

LAKE LAND COLLEGE

The Wal-Mart Effect

The Unintended Effects on Our Communities

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Wal-Mart provides jobs, competitive prices, and even gives money to local charities, but the effects and opportunity costs of doing business with Wal-Mart instead of local merchants can be harmful to a community. Wal-Mart came to Mattoon in the early 80's, and since then became the largest retail chain in America. Wal-Mart offers a one-stop shopping experience for the convenience of customers. Though great at purchasing products at an extremely low cost while reducing the cost of overhead, Wal-Mart creates a downside by stealing a large portion of market share from competitors. Some respectable details about the retail giant include providing employment, giving a small percent of the revenue back through local charity donations, and saving consumers time and money through competitive rates in one store. Furthermore, Wal-Mart offers an ad-match program; where customers use the advertised sale price from other retailers—in or around the community within a 50-mile radius—and Wal-Mart matches the price. Wal-Mart will not price match, only printed ads are accepted, and unfortunately, online prices are not expectable according to the night manager of Mattoon Wal-Mart.

Some opportunity costs of shopping at Wal-Mart include, some local businesses downsized to reduce overhead, a few companies relocated to other communities and various local merchants are out of business completely. Kroger in Effingham is a great example since recently disclosing going out of business soon. Many of the local businesses, now closed, once belonged to long-term, residential entrepreneurs who spent the vast amount personal income and time to build Mattoon. Now that international investors own a large portion of Wal-Mart, the bulk of that revenue moves outside not only the local community, but also outside the United

States, thereby affecting the macroeconomics of the entire country. Calculate and compare the vast income difference between Wal-Mart employees compared to that of local business owners. Most of the jobs Wal-Mart creates are barely above minimum wage. Wal-Mart negotiating for lower prices can produce an adverse effect on manufacturers as well. For example, a manufacturer gets a contract to sell a certain amount of goods at a set price per unit. Excited, the business usually goes deep into debt to be able to expand to meet the new demands. When the contract expires, Wal-Mart renegotiates for an even lower price. Many manufacturers have become bankrupt because of fewer funds available to pay the outstanding debt previously created to produce the quantity necessary for the original contract.

Smaller marketplaces like Mattoon compared to larger cities appear to affect Wal-Mart prices. Some prices in Mattoon are more expensive than Effingham, Springfield, or even Champaign, who creates lower prices with major competitors like K-Mart, Target, and Myers, which can afford to compete with Wal-Mart. For example, the price of baby formula is cheaper in Effingham compared to Mattoon. At Mattoon Wal-Mart, Enfamil brand formula is \$.30 higher, Parents Choice; milk based formula is \$1.00 more, soy based is \$.29 more, gentle is the same and Sensitivity \$.09 cheaper compared to Effingham Wal-Mart. Mattoon has a higher population of babies, but Effingham has more outlets to buy baby formula, and therefore, lower prices. Although Wal-Mart argues that supply and demand drive product expense, after speaking to the Assistant manager of K-Mart—Mary Lilly—who explained a technique called price lifting. Price lifting occurs in bigger cities between competitors. Each store collects prices of the competitors now each store can lower some prices and raise others. K-Mart has dedicated customers but also higher prices. Mary, said a large demographic that K-Mart attracts are elderly people, who do not mind paying the extra because; the store is smaller and easier to get around,

staff is more helpful, and others just do not like Wal-Mart. Milk at Mattoon Wal-Mart compared to Effingham, is cheaper an average of \$.32 per gallon. In Effingham vitamin D milk is \$.27 cheaper and 2% milk is \$.41 cheaper compared to K-Mart in Effingham. Proving that Mattoon and Effingham are not in competition, the competition is community based.

Working altogether—city officials, potential business owners, and Wal-Mart corporate managers—can make all the difference. Minor changes stimulate major benefits for all. First, offering community incentives such as tax breaks or low-interest loans to other businesses encourages those companies to operate within the community. Next, simply bringing more quality restaurants to the area generates interest from surrounding communities, thereby giving a larger market of consumers to support all businesses, with any luck inspiring Wal-Mart to give even more back to the communities. On the negative side, a higher tax placed on businesses that may gross over \$2,000,000 per year would deter aggressive monopolizing, but could balance out positively with a charity or community-share tax break. Finally, online shopping communities like Aisle 19, an invitation-only site, is a portal to over 600 stores like Wal-Mart, Target, Best Buy—and many other well known stores—provides great deals on the same well-known, product brands already sold in the stores. Shopping at Aisle 19 will not bring as much revenue back to the community as purchasing from local merchants but may force Wal-Mart to be more competitive with the prices offered online.

Exposing Wal-Mart and big business as—greedy and selfish—is not enough. Each of these giant retail chains want to control the market, and Wal-Mart is just the biggest right now. Both Sears and K-Mart were once top retailers in America, and eventually another huge company will come along and dethrone Wal-Mart as well. The worldwide recession is blamed for the soon to be disappearance of Circuit City, Linens’N Things, Mervyns and Steve & Barry’

It is more likely that even bigger names like Wal-Mart and Costco are more to blame. The **Actions taken now set the precedent for future business cooperation within communities between both major and minor retailers, communities need synergy more now than ever.**

