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Wal-Mart Moves Prompt Worry Among Some

By Mark Friedman - 3/15/2010

Wal-Mart Stores Inc.'s announcement that it would be cutting jobs at its home office in Bentonville, coming on top of a slow exodus of Wal-Mart vendors and a drip-drip-drip of announcements about decentralized operations, has locals looking for new economic development engines for northwest Arkansas.

Wal-Mart "needs to remain a healthy, vibrant company for northwest Arkansas to remain a healthy, vibrant community," said economist Kathy Deck, director of the Center for Business & Economic Research at the Sam Walton College of Business at the University of Arkansas at Fayetteville. "But it's in a more mature phase. That's something the region has to get used to."

The Northwest Arkansas Council, a nonprofit group of top regional business leaders, has commissioned a study to help identify growth opportunities for the next decade - in addition to the obvious growth in tourism that will undoubtedly follow the opening of Crystal Bridges Museum of American Art.

In February, the retailer said it would lay off 300 workers. The move was done to "eliminate duplication, reduce costs, and shift the work closer to the operating units," Wal-Mart CEO Mike Duke said in a memo to employees. In 2009, Wal-Mart eliminated more than 700 jobs at its Bentonville and Rogers offices. "When we think about what are the next drivers of economic growth in northwest Arkansas, I don't think you can look at Wal-Mart's organic growth as being it," Deck said.

In addition to the job cuts at Wal-Mart, some of its vendors are moving away. Analysts say retailers in general are shifting some of their buying decisions away from central offices to regional locations.

In February 2009, Wal-Mart moved its apparel-buying division to New York.

"Wal-Mart realizes that everything cannot originate in Bentonville," said Carol Spieckerman, president of Newmarketbuilders of Bentonville, a retail strategy firm. Retailers "realize that the U.S. isn't a one-size-fits-all market and, in Wal-Mart's case, that global markets are even more fragmented and specialized."

Some vendors followed Wal-Mart to New York, she said. And more might be on the way.

"Definitely some of the apparel companies have left the area, but others are keeping a smaller presence here, just to make sure they're close to" Wal-Mart, Spieckerman said.

She said a vendor told her last week that it was considering not renewing its office lease when it comes up for renewal next year. Spieckerman declined to identify the vendor.

"That doesn't mean they are getting rid of their staff," Spieckerman said. "It just means that they might not keep them at an office." Instead, they might work at different locations and stay connected through the Internet, she said.

Last month, Wal-Mart revealed plans to organize three geographic business units, called Wal-Mart West, Wal-Mart South and Wal-Mart North.

A Wal-Mart spokeswoman didn't return a call to answer questions about whether the offices would be handling the buying for their regions or how many people they would employ.

"According to my contact, who is at a very high level [at Wal-Mart], there will be no buying at these regional offices," said Cameron Smith, president of Cameron Smith Associates of Rogers, an executive search firm. "There will, however, be logistics, real estate and store operations. ... But all of the buying is going to be out of central headquarters right here. Every stick of it."

Wal-Mart has also made other announcements involving other organizational changes.

Also last month, Wal-Mart opened in Miami its new headquarters for its Latin America regional operations.

"The office also ensures that nine countries where [Wal-Mart] operates in Latinoamérica ... can make decisions with speed and have the support they need to be 'customers' first choice in retailing,'" according to a Feb. 23 company news release.

Deck said that it's not good news "anytime you see Wal-Mart making a decision to put some of its functions outside northwest Arkansas."

Wal-Mart has about 24,000 employees in northwest Arkansas, and the region is home to more than 5,000 vendor employees. Worldwide, Wal-Mart has about 2 million employees.

Benton County had an unemployment rate of 5.8 percent in December 2009, the most recent figure available. In December 2008, it was 4.7 percent.

Deck said job growth for northwest Arkansas could be tied to the tourism industry when Crystal Bridges opens. Northwest Arkansas will have a chance to attract tourists, which it hasn't done in great numbers before, because of the museum, Deck said.

Green jobs could also be a driver of the economy, which could be interwoven into Wal-Mart's sustainability efforts, she said.

The area could also expand its professional and business services.

"I think northwest Arkansas is going to continue to be a business service hub," Deck said.

A Retailing Shift

For years, retail executives at centralized offices made buying decisions for stores across the country. But now, retailers are having regional offices handle those buying decisions, said Howard Davidowitz, chairman of Davidowitz & Associates Inc., a retail consulting and investment banking firm in New York.

In the spring of 2008, for instance, Macy's Inc. of Cincinnati started rolling out "My Macy's," which features a merchandise mix targeted to different regions.

Davidowitz said the trend made sense for retailers because each area's population had different tastes and different wants.

Midwest customers tend to dress more conservatively than do people in other parts of the country, he said. And some areas might have more anglers than tennis players, so a retailer would need to stock more fishing equipment, he said.

Davidowitz said having buyers in the area allowed the retailer to tinker with each region's merchandise mix.

Another retailer that has regional offices is Kroger Co. of Cincinnati, and it would make sense for Wal-Mart to do the same, Davidowitz said.

"Wal-Mart is dealing with, 'How do you do more business?' It's that simple," he said.

U.S. Sales Post Rare Loss

For the first time in at least a decade, Wal-Mart Stores Inc.'s quarterly sales fell at its U.S. division.

Sales for the U.S. division were down 0.5 percent to \$70.97 billion for the fourth quarter of fiscal 2009, which ended Jan. 31. With International and Sam's Club divisions included, Wal-Mart's total sales were up 4.6 percent to \$112.83 billion for the quarter.

The U.S. numbers surprised Howard Davidowitz, chairman of Davidowitz & Associates Inc., a retail consulting and investment banking firm in New York.

"I thought it was shocking given the fact that most of their competitors did better," he said. "I think a lot of questions have to be asked when you are down and your competitors are up."

Wal-Mart reported \$405.05 billion in sales for the fiscal year, up 1 percent from fiscal 2008. And for the entire year, Wal-Mart's U.S. division was up 1.1 percent to \$258.23 billion.

Davidowitz said Wal-Mart's announced plan to establish regional offices could be in response to those sluggish U.S. sales.

See also: [Crystal Bridges Seen Expanding Tourism In Region](#)