Wal-Mart Stores, Inc.

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Statistics:
Public Company
Incorporated: 1969
Employees: 1,500,000
Sales: $256.68 billion (2004)
Stock Exchanges: New York Pacific
Ticker Symbol: WMT
NAIC: 445110 Supermarkets and Other Grocery (Except Convenience) Stores; 452910 Warehouse Clubs and Superstores; 452990 All Other General Merchandise Stores; 454110 Electronic Shopping and Mail-Order Houses

Company Perspectives:
Sam Walton built Wal-Mart on the revolutionary philosophies of excellence in the workplace, customer service and always having the lowest prices. We have always stayed true to the Three Basic Beliefs Mr. Sam established in 1962: 1. Respect for the Individual. 2. Service to Our Customers. 3. Strive for Excellence

Key Dates:
1962: Samuel Walton and his brother J.L. (Bud) Walton open their first Wal-Mart Discount City in Rogers, Arkansas.
1969: The brothers are operating 18 Wal-Mart stores in Arkansas, Missouri, Kansas, and Oklahoma; they incorporate these ventures as Wal-Mart Stores, Inc.
1970: Wal-Mart stock begins trading over the counter.
1972: The company's stock is listed on the New York Stock Exchange.
1979: Revenues surpass $1 billion; the company is the fastest to reach this milestone.

1983: The first Sam's Wholesale Clubs are opened; they are later renamed Sam's Clubs.
1988: The company opens its first Wal-Mart Supercenters, combined discount outlets and grocery stores.
1990: Wal-Mart becomes the largest retailer in the United States.
1991: Foreign expansion begins with the creation of a joint venture with Cifra, S.A. de C.V., Mexico's largest retailer.
1994: The company enters the Canadian market through the purchase from Woolworth Corporation of 122 Woolco stores.
1997: Revenues surpass $100 billion; Mexican joint ventures are merged into Cifra, and then Wal-Mart acquires a controlling stake in Cifra; the company enters Europe through acquisition of the 21-unit Wertkauf hypermarket chain in Germany.
1998: The first Wal-Mart Neighborhood Markets are opened in the United States; 74 Interspar hypermarkets are acquired in Germany.
1999: ASDA Group plc, third largest U.K. supermarket operator, is acquired for about $10.8 billion.
2000: After Wal-Mart increases its stake in Cifra to about 63 percent, Cifra is renamed Wal-Mart de México S.A. de C.V.
2002: Wal-Mart takes a 35 percent interest in The Seiyu, Ltd., a leading Japanese retailer.
2003: Fiscal 2003 revenues of $244.52 billion make Wal-Mart the world's largest corporation.

Company History:

Wal-Mart Stores, Inc. is not only the largest retailer in the world, it now also ranks as the largest corporation in the world. The retail giant dwarfs its nearest competition, generating three times the revenues of the world's number two retailer, France's Carrefour SA. Domestically, Wal-Mart has more than 1.2 million workers, making it the nation's largest nongovernmental employer. U.S. operations include 1,478 Wal-Mart discount stores (located in all 50 states); 1,471 Wal-Mart Supercenters, which are combined discount outlets and grocery stores (and which make Wal-Mart the country's top food retailer); 538 Sam's Clubs, the number two U.S. warehouse membership club chain (trailing Costco Wholesale Corporation); and 64 Wal-Mart Neighborhood Markets, smaller food and drug outlets also offering a selection of general merchandise. International operations, which commenced in 1991, include Wal-Mart discount stores in Canada and Puerto Rico; Wal-Mart Supercenters in Argentina, Brazil, China, Germany, Mexico, Puerto Rico, South Korea, and the United Kingdom; and Sam's Clubs in Brazil, China, Mexico, and Puerto Rico. In Mexico, Wal-Mart also operates Bodegas discount stores, Suburbias specialty department stores, Superamas supermarkets, and Vips restaurants. In addition, the company runs Todo Dias supermarkets in Brazil, Neighborhood Markets supermarkets in China, ASDA combined grocery and apparel stores in the United Kingdom, and Amigo supermarkets in Puerto Rico. Wal-Mart also holds a 36 percent stake in The Seiyu, Ltd., a leading Japanese retailer. In all, more than one-quarter of Wal-Mart's stores are located outside the United States, and international operations generate about 18.5 percent of total revenues. The heirs of founder Samuel Walton continue to own about a 38 percent interest in the company.

Development of a "Good Concept" in the 1960s

Founder Walton--who at his death in 1992 was among the richest people in the United States--graduated from the University of Missouri in 1940 with a degree in economics and became a management trainee with J.C. Penney Company. After two years he went into the army. Upon returning to civilian life three years later, he used his savings and a loan to open a Ben Franklin variety store in Newport, Arkansas. In 1950 he lost his lease, moved to Bentonville, Arkansas, and opened another store. By the late 1950s, Sam and his brother J.L. (Bud) Walton owned nine Ben Franklin franchises.

In the early 1960s Sam Walton took what he had learned from studying mass-merchandising techniques around the country and began to make his mark in the retail market. He decided that small town populations would welcome, and make profitable, large discount shopping stores. He approached the Ben Franklin franchise owners with his proposal to slash prices significantly and operate at a high volume, but they were not willing to let him reduce merchandise as low as he insisted it had to go. The Walton brothers then decided to go into that market themselves and opened their first Wal-Mart Discount City in Rogers, Arkansas, in 1962. The brothers typically opened their department-sized stores in towns with populations of 5,000 to 25,000, and the stores tended to draw from a large radius. "We discovered people would drive to a good concept," Walton later recalled in a 1989 article in *Financial World*.

Wal-Mart's "good concept" involved huge stores offering customers a wide variety of name-brand goods at deep discounts that were part of an "everyday low prices" strategy. Walton was able to keep prices low and still turn a profit through sales volume as well as an uncommon marketing strategy. Wal-Mart's advertising costs generally amounted to one-third that of other discount chains; most competitors were putting on sales and running from 50 to 100 advertising circulars per year, but Wal-Mart kept its prices low and ran only 12 promotions a year.

By the end of the 1960s the brothers had opened 18 Wal-Mart stores, while still owning 15 Ben Franklin franchises throughout Arkansas, Missouri, Kansas, and Oklahoma. These ventures became incorporated as Wal-Mart Stores, Inc., in October 1969.

The 1970s held many milestones for the company. Early in the decade, Walton implemented his warehouse distribution strategy. The company built its own warehouses so it could buy in volume and store the merchandise, then proceeded to build stores throughout 200-square-mile areas around the distribution points. This practice cut Wal-Mart's costs and gave it more control over operations; merchandise could be restocked as quickly as it sold, and advertising was specific to smaller regions and cost less to distribute.

Wal-Mart went public in 1970, initially trading over the counter; in 1972 the company was listed on the New York Stock Exchange. By 1976 the Waltons had phased out their Ben Franklin stores so that the company could put all of its expansion efforts into the Wal-Mart stores. In 1977 the company made its first significant acquisition when it bought 16 Mohr-Value stores in Missouri and Illinois. Also in 1977, based on data from the previous five years, *Forbes* ranked the nation's discount and variety stores, and Wal-Mart ranked first in return on equity, return on capital, sales growth, and earnings growth.

In 1978 Wal-Mart began operating its own pharmacy, auto service center, and jewelry divisions, and acquired Hutchenson Shoe Company, a shoe-department lease operation. By 1979 there were 276 Wal-Mart stores in 11 states. Sales had gone from $44 million in 1970 to $1.25 billion in 1979. Wal-Mart became the fastest company to reach the $1 billion mark.

Establishment of Sam's Clubs in 1983

Wal-Mart sales growth continued into the 1980s. In 1983 the company opened its first three Sam's Wholesale Clubs and began its expansion into bigger city markets. Business at the 100,000-square-foot cash-and-carry discount membership warehouses proved to be good; the company had 148 such clubs by 1991, by which time the name had been shortened to Sam's Clubs.

The company continued to grow rapidly. In 1987 Wal-Mart acquired 18 Supersaver Wholesale Clubs, which became Sam's Clubs. The most significant event of that year, however, was the opening of a new Wal-Mart's merchandising concept--taken from one originated by a French entrepreneur--that Walton called Hypermart USA. Hypermart USA stores combined a grocery store, a general merchandise market, and such service outlets as restaurants, banks, shoe shine kiosks, and videotape rental units in a space that covered more area than six football fields. Prices were reduced as much as 40 percent below full retail level, and sales volume averaged $1 million per week, compared with $200,000 for a conventional-sized discount store.

Making customers feel at home in such a large-scale shopping facility required inventiveness. The Dallas store had phone hot lines installed in the aisles for customers needing directions. Hypermart floors were made of a rubbery surface for ease in walking, and the stores offered electric shopping carts for the disabled. To entertain children, there was a "ball pit" or playroom filled with plastic balls--an idea taken from Swedish furniture retailer Ikea.

Evolution of Hypermart into the Wal-Mart Supercenter in 1988

There were also wrinkles to work out. Costs for air conditioning and heating the gigantic spaces were higher than expected. Traffic congestion and limited parking proved a drawback. Customers also complained that the grocery section was not as well-stocked or maintained as it needed to be to compete against nearby grocery stores. Wal-Mart began addressing these problems by, for example, redesigning the grocery section of the Arlington, Texas, store. In 1988 Wal-Mart also opened five smaller "supercenters"--averaging around 150,000 square feet--featuring a large selection of merchandise and offering better-stocked grocery sections, without the outside services such as restaurants or video stores. These stores, dubbed Wal-Mart Supercenters, proved much more successful than the Hypermart format, which was eventually abandoned. Hundreds of Supercenters were subsequently opened during the 1990s.

Wal-Mart received some criticism during this period for its buying practices. One analyst, according to an article in the January 30, 1989, edition of *Fortune*, described the treatment sales representatives received at Wal-Mart: "Once you are ushered into one of the spartan little buyer's rooms, expect a steely eye across the table and be prepared to cut your price." Wal-Mart was known not only for dictating the tone with its vendors, but often for only dealing directly with the vendor, bypassing sales representatives. In 1987, 100,000 independent manufacturers representatives initiated a public information campaign to fight Wal-Mart's effort to remove them from the selling process, claiming that their elimination jeopardized a manufacturer's right to choose how it sells its products.

During this time, however, Wal-Mart's revenues kept going up, and the company moved into new territory. Wal-Mart enjoyed a 12-year streak of 35 percent annual profit growth through 1987. In 1988 the company operated in 24 states--concentrated in the Midwest and South--1,182 stores, 90 wholesale clubs, and two hypermarts. David D. Glass, who was named president and CEO in 1988 but who had been with the company since 1976, was a key player in Wal-Mart's expansion.

In a move motivated by good business sense and public relations efforts, Wal-Mart sent an open letter to U.S. manufacturers in March 1985 inviting them to take part in a "Buy-American" program. The company offered to work with them in producing products that could compete against imports. "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," Walton told *Nation's Business* in April 1988. Product conversions--arranging to buy competitively priced U.S.-

made goods in place of imports--were regularly highlighted at weekly managers' meetings. William R. Fields, executive vice-president of merchandise and sales, estimated that Wal-Mart cut imports by approximately 5 percent between 1985 and 1989. Nonetheless, analysts estimated that Wal-Mart still purchased between 25 and 30 percent of its goods from overseas, about twice the percentage of competitor Kmart Corporation.

Criticism for Small Town Impact in the 1990s

Wal-Mart also came under criticism for its impact on small retail businesses. Independent store owners often went out of business when Wal-Mart came to town, unable to compete with the superstore's economies of scale. In fact, Iowa State University economist Kenneth Stone conducted a study on this phenomenon and told the *New York Times Magazine* (April 2, 1989): "If you go into towns in Illinois where Wal-Mart has been for 8 or 10 years, the downtowns are just ghost towns." He found that businesses suffering most were drug, hardware, five-and-dime, sporting goods, clothing, and fabric stores, while major appliance and furniture businesses picked up, as did restaurants and gasoline stations, because of increased traffic.

Nevertheless, Wal-Mart developed a record of community service. The company began awarding $1,000 scholarships to high school students in each community Wal-Mart served. At the same time, the company's refusal to stock dozens of widely circulated adult and teen magazines, including *Rolling Stone,* had some critics claiming that Wal-Mart was willfully narrowing the choices of the buying public by bowing to pressure from conservative special interest groups.

In 1990--the year in which Wal-Mart became the number one retailer in the United States, passing both Sears, Roebuck and Co. and Kmart--stores were added in California, Nevada, North Dakota, Pennsylvania, South Dakota, and Utah. The company also opened 25 Sam's Clubs, of which four were 130,000-square-foot prototypes incorporating space for produce, meats, and baked goods. In mid-1990, the company acquired Western Merchandise, Inc., of Amarillo, Texas, a supplier of music, books, and video products to many of the Wal-Mart stores. Late in 1990 Wal-Mart acquired the McLane Company, Inc., a distributor of grocery and retail products based in Temple, Texas, for about $275 million. Early in 1991, in a $162 million transaction, The Wholesale Club, Inc. of Indianapolis merged with Sam's Clubs, adding 28 stores that were to be integrated with Sam's by year-end. In addition, Wal-Mart agreed to sell its nine convenience store-gas station outlets to Conoco Inc.

Wal-Mart's expansion continued, and by 1992 the company opened about 150 new Wal-Mart stores and 60 Sam's Clubs, bringing the total to 1,720 Wal-Mart stores and 208 Sam's Clubs. Some of these stores represented a change in policy for the company, opening near big cities with large populations. Another policy change was instituted by the company when it announced that it would no longer deal with independent sales representatives.

In 1991 Wal-Mart introduced its new store brand, Sam's American Choice, whose first products were beverages including colas and fruit juices. The beverages were made by Canada's largest private-label bottler, Cott Corp., but the colas were supplied from U.S. plants. Future plans called for the introduction of many different types of products that would match the quality of national brands, but at lower prices.

Beginning of Foreign Expansion in 1991

Also in 1991 Wal-Mart ventured outside the United States for the first time when it entered into a joint venture with Cifra, S.A. de C.V., Mexico's largest retailer. The venture developed a price-club store called Club Aurrera that required an annual membership of about $25. Shoppers could choose from about 3,500 products ranging from fur coats to frozen vegetables. Within the year, the joint venture operated three Club Aurreras, four Bodegas discount stores, and one Aurrera combination store.

Expansion in the United States also continued, and from 1992 to 1993, 161 Wal-Mart stores were opened, while only one was closed. Another 48 Sam's Clubs and 51 Bud's Warehouse Outlets also were opened. Expansions or relocations took place at 170 Wal-Mart stores and 40 Sam's Clubs. By 1993 the 2,138 stores included 34 Wal-Mart Supercenters and 256 Sam's Clubs.

Founder Sam Walton died on April 5, 1992, of bone cancer. A fairly smooth management transition at Wal-Mart ensued, because Walton had already hand-picked his successor, David Glass, who had served as CEO since 1988. S. Robson Walton, eldest son of the founder, was named chairman of the board.

In January 1993 Wal-Mart's reputation was shaken when a report on NBC-TV's *Dateline* news program reported on child laborers in Bangladesh producing merchandise for Wal-Mart stores. The program showed children working for five cents an hour in a country that lacked child labor laws. The program further alleged that items made outside the United States were being sold under "Made in USA" signs as part of the company's Buy American campaign instituted in 1985. Glass appeared on the program saying that he did not know of any "child exploitation" by the company, but did apologize about some of the signs incorrectly promoting foreign-made products as domestic items.

In April 1993 Wal-Mart introduced another private label, called Great Value. The brand was initially used for a line of 350 packaged food items for sale in its Supercenters. The proceeds from the company's other private label, Sam's American Choice, were to be channeled into the Competitive Edge Scholarship Fund, which the company launched in 1993 in partnership with some vendors and colleges. In the same year, Wal-Mart spent $830.5 million to purchase 91 Pace Membership Warehouse clubs from Kmart, which had decided to shut down the Pace chain. Wal-Mart subsequently converted the new units into Sam's Clubs. The Sam's Club chain was thereby solidified--particularly in California, where it gained 21 stores--soon after the emergence of a rival, PriceCostco Inc. The product of the October 1993 merger of Price Co. and Costco Wholesale Corp., PriceCostco--later renamed Costco Cos. and then Costco Wholesale Corporation--would within a few years overtake the Sam's Club chain as the nation's top warehouse membership club. Overall, Wal-Mart posted profits of $2.33 billion on revenues of $67.34 billion in 1993. The company workforce now exceeded half a million people.

Mid-1990s Growth Slowdown

In the mid-1990s Wal-Mart continued to grow in the United States, but at a slower pace than previous years. Whereas the company had always posted double-digit, comparable-store sales increases, starting in fiscal 1994 these sales increases had fallen to levels closer to the retail industry average--4 to 7 percent. Furthermore, overall net sales typically had risen 25 percent or more per year in the 1980s and early 1990s. For fiscal years 1996, 1997, and 1998, however, net sales increased 13 percent, 12 percent, and 12 percent, respectively. The company was beginning to reach the limits of expansion in its domestic market. This was reflected in the scaling back of the Wal-Mart discount store chain, which reached a peak of 1,995 units in 1996 before being reduced to 1,921 units by 1998. The company staked its domestic future on the Wal-Mart Supercenter chain, which was expanded from 34 units in 1993 to 441 units in 1998. Most of the new Supercenters--377 in total--were converted Wal-Mart discount stores, as the company sought the additional per-store revenue that could be gleaned from selling groceries. Meanwhile, the Sam's Club chain was struggling and was not as profitable as the company overall. As it attempted to turn this unit around, Wal-Mart curtailed its expansion in the United States; there were only 17 more Sam's Clubs in 1998 than there were in 1995.

Another vehicle for company growth was aggressive international expansion. Following its earlier move into Mexico, Wal-Mart entered into the other NAFTA market in 1994 when it purchased 122 Woolco stores in Canada from Woolworth Corporation in a $335 million deal. Over the next few years Wal-Mart entered Argentina, Brazil, and China through joint ventures. By 1997 Wal-Mart had set up several joint ventures with its Mexican partner, Cifra. That year, these joint ventures were merged together and then merged into Cifra. Wal-Mart then took a controlling, 51 percent stake in Cifra for $1.2 billion. The company thereby held a majority stake in the largest retailer in Mexico, whose 402 stores included 27 Wal-Mart Supercenters, 28 Sam's Clubs, and 347 units consisting of several chains, including Bodegas discount stores, Superamas grocery stores, and Vips restaurants.

In December 1997 Wal-Mart entered Europe for the first time when it acquired the 21-unit Wertkauf hypermarket chain in Germany for an estimated $880 million. The Wertkauf format was similar to that of the Wal-Mart Supercenter. The profitable Wertkauf chain had annual sales of about $1.4 billion and was the eighth largest hypermarket operator in Germany. Also in December 1997 Wal-Mart bought out its minority partner in its Brazilian joint venture, which by that time ran five Wal-Mart Supercenters and three Sam's Clubs. By early 1998 the company also operated nine Wal-Mart Supercenters and five Sam's Clubs in Puerto Rico. Later that year Wal-Mart announced plans to triple its retail base in China by the end of 1999, aiming for a total of nine stores at that time. Moreover, in July 1998 the company announced that it had purchased a majority stake in four stores and six additional development sites in Korea, extending its expansion in Asia. Around this same time, however, a Wal-Mart expansion into the troubled nation of Indonesia under a franchise agreement failed.

During fiscal 1997 Wal-Mart's international operations were profitable for the first time. By 1998 international sales had reached $7.5 billion, an impressive figure given that the company had begun its foreign expansion only in 1991; still this figure represented just 6.4 percent of overall sales. Although growth in sales at home were slowing down, Wal-Mart managed to exceed the $100 billion mark in overall revenues for the first time during fiscal 1997 and that year also gained further prestige through its selection as one of the 30 companies on the Dow Jones Industrial Average, a replacement for the troubled Woolworth. The firm also became the largest nongovernmental employer in the United States, with 680,000 domestic workers.

As another possible outlet for shoring up its top position in retailing in the United States and for increasing sales amid its nearing the saturation point for its Supercenters, Wal-Mart in late 1998 began testing a new format, the Wal-Mart Neighborhood Market. In an attempt to compete directly with traditional supermarkets and with convenience stores, this new concept consisted of a 40,000-square-foot store offering produce, deli foods, fresh meats, other grocery items, and a limited selection of general merchandise. The new store also featured a drive-through pharmacy. The company hoped that the Neighborhood Market would allow it to penetrate markets unable to support the huge 100,000-square-foot Supercenters, such as very small towns and certain sections within metropolitan areas.

Reaching New Heights in the Early 2000s

By 1999 Wal-Mart was the world's largest retailer (and the largest nongovernmental employer in the world, with 1.14 million employees) and was also the leading retailer in both Mexico and Canada. But it was Europe that was at the forefront of the corporation's international expansion in the late 1990s. In December 1998 Wal-Mart bolstered its German operations through the purchase of 74 Interspar hypermarkets from SPAR Handels AG. Then in July 1999 the company entered the U.K. market for the first time by acquiring ASDA Group plc for about $10.8 billion. Ranking as the third largest supermarket operator in the United Kingdom, ASDA operated 229 stores at the time of its acquisition and generated about $13.2 billion in annual revenues. Its stores were run in a fashion similar to that of Wal-Mart Supercenters: they were large-format units offering food, apparel, and general merchandise at everyday low prices, with an emphasis on private-label brands and an avoidance of promotions. The stores acquired in the United Kingdom continued to operate under the ASDA name, whereas the German units were eventually rebadged as Wal-Mart Supercenters.

In January 2000 H. Lee Scott, Jr., a 20-year company veteran, was promoted from chief operating officer to president and CEO. Scott succeeded Glass, who remained on the board of directors as chairman of the executive committee. The new leader had played an important role in reversing the declining results at Wal-Mart's domestic operations. One key to the turnaround was the adoption of a more aggressive approach to controlling bloated inventories at the stores and warehouses. Making better use of technology led both to significant decreases in inventory levels and to improved performance in keeping store shelves better stocked. Also during 2000 Wal-Mart spent $587 million to purchase another 6 percent of Cifra, which was subsequently renamed Wal-Mart de México S.A. de C.V. Wal-Mart held a stake of approximately 62 percent in this subsidiary.

During 2001 Wal-Mart became the largest food retailer in the United States as its grocery sales reached $56 billion. This milestone was reached in large measure through the aggressive rollout of the Wal-Mart Supercenter format. By early 2002 there were about 1,050 Supercenters in the United States, while the number of Wal-Mart discount stores had declined to fewer than 1,650. In fiscal 2002 alone, 178 Supercenters were opened, whereas there was a net reduction in discount units of 89 (121 had been converted to Supercenters, one was closed, and 33 were opened). At the same time, the Wal-Mart Neighborhood Markets format had grown to include 31 stores, providing a further base for the ever rising grocery revenue.

Despite some setbacks in its attempt to penetrate the very difficult German retail market, Wal-Mart kept up its steady international expansion. In 2001 the first Wal-Mart Supercenter in Puerto Rico opened for business. Then in December 2002 the firm paid approximately $242 million for Supermercados Amigo, Inc., the leading supermarket chain in Puerto Rico, with 37 outlets. Next on the expansion roster was Japan. In May 2002 Wal-Mart acquired a 6.1 percent interest in The Seiyu, Ltd. for about $51 million. Seiyu operated about 400 stores in Japan of various formats but mainly of the food-and-clothing variety. It ranked as Japan's fifth largest supermarket chain. In December 2002 Wal-Mart spent another $459 million to expand its stake in Seiyu to 35 percent, and it also had the right to increase it to nearly 67 percent by 2007. By 2003 Wal-Mart had more than 330,000 workers outside the United States, and its international operations produced $40.7 billion in sales that year, representing a 15 percent increase over the preceding year as well as about 17 percent of total revenues. International operating profits for 2003 jumped nearly 56 percent, hitting $2.03 billion. In May 2003 Wal-Mart, seeking to focus solely on retailing, sold its McLane wholesale distribution subsidiary to Berkshire Hathaway Inc. for $1.5 billion.

Overall fiscal 2003 revenues of $244.52 billion made Wal-Mart Stores, Inc. the world's largest corporation. Its achievement of becoming the first nonmanufacturing company to top the *Fortune* 500 was fitting as the company increasingly had become a symbol of both the positive and negative aspects of the U.S. economy of the early 2000s. In an October 6, 2003 article titled "Is Wal-Mart Too Powerful?," *Business Week* suggested a number of ways in which to view the power of Wal-Mart, such as: its drive to keep costs and prices down being at least partly responsible for the low rate of inflation in the late 20th and early 21st centuries; its cost-cutting focus also being a contributing factor in the shifting of factories outside the United States; and its 2002 imports from China of $12 billion representing 10 percent of total U.S. imports from that country. Furthermore, Wal-Mart had always taken a hard line on labor costs, particularly by resisting efforts to unionize its workforce. Two consequences of this were the company's extraordinarily high turnover rate of 44 percent per year for its hourly workers and the fact that in 2001 the average Wal-Mart sales clerk made less than the federal poverty level. As another way of looking at the power of Wal-Mart, *Fortune* in a March 3, 2003 issue estimated that the company's share of the U.S. gross national product (GNP) in 2002 was 2.3 percent. This approached the levels reached by General Motors Corporation (3 percent in 1955) and U.S. Steel Corp. (2.8 percent in 1917) when these firms were at their respective peaks. *Fortune* estimated that Wal-Mart's share of the nation's economy would become the biggest ever by around 2006, assuming the continuation of its then current growth rate.

As it continued to be dogged by detractors opposed to its business practices, Wal-Mart launched a PR offensive in 2003 to counter the relentless criticism it faced. But the retail giant had to contend with much more than just the attacks of journalists and social critics; it was facing a barrage of potentially damaging lawsuits. These included a host of class-action lawsuits involving employee claims that they were asked to work off the clock and to not take scheduled breaks. A sex discrimination lawsuit that potentially could involve 1.5 million current and former female employees alleged that Wal-Mart engaged in a pattern of discrimination against women in pay and promotion. In addition, in the fall of 2003 a federal investigation was launched into the company's use of a cleaning contractor that employed illegal immigrants.

Notwithstanding these legal battles, Wal-Mart Stores, Inc. was placing no brakes on its drive to become ever larger. During 2004 the company planned to open at least 220 new Supercenters, while its discount store chain would be reduced by a net of about 90 units. This would mean that for the first time there would be more Supercenters than Wal-Mart discount stores in the United States. The Neighborhood Market chain was scheduled to grow by between 25 and 30 units, and Sam's Club would add about 15 stores. The international store count would likewise increase, by about 100 units. It seemed clear that Wal-Mart intended to aggressively defend its position as the largest retailer of all time.

Principal Subsidiaries: Wal-Mart Stores East, LP; Wal-Mart Property Company; Wal-Mart Real Estate Business Trust; ASDA Group plc (U.K.).

Principal Divisions: Wal-Mart Discount Stores; Wal-Mart Supercenters; Wal-Mart Neighborhood Markets; Sam's Club.

Principal Competitors: Target Corporation; Kmart Corporation; Costco Wholesale Corporation; The Kroger Co.; Albertson's, Inc.; Walgreen Co.; CVS Corporation; Carrefour SA; Royal Ahold N.V.; Toys 'R' Us, Inc.

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