magazine as one of the three most admired companies in the United States, Wal-Mart was also highlighted as one of the best 100 companies in the U.S. to work for; one of the best 50 employers for the disabled; one of the best employers for Hispanics, and one of the best companies for college graduates.

Wal-Mart also believes very strongly in "*interpromotion (promotion from within)*." This, combined with the inherent opportunity of a growth company such as Wal-Mart, means that the future is bright for capable and career-oriented Associates.

Three different types of internship programs are sponsored by Wal-Mart. All programs are geared toward finding eligible students who want to make a career with Wal-Mart. The Store Summer Internship exposes college students to a career in retailing management during the summer months. The Summer Corporate Program takes the college senior and exposes him to Wal-Mart's General Office for 12 weeks. The Part-Time Internship Program is for senior college students who are chosen to work on a part-time basis while attending school, and they begin their management training working 20 to 25 hours per week.

Wal-Mart has developed a thriving "*Project Second-Chance*" to encourage Associates to earn their high school General Equivalency Diploma (G.E.D.). Wal-Mart pays for the G.E.D. program, upon successful completion of the G.E.D.

The management style at Wal-Mart creates an environment in which each Associate does indeed want to do better for himself and for the company. This "*intrapreneurship*," that is, encouraging people to be entrepreneurs within large firms, as popularized recently by Gifford Pinchot, is nothing new at Wal-Mart.

The "*Store Within a Store*" approach is based on the belief that the Wal-Mart associate knows more about the merchandise in his department than anyone else. Therefore, that associate should make decisions that help him most effectively run that "store." That approach is a powerful educational tool to grow leaders at Wal-Mart by decentralizing, delegating, and pushing decision making on down to the grassroots level where it can be most responsive to customer needs. The

consumer is profited; Wal-Mart and its Associates are prospered. It is a "*win-win*" situation.

Wal-Mart conducts a popular Very Promotional Items (VPI) contest among Associates. Ideas and suggestions on the display of items from store Associates are sent in weekly to be judged for possible prizes. Ideas which are adopted are then sent out to the stores with all deliberate speed. Wal-Mart Associates average over 3,000 new marketing ideas per week. VPI is just one more way Associates show their dedication to bringing the customer guaranteed satisfaction on quality products at the lowest prices every day.

VII. Community Service--The Rent Associates Pay For the Space They Occupy

Voluntarism is a unique social innovation of the American Incentive System. In 1835, Alexis de Tocqueville, a French politician and philosopher, had the following to say about his extended visit to America:

The health of a democratic society may be measured by the quality of services. The Americans are a peculiar people. If, in a local community, a citizen becomes aware of a human need which is not being met, he, thereupon, discusses the situation with his neighbors. The committee, thereupon, begins to act on behalf of the need . . . without a single reference to a bureaucracy or to any official agency.

Americans give away more things and support more causes than any other people on earth, not because we are more generous by nature, but because we have so much to give. So it is with the Wal-Mart Community Involvement Programs. Each Wal-Mart store is a very important part of the local community. Wal-Mart stores have developed battalions of Associates who are citizen-volunteers, to give something of value back to the communities in which they operate stores.

Associates go to great lengths to make a statement to their customers that the Associates are, in fact, helping to improve the quality of life. Associates specifically, and Wal-Mart generally, have been good community citizens in ways that prosper people. Wal-Mart Associates are very talented citizen-volunteers. Some of the greatest innovations in local fund-raising have come from the creative efforts and imaginations of Wal-Mart Associates who have discovered the fun in fund-raising.

Wal-Mart Stores, Inc. was recently selected to receive a Presidential Award for Private Sector Initiatives for its efforts to improve the quality of life in Wal-Mart communities. Wal-Mart stores, through the Wal-Mart Foundation, sponsored the "*Wal-Mart Community Involvement Program.*"

The Matching Grant Program was set up to encourage store Associates to hold local fund raisers for

qualifying charities and organizations while at the same time encouraging customers to participate in the fund raising activities. The Wal-Mart Foundation then matched dollar for dollar, up to \$2,000, what each store raised for charities.

The President's Citation Program for Private Sector Initiatives was established to recognize community outreach and service programs sponsored by various businesses, trade associations, professional societies, and other private organizations. Recipients of the Presidential Award, such as Wal-Mart, are eligible to fly the "C-Flag" which bears the program's slogan "We Can--We Care." The "C-Flag" distinguishes these organizations as significant contributors to the American spirit of giving and voluntarism.

Truly, customer service and community support go hand in hand. The following is a composite of real-life, honest-to-goodness examples of community involvement programs conducted by Wal-Mart Associates:

A walkathon for the Special Olympics...a local blood drive...an in-store story hour once a week while parents shop...a senior citizens' breakfast and "We Care" complimentary packages of health products...bake sales, raffles, yard sales, and donations for a child's liver transplant...a cookout with bake sale, balloons and prizes for the kids to help fund a shelter for runaway children...a car wash to raise money for an ambulance service fund...for the prevention of and search for missing children...a dunking booth to raise money for a mental health retardation center...a Coats for Kids project...a garage sale and a carnival to raise funds for a heart transplant patient...a craft demonstration and home-made craft sale to raise money for a child abuse care center ...Associates winterizing community homes on a Sunday afternoon with donated insulation kits...an associate supported city clean-up campaign...an Easter egg hunt to raise money for the shelter for Abused Children...donated blankets for flooded out farm families, hot breakfasts for needy children...shoes and other clothing necessities donated by Associates at Christmas time to less fortunate individuals....

Turned on, involved Wal-Mart Associates contribute a great deal back to the community. Wal-Mart people do make a difference in their communities, especially in a crisis or natural disaster. An example was Hurricane Hugo, which wreaked destruction along the eastern seaboard in the fall of 1989. Many Associates themselves endured hardships due to lost and damaged personal property from damaging winds and rain. But they were back on the job following the storm, helping to get residents critically needed supplies.

Most of Wal-Mart's competitors did not even open their doors. Associates drove their community involvement philosophy home by selling supplies at or below cost to the financially burdened community. Over \$1 million in free merchandise was given away in addition to numerous direct donations.

Similarly, Wal-Mart donated 1,200 Shop-Vacs to the Red Cross in neighboring states during flooding. Essential items for flood victims were brought in by the truckloads: brooms, mops, cleaners, hoses, shovels, rakes, etc. Most of those items were sold by Wal-Mart for half price. Associates gave cases of food to Food-Mission which was preparing 1,800 meals a day for storm victims.

It is not unheard of for some retailers in various parts of the country to capitalize on such opportunities and raise prices on needed supplies. But not Wal-Mart; merchandise was marked down to assist and support the community. Truck drivers made extra runs under difficult weather conditions to get goods to the stores. Wal-Mart Associates hauled 9,000 gallons of bottled drinking water to flood victims, and Associates formed a disaster relief fund.

The following is a portion of a letter from the President of the American Red Cross, who summed up his organization's feelings for Wal-Mart:

The fast, sensitive response by the Wal-Mart organization following the devastating floods was one of the finest examples I've seen of how business can serve a community in the midst of a crisis. Thanks, on behalf of countless thousands who you will probably never meet, but whose lives were made better because of you.

Wal-Mart's resolve to serve each community extends far beyond it's commitment to operate the very best stores and support facilities. Associations are dedicated to enriching the quality of life and fueling the spirit of voluntarism that truly makes their communities great places to live and work.

*Make all you can
Save all you can
Give all you can
Do all the good you can
In all the ways you can
With all the souls you can
In every place you can
At all the times you can
With all the zeal you can
As long as you ever can.*

--John Wesley

Wal-mart customers and Associates are concerned about the quality of our land, air, and water. In a proactive environmental move, Wal-Mart and Waste Management of North America joined forces in early 1991 to launch America's first nationwide program to drop off recyclable items (plastic, newspapers, aluminum, etc.). Wal-Mart's vendors have also been put on notice that environmentally friendly packaging shall be used whenever possible. The new, earth-friendly prototype store in Lawrence, Kansas, recipient of the first of its kind Ecology Award from the United Nations, uses energy efficient architecture, organically maintained landscaping and an on-site material recovery facility.

Perrin Jones, Editor Emeritus of the White County newspaper, The Daily Citizen, provides us with a fascinating glimpse of Wal-Mart's legacy. The story concerns Operation Desert Storm:

It seems that a member of the Guard was about to be deployed and, a few days before he was to leave, he was in the check-out line of a Wal-Mart store in northwest Arkansas. In his hands was his purchase, a pair of \$50 Bausch & Lomb Ray Ban aviator sunglasses. In the conversation with the clerk, he said the

sun was so fierce and fine sand so wind-driven that the glasses were necessary for the desert but the war had come on so fast there were no army-issue around.

Somebody passed the word along and a couple of days later, a big Wal-Mart semi-trailer pulled up at the armory in Bentonville and began to unload boxes. When the unloading was finished, the permanent staff members were scratching their heads. There, in the boxes, were found 5,000 pair of Bausch and Lomb Ray Ban aviator sunglasses along with a note saying "Good Luck" signed by Sam Walton.

When the Guard Commander called to say thanks, the nation's wealthiest man said that if they needed anything else to just let him know. Most of the Arkansas now serving in the Gulf area are wearing a pair of those glasses. You see, the 142nd Field Artillery Brigade at Bentonville only has 1,400 members. They, too shared.

Since the program started, \$11 million in Wal-Mart Scholarships have been awarded to deserving high school seniors throughout the trade territory. All totalled, over \$24 million have been contributed in matching grants for community needs in the Wal-Mart trade territory. These efforts worked together in meeting the goal of making Wal-Mart stores genuinely "local." Resources make things possible; people make things happen.

The Competitive Edge Scholarship Fund is Wal-Mart's ambitious program to help Americans prepare for the 21st century. In partnership with like-minded vendor-partners and interested colleges throughout the country, Wal-Mart is funding hundreds of scholarships in technological fields such as computers, engineering, telecommunications, aerospace electronics, and throughout the sciences. To help fund the scholarships, Wal-Mart will set aside profits from the sale of Sam Walton's autobiography, along with the proceeds from the sale of Sam's American Choice products.

In 1990, Wal-Mart received the United Way of America Summit Award in recognition of the Company's high level of corporate support, community leadership and employee education for the United Way. To date, the

cumulative total is \$29 million. Wal-Mart Associates have become more than just retailers; they have also become good neighbors.

Today, Wal-Mart is the single largest corporate sponsor of the Children's Miracle Network Telethon (CMNT) in the United States. Over \$27 million has been generated in the last five years by Wal-Mart Associates for Children's Miracle Network, which benefits member hospitals for children.

The newly built fourth floor of the Arkansas Children's Hospital has been named the Wal-Mart Adolescent and Young Adult Unit in honor of the support and generosity of Wal-Mart Associates during the CMNT fund raising activities. The Wal-Mart Adolescent and Young Adult Unit is the only adolescent medicine unit in Arkansas with services designed to meet not only the medical needs of these patients, but also their unique emotional, educational and recreational needs. This unit includes 14 beds and separate Teen Activities recreation lounge and is headed by a specialist in adolescent medicine.

Describing Wal-Mart's contribution, Dr. O'Donnell, then Chief Executive Officer of the Arkansas Children's Hospital said:

We are deeply appreciative of the commitment of everyone at the Wal-Mart stores and Sam's Wholesale Clubs and for what their support means to our patients. The funds raised help to provide excellent medical and emotional care for children from every county in the state of Arkansas and from the mid-South region. This means Wal-Mart company Associates are helping with medical care for children from not only their own communities, but also for children throughout the mid-South region.

The Wal-Mart Foundation is also the number one contributor to Students In Free Enterprise (SIFE), funding faculty stipends, providing judges for competition, and recruiting SIFE members to join the Wal-Mart organization after graduation

Wal-Mart Stores, Inc. and the Wal-Mart Foundation also announced a company-wide campaign in support of "Just Say No" Clubs, the nation's most popular youth anti-drug movement. "Just Say No" Clubs are groups of children 7-14 years old who are united in their

resolve to lead drug-free lives and help other youngsters do the same. The "*Just Say No*" program includes educational, recreational, and community-service activities.

"*Just Say No*" was publicized via advertising circulars, posters, brochures, shopping bag imprints, and other promotional vehicles in Wal-Mart retail outlets. Over \$100,000 was earmarked for this worthwhile endeavor. Wal-Mart also donated \$10,000 to the "*Just Say No*" organization, whose honorary chairman is Nancy Reagan, former First Lady.

Wal-Mart, all in all, has one of the best community support programs in the country; the matching grant program is designed to help Associates help others, by pulling together for a better community and a brighter tomorrow. The Wal-Mart Foundation, in matching all local contributions, takes great pride in the time volunteered by Associates, the efforts that Associates expend for charities, and the compassion of Associates for those less fortunate.

Further, Wal-Mart Associates have learned to mix social occasions with fund-raising. They are generous, hardworking, unselfish, and friendly. That's the nature of the Wal-Mart Associates citizen-volunteers. They are always optimistic with anticipation, for they have found the happiness that comes through spending themselves for a worthy purpose.

Under the theme, "*Take Back the System*," in 1992, Wal-Mart teamed up with the League of Women Voters to support voter registration in company booths operated by volunteer members from the American Association of Retired Persons (AARP).

Such is the nature of the American Incentive System, Wal-Mart style. It teaches us that we are important as individuals--that we are given certain talents--that we are to develop and use those talents to the very maximum. In the process, we hold our heads up high, stand erect, and concern ourselves about our fellow man, as we put forth maximum effort into reaching our full potential.

VIII. Buy American--Keep Us Strong and Working

In the mid 1980's, Mr. Walton, who voiced great concern over our economy's historically high balance of trade deficits and the attendant loss of jobs and wealth flowing out of country, strongly pushed a "Buy American" campaign.

This writer is reminded of Edmund Burke, who wrote long ago, *"How often has public calamity been arrested on the very brink of ruin by the seasonable energy of a single man?"* Indeed, late in 1984, Mr. Walton gave merchandise managers of his company not only a new philosophy, but a mandate: *"Find products that American manufacturers have stopped producing because they couldn't compete with foreign imports."*

Mr. Walton not only urged his people to "Buy American," he invited other retailers to get-with-the-program. The "Buy American" campaign represents a rather well-defined extension of Chairman Walton's philosophy as it was communicated to his suppliers:

Our Wal-Mart company is committed to the philosophy of buying everything possible from suppliers who manufacture their products in the United States. We are convinced that with proper planning and cooperation, many products can be supplied to us that are comparable, or better, in value or quality than those we have been buying off shore.

Mr. Walton believed that retailers can be equal opportunity purchasers, while still offering customers good quality in a price range which will not squeeze overall profit margins. Although he was an avid free-trader, Mr. Walton and his executives were willing to work with American manufacturers to help them achieve the price and quality combination that could put them back into the ball game.

Essentially the "Buy American" plan gives the American manufacturers the same terms and cooperation that are currently extended by Wal-Mart to foreign manufacturers. This does not make work any easier for Wal-Mart, however. It involves aid to domestic manufacturers, so that products can be produced to specification, and it means providing vendors with longer lead time. Beyond that, the "Buy American"

effort also involves Wal-Mart's teaming with its vendors to tighten quality controls. In some cases, it goes to the extent of supplying domestic letters of credit.

What is at stake? The "All-American Savings" promotional program says it best: "Wal-Mart—keeping America working and strong." The intent of the program is to show customers that Wal-Mart wholeheartedly supports buying American-made products which represent quality at a good value.

The American Republic and American Business are Siamese Twins; they came out of the same womb at the same time; they are born in the same principles and when American business dies, the American Republic will die, and when the American Republic dies, American business will die.

—Josiah Bailey

In Wal-Mart's enlightened self-interest, customers are being created at the same time that jobs are being developed in rural America. Although such an approach may seem to defy the conventional wisdom of free-trade economics, it is not written in the stars that we have to continue to lose markets to overseas manufacturers. Nor is it a foregone conclusion that their quality has to be better than ours.

Each pricing situation is judged by Wal-Mart on its own merits; of course, the overriding consideration will continue to be the need for Wal-Mart to remain competitive in its 45-state market. It is a complicated process that involves lead time, payment terms, guaranteed orders, and more than the usual amount of paperwork.

Also of importance is the fact that Mr. Walton expressed a willingness on the part of Wal-Mart to pay a little more in some cases for goods manufactured in the USA and accept a reduced markup that Wal-Mart puts on those goods. However, Mr. Walton did not say that his company would pay significantly more and endanger the company's distinctive market niche as a discount store.

Mr. Walton provided his personal philosophy on the matter, *"Wal-Mart believes that our American workers can make the difference, if management provides the leadership."* Mr. Walton put his manufacturers on notice that they will have to make an equal commitment:

In turn, our American suppliers must commit to improving their facilities and machinery, remain financially conservative and work to fill our requirements, and most importantly, strive to improve employee productivity. This means that American producers will have to be more "market driven" instead of continuing to be traditionally "product driven".

Consider briefly the far-reaching impact on the 110,041 jobs created or reclaimed in the American economy, when goods have been converted from off-shore sources to domestic production. According to a recent U.S. Chamber of Commerce study, here is a breakdown of the gains that even 100 new manufacturing jobs provide a given community:

Aggregate personal income - \$1,948,353; New retail establishments - 7; Non-manufacturing jobs - 64; Population increase - 202; Family units - 102; School enrollment - 61; and Retail sales - \$1,477,453.

The above projections represent a net gain, allowing adjustments for some economic factors that cannot be fully quantifiable. Nevertheless, as people move into an area, they need the services provided by the community in such areas as housing, transportation, food, clothing, government services and leisure time services. Imagine the equivalent result occurring in select communities around the Wal-Mart world! Surely, what is good for people is also good for business. That's the Wal-Mart way.

Phase II of the *"Buy American"* campaign involves greater emphasis on bringing back the goods, the quality, and the pride to American shores. Bringing the American Dream back home is what Phase II is all about. Creating more jobs for Americans and putting back the confidence in American-made goods is the goal.

Phase II also involves getting state and local economic and industrial development departments to

seek out possible manufacturers. This approach broadens the "Buy American" outreach, because there will be more people looking for small manufacturers who would seek the opportunity to convert to domestic production.

Working together, Wal-Mart Associates and suppliers can bring the jobs, the quality, and the pride back to the United States. This teamwork is the foundation upon which Wal-Mart is built. Working together to build a stronger country is also the foundation on which our forefathers built America.

Chairman Walton put it this way:

We live in such a great country, this land of ours, and I'm afraid we all take our freedoms, opportunities and many blessings for granted at times. All of us in our Wal-Mart family should count our blessings daily and do all we can to help others, both within our Company and outside, who are less fortunate and in need. You've done just that in our communities. You have shown your willingness to share so generously in 100,000 instances and more, just in this past year. I'm so proud of you all. You personify, most of all, our Wal-Mart spirit because you care about others.

If freedom means anything, it means the right to choose; in so doing, we create for ourselves the alternatives of choice. Customers and manufacturers alike have become interested in the "Buy American" campaign, because it offers nothing less than a renaissance of products that could be competitively manufactured in the United States.

As the lyrics of that song go, ". . . if this is flag-waving, do you know of a better flag to wave?"

IX. Sam's Wholesale Clubs, Hypermart USA Centers, Supercenters, and Bud's

Starting with three units in 1983, there are presently 285 Sam's Wholesale Clubs in operation. These membership wholesale club business outlets are typically 100,000 square-foot, no frills, cash-and-carry, general merchandise warehouses in larger metropolitan markets.

Sam's Wholesale Clubs generally target small business customers who typically do not have the buying power to make volume purchases at low prices. Unlike some other wholesale clubs, Sam's Wholesale Clubs do well, due to their close affiliation with Wal-Mart. Today, Sam's operates more wholesale clubs than any other competitor in this relatively new industry.

Specifically, Sam's Wholesale Clubs have prospered from the strong financial base and merchandising expertise of Wal-Mart. The savvy that Wal-Mart has been able to develop over the years in the area of discount store operations has been put to keen advantage in the Sam's Wholesale Clubs. There are certainly some differences between Wal-Mart stores and Sam's Wholesale Clubs. Wal-Mart is open to the public, while Sam's Wholesale Clubs cater only to members.

The reason a lot of people do not recognize an opportunity when they meet it is that it usually goes around wearing overalls and looking like hard work.

There is also very little overlap between Sam's and Wal-Mart's merchandise, and Sam's sells most of its goods in bulk sizes. Businesses and group members, such as employees of schools, governments, etc., can join by paying a \$25 annual membership fee. With lower average gross margins than Wal-Mart stores, Sam's Wholesale Clubs can typically undersell local durable goods distributors, supermarkets, and general merchandise discounters.

A half century ago, Americans spent much of their weekends shopping in diverse stores at different locations: a dry goods store, a grocery store, a fruit and vegetable market, a hardware store, a drugstore, etc. Prices were high, and variety was limited; it was expensive and inconvenient. Today, thanks to the lead Wal-Mart is taking with some monumental advances in retailing productivity, all that is changing.

Accordingly, the company now operates four Wal-Mart Hypermart USA centers. The first fully Americanized Hypermart to provide one-stop shopping convenience under one roof, the Hypermart USA centers contain general merchandise and a full line, supersized grocery store augmented with service and fast food shops.

All merchandise is top quality at lowest discount prices. The Hypermart USA centers rely on high volume turnover to offset their very low prices. In line with Wal-Mart's long-stated policies, the Hypermart USA centers will not be undersold on everyday priced merchandise within their trade territories.

The company continues a *"No-Hassles, Satisfaction Guaranteed"* policy. Top quality, name-brand merchandise is offered, along with fresh produce, meats and bakery goods. The Hypermart USA centers consist of 25% grocery and 75% general merchandise. Additionally, there are health and beauty aids with a pharmacy, an expanded electronics department, a deli and bakery, a seafood shop and a full line of produce, frozen foods and dairy departments.

Dubbed a *"mall without walls,"* consider the following comparisons between the typical Wal-Mart Discount City and the new Hypermart USA Centers:

<u>Category</u>	<u>Discount City</u>	<u>Hypermart</u>
Square footage	65,000	222,000
Associates	120	600
Truckloads of goods delivered daily	Up to 3	20
Shopping carts	275	2,000
Parking spaces	390	1,600
Cash registers	14	60

One of Wal-Mart's more recent retailing adventures is the Supercenter. A cousin to the Hypermart USA, it may be the Wal-Mart prototype of the future. It will

also provide customers with the ultimate one-stop shopping experience. Simultaneously, it could potentially put Wal-Mart on the leading edge of the next major evolutionary trend in retailing. Sixty Supercenters will be in operation by the end of 1993.

Wal-Mart Supercenters, discount store-supermarket combination units, have served as powerful relocation vehicles bringing improved physical facilities and drawing power to existing markets. These stores reflect a complete one-stop shopping commitment through the introduction of a complete deli, fresh bakery and complementary convenience shops, such as: portrait studios, dry cleaners, pharmacy, an auto center, optical shops, and hair salons.

The Supercenter, like the one in Searcy, Arkansas, is typically a 167,000 square foot facility that houses a 110,000 square foot Wal-Mart store and a 57,000 square foot full-line food store. The Supercenter is similar to the Hypermart USA stores in that it offers true one-stop shopping; however, the merchandise mix of a Supercenter is tailored to meet the specific needs of the small Wal-Mart community it serves.

So, the Supercenter is a good blend of the old and the new--the Wal-Mart basic philosophies and teamwork, coupled with the new Supercenter program of combining food and general merchandise. Newer supercenters represent various sizes to complement small, medium, and large market areas. 1993 will see the first Supercenter opened in Mexico. Wal-Mart is now stocking several hundred private label grocery items in Supercenters. "Great Value" and "Sam's American Choice" food items provide the customers with national brand quality at less expense.

The newest retailing excursion for Wal-Mart is Bud's Warehouse Outlet, an off-price closeout operation similar to the dollar store concept. The 64 Bud's operating in 16 states have closeouts, overruns, some factory seconds, irregulars and markdown Wal-Mart goods in about 70 percent of the store. The rest of the store is equally divided between Bud's Bargain Corner which is Wal-Mart return center merchandise, and special-buy food items from the Supercenter division. Bud's typically operates out of empty Wal-Mart buildings resulting from store relocations, conversions, or upgrades.

X. Inventory Management and Distribution Systems--On The Leading Edge

The development of efficient and cost-effective systems continues to move Wal-Mart forward in support of people development. The free flow of information and the continuous exchange of ideas with all Associates are cornerstones of The Wal-Mart philosophy. The company is determined that these will not be compromised as a "cost" of growth. Accordingly, the Wal-Mart Satellite Network (WSN) has been successfully deployed to all stores and distribution centers.

WSN is making new applications of current systems a reality for all stores, as well as providing "on line" access to sales, inventory, and credit information formerly available in other forms. The network assures direct store-to-store and store-to-general office voice and data communication at a fixed future cost.

Communications are further enhanced by WSN's capacity to beam live video presentations from the general office to the balance of the system. One example of the many applications of this system is the reduction of credit card authorization response time to only four or five seconds and at a significantly reduced expense.

Wal-Mart is also an industry leader in converting to Electronic Data Interchange (EDI). EDI is the exchange of business documents electronically from one company's computer directly to the computer of another company. These documents include purchase orders, invoices, and remittance advice to point of sale data.

One new use of EDI is a merchandise replenishment process called QUICK RESPONSE. Instead of receiving a purchase order, sales data from scanning stores are transmitted to the supplier each day. This data will be compared to predetermined levels of stock for each item. When the store's stock is at or below the accepted level, the suppliers will automatically initiate the replenishment process. Quick Response offers significant benefits in reducing inventory levels and increasing turns.

The number one goal for EDI is to conduct business in a nearly paperless environment. This includes purchasing, invoicing, payment, and distribu-

tion of merchandise. EDI is just one example of how Wal-Mart is using technology to reduce expenses and improve customer service.

To actively assist Wal-Mart in on-going quality efforts, the company has formed an important partnership with Consumer Testing Laboratories, inc. of Boston, MA. Established in 1952, Consumer Testing Laboratories (CTL) specialized in evaluating consumer products and has developed and operates quality assurance programs for many leading discounts stores, home centers and specialty retailers.

CTL operates a full-scale hardlines and softlines testing facility for Wal-Mart's exclusive use. This independent CTL is expertly equipped and staffed to test all types of consumer products. All are evaluated from the viewpoint of the consumers to ensure their satisfaction and safety.

Merchandise Planning helps Associates at the 1,920 Wal-Mart locations to better plan their facility's merchandise presentation. This is accomplished with the use of IBM software called Computer Aided Design and Manufacture (CADAM). Merchandise plans are required to determine the quantities of fixtures needed to set a new store. Fourteen departments in the General Office use the plans to order metal and wood fixtures, carpet and tile, signing, phones, registers, electrical drops, computer systems, snack bar and pharmacy equipment, manufacturer racks and, of course, merchandise (basic and seasonal).

Associates in the field use the CADAM prints to actually set a complete store. At store level, the CADAM plan can be used to develop future modular relays and promotional events. Bottom line results include the following: improved sales per square foot, lower merchandise inventory investments and improved in-stock position through uniform merchandise presentations in all stores. The credit goes to modulars and merchandise plans developed by innovative Associates using the latest technology.

Wal-Mart Associates always work hard to make sure they have the items customers want in stock when the customers wanted them. Manufacturers' orders are staged from the factory to distribution centers and from these centers to the stores, improving in-stock position and service levels. Further, merchandisers and distribution Associates have identified key items that

have been made a part of the basic stock in distribution centers. These fast moving basic stock items also facilitated Wal-Mart's "just in time" inventory management.

Dedication to providing stores with on-time delivery of merchandise for the customer at the lowest possible cost is the goal of the Wal-Mart Distribution System. Over seventy-seven percent of the merchandise sold in stores is processed through the company's 23 Distribution Centers. A combination of high associate productivity, the latest in technology, an experienced corporate traffic department, and an efficient private truck fleet make the distribution system an effective tool in continuing commitment to improved customer service. With Wal-Mart able to replenish its stores almost daily, Associates work with a smaller total inventory; customers receive the same excellent choice. The bottom line: a competitive advantage.

In 1992, Wal-Mart operated 16 regional distribution centers (ranging from 650,000 square feet to 1.15 million square feet), 4 specialty facilities, 3 support facilities, and 17 dispatch offices. Incorporated in these centers are 19 million square feet of space. They play a vital role in assisting the stores in maintaining a high level of in-stock merchandise that customers want every day. 16,000 distribution Associates processed and delivered 592 million cases of merchandise.

Wal-Mart's private truck fleet delivers merchandise a minimum of five times a week to each Wal-Mart store; in fiscal year 1992 there were over 500,000 store deliveries. The fleet maintained an on-time delivery record of over 99.6 percent. Order filling accuracy on those same shipments also exceeded 99.5 percent.

According to Tommy Dunn, Senior Manager of Wal-Mart's "Distribution Center of the Year" for eight of the nine years in Searcy, Arkansas, each of the larger distribution centers, like Searcy's new 1.15 million square foot facility, is capable of shipping and receiving 97,500,000 cases per year. Specifically, the larger centers ship 175,000 cases per day or 45,500,000 per year. They also receive 200,000 cases per day or 52,000,000 per year. This is equivalent to receiving 200 trailers per day and shipping 175 trailers per day, for a daily total of 375 trailers.

Most centers operate two shifts, employ 500 to 800 Associates and serve about 130 to 170 Wal-Mart

stores. Productivity, measured by cases of merchandise processed per man hour, continues to improve. Emphasizing safety, Wal-Mart's private fleet of 2,300 tractors and 13,000 trailers operated by 2,400 drivers and 1,700 maintenance and support Associates drove in excess of 305 million miles this past year. Wal-Mart owns one of the largest private fleets in the country.

For eight consecutive years, the Wal-Mart fleet has been recognized as one of the safest carriers (public or private) in the nation. Averaging over 1.7 million miles per accident, the Wal-Mart fleet average is three times better than the national trucking average. These Associates made 500,000 store deliveries in 1992. In addition to store deliveries, these units back-haul freight to Wal-Mart distribution centers and thereby significantly improve the cost efficiency of this system.

The Wal-Mart Distribution Division operates like a well-oiled machine. The Associates work together as a team to provide merchandise to retail/wholesale facilities when it is needed, where it is needed, and at the lowest cost. Distribution System Associates are indeed the lifeline that supports all of the Wal-Mart retail/wholesale facilities by quickly and efficiently getting merchandise from the vendor to the customer. They are responsible for Wal-Mart's leading edge in the Distribution industry.

The McLane Company, the world's largest distributor of grocery products and general merchandise to convenience stores, was purchased by Wal-Mart in 1990. As Wal-Mart's specialty distribution subsidiary, McLane also distributes candy, tobacco, snack bar items and other products to Wal-Mart stores and SAM'S Clubs. McLane has completed a 750,000 square foot facility in Clarksville, Arkansas to provide grocery distribution to Wal-Mart Supercenters. Simultaneously the Phillips Company Food 4 Less operation has also been integrated into the Wal-Mart organization, enhancing purchasing and distribution efficiencies.

In Competing Against Time by George Stalk, Jr., and Thomas M. Hout, the following observation is made: *"Wal-Mart replenishes its retail stores twice a week, even daily at some stores. This means it can work with a smaller total inventory and give customers the same good choice. The bottom line: Every dollar that Wal-Mart invests in its business generates 50 percent more sales than a dollar spent by its competitor."*

How does all this Wal-Mart efficiency relate to the economy in general? The facts are these: higher productivity holds down costs. Lower costs help build sales and profits. Greater sales and profits help expand markets. Larger markets mean more jobs and greater economies of large scale. People prospered, the standard of living rises, and both the private and public sectors are able to promote greater material betterment of our citizenry.

Conversely, low productivity will reverse all of the those wonderful conditions. Pay your money, and take your choice. So, Wal-Mart's excellent systems and high productivity combine for a low expense structure that permits Wal-Mart to sell quality merchandise at the lowest price in town every day of the year.

SUMMARY--

Free Enterprise Delivers the Goods at Wal-Mart

Wal-Mart Stores, Inc. leads the industry in growth rates and profitability. The company, with a record unparalleled in modern retailing, remains dedicated to a philosophy of continuing controlled, profitable growth.

The aggressive Wal-Mart store-opening program results from a well-defined strategy to dominate market areas and then expand gradually into adjoining markets. Wal-Mart's current and long-range plan is to open about 150 new stores and 60 Sam's Wholesale Clubs and 40 Supercenters each year, while continuously upgrading and remodeling existing stores.

The well-known Salomon Brothers, Inc. firm, in their recent investment research on Wal-Mart, stated:

Wal-Mart has truly emerged as one of the nation's premier growth retailers. Its tremendous success in developing and expanding its discount stores, coupled with its dramatic entry into the rapidly growing membership wholesale club sector has positioned the company among the largest U.S. general merchandise retailers and taken it to the top of the industry's profitability and its growth rate charts.

We believe that significant market share opportunities remain in many of the states where Wal-Mart has only begun to expand in the past several years, as well as in surrounding markets that the chain has not yet tapped.

The overriding theme of this publication has been **"RIGHT ON THE MONEY"** and subtitled, **"The Wal-Mart Story of Quality and Value."** Now, we come full circle. This has been a story about people, Wal-Mart associate-partners in growth, who have exhibited their continued loyalty and dedication to a philosophy of offering quality merchandise at the *"lowest possible prices every day."* People have been the foundation for 30 years; people are the driving force of Wal-Mart today.

Is it an oversimplification for Wal-Mart to say, "*Our people make the difference?*" Not really. The company's dedication to a philosophy of continuing, controlled, profitable growth can be managed only by people, not by programs nor systems. The "*right*" people--Wal-Mart people--hard-working and enthusiastic, responsible and committed folks--make their communities a better place because of the lives they touch.

At the 1990 stockholder's meeting, the largest in the world, Wal-Mart Chairman Sam Walton issued this challenge:

On a day-to-day basis, Wal-Mart's future in the 1990's will depend on how well you, individually, take care of each of your customers a day at a time, a customer at a time and a store at a time. Even though we're getting to be a very large company, we've got to act small and move quickly. We've got to appreciate those customers in a special way. And you've done that--bless your hearts--you've done that all over America in over 1,500 stores, but I believe that we can do it even better in the future; even better than we've done in the past. I think we have that kind of opportunity in the 1990's.

Indeed, in 1992, the United Shareholders Association News Report looked at 1,000 companies through an investor's eyes, based on long- and short-term performance, attention to shareholders rights, etc. and ranked Wal-Mart in First Place.

So, as Sam Walton stated all along, the key is people. "*The reason for our success is our people, the way that they are treated and the way that they feel about their company. The attitude of our Associates is the thing that is different in our company, and they deserve the credit.*"

To Mr. Walton, people were the key that has unlocked countless doors and showered upon him, his customers, and his Associates the fruits of 30 years of labor in building his highly successful Wal-Mart Stores, Inc. As sincerely as this writer knows how to state it, it is a singular honor to pen this salute to Wal-Mart.

In the context of the recent Bicentennial celebration of our U.S. Constitution, the reader is reminded that the Constitution does not guarantee a full life, a long life, a prosperous life, nor even a happy life. The U.S. Constitution merely guarantees the protection of life. We make of our lives what we will.

In March, 1992, President Bush awarded our country's top honor, the **PRESIDENTIAL MEDAL OF FREEDOM**, to Sam Walton. The citation reads:

An American original, Sam Walton embodies the entrepreneurial spirit and epitomizes the American dream. Concern for his employees, a commitment to his community, and a desire to make a difference have been the hallmarks of his career. by sponsoring scholarships from Latin America, he has also worked to bring peoples closer together and to share with others the American ideals he so well represents. A devoted family man, business leader, and statesman for democracy Sam Walton demonstrates the virtues of faith, hope and hard work, America honors this captain of commerce, as successful in life as in business.

On that occasion, and then just a few weeks before his passing, Mr. Walton thanked his Associates: *"This is the highlight of our entire career--my career and I think the entire company's . . ."*

Finally, it was Robert Frost who said it so well: *"All men are born free and equal--free at least in their right to be different. Some people want to homogenize society everywhere; I am against the homogenizers in art, politics, in every walk of life. I want the cream to rise."*

In that regard, Wal-Mart Associates are wonderful role models from whom all of us can learn more about our American Incentive System which can develop all the talents of all the people. Here, we are "free" to be anything we want, if we have the "enterprise" to do it.

Let us, therefore, diligently press on and pursue that noble task. By working together, we can further appreciate and fulfill the American Dream, personified so well by Sam Walton and Wal-Mart.

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The **ENTREPRENEUR** is a quarterly journal and newsletter addressing contemporary economic issues from a moral perspective. One may not agree with every word printed in the **ENTREPRENEUR** series, nor should feel he needs to do so. It is hoped that the reader will think about the points laid out in the publication, and then decide for himself.

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Dr. Don Diffine is currently Professor of Economics at Harding University in Searcy, Arkansas, and Director of the Belden Center for Private Enterprise Education. The Senior Research Associate of Harding's American Studies Institute, Dr. Diffine is also the Director of Economics Teams that have won First Place in national Students in Free Enterprise competitions on six occasions.

Listed in the Heritage Foundation's **Guide to Public Policy Experts**, Dr. Diffine is the author of a 200-page **Facts Book for Business and Industry** and is published frequently in the **Journal of Private Enterprise**. He currently has over 90 articles and monographs in print.

Dr. Diffine is the recipient of the Freedoms Foundation George Washington Honor Medal for his article *"All American Economics--Made in the U.S.A."* He is the editor of the **ENTREPRENEUR**, a journal that has received five Freedoms Foundation awards in the category of Non-profit Publications. In 1990, the National Flag Foundation presented its *"New Constellation Award"* to Dr. Diffine for his booklet, **"TO THE FLAG--Our Banner of Liberty."**

The recipient of the \$7,500 Freedoms Foundation Principle Award for Excellence in Private Enterprise Education, Dr. Diffine has received nine other Freedoms Foundation awards in the categories of Economic Education, Public Affairs-Advertising, Public Address, and Published Works. He is also the faculty winner of a \$1,000 First Place prize in a National Essay contest judged by Nobel Economist Milton Friedman.

In 1988, the First Annual Distinguished Scholar Award was presented to Dr. Diffine by the Association of Private Enterprise Education. He is listed in **Personalities of the South and Outstanding Educators of America**. The Wal-Mart Foundation has designated him as a Samuel Moore Walton Free Enterprise Fellow.

Dr. Diffine has provided Congressional testimony on business problems, economic impact statements, and inflation-recession dilemmas. A member of the International Platform Association and also an economic humorist, he is a frequent speaker for conventions, management clubs, stockholders' meetings, trade associations, and chambers of commerce.