



## RHETORIC vs. REALITY: A Brief Holiday “Success” Cannot Mask Wal-Mart’s Pattern of Failures

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*Despite some random, recent assertions that Wal-Mart is on the right track and may outperform Target for the 2007 holiday season, Wal-Mart’s business model remains unsustainable. Since 2000, Wal-Mart’s pattern of strategic mistakes has led to flat stock performance, anemic same-store sales growth, reduced U.S. expansion, reputation problems and lack of confidence in the company’s leadership. To misconstrue a single, albeit successful holiday season’s sales result in the midst of an economic downturn into an indication that Wal-Mart is on the path to a turnaround is a serious mistake. The following information measures rhetoric against reality.*

**RHETORIC:** "There's no doubt that Wal-Mart is back," said Craig Johnson, president of retail consultancy Customer Growth Partners. [CNN Money, 12/28/07]

**FACT:** Craig Johnson is a former partner at Interpublic, which counts the Martin Agency as one of its members. According to a Reuters article from early last year, the acquisition of Wal-Mart’s estimated \$580 million dollar advertising account caused Interpublic’s stock to surge “as much as 4 percent with word of the decision that keeps the Wal-Mart account with the world’s third-largest advertising group, even though it will be handled by a different agency within the company.” [Reuters, 1/12/07]

**RHETORIC:** “It’s not just shoppers turning away from Target. Wall Street has soured on the retailer, pushing its stock down more than 10 percent to a closing price on Thursday of \$50.64 a share. By comparison, Wal-Mart’s shares have gained 5 percent this year to a most-recent close of \$47.77.” [CNN Money, 12/28/07]

**FACT:** ““Since Lee Scott took over as Wal-Mart CEO in January 2000, the stock [is down] 5 percent versus a 104 percent gain in Target,” J.P. Morgan analyst Charles Grom wrote in a note to clients Monday. Indeed, Wal-Mart’s stock price has been stuck between \$45 and \$60 for the past seven years. Since January, Wal-Mart shares are down 2 percent, while rival Target’s stock has risen 8 percent.” [CNN Money, 10/23/07]

**FACT:** In January 2007, BusinessWeek reported a calculation by Communications Consulting Worldwide (CCW) that if “Wal-Mart had a reputation like that of Target Corp., its stock would be worth 8.4% more, adding \$16 billion in market capitalization.” [BusinessWeek, 1/29/07]

**RHETORIC:** “Wal-Mart’s November sales rose 1.5 percent. It hasn’t commented about December sales but the retailer’s earlier forecast called for same-store sales to grow between 1 and 3 percent for the month.” [CNN Money, 12/28/07]

**FACT:** In the previous 52 months, Target’s same-store sales have outperformed Wal-Mart’s 48 times. [Wal-Mart Watch internal calculation]

**FACT:** “Wal-Mart has been posting weak same-store-sales growth for several years due to a number of issues, including economic ones as well as cannibalization of sales by new stores from existing ones. Through October, Wal-Mart’s same-store sales for fiscal 2008 increased 1.4% in the U.S., versus 2.3% a year earlier. Growth for all of fiscal 2007 ended up at 2.1%, the company’s weakest ever.” [Wall Street Journal, 11/8/07]

**FACT:** “Last April, Wal-Mart Stores, Inc. posted its worst monthly same-store sales results in at least 28 years, tallying a 3.5% decline in April due to this year’s early Easter as well as generally challenging economic conditions for consumers.” [Wall Street Journal, 5/10/07]

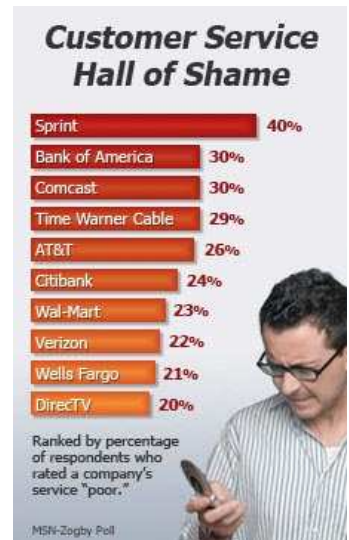
**RHETORIC:** "This holiday season Wal-Mart really outmaneuvered Target in service," Buxbaum, executive vice president of consulting firm Buxbaum Group, said. [CNN Money, 12/28/07]

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**FACT:** "Wal-Mart's service has been sliding for many years, according to an annual survey conducted by the University of Michigan. The most recent information from Michigan's American Customer Satisfaction Index shows Wal-Mart dropped to a score of 72 last year, down from 81 in 1995." [BusinessWeek, 10/3/07]

**FACT:** BusinessWeek went to several Wal-Mart stores to see how the retailer is handling "everything from merchandising to morale." What they did not find was outstanding customer service. Lee Scott, in an effort to improve customer service, instituted a customer survey. "During a recent visit to the store, one cashier didn't greet two customers, and, when asked about the survey, she replied with outright scorn. 'I don't care,' she said. 'If Wal-Mart doesn't care for me, why should I care?' She took up the issue of cleanliness unprompted. 'There was this horrible smell in the store the last two days from some overnight spill,' she said. 'They did nothing about it. It got so bad that on the second day the fire department came by and we all had to wear masks.'" [BusinessWeek, 10/3/07]

**FACT:** "There's a reason why Wal-Mart is a (US) \$400 billion business,' says Feinberg. 'It's not that they coddle you. People will say Wal-Mart has good customer service, but Wal-Mart is basically self-service.' For most customers, Richard Feinberg, director of Purdue University's Center for Customer-Driven Quality, says, Wal-Mart's low prices create a perception of good service even in the absence of, say, Nordstrom's employee-to-customer ratio." [CMRBuyer, 11/21/07]



**2007 COMPARABLE STORE SALES**

