

WalMart-Phobia: Cure Discovered

The small Oregon town of Sherwood is currently in the middle of a conflagration frequently repeated across the United States. WalMart has purchased a large tract of undeveloped rural land near the intersection of two highways and is planning to open a “Super Store” at this location.

For those North of the Mason-Dixon line and east of the Mississippi, a WalMart Super Store is an all encompassing Mega-Market with everything from a full food store to the contents of a major department store. In contrast, WalMarts typically found in the Northeast usually only comprise the department store element and, therefore, are smaller, fitting into established suburban shopping areas.

Invariably, the announcement of WalMart’s market entry sparks two distinct emotions. These are currently on display in Sherwood, Oregon. One group - call them “traditionalists” - state that WalMart will destroy the local economy by driving “Mom and Pop” stores out of business. The second group - call them “Progressives” - welcome the additional competition for their disposable income and the variety WalMart offers. The “Traditionalists” tend to be older, long-time residents of the community, and often linked financially, or by family, to one of the “endangered” Mom and Pop businesses.

The “Progressives” are often younger, mobile families, newer to the community and less set in their shopping patterns. Thus they are more open to new tastes, sensations, opportunities. Basically, they are more comfortable with “Change” and that is what this drama devolves to - Change.

Yet the concept of Change is one of several ironies in this story. First, WalMart is not some radically new retail force sweeping the nation. Currently, it is the largest employer in the United States, with a clear track-record and “modus operandi”. There is at least one Harvard Business School Case Study that lays out the entire WalMart strategic approach and details its founding by the late Sam Walton.

Second, the subject Sherwood community is not “virgin” woodlands, bereft of economic development. This small community already boasts a Walgreen’s drugstore, Kohl’s department store, Target, Home Depot, Safeway, and Albertson’s. The later two are large, primarily Western food chains. Within Sherwood, or in easy striking distance, is every fast food outlet and restaurant chain you can name, and many you probably can not. Some are even “local” chains - with multiple outlets in either Oregon or the Pacific Northwest. Finally, there are two Costco stores within a twenty-minute drive radius.

In fact, it is quite challenging to even find one of these “endangered” Mom and Pop outlets whose demise is decried on local highway posters and electronic sign-boards. Certainly there

are local fruit stands and farm markets - our favorite is endearingly named "Grandma's Fruits". Yet they appear to have withstood the presence of Target, Albertson's, and Safeway, all of whom boast major produce departments and brag about their local sourcing. There is a tiny appliance store on a major local highway, but Home Depot, Costco to name two, have already challenged their franchise and they appear to be surviving.

So, putting on our Sherlock Holmes' deerstalker and rationally surveying the situation, it appears the "Mom and Pop" outlets challenged by the impending WalMart entry are, in fact, other major retail outlets. Not the beloved little neighborhood business whose demise is so frequently decried. The competition for your food shopping dollar is personified by Safeway and Albertson's. The department store - appliance competitors are Target, Home Depot, Costco, Kohl's - all big boys and girls, fully able to defend themselves. In fact, if there ever were a threat to "Mom and Pop", these existing stores long ago forged the initial onslaught.

Thus the "canard" of "small-business crushing WalMart" is really brought to light. This is not about Big versus Small business, but rather Big versus Bigger. And the real winner will be the Sherwood consumer. They will now have even greater choice and increased leverage when shopping. Most assuredly, they will see their average price per item purchased drop, as established market factors are forced to deal with WalMart's massive economies of scale.

Unspoken in all this "*strum und drang*" is the employment issue. WalMart will bring "net extra" employment to the area and for a wide demographic swath. Fortunately, Washington County - in which Sherwood resides - has one of the lowest unemployment levels in Oregon. Certainly the presence of these major retail operations plays an important part in that success. WalMart's market entry will only build upon that success.

The nation as a whole would love to have the 6.5% unemployment Washington County now possesses. Importantly, this decreasing unemployment rate is not the work of government bureaucrats. They cannot create meaningful jobs, they only impede their growth. It will be fascinating to check back in one year, after WalMart opens, and examine both the Washington County employment rate and comparable market-basket prices versus current levels. Look for employment to be up and prices down - exactly the type of "stimulus" this nation needs.

McNealy's Missiles
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