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## Low prices, soaring pressures

### Wal-Mart growth, demands on suppliers seen as ruthless, relentless, overwhelming

By **JULES WAGMAN**  
Special to the Journal Sentinel

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*The Wal-Mart Effect: How the World's Most Powerful Company Really Works — and How It's Transforming the American Economy. By Charles Fishman. Penguin. 294 pages. \$25.95.*

In the television commercial, the smiley face swoops about, its sword flashing and slashing: 11 cents here, 27 cents there. The refrain calls out, "Always low prices. Always."

*Advertisement* But who is really cutting prices?

Business journalist Charles Fishman examines the big box store that is Wal-Mart and decides Wal-Mart isn't the one cutting those prices.

It's the suppliers, pressured by Wal-Mart, who do the belt-tightening so that Wal-Mart can charge less and boast, "Always low prices."

Wal-Mart even gets its shoppers to help its bottom line.

The buyer of big items buys the parts packed in a box. At home, the buyer does the assembly, saving himself (and Wal-Mart) assembly costs.

Wal-Mart has become the biggest company in the world on the single claim of delivering low prices.

It is the biggest employer in 24 of the 50 states.

Fishman presents computations showing that Wal-Mart, all by itself, has significantly slowed the country's rate of inflation.

Despite having what Fishman calls crowded, noisy stores that make shopping unpleasant, Wal-Mart keeps adding customers.

Winn-Dixie, a Southeast supermarket chain now in bankruptcy, invited Wal-Mart founder Sam Walton to join its board in 1981. He served until 1986. After learning all he could, he opened his first nine grocery Supercenters in 1990.

By the end of 2000, Wal-Mart had 888 Supercenters and was the leading food retailer in the nation. Today, it has 1,875 Supercenters worldwide and "sells more groceries than any company not just in the United States but in the world."

More than half us live within five miles of one of Wal-Mart's 3,785 American stores.

Each year 93% of American households shop at least once at Wal-Mart.

It is the largest retailer in the United States, Canada and Mexico, the largest grocer in England. It has 1.6 million employees worldwide.

Fishman is relentless with mind-boggling facts and figures. From 1997 to 2004 the country added 670,000 new retail jobs, 480,000 of them were at Wal-Mart, which, he says, is as big as Home Depot, Kroger, Target, Costco, Sears and Kmart combined.

And Wal-Mart is driving manufacturing to China and jobs out of parts of U.S. industry.

Fishman cites a Peoria, Ill., lawn sprinkler company. To meet Wal-Mart's demands, the maker trimmed its profit, then trimmed its product and finally turned to China for a cheaper substitute - and 300 Peoria workers lost their jobs.

There's more: Snapper sold lawn mowers to Wal-Mart but after a few years saw the same handwriting on the wall and pulled out; Procter & Gamble sales to Wal-Mart are bigger than P&G's next nine customers combined.

Fishman says Wal-Mart woos suppliers with the siren song of increasing sales and profits.

Then they get trapped in Wal-Mart's net - a constant demand for lower prices (or else lose the business), which eventually reduces the suppliers' profits, cheapens the product, and finally sends them to cheaper labor and manufacturing markets overseas.

Wal-Mart shrouds its operations in secrecy, revealing no more than the Securities and Exchange Commission requires.

Dial Soap, for example, sells almost 30% of its output to Wal-Mart.

Asked about the mammoth chain, a Dial executive said: "Ask me about anything else, we'll talk. But not Wal-Mart."

Most of Fishman's material comes from former Wal-Mart employees and from companies no longer doing business with Wal-Mart.

That skews much of his argument. Still, the sheer size of the company and the mind-boggling figures that show the chain's impact are impressive.

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