



## When Wal-Mart Comes to Town

How one small town reacted to Wal-Mart's opening three stores in the area.

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**For a hundred years Bath, Maine, had done just fine, thank you. Downtown-business owners worked hard, sometimes flourished, and always sustained a small but vital economic community that was the lifeblood of the town. Then Wal-Mart arrived**

Gediman's appliance store occupies a sagging storefront on Centre Street in the town of Bath, about halfway up the coast of Maine. Gediman's opened in 1931 and kept on selling to townspeople right through the depression -- a dollar down, a dollar a week. The store subsequently was passed down through two generations of the Gediman family and then into the hands of Jayne Palmer, who, with her husband, Russell, bought the business seven years ago. The Palmers put in long hours so Gediman's will stay in business, affirming the human connection that has given their store life here on Main Street USA in an era when so much of the retail action has long since left for the malls. People wander into the Palmers' store to sit in easy chairs and eyeball the large-screen TVs, as if they were settling in over morning coffee in the Palmers' kitchen. Gediman's offers easy terms balanced by a quaint sort of accountability. "I get grandmothers coming in, making sure their children are up-to-date on their payments," says Jayne.

A block farther down Centre Street stands Burgess' Market, which Charlie Burgess Sr. opened in 1942. The store fills about 7,000 square feet of space yet carries most everything a traditional supermarket four times its size does. A swing through Burgess', with its tight and brimming aisles, amounts to an adventure in merchandising, with hand-lettered signs signaling specials at every turn. An expansive and well-manned butcher's case and a bakery in the rear of the store accent the sense of service and familiarity that pervades Burgess'.

Charlie senior passed the business on to his son Charlie junior, who routinely worked 14-hour days until a heart attack slowed him down, at which point his son Craig stepped in to help. Ask Craig Burgess how business is going, and he'll ask you, "Which one?" Burgess owns a computer store in Bath and a convenience store one town over. He runs a tax-planning and financial-planning business off his desktop. If you mention you've been talking to Craig, townspeople are likely to give you a knowing, sideways glance, as if to ask, So what did he try to sell you.

Back downtown on Bath's main shopping street, Front Street, sits Renys Department Store, its high ceilings dissipating the hazy glare of fluorescent light. A broad, creaky staircase at the store's center descends into a basement brimming with bargains. Renys is known for buying up odd lots and spicing its displays with quality brand-name goods at hard-to-pass-up prices. Halcyon Blake, the owner of Halcyon Yarn, a mail-order yarn business in Bath, says Renys is more bazaar than department store. "You go in there and you never know what you're going to find, whether it's Woolrich shirts at 80% off or some other incredible deal," says Blake, relishing the thought. "At Renys there's always an element of surprise."

Bob Reny actually has 15 such bazaars scattered across Maine in small towns like Bath, whose population is about 10,000. He has been in business 43 years, working with his sons Bob junior and John, and when he describes his retailing methods, it is clear that Reny revels in surprise: "We do crazy things around here. You never know what tomorrow's deal is going to be, because we don't know." Dave Morse, who publishes seven small papers along the coast, says Reny "gives his customers incredible value." He also gives them good theater. A few years ago, when New York City refurbished Yankee Stadium, Reny sent a couple of trucks down to the city to collect old seats and other fixtures from the rebuilding of Ruth's house. He then peddled some of the goods off the back of his trucks in the city, before returning the rest to Maine to be sold in his stores.

At a rough count Bath has some 100 merchants like the Palmers, Burgess, and Reny. Many are small-town shopkeepers given to working in comfortable proximity to -- if not in solidarity with -- one another. In a place like Maine, cooperation is a notion that takes a backseat to more native traits such as independence, resourcefulness, and stubbornness. But those attitudes shifted about two years ago, when the merchants of Bath first heard that a different sort of business was coming to town.

That business was begun by an entrepreneur named Sam Walton, who started out in a small town not unlike Bath. In 1950 Walton opened Walton's 5&10, in Bentonville, Ark., and by 1962 he had grown the chain to 15 locations and opened his first discount store. These so-called Wal-Mart stores then multiplied in the 1960s and 1970s, as discount stores took market share from conventional department stores with their higher overhead costs -- and higher prices. From 1960 to 1985 annual sales by discount stores in the United States exploded from \$2 billion to \$68 billion, with Wal-Mart responsible for igniting much of that growth.

Wal-Mart thrived by locating its stores in rural areas, where people were traditionally underserved by retailers. Thus they were willing to drive 30 miles not just to shop but to indulge, as well, in the postwar cornucopian experience of walking into a store the size of a hangar, stacked to the rafters with consumer goods.

Wal-Mart invested more heavily than its rivals did in technology to better manage its inventory and reduce operating expenses. It cut distributors out of the daisy chain and

tied inventory -- via computer -- directly to manufacturers to further ratchet down costs. And finally, as the company grew very large in the 1980s, it exerted leverage against its vendors in pricing, production, and delivery. By then it was not uncommon for Wal-Mart to tell a Coca-Cola, a mere \$13-billion company, to deliver on Sunday, or to suggest to a Procter & Gamble -- at \$30 billion in sales -- that it should seriously consider siting its distribution centers adjacent to Wal-Mart's.

The company could do that because, incredibly, it had come to dwarf those *Fortune* 500 giants. In 1980 Wal-Mart had revenues of \$1.6 billion. By 1991 the company had swollen to \$33 billion, bringing Wal-Mart roughly equal to K mart in annual sales. By last year Wal-Mart had added *another \$22 billion* in sales, while Sears and K mart saw revenues plateau. This year Wal-Mart will open another 150 discount stores, putting the total at roughly 2,050. It currently has 250 Sam's Clubs -- warehouse-type buying "clubs" -- and 35 Supercenters, which are 150,000-square-foot hybrid operations combining a traditional Wal-Mart store with a supermarket. In 1970 Wal-Mart went public, and 100 shares of its stock bought that year would have cost \$1,650. Today that stake would be worth almost \$3 million.

In a poll of 500 corporate executives taken last year, Wal-Mart was selected one of the three most admired U.S. corporations. But others view the company as a voracious force that has altered forever the pattern and tempo of commercial life in small-town America. As Wal-Mart rolled out its franchises, it sucked commerce off Main Streets, destroying traditional retailers that had served their communities for generations. But in the face of the abundance Wal-Mart produced in the form of more jobs, consumer savings, and expanded trade, the loss of Main Street life seemed an incidental price to pay.

The keenest student of Wal-Mart is Ken Stone, a professor of economics at Iowa State University who specializes in retail trade and rural development. About eight years ago Stone started hearing from small-town Iowa merchants whose downtowns were dying. He began gathering sales-tax data and concluded in 1988 that Iowa towns within a 20-mile radius of 14 Wal-Mart stores saw total retail sales decline by 25.4% after five years. Even towns outside that 20-mile radius felt Wal-Mart's pull. Their retail sales declined by 17.6% after five years. "I was amazed by the impact of Wal-Mart," says Stone.

Stone further found that the sales of small specialty stores decreased substantially. Eight years after Wal-Mart's entry into Iowa, department stores -- led, obviously, by Wal-Mart -- had added \$334 million worth of revenues, amounting to a 20.2% gain in market share, while clothing, drug, jewelry, auto-parts, hardware, variety, and grocery stores had all lost market share ranging from 2% to 44%.

Wal-Mart's strategy relies on developing overwhelming critical mass. The chain often simultaneously opens stores of 90,000 square feet and up, eventually putting them so close together that they compete with one another. (Wal-Mart has 230 stores in Texas alone.) Wal-Mart's vice-president of corporate affairs, Don Shinkle, says that the number

of stores the company has closed because they have not performed to expectation "can be counted on one hand." That does not include stores the company routinely closes -- only to move them to more strategically placed sites.

The more Stone observed this juggernaut, the more he realized that the only hope small merchants had was to niche around it. That meant improving customer service, tailoring selection to customer needs, and not competing directly with Wal-Mart's product lines. "There are a lot of voids and niches that can be filled by specialty retailers -- and that's the only hope," says Stone, "because Wal-Mart skims the cream. It has a distribution system that is the best in the world. Its costs are lower than anyone else's because it ties the manufacturer right into its stores."

Stone also notes that Wal-Mart management won't tolerate shrinkage -- loss, theft, and damage of inventory -- and adds that not keeping an eye on that is a way for Wal-Mart managers "to get fired real fast." Wal-Mart aims to keep shrinkage at around 1%, while other retailers typically settle for between 3% and 5%. Similarly, Wal-Mart, which relies on word-of-mouth promotion, spends .5% of sales on advertising, roughly one-quarter of what K mart and Sears each spend. By running leaner, Wal-Mart can charge less -- and make more. Last year Wal-Mart's gross margin was 22%, eight points below that of Sears, yet Wal-Mart's net profit margin was 4%, nearly double Sears's 2.2% in 1991. (Last year Sears took a onetime charge, resulting in a loss.)

In the process of understanding the Wal-Mart phenomenon, Stone began advising local merchant groups on how to parry the retailing giant's thrusts. In that capacity he has traveled to every state in which Wal-Mart now has a store.

Two years ago Wal-Mart announced it was entering yet another state -- Maine -- building about 12 stores there, all to open within about 15 months. The number of stores occasionally expanded to 15, inevitably the product of Arkansas secrecy and Maine rumor. The sites shifted, as did the opening dates. But what emerged for sure was that Wal-Mart would build on the outskirts of Brunswick, about 6 miles west of Bath; in Rockland, 45 miles to the north; and in Auburn, 30 miles northwest. Bath would not come under siege on its eastern flank, as Wal-Mart had yet to float an offshore platform on which to put a store.

Bath, Maine, is a predominantly blue-collar town dominated by shipbuilding, a trade embodied by Bath Iron Works (BIW), whose giant cranes loom above the town, competing with the church steeples that pierce the sky. BIW has been building ships for the navy since World War I, and before that Bath's shipyards built many of the great clipper ships of the 19th century. In 1890 Bath was the fifth-largest shipbuilding center on the East Coast. Today it is a sleepy town of 10,000.

With defense cutbacks, BIW, which once employed 10,000 people and drew workers from as far away as 100 miles, has been in slow and steady decline for the past 10 years.

Into that void there have stepped -- to some degree -- specialty retailers who have scratched a living from the spartan Maine economy. The specter of decline recedes in downtown Bath, with its occupied storefronts, brick sidewalks, and street lamps harking back to the gaslit days.

The prospect of a Wal-Mart opening just six miles away, on the outskirts of Brunswick, divided Bath's business community. On one side, a comfortable old guard looked at the traditionally high occupancy rates in Bath's busy downtown and wondered what all the fuss was about. "There was a fear on the part of some people that if you talked about something negative, it would make everything negative," says Jayne Palmer. "We, on the other hand, saw Wal-Mart's coming as the catalyst that would mobilize and organize the downtown merchants."

Palmer and Bill King, the owner of RVI, which sells motorcycle and snowmobile accessories, led the faction that split off from the chamber of commerce to form a new, more activist group, the Bath Business Association (BBA), which claims 75 members. "Wal-Mart is a threat to every small business in Bath," says King. "That's not to say it's going to put everyone out of business, but there are certain things you have to do or else it'll kill you." He immediately went out and bought some Wal-Mart stock. "I started photocopying its quarterly P&Ls and bringing them to our meetings just to scare people."

Bob Reny, who had spent four days trooping through Wal-Marts in Florida, came to Bath to speak before the BBA about the company and its tactics. The association also organized two exhaustive four-hour sessions in the face of Wal-Mart's imminent arrival, which amounted to sort of a plumbing of the civic soul. "Each of us had to make a commitment of what we were willing to do to make the community move forward," recalls Halcyon Blake.

In the spring of 1992 Ken Stone came to Maine to address merchant groups from towns in the path of the Wal-Mart advance. His advice was simple and direct: don't compete directly with Wal-Mart; specialize and carry harder-to-get and better-quality products; emphasize customer service; extend your hours; advertise more -- not just your products but your business -- and perhaps most pertinent of all to this group of Yankee individualists, work together.

In 1992, after hearing Stone's pep talk, Jayne Palmer increased her advertising budget by 30%. She computerized her inventory and tied her system in with General Electric Credit, enabling her to order GE products direct from the company and save money by getting better terms. She extended her hours and eased credit to customers. She created a room in her store where people could watch TV while their children played on the floor. She cut back on the low end of her inventory, knowing Wal-Mart could always undersell her there.

John Hichborn, who operates the True Value Hardware store in Bath, which had been in his wife's family for four generations, felt he was well positioned -- even though Ken Stone's Iowa data showed that hardware stores took a huge market-share hit, minus

30.9%, when Wal-Mart came into the state. "Our customers know our inventory and are responsible for it," says Hichborn. People had been coming to the store for generations and apprising Hichborn of their hardware needs, and there they'd always find employees who knew the inventory. "Each department is run distinctly with two employees responsible for all decisions within it, including purchasing and merchandising," says Hichborn.

Craig Burgess extended the hours of the family market and stepped up promotions. "It's important that we keep on emphasizing the low prices we do have," he says. He claims that Wal-Mart creates the illusion that it always undersells the market, based on a handful of heavily marketed items at rock-bottom prices, but that the rest of Wal-Mart's inventory is not all that competitive on price. He says that if customers perceive that Wal-Mart consistently undersells specialty retailers, those retailers are as good as dead.

The Bath merchants also came together for the Christmas 1992 shopping season, with 39 of them kicking in \$220 each to fund a campaign promoting downtown as a shopping destination, the first time that had ever happened. They lit every tree in town. Sales in December were brisk. Bill King recalls how customers coming to his store told him how relieved they were to get out of the malls and do their shopping in the relative peace of downtown Bath.

The merchants' efforts even extended to some informal intelligence gathering. Some of them used the same contractors that had worked on the Wal-Mart construction. They tapped into that source to guess at a completion date for the building, so they could mount a preemptive ad campaign. They continued to comparison shop at Wal-Mart stores in New Hampshire, in the process getting thrown out for taking notes. They then started using concealed tape recorders activated by voice.

Wal-Mart could also play that game. Last summer it sent Don Shinkle, its vice-president of corporate affairs, to Maine for two weeks to soothe groups of local merchants. Jayne Palmer recalls few if any substantive answers to questions at the meeting she attended.

In late January 1993 the Holiday Inn in Bath received a call from Wal-Mart asking for a quote on 30 rooms for six weeks -- an obvious tip-off of the grand opening. Which six weeks, the motel asked? We can't tell you that, replied Wal-Mart, just give us a price.

Matt Eddy, the town planner in Bath, says, "Wal-Mart is exceptionally well organized. Before most people knew it was even coming to Maine, it had four or five building sites it had strong options on and was going through the simultaneous review-and-approval process."

Wal-Mart likes to move as quickly -- and as quietly -- as possible. That is understandable, given that wherever the retailer goes, it sends inevitable ripples through local economies. Developers and bankers become camp followers of Wal-Mart because they know that

when the company puts up a building, it immediately creates value for miles around. Andy Rosenthal, a Maine developer who has worked with Wal-Mart, notes that typically Wal-Mart owns land until it has its building built -- then it sells the land and becomes a tenant. "That gives it control when the project is under construction, and flexibility once it's up," Rosenthal explains.

Wal-Mart thus recoups its investment and is on the hook only for its lease. Ken Stone explains the rationale behind that strategy: "If K mart comes into the market with a bigger store, you can bet your bottom dollar that Wal-Mart will soon find a place for a bigger store." He notes that according to Wal-Mart's 1992 10-K report, the company owns only 16% of the properties on which its Wal-Mart stores are located.

That is not atypical for large retailers, which are not, after all, in the land business. But Wal-Mart's tendencies implied a lack of commitment that worried people in Bath, many of whose families and businesses had stayed put for generations. Another troubling element involved the disjunction between how many jobs Wal-Mart claimed it would create and how many of those jobs were really only part-time -- as many as 60% by some estimates. "That creates a hidden cost to the community," asserts Jayne Palmer. She reasons that if Wal-Mart ends up "paying less than people can live on" and doesn't offer sufficient benefits, local taxpayers will simply end up subsidizing a ragtag work force.

Again, a high percentage of part-time jobs is not atypical in retailing, and Wal-Mart's Don Shinkle maintains that the company's work force is at least 60% full-time. But Wal-Mart hardly defines full-time in a conventional way. By the company's standard, any employee who works at least 28 hours a week is eligible for benefits -- and thus is considered full-time.

Beyond the Wal-Mart speak about who qualifies as a full-time worker, Bath had bigger things to worry about, namely, Wal-Mart's quest to vertically integrate the shopping experience. The traditional Wal-Mart discount store -- which powered the bulk of Wal-Mart's first \$50 billion in sales -- can be seen as just the first of three waves of multibillion-dollar corporate growth. The second wave began in 1983, when the company entered the club-store/warehouse business, opening its first Sam's, which sold dry goods in bulk. Bill King recalls recently going into a Sam's and finding motor oil priced below what his distributor charges. That meant that Sam's, buying in significant quantities, had the power to "turn the market on itself," as King puts it. Retailers could simply bypass their distributors in favor of Sam's -- and Sam's could take revenues from local merchants on two levels: as a supplier at the wholesale level, and as a competitor at retail. Wal-Mart envisions being a \$100-billion company by the year 2000, with the spread of Sam's stores to as many as 500 units fueling much of that growth.

And then there is the third wave of the Wal-Mart growth strategy, which could turn the corporation into a retailing colossus. That involves entering the \$362-billion-a-year grocery market, which Wal-Mart has begun addressing through its Supercenters, combination discount stores and supermarkets. (The first of those opened in 1988, and today there are 35.) Also, in 1991 Wal-Mart bought McLane's, a grocery distributor with

\$3.7 billion in sales. In 1992 it bought the Phillips Cos., an Arkansas-based grocery chain with \$290 million in sales. Taken together, those two acquisitions allow Wal-Mart to operate a controlled experiment and refine the concept before rolling it out nationwide.

Bob Reny, like any entrepreneur, loves to turn a buck. But he also has a thing about stores' being open on Sunday. To him, Sunday is for church, rest, and family -- not to mention ice fishing and berry picking. For 28 years Reny had successfully fought the repeal of state blue laws that denied major stores Sunday hours. Says Reny, "I believed that if you rescinded those blue laws, you would irrevocably change the face of Maine." Finally, two years ago, Reny lost the blue-law battle when his opponents, backed by \$600,000 from large retailing interests, won a referendum by only two percentage points, having outspent Reny's side 12 to 1.

Earlier, on the New Hampshire side of the border, Wal-Mart had built a distribution center and readied to open up in Maine, if and only if the state's blue laws were rescinded. Bob Reny says that 100,000 Mainers work in retailing, "and a lot of those people have families. Now some of them will have to work on Sundays." He notes that this puts the squeeze not only on people working for large retailers who can afford to pay their employees time and a half to work on Sundays but also on small retailers like him who are forced to keep pace.

The repeal of the blue laws was the first example of the muscle large interests like Wal-Mart could bring to bear when they entered a market. The second occurred in Augusta, the state capital, when the legislature voted to allow the newly built Augusta Mall -- to be anchored by a Wal-Mart -- to use \$7 million in sales-tax receipts it generated for improvements specifically around the mall. Reny was fighting that measure until he went away one weekend -- and it was summarily passed. He considers such a tax break outrageous, since it uses public dollars to give further advantage to the mall against downtown merchants, who are already reeling from the flight of business to the mall.

In November 1992 Wal-Mart opened its second Maine store, in Rockland, 45 miles north of Bath. In one week it received 2,800 applications for work and hired 200 people. Some left their existing jobs to work for Wal-Mart, believing it would offer steadier employment. After the Christmas rush ended, the store laid off some newly hired workers. In December, the Rockland Wal-Mart's first full month of operation, Rockland showed a 55% gain in retail sales. The four surrounding towns showed declines ranging from 6% to 17%.

Some of that big gain could doubtless be chalked up to initial curiosity about the new Wal-Mart store, but it also pointed out the two-edged sword that Wal-Mart represented. Wal-Mart, in industry jargon, had "pulling power." It also stanchd "leakage." Before Wal-Mart arrived, Rockland's leakage rate was about 50%. The city lost half its retail

business to neighboring towns: for every \$1 Rockland consumers spent in Rockland, they spent another \$1 somewhere else. And that spoke directly to the quandary Wal-Mart created for small towns wherever it went.

If your town doesn't attract a Wal-Mart, then a neighboring town might, translating into increased trade and tax revenues for your neighbor -- and less for you. Your neighbor's pulling power creates your leakage. That was the problem faced by Amy Naylor, the town planner in Brunswick, when Wal-Mart bought property in Cook's Corner, an area about two miles east of Brunswick and four miles west of Bath. Recalls Naylor, "We had just finished a townwide plan that really brought home citizens' desire to create neighborhoods, keep the town livable, and have a human scale. That came over clearly."

Wal-Mart entered on the heels of that debate. "People were knocking on my door for two weeks, asking, 'How can Wal-Mart come in after we've just been through this process? This is not what we want,'" Naylor says.

She was leery of Wal-Mart's site plan. "I tried to call Wal-Mart and see if its people would come up and talk to us about it," she recalls. "They wouldn't set foot in the state until they had gotten all the approvals." In other words, Wal-Mart's message to Naylor was, Talk to our hired guns in Maine.

Second, she worried that Wal-Mart would accelerate the drift of business out of downtown Brunswick to Cook's Corner, where a new courthouse complex, a hospital, and a new mall were going in, creating what Naylor called an "economic vortex." "Wal-Mart is not going to generate new sales," says Naylor. "It's going to earn its money from existing stores. It's not providing great jobs with a future. Wal-Mart will not do its banking in Brunswick or in Maine. We are a colony market to it. It will use our consumers and our labor as its raw material, and everything except the low wages and the tax revenues it provides will be pumped out of state."

Yet no matter what Naylor thought, she had little choice, as the issue boiled down to the realities of pulling power and leakage. "If I had gone to my town manager and said, 'We have to stop Wal-Mart because these are low-income jobs, Wal-Mart does all its banking out of state, and it will put a real strain on services,' I'd be told, 'It's 200 jobs, we'll get tax revenues, and if we don't take Wal-Mart, Bath will.' I couldn't go to the town council and say, 'I lost Wal-Mart.' If I did, I'd be out of a job."

As Wal-Mart readied to open its Brunswick store, in late April, concern prevailed in Bath over who would draw the Wal-Mart bullet in this game of Russian retail roulette. "I think that man's business is going to be devastated," says Halcyon Blake over lunch one day, referring to Don Povich, a specialty clothier on Front Street. Povich says he isn't worried. He endured the first wave of flight to the malls, 20 years ago. Another merchant worries that Jayne Palmer at Gediman's would get hurt, while Palmer points out that Wal-Mart seems to be stalking Bob Reny by locating near his stores. Reny foresees his sales

initially declining 10%, and then rebounding because Wal-Mart can't match him on value: "With Wal-Mart there's a lot of hype and no reality," he says defiantly.

To date, Wal-Mart has opened seven Wal-Marts and two Sam's Clubs in Maine. It will not reveal how many locations it will eventually have in the state. Company spokesman Don Shinkle says, "Wal-Mart believes that the type of discount retailing we do will be fully appreciated in Maine." He adds, "Regardless of where we locate, acceptance is going to be very good. There is nowhere that we are not accepted with open arms. Our results in Maine to date are nothing short of overwhelming."

Asked for specifics, Shinkle demurs. "We do not share numbers."

Whereas Shinkle showed predictable confidence, the locals displayed a native skepticism, which held that Maine was different and that Wal-Mart's highly centralized operation -- the Rockland store had its lights and thermostat controlled by a company computer in Oklahoma -- would be a negative in a traditional state like Maine. On top of that, Wal-Mart had brought in a manager from Florida to run its Rockland store.

Despite making a huge investment in Maine, Wal-Mart, locals suspected, had done scant market research. A number of sources claim to have heard as much directly from Wal-Mart officials. One source, Amy Naylor, the planner in Brunswick, recalls a meeting where "they told us they just had a feeling it was going to be right."

Don Shinkle replies that Wal-Mart may move fast, but it moves with care. "You can rest assured that some of the finest marketing and real estate minds in the country work for this company." That may be so, but to what extent were those minds, calling the shots from headquarters in Arkansas, oblivious to nuances in regional markets? When the company built its store in Bangor, it installed electric heat, which, as every homeowner who has endured a Maine winter knows, is about three times more expensive than oil heat in the state. In its first month the Bangor store ran up an electricity bill of \$80,000 -- whereupon it ripped out its electric heating system and replaced it with oil.

The Bangor blunder, Wal-Mart's opponents contend, revealed the hubris of a large national corporation that was sure it could roll out its formula to every corner of the country. But would the formula work in Maine? A recent study commissioned by a large local business projects that retail sales in Maine will grow only between 1% and 2% in each of the next 15 years. The state's retail environment has already been honed by years of rigorous discounting in the form of numerous factory-outlet stores coupled with an enduring recession. Says Dave Morse, the publisher of a number of weekly Maine newspapers: "If you've survived in Maine to this point, you know what you're doing. You're not just a shopkeeper, you're a merchant."

Maine is not a wealthy state, and its population is older than the national average. Older people tend to shop on Main Street. Living in the land of L. L. Bean, Mainers know the

meaning of value and quality. "These are people who will walk into a store, buy the one thing on sale, and walk out," says Morse. "They shop for value, and they shop hard." Many simply have found Wal-Mart lacking. "Everybody I've talked to has said its inventory is phenomenal and the layout is nice," he says, "but its prices are not always the cheapest, and its quality is not always the best."

What's more, Wal-Mart paid far too much for the Rockland site, asserts John Morris, a local architect and developer who six years ago built a nearby shopping center that now competes with Wal-Mart. Morris notes that Wal-Mart paid \$2.3 million for an eight-acre site -- and added another \$1 million in improvements. "I know a development group that had an option on the site two years earlier for \$800,000 and didn't exercise it," he says. He doubts Wal-Mart will be able to generate enough revenues in Rockland to service its debt and turn an acceptable profit. "If your net margin is 5% and you paid \$1 million more for the site than you should have, that means you have to generate another \$20 million in sales to compensate."

Morris believes Wal-Mart may have overpaid because it had an inflated view of what the Rockland store could produce. In one meeting with local merchants, the store's manager, Kevin Arnold, let slip that he expected to turn over his inventory, valued at \$6 million, five times. Says John Morris, "Anyone who believes that store is going to do \$30 million in sales should be put in the loony bin." Another local merchant at that meeting recalls Wal-Mart's speaking confidently of exceeding its projections of \$22 million for the store. But that number is well above what the average Wal-Mart store grosses, \$18 million, and the Rockland site, jutting out on a fjordlike stretch of sparsely populated land into the sea, seems far from ideal.

Another possible misstep involved advertising. Wal-Mart prides itself on its low advertising costs, the product of economies of scale realized, in part, by generating print advertising from Arkansas in the form of preprinted inserts sent to local newspapers or distributed via direct mail 13 times a year. But Dave Morse says that local merchants can outflank a monthly insert by setting ads on their desktops and getting them in the local paper weekly, to niche around Wal-Mart's less timely advertising and more centralized marketing strategy.

Wal-Mart's slow start in Rockland degenerated from there into strange financial dealings and growing employee discontent. The store was stringing out local suppliers for up to 10 weeks. Then, in April, the Rockland manager, Kevin Arnold, abruptly resigned. Wal-Mart's Don Shinkle refuses to specify if Arnold resigned or was fired. "That's a personnel matter." He does add, though: "Like any good business, we believe in paying our bills with a sense of urgency. Does that happen in each and every one of our stores? No, but when it doesn't, we react and respond as we did in Rockland."

Meanwhile, management in Rockland, in an effort to limit its labor costs to no more than 10% of sales each week, would summarily tell employees to go home, curtailing their hours, wages, and enthusiasm for their employer. When the local paper, the *Rockland Courier Gazette*, ran a story suggesting there was employee discontent at Wal-Mart,

store managers turned the newspaper box outside the store face down on the sidewalk and called the paper to come retrieve it.

Back in Bath the merchants are sounding confident as the late-April opening of the Brunswick store approaches. John Hichborn at True Value Hardware notes that "people have to drive six miles past my door to get to Wal-Mart. I'd be surprised if I had this place up for sale in two years."

Craig Burgess sees "no massive door closings." He believes that in today's economy, people "crave service," something Wal-Mart can offer "only on a superficial level." Burgess envisions a pendular swing in retailing, away from price and back toward the level of service that existed after the war, when people bought clothing not from catalogs but from their local haberdasher, when milk arrived in glass bottles on the doorstep.

Mary Danzer, an editor at the local Bath weekly, the *Coastal Journal*, says that everyone she knows who has made the mini-pilgrimage to the Rockland Wal-Mart was underwhelmed. "Everyone came back and said, 'What's the big deal? It's just K mart with the stuff stacked a little higher.' "

That moves Danzer's thoughts to the macro if not the cosmic. "When you think about the 1980s, Wal-Mart matches the excess of that decade. People are now talking new values, and it takes a while before that translates into action, but the trend is definitely toward decentralization. Megagovernment, megainvestment, and megaretailing are going the way of IBM and Sears. And Wal-Mart will be the next white elephant."

When measured against Wal-Mart's phenomenal success, that kind of talk could be considered wishful thinking of the first order. Walter Loeb, a noted retail analyst, says, "Last year Wal-Mart did \$55 billion in sales, and this year it's looking at \$69 billion. Wal-Mart's an amazing company, powered by the dedication and drive of its management people. I believe it will continue to grow."

But to Bath merchants like Halcyon Blake, growth is not the issue: "We have to tell people that the Bath merchants are not just taking it all in. We have to focus on being good citizens and giving back to the community. We have to focus on making that story available to people -- not just making it available but stuffing it down people's throats.

"There's no argument that you can get a damn light bulb for 10¢ cheaper at Wal-Mart than you can at John Hichborn's hardware store. But do people know that John Hichborn is a major contributor to Elmhurst [a local trade school for the handicapped]? He works at finding jobs for people from Elmhurst. If Hichborn goes out of business because people want a cheaper light bulb, then you lose more than just the tax revenues that business generated."

In some strange way Bob Reny *likes* Wal-Mart. It gets his retailing juices flowing and reminds him how he has already seen a lot of retailers -- Sears, Penney's, Grant's, Woolworth's -- come and go, while he has steadily prospered. Reny has been in business 43 years, and he has withstood them all. But now, at 66, he finds himself confronted by a new force, perhaps more formidable than the others. "Wal-Mart thinks it's invincible," says Reny. "The problem is, it does not want just its share. It wants it all. A lot of small towns in the world need to survive. Wal-Mart comes and goes, but after Wal-Mart goes, there's nothing left."

But to Reny the moral of the Wal-Mart story is that as you sow so shall you ultimately reap, and in his view Wal-Mart has scorched the market. "The real secret is, if you step on a lot of hands on the way up, those hands won't be there to catch you when you come back down." He adds: "They're affecting our business, that's for sure, but we'll survive -- provided we can get communities to fight back and come together like never before. If not, a lot of people will get hurt real bad."