

Video Segment 32: Wal-Mart's Public Image

Teaching Use: Chapter 1 Intro to Retailing – corporate social responsibility
Chapter 16 Retail Communications – publicity/public relations

This video segment can be used with Case 4, “Wal-Mart and Corporate Social Responsibility,” in Section V of the textbook.

Summary:

In this segment, reporter Paul Solman interviews Mona Williams, a public spokesperson for Wal-Mart, and discusses the company's campaign to present itself as a responsible corporate citizen. The segment refers to two documentaries -- one critical and the other favorable -- “The High Cost of Low Prices” and “Why Wal-Mart Works.” PBS Frontline segments from “Is Wal-Mart good for America?” on Wal-Mart are available at <http://www.pbs.org/wgbh/pages/frontline/shows/walmart/view/>. Videos on Wal-Mart's PR efforts can be found at

<http://video.walmartstores.com/video/?id=831> energy efficiency

<http://video.walmartstores.com/video/?id=719> organic food and agricultural products\

<http://video.walmartstores.com/video/?id=710> sustainability strategy

<http://video.walmartstores.com/video/?id=769> McKenney Texas environmentally sensitive store.

Discussion Questions:

1. Why is Wal-Mart undertaking a public relations campaign to improve its image?

Until recently Wal-Mart was one of the few large corporations that did not have PR department. However, Wal-Mart has faced critical comments about its labor practices, effects on small business, ecological impact, etc. The film “The High Cost of Low Prices” was widely viewed by potential customers and people who can affect public policy (local, state, and federal official). This negative publicity is a factor causing the decline in Wal-Mart's stock price and its ability to open stores in many locales.

2. What some activities Wal-Mart is pursuing to improve its image?

Opening an eco-friendly store

Responding quickly to aid people in disasters – Hurricane Katrina

Promoting organic food

Supports minimum wage initiatives

Reduce packaging

1. Is Wal-Mart good or bad for the U.S. and society in general?

Good	Bad
<ul style="list-style-type: none"> • Sell products at low prices due it emphasis on low cost • Provides jobs which have benefit similar to those offer by other retailers 	<ul style="list-style-type: none"> • Drives small business in small towns out of business – destroying the fabric of small towns • Exploit labor – anti-union, etc

Employee Benefits - Heath care issue

Big business in America, and Wal-Mart is the biggest, is both admired and instinctively suspected and thus magnet for criticism. Wal-Mart's health-care policy covers fewer than half its workers and leaves the government to care for many. Some states retaliated. Maryland passed a bill forcing any company with more than 10,000 workers to spend at least 8 percent of its payroll on employee health care — a law aimed at Wal-Mart, the only company that qualifies. Similar "fair share" bills are pending or planned in thirty states. The United Food and Commercial Workers International Union has long wanted to organize Wal-Mart's stores. Last year, it succeeded at a Canadian Wal-Mart, which the company immediately shut down. "If Wal-Mart doesn't change its ways- we'll turn it into Big Tobacco," Chris Kofinis, communications director for the UFCW-funded Wake Up Wal-Mart, told me recently.

What the war against Wal-Mart tends to gloss over is that it's not at all clear that the company behaves worse than its competitors. When it comes to payroll and benefits, Wal-Mart's median hourly wage y track the national median wage for general merchandise retail jobs. Its health-care benefits are more accessible and affordable, than those of many of its competitors such as Target The fact that its workers and their families form the largest company group on the Medicaid rolls in so many states is a function of Wal-Mart's size more than mean-spirited company policy. In percentage terms, rather than raw numbers, the company's workers and their children are less likely to draw Medicaid coverage than their counterparts elsewhere in the retail sector. Among retailers, Wal-Mart is actually one of the better providers of health care — which shows how terrible the problem has become. Wal-Mart feels that it is not responsibility to solve the rising health care costs and would probably support universal health care.

On the other hand, Costco is very successful and provide much superior benefits to its employees.

	Wal-Mart	Costco
U.S. Workforce	1,200,000	83,60
Union members	0	15,000
Average pay	\$9.68/hour	\$16.00/hour
Health plan	Employees pay 34% or premiums + deductible up to \$1,00	Employees pay 5 to 8% of premiums
Employees covered	48%	82%
Waiting time for enrollment	1 year	6 months
Employee turnover	50%	24%

There are allegations of illegal conduct by Wal-Mart managers which of course should not occur. The question is whether such behavior is systemic. Wal-Mart's growth has

been slowing, and it's under pressure from investors to improve results. As that pressure gets transmitted down to stores, it's easy to imagine managers doing things they shouldn't.

Driving companies out of business

Wal-Mart's critics stress that it drives small-town stores out of business. However Wal-Mart can't drive anyone out of business. Only customers can do that, and millions of them happily drive right past those small retail stores because they'd rather pay lower prices. It isn't just Wal-Mart that draws them. Home Depot and Lowe's have been death for small hardware stores, Zales for mom-and-pop jewelry shops, Sports Authority for the old sporting goods retailers. They're all using computing power and telecommunication to create previously impossible business models that give customers what they want.

The film, "Wal-Mart: The High Cost of Low Price," focuses on H & H Hardware, a family-owned business in this small town in northeastern Ohio. Its owner explains that he needs a loan to survive, but complains that the bank has refused him because Wal-Mart's pending arrival has depressed the value of his property. It's a sad story but the customers now shopping at Middlefield Hardware, the new store in the same building where H & H operated have a different perspective. They feel the new store is a big improvement over the old one.

The new store was opened by Jay Negin, a local resident who bought the building despite the new Wal-Mart. The building's appraised value, rather than being hurt by Wal-Mart's opening in May, is higher now than it was last year. H&H's business had been floundering for years because of management mistakes. It actually closed three months before Wal-Mart opened, a fact not made clear in the documentary. The former owner, Jon Hunter had been losing customers well before Wal-Mart because he had made bad decisions and couldn't afford to keep his shelves stocked. The new hardware store is doing fine, Negin said. "Am I concerned about Wal-Mart?" he asked. "Not really. If you're a struggling business, they can hurt you. But as long as you listen to your customers and give them the products and service they need, they'll stay loyal." John Bruening, an optician in town who appeared in the documentary fretting about Wal-Mart, got so much unexpected business that he has opened another