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Wal-Mart: The Store Wars

Educated consumers are very aware of Wal-Mart's cost to their community. We will educate the ones who are not. It's all about education.

—Ralph L. Franklin, Inglewood city councilman

All politics is local—and personal.

—Irene Cowley, local activist

In January 2004 Elliot Petty was invited to a meeting of the Coalition for a Better Inglewood (CBI). The subject of discussion was Wal-Mart,¹ which had proposed building a supercenter on a huge, undeveloped lot in the community, and the special referendum coming up in April that would decide the issue. Petty had grown up in Inglewood, a working-class community composed primarily of African and Hispanic Americans just outside Los Angeles, and was deeply interested in the welfare of its residents. A recent college graduate, Petty worked full time as a political organizer in a nearby voting rights group, where he had long listened to speeches about “economic empowerment.” “We all know what it is,” he said, “but most of the talk about it never gets practical enough to result in anything that makes any difference.” He quickly realized that this referendum—put forward by Wal-Mart in an effort to overturn the Inglewood City Council’s refusal to change the zoning of the sixty-acre plot in favor of commercial usage—was perhaps the ideal vehicle for the type of community action he wished to undertake. Sure, Petty reasoned, Wal-Mart promised jobs, but what kinds of jobs? Was the company willing to invest in the community? Would the company negotiate with community leaders on salary levels, the provision of healthcare, and its broader impact on the community? Could business developers take into account the concerns of the labor unions, which were very strong in Inglewood? With the community’s myriad religious congregations, Petty knew church leaders might also become involved in the debate. With these questions in mind, Petty decided to join CBI’s campaign to oppose Wal-Mart.

The local activist-advisors to CBI, the Los Angeles Alliance for a New Economy (LAANE), were delighted to have him. In their view, Petty was articulate, committed, and full of energy. Even better, his roots in the community gave him immediate credibility with the residents. LAANE activists offered to coach him in public speaking and community-action techniques, which he gladly accepted. However, Petty knew that CBI faced an uphill battle: not only were the economic arguments against Wal-Mart ambiguous and complex to convey, but a statewide strike of unionized grocery workers, which had begun in September 2003, was drawing most of the

¹ The company has used the name “Walmart” since 2008 instead of the original “Wal-Mart.” We use “Wal-Mart” to ensure consistency with quotes and references.

attention—and financial support—of the United Food and Commercial Workers union (UFCW). Politically speaking, Petty understood that he was entering a very crowded field.²

Wal-Mart

From long experience as the owner of a chain of Ben Franklin variety stores, Sam Walton wanted to bring big-city discounting to his corner of the rural American South. To do so, he founded Wal-Mart in 1962, the same year that Target and Kmart opened. Walton was a natural salesman, passionate about building his retail business but also concerned with contributing to his community. He promised low prices for shoppers and good jobs for his employees.³ Walton's idea for Wal-Mart was simple: offer the same range of merchandise found in nearby stores, but for 20 percent less—every day, rather than in one-time sales promotions of selected items. While this lowered his profit margins, Walton planned to make up for that in higher volumes of sales, first in his store in Rogers, Arkansas, and later in additional stores. He chose to expand locally, “like molasses,” spreading slowly from Arkansas into Oklahoma, Missouri, and Louisiana. Eventually he hoped to compete directly with Sears and Woolworth's, which were the department store chains that dominated urban areas in the United States. By 1969 he owned thirty-two stores.⁴

To sell at bargain prices, Walton's company developed a relentless drive to lower costs by going directly to manufacturers and constantly increasing worker productivity; in addition to paying attention to the competition, Wal-Mart workers were also trained to treat customers with courtesy and consideration of their personal needs.⁵ This formula was a phenomenal success. In 1985, with just under one thousand stores, Walton was named by *Forbes* magazine as the richest man in America.⁶ Surpassing Kmart and Sears in 1991—the year before Walton died from leukemia—Wal-Mart was recognized as the largest U.S. retailer and the most admired company in the country. That year, Wal-Mart began to expand overseas, opening its first store in Mexico City.⁷

Going Global

After Walton's death, the company's expansion accelerated at a dizzying pace. This entailed both new technologies—the “logistics revolution” as governed by computer-controlled inventories—and the globalization of its operations. By 2004 Wal-Mart reached number one on the Fortune 500 list: it was the world's largest corporation as well as the largest nongovernmental employer. Sales in 2005 exceeded \$285 billion, with a net income of \$10 billion and more than

² Unless otherwise noted, all information is from interviews conducted by co-author Robb Crawford, including Tracy Gray-Barkan, Elliot Petty, and Daniel Tabor, of LAANE. Other interviewees included activists Terry Collingsworth (an attorney at International Labor Rights Fund), Janet Shenk and Jarvis Johnson (Wal-Mart Watch), Muhammad Nassardeen (Recycling Black Dollars), and Inglewood City Council member Ralph Franklin.

³ Robert Slater, *The Wal-Mart Triumph* (New York: Portfolio, 2004), 30.

⁴ *Ibid.*, 31.

⁵ *Ibid.*, 34.

⁶ *Ibid.*, 66.

⁷ *Ibid.*, 41.

1.38 million employees worldwide. Its days as a regional southern company catering to relatively rural customers were long gone.⁸

In the mid-1990s Wal-Mart became a pioneer in computer-driven productivity enhancement. Elements included:

- Point-of-sale data collection, enabling managers to track inventory and demand in real time
- Data mining in order to exploit trends to boost sales via novel merchandising techniques, e.g., placing diapers and six-packs of beer near store entryways on Fridays to exploit a spike in demand for both items at the end of the work week⁹
- The establishment of a just-in-time delivery system, which eliminated many of the maintenance costs associated with large warehouse inventories¹⁰

According to an estimate by McKinsey and Co., from 1995 to 1999 Wal-Mart generated 25 percent of the overall productivity gains in the U.S. economy. Many of these efficiency gains, the company claimed, were passed directly on to consumers in the form of lower prices. Wal-Mart, the company calculated, saved U.S. consumers more than \$100 billion per year.¹¹

Control

Combined with its sheer size—Wal-Mart accounted for approximately 10 percent of all retail sales in the United States—these technological capabilities enabled Wal-Mart to exert an unprecedented degree of control not only over its business partners (independent manufacturers, suppliers, and distributors), but over its employees as well. First, Wal-Mart's control over its partners represented a fundamental shift of market power to the retailer, which traditionally had served as "outlets" for manufacturers. In practical terms, this meant that Wal-Mart could force its partners to set prices at whatever levels it deemed desirable, which translated into direct control of both their marketing through Wal-Mart stores and of the manufacturers' brand—extending all the way to their individual packaging. Given the imperative of cost containment, this could minimize the profit margins of Wal-Mart suppliers. In the case of Vlasic pickles, for example, it was claimed that Wal-Mart's insistence that the company lower its prices for the \$2.97 gallon pickle jar led to its bankruptcy as well as damaging, perhaps severely, its brand strategy for high quality.¹² Second, managers at Wal-Mart headquarters were able to track the productivity of workers in its individual stores, enabling them to push relentlessly for productivity improvements, which allegedly also led to unpaid overtime and refusal to allow breaks.¹³

⁸ Wal-Mart Annual Report, 2005, 12.

⁹ James Hoopes, "Growth Through Knowledge," in *Wal-Mart: The Face of Twenty-First-Century Capitalism*, ed. Nelson Lichtenstein (New York: New Press, 2006), 91.

¹⁰ Misha Petrovic and Gary G. Hamilton, "Making Global Markets," in *Wal-Mart: The Face of Twenty-First-Century Capitalism*, 133.

¹¹ Hoopes, "Growth Through Knowledge," 89.

¹² Ibid., 91–92.

¹³ Ellen Israel Rosen, "How to Squeeze More Out of a Penny," in *Wal-Mart: The Face of Twenty-First-Century Capitalism*, 245–246.

The Critics

Wal-Mart's size and reach attracted many critics, who began to mount protest campaigns against the company. On average, Wal-Mart was the object of five new lawsuits each day, with hundreds in litigation at any given time. For example, in a class-action lawsuit Wal-Mart was accused of sex discrimination against female employees who alleged that they could not advance at the same rate as their male colleagues. In particular, Wal-Mart was becoming a priority target of the union movement, which tended to view the company as a bellwether for the plight of the American worker. These critics offered many specific arguments against the company, which in their view was an important factor in the "race to the bottom" in the new global economy.

First, they believed, Wal-Mart had to somehow ameliorate the impact it had on the communities it entered. As it stood, they charged, Wal-Mart not only destroyed local "mom and pop" stores that could not compete on price, turning traditional downtown shopping areas from vital social centers into deserted wastelands, but also generated such secondhand effects as increased traffic, reduced demand for related local businesses such as newspapers, and additional infrastructure costs that created new tax burdens. Furthermore, many critics were concerned about the company's environmental impact, both locally and globally.¹⁴ These were issues of concern to local politicians, many of whom opposed the establishment of new Wal-Mart stores, in particular its huge new "superstores."¹⁵

Second, in the view of its critics, Wal-Mart's labor practices had to change. The company, they demanded, should allow associates to unionize, offer a "living wage" and better health insurance benefits, and treat them more humanely. Wal-Mart's entry into the grocery industry focused the attention of labor unions, which had traditionally operated in this sector: they viewed Wal-Mart as a threat to the hard-earned gains they had negotiated over decades of labor activism in the supermarket chains.¹⁶

Third, they argued, Wal-Mart had to more equitably manage its supply chain, from sweatshop workers in China to the company's truckers as well as its manufacturing partners.¹⁷ There were myriad issues associated with the company supply chain, which included more than 5,300 factories in sixty countries, virtually all of them outsourcers. Though most of the company's suppliers were subcontractors, critics held Wal-Mart accountable for their working conditions, including child labor, production schedules of up to ninety hours per week at peak times, unpaid overtime, poverty-level wages, and hazardous work environments.¹⁸

While sometimes difficult to focus into concerted campaigns, together these criticisms effectively amounted to a repudiation of Wal-Mart's business model. To change, critics argued, Wal-Mart would have to pay its workers and suppliers more and invest far more in the

¹⁴ Bill Quinn, *How Wal-Mart Is Destroying America (and the World) and What You Can Do About It* (Berkeley, CA: Ten Speed Press, 2005), 1–26.

¹⁵ Felix Oberholzer-Gee, "Wal-Mart's Business Environment," Case #9-706-453 (Harvard Business School Publishing, 2005), 2–3.

¹⁶ Jon Ortiz, "Grocery Union Locals Team Up to Strengthen Bargaining Clout," *Sacramento Bee*, April 7, 2006.

¹⁷ Liza Featherstone, "Wal-Mart's P.R. War," *Salon.com*, August 2, 2005.

¹⁸ N. Craig Smith and Robert J. Crawford, "The Wal-Mart Supply Chain Controversy," Case #706-043-1 (London Business School, 2006), 7.

communities it entered. However, if the company did so, it would have to charge its customers more, in effect undermining its core strategy for “everyday low prices.”¹⁹

Wal-Mart's Search for New Markets

Many industry observers believed that Wal-Mart, which faced declining profit margins and a stock price that had lost more than 25 percent of its value since 2000, had reached a saturation point with its old formula of cost-cutting and rural expansion. Lee Scott, Wal-Mart's new CEO and president, and his team concluded that the company needed to develop a more urban strategy, offering products for upscale customers in addition to lower-priced general merchandise. As such, its new competitor was Target, which had long focused on higher-income customers in more discretionary product categories and whose in-store sales were growing at twice the rate of Wal-Mart's.²⁰ Wal-Mart also planned to enter a number of new markets, including jewelry, pharmaceutical products, consumer electronics, and various service areas such as automotive maintenance and banking; it was even preparing to partner with an outside firm in order to offer clinical services at its pharmacies. One of its most important initiatives was its entry into the grocery market, begun in 1988, which was designed to attract middle-income consumers, who would then purchase items from other parts of the store as well as shop there more frequently.²¹

Although traditionally Wal-Mart had ignored its critics, Scott and many Wal-Mart managers began to take notice of them, perhaps because of their growing impact on the company's bottom line. Evidence suggested that the critics' arguments resonated with a growing portion of the public. A confidential 2004 report by McKinsey & Co. found that between 2 and 8 percent of the public had ceased to shop at Wal-Mart due to the negative press about the company. Most of this disapproval came from educated and affluent middle-class consumers in urban areas.²²

The Inglewood Site

An autonomous city with a mayor and four-member city council that served as a legislative body, Inglewood bordered Los Angeles and its international airport. While not a severely distressed city, it had a relatively high unemployment rate; however, gang activity and drug-related violence were lower than in some nearby communities such as Watts and Compton. According to the 2000 census, Inglewood had a population of 112,482 that was 46 percent African-American, 46 percent Latino, 4 percent Caucasian, and about 1 percent Asian.²³ The ethnic composition of the city had changed dramatically in the 1960s as whites moved to other suburbs. Inglewood remained a highly religious community, with more than a hundred churches of various denominations, some of which were extremely large evangelical congregations. Having grown during the civil rights era of the 1960s, they tended to be activist and pro-union,

¹⁹ Michael Barbaro, “A New Weapon for Wal-Mart: A War Room,” *New York Times*, November 1, 2005.

²⁰ Maria Halkias, “Wal-Mart's Urban Push,” *Dallas Morning News*, November 1, 2005.

²¹ David P. Baron, “Wal-Mart: Nonmarket Pressure and Reputation Risk (A),” Case #P52A (Stanford University Graduate School of Business, February 2006), 2–3.

²² Barbaro, “A New Weapon for Wal-Mart.”

²³ Inglewood Profile, *Los Angeles Times*, <http://projects.latimes.com/mapping-la/neighborhoods/neighborhood/inglewood> (accessed October 22, 2011).

often left leaning, and concerned with the issues of economic justice and racial equality. Inglewood's mayor, Roosevelt F. Dorn, was a pastor.²⁴

Popular support for unions was very strong, in particular in the grocery and retail industries, which went on strike throughout California in late 2003 in an effort to preserve union jobs. In recent years the town had lost virtually its entire manufacturing base and had become a bedroom community from which residents commuted for jobs. In addition, the popular Lakers basketball team had recently moved from its stadium in Inglewood's Hollywood Park to the Staples Center in downtown Los Angeles. A horse racetrack remained, though residents were resistant to calls for casinos and other gambling establishments that were proposed for the site. These developments added up to a major economic blow to the community, which desperately needed to create new jobs. Nonetheless, there was a thriving community of small businesses that was politically active and socially engaged.

Enter Wal-Mart

Across from the old Lakers stadium, which had been taken over by the Faithful Central Missionary Baptist Church (with approximately 15,000 members), was a sixty-acre site that was zoned for recreational and residential purposes. It was one of the largest undeveloped sites in the greater Los Angeles area and represented an ideal site for a Wal-Mart supercenter, with ample space for construction of the retail "big box," as well as parking, restaurants, and other retailers. In addition to general merchandise, the Wal-Mart supercenter would offer not only groceries, but also specialty items in departments designed to cater to local tastes.²⁵ In addition, the site was in a densely populated urban environment, with many low-income residents who were apparently eager to shop at the discount chain. At the moment, Inglewood had a Target retail store and a Home Depot, but the Kmart and Sears stores had recently closed, suggesting that the local retail market was saturated.

In early 2002, as part of its strategy to open forty or more superstores throughout California, Wal-Mart acquired an option to develop the site. As she monitored plans for development throughout the greater Los Angeles area, Tracy Gray-Barkan of the Los Angeles Alliance for a New Economy (LAANE) discovered the Wal-Mart plan and approached city council members. Initially, Mayor Dorn and some members of the city council came out in favor of Wal-Mart's development plan because of its promise of jobs and low prices. Moreover, Wal-Mart had conducted a preliminary poll that indicated that at least 60 percent of Inglewood's residents favored the plan. It appeared that everything was running smoothly for the company, which claimed that Wal-Mart's supercenter would bring in up to \$5 million in additional tax revenues; all that was required was a zoning vote to change the status of the recreational park site to a commercial legal status. According to Muhammad Nassardeen, a public relations consultant who also ran the nonprofit business development organization Recycling Black Dollars, "Wal-Mart was offering to create about 1,300 jobs and most hires would be local. With 51 percent unemployment of youths between the ages of sixteen and twenty-five, we *needed* those jobs!" Furthermore, Wal-Mart argued that consumer residents would benefit from lower prices, which

²⁴ Tracy Gray-Barkan, "Southern California's Wal-Mart Wars," *Social Policy* 35, no. 1 (Fall 2004): 31–38.

²⁵ Oberholzer-Gee, "Wal-Mart's Business Environment," 1.

would help raise their living standards.²⁶ However, Inglewood's politicians did not count on the passionate opposition that local unions expressed.

Los Angeles Alliance for a New Economy

Founded in 1993, LAANE was a union-funded research and advocacy organization that focused on land-use issues and their impact on communities. In addition to bolstering the labor union movement, its principal goal was to improve the lives of working-class families in the Los Angeles area with livable wages, good healthcare and pension benefits, and the development of an environment hospitable to both recreation and safety. To do so, LAANE helped negotiate community benefits agreements, which were legally binding contracts that required businesses to invest in concrete projects and undertake certain obligations regarding their employees.

LAANE's "leverage point" occurred during the months—and in some cases the years—immediately preceding the approval of land-use deals by local governments for developers. Through campaigns in cooperation with local activists and politicians, LAANE convinced developers to take wider community interests into account in accordance with the group's views, well beyond the developers' customary purview of profit-seeking. This often involved building broad and hopefully permanent coalitions of labor unions, church groups, and community-based organizations, businesses, and leaders. LAANE's tools included policy research, community organizing, communication strategies, and litigation. For the most part, the three LAANE activists assigned to the Inglewood campaign were young and did not have extensive experience in community action campaigns; Gray-Barkan acted as their leader.

Coalition for a Better Inglewood

Between March and August 2002, Gray-Barkan and her LAANE colleagues met with various leaders in the Inglewood community to discuss options. According to Gray-Barkan, "I talked to representatives from the United Food and Commercial Workers union, and we all agreed that this was a big deal." In particular, in the ongoing statewide negotiations with the union, she said, "The arguments by Safeway and other grocery companies always came back to the fact that 'Wal-Mart was coming': they would say that if they didn't lower wages and reduce benefits, they couldn't compete." This got the attention of Inglewood city council member Judy Dunlap, who was worried about Wal-Mart's impact on the community. Gray-Barkan also approached some local religious leaders, but most of them chose to remain neutral in this debate.

The options they discussed were: (1) the negotiation of a community benefits agreement to govern job quality, local hiring practices, and other community considerations; (2) passage of an ordinance to restrict the development of big-box retail outlets; and (3) a campaign to block approval of the zoning change in the city council.²⁷

One of the leaders of this effort was UFCW veteran Ralph L. Franklin, who vehemently opposed Wal-Mart. "I saw what they did to my hometown [Great Bend, Kansas]," he explained. "Wal-Mart came in and ripped apart the community. The center is just a ghost town now, a bunch

²⁶ Ibid., 2–3.

²⁷ Ibid., 32.

of empty shells where there were mom and pop stores . . . And after ten years, there has been no revitalization of the area whatsoever.” When he learned that the city council was leaning in favor of the Wal-Mart development, he sprang into action, mobilizing union members to express their opposition. According to Nassardeen, it was the local union representatives who turned the city council against Wal-Mart. Eventually, with LAANE’s help, the city council approved a citywide “supercenter ban” by a vote of four to one, with the mayor dissenting; as an “emergency ordinance,” the ban remained vulnerable to legal challenge by Wal-Mart.²⁸

Franklin and Dunlap then founded the Coalition for a Better Inglewood (CBI), a community action group that went directly to local block clubs and other Inglewood organizations to discuss Wal-Mart. It was at one of these meetings that Elliot Petty became involved as a volunteer. But Franklin did not stop there: in the first few months of 2003, he ran for a seat on the city council. “In the background,” Franklin said, “Wal-Mart supported my opponent, the incumbent, because he was pro-Wal-Mart.” Franklin was one of three candidates vying for the office and the election was forced into a run-off. According to Franklin, he won with 69 percent of the vote. From that point on, he pursued his anti-Wal-Mart agenda with the same techniques and tenacity he had developed as an UFCW organizer over the previous thirty-four years.

The Wal-Mart Referendum

Within two weeks of the emergency ordinance’s passage, Wal-Mart announced its intention to pursue approval via popular referendum. Referenda represented an increasingly popular form of direct democracy in California and elsewhere, allowing voters to initiate public policies themselves—even those at odds with their representatives at various levels of government. According to Robert S. McAdam, Wal-Mart’s vice president of state and local governmental relations, “When the people feel they’re not getting a fair shake with the legislative process, they take things for a vote of the people. That’s what the initiative process is about.”²⁹ Almost immediately, Wal-Mart gathered more than 9,000 signatures—more than twice the required number—in favor of placing the measure on ballot for April 2004. In the meantime, Wal-Mart approached local leaders, in particular those in the religious and business communities. The company’s principal ally in the city government was Mayor Dorn, who, though officially neutral in the superstore controversy, was reported to have received \$40,000 from Wal-Mart; the remaining four city council members opposed the referendum.

Though he was a supporter of Wal-Mart’s development plan for Inglewood, Nassardeen was critical of the company’s outreach efforts. “I don’t have a lot of good things to say about how they handled things,” he said. “Wal-Mart approached thirty local businesses, giving them maybe \$500 or so apiece. It just wasn’t a meaningful effort . . . [Wal-Mart] also passed up a lot of other opportunities. For example, my bank [associated with Recycling Black Dollars] shares a parking lot with a Wal-Mart [six miles from Inglewood], and when we asked for a deposit of a million dollars or so, we got no acknowledgement from them that they had even received our letter. That was an opportunity for Wal-Mart to show that it would invest in the community, but I guess they just weren’t interested.”

²⁸ According to Gray-Barkan, the ban prohibited retail stores larger than 155,000 square feet from selling more than 20,000 nontaxable items. On average, Wal-Mart supercenters ranged in size from 180,000 to 250,000 square feet.

²⁹ Oberholzer-Gee, “Wal-Mart’s Business Environment,” 5.

The Referendum

Facing a costly legal challenge from Wal-Mart regarding the constitutionality of the emergency ordinance, the Inglewood City Council voted to rescind it. This opened the way for Wal-Mart to pursue its own supercenter ordinance through the referendum, in effect circumventing the heads of city council members. With the aid of several Inglewood residents, Wal-Mart formally submitted the referendum to the city clerk in August 2003. According to Peter Kanelos, Wal-Mart community affairs manager, “Having 200 people at a [city council] meeting saying they don’t want Wal-Mart is not reflective of the 50,000 people in Inglewood who do want us. The community is not against us.” He went on to add that opponents were merely a “special interest group trying to limit competition.”³⁰

With the grocery workers’ strike about to begin, Gray-Barkan and her colleagues knew that a tough campaign was about to start. Upon closer examination, she was shocked at the provisions in the seventy-two-page referendum. They included:

- The removal of elected officials from the review process, in effect allowing Wal-Mart to bypass most oversight of its plans as they were being formulated or adapted
- A two-thirds vote requirement to amend the site plan
- Permission to sell whatever the company wished, including guns, ammunition, and groceries

“It was like Wal-Mart was creating a Vatican City that it could completely control right in the middle of Inglewood,” Gray-Barkan remarked. She and her team set to work to read the proposed ordinance carefully in the hopes of formulating a new action strategy.

LAANE filed a lawsuit to stop the referendum, arguing that the Wal-Mart ordinance would illegally circumvent the normal land-use process and in particular the California Environmental Quality Act. In effect, the lawsuit argued that Wal-Mart, a private corporation, would control the oversight process, even of its own environmental impact; the only citizen recourse would be the two-thirds vote, which would violate the California Constitution regarding majority voting in referendums. While a judge eventually delayed consideration of LAANE’s lawsuit until after the election had occurred, it generated interest in the local and even the national media. “Beyond throwing out Wal-Mart’s ordinance or at least gutting part of it,” Gray-Barkan explained, “getting more media attention was one of the principal purposes of our lawsuit.”

The Early Campaign

Wal-Mart began to pour resources into its message in television advertisements and flyer mailings to Inglewood residents. On the street, Wal-Mart canvassers were everywhere. The company was promising employment in the “Wal-Mart family” with good jobs as well as discount prices for low-income consumers. On occasion, Wal-Mart even offered free food at the proposed site to Inglewood residents. It was a *tour de force* that was daunting to CBI, which was staffed exclusively with volunteers like Petty.

³⁰ Ibid.

"I was still working full time," Petty recalled, "so all of this was on my personal time." In addition to his passion for local politics, Petty had his own reasons for his interest in the debate. Having grown up in Inglewood with a single mother, he had had to find work as a teenager in Kmart. "I was getting about \$6.50 an hour," he said. "But my friends at Costco and Vons, which were union companies, got \$7 or \$8 per hour. I began to see there was no future there, even as I worked my way up to being deputy manager of the entire store." What particularly upset him was the treatment he received after a minor injury. "A chair fell on my head, giving me a mild concussion," he recalled. "My boss insisted I stay on the job with no concern for my health. It was then that I really started to understand what kind of companies these were." Wal-Mart, Petty came to believe after conducting his own research, represented a microcosm of the issues that he had faced at Kmart, only worse. As he thought about it, the superstore fight represented an opportunity to address many of his concerns regarding economic justice with a concrete action plan. "I wanted to get a real debate going about what kind of corporations should be allowed to enter the community and how they should behave if they do," he said.

With some training from LAANE in community organizing, Petty went out to talk to neighborhood associations and participated in early debates on the referendum. At one of them, Wal-Mart representatives were invited to present their case. While the company declined to send a manager from its Bentonville, Arkansas, headquarters, it did send a local employee to tell her "personal story." She claimed, Petty recalled, that Wal-Mart had decided to "take a chance on her, personally"; she presented herself as a person in need, unable to find a job. In particular, she claimed that Wal-Mart would pay \$8 or more per hour, which impressed many of the participants at the meeting. "She contradicted everything that LAANE was saying," Petty said, "and people were moved by her story of getting a shot at a good job." Soon thereafter, Petty learned that the Wal-Mart presenter was the public affairs director from a nearby store—he saw her speaking on television, complete with her position subtitled—and not a rank and file "associate" as she had implied. "I felt outraged," he recalled. "The whole thing was a lie." With LAANE training in public speaking, Petty began to act as the local representative to the media. He was proving to be a credible and gifted communicator.

For its part, Wal-Mart was making a concerted effort to refute the charges against it. Regarding health insurance, for example, the company claimed that it covered approximately two-thirds of its employees and was planning to extend coverage to more than one million employees by January 2006. The company also argued that increased customer traffic to its proposed store would in fact be a boon to local businesses, increasing not only their sales but also enhancing employment as a secondary effect. Wal-Mart even funded a report by the Los Angeles County Economic Development Corp., which concluded that the superstore would result in a net gain in jobs and that lower prices would enhance the living standards of local residents.³¹

The Coalition Takes Off

It was proving difficult for CBI to get much traction on the referendum issue. Not only was Wal-Mart's amply funded message threatening to overwhelm whatever CBI attempted to convey, but key members of the Inglewood community were also occupied with other issues. The message—that Wal-Mart was not the kind of company Inglewood residents should want in the community—was simply not taking hold with the general public. Nonetheless, the grocery

³¹ Ibid., 7–8.

workers' strike had spotlighted the need for good jobs, in particular with the insistent claims by grocery chains that slashing wages and benefits was the only way to compete with Wal-Mart. Furthermore, LAANE activists and Clergy and Laity United for Economic Justice (CLUE), a LAANE sister organization that specialized in building relationships with faith-based groups, decided to reach out to the religious communities of Inglewood. Not only could the churches bring the message to their congregations, but they also had close contacts with politicians.

The Religious Communities

Rev. Jarvis Johnson, a community organizer at CLUE, was at first reluctant to work against Wal-Mart. "When I was a seminary student in Georgia," he related, Sam Walton's wife, Helen, "came to my university and donated money for a theater. I also had relatives who worked at Wal-Mart, and they didn't have many complaints about the place. So I had the impression that Wal-Mart wanted to help African-Americans in their communities." He did agree, however, to look into the issue. "Whenever I went on a trip," he explained, "I asked people what Wal-Mart meant to them. I talked to shop owners and workers, and most of what I heard was disturbing, things like people getting fired for interracial dating. But what affected me the most was what people were saying about the grocery workers' strike: I was appalled by what the Safeway CEO said about needing to cut salaries and benefits when his employees were worrying about losing their homes or going bankrupt. After about a year of listening and observing, I decided to join the fight against the company."

When Johnson approached Inglewood's religious leaders to enlist their support in the campaign against the Wal-Mart referendum, their response was initially cautious. "They wanted to find out what was going on and how their congregations felt," Johnson explained. While religious leaders were accustomed to social activism, he understood that it was risky for them to choose sides in a dispute that promised jobs and low prices. After all, Mayor Dorn was a minister and he appeared to favor Wal-Mart. Nonetheless, some clergy members went on the record as opponents of the superstore. For example, Rev. Altagracia Perez was an early CBI supporter. "Wal-Mart is a very bad employer and cloaks itself in the flag of American idealism in order to get away with being irresponsible," she said.³²

Recognizing that there must be others like Perez, Johnson began to cultivate a wide coalition of people who normally did not enter into dialogue with each other. Indeed, he said, they often viewed each other as competitors. One of his earliest supporters was Tony Mohammed, a leader in the Nation of Islam. "He got the moral message immediately," Johnson recalled, "and agreed to help. It was one of the first times that the Nation of Islam worked with [Inglewood's] ministers." Johnson also cultivated relationships with members of the business community, whom he urged to convey their concerns to religious leaders.

Small business owners rallied to CBI's cause. One owner of a variety shop specializing in the African-American market, Queen Aminah, became highly active at this point, attending CBI meetings and talking to other business owners to get the word out. "I read up on Wal-Mart," she explained, "and couldn't support their low-wage policies or the way they used sweatshops. But the worst was that I saw they would destroy businesses wherever they go, just strip the community of places like mine." Wal-Mart, she said, "scouted out what local shops sold and then

³² Kathleen Bishop, "More Than a Match for Wal-Mart," LAANE.org, <http://www.laane.org/newsletter/0511/content/altagracia.html>.

sold them at lower prices we couldn't compete with." However, in spite of these efforts, by the beginning of February 2004 the biggest churches had not yet decided whether to support CBI's campaign.

Turning Point

Wal-Mart also approached Inglewood's religious leaders, making small contributions to their churches and arranging meetings to discuss the company's plans. However, according to Johnson, the company's efforts met with little success: "Some of them felt like Wal-Mart was trying to bribe them. They were asked to 'sign on' for a contribution of a few thousand dollars. That's what Wal-Mart did instead of building relationships." Even worse, he said, they felt as if Wal-Mart was dictating to them what it would do and yet was indifferent to their concerns. "They came out of the meeting feeling like Wal-Mart disrespected them," he explained, "like Wal-Mart was condescending to them. I don't think that Wal-Mart's representatives realized that they were talking to highly educated people, many of them in second careers in the clergy, who knew how to get things done."

One of the most important religious leaders was Ken Ulmer, bishop of the Faithful Central Missionary Baptist Church. Though Ulmer had stated that his position regarding Wal-Mart was neutral, many in CBI feared he was leaning towards supporting the referendum. Upon invitation, he went to a meeting with the company. According to Johnson, Ulmer was incensed at his treatment by Wal-Mart representatives. "He said they talked down to him as if he were a subordinate," Johnson recalled. "They just told him what they were going to build and acted like he couldn't do anything about it, so he might as well join them. He saw that as outrageously arrogant."

Sensing an opening, Johnson quickly organized a roundtable meeting of religious leaders to discuss the superstore issue. It was open to the public. After a number of leaders gave presentations on why they opposed the Wal-Mart referendum, they turned to Ulmer to ask his opinion. According to Petty, "the other ministers called him out. Reverend Perez was really insistent, but there were others who asked him to choose sides, too. By the end of the meeting, [Ulmer] had joined them and promised to speak out to his congregation, to urge them to vote 'no.' After that, a lot of people who were sitting on the fence joined us as well." In addition, many of the community members in attendance asked how they could get involved. "They were impressed with our organizing efforts," Petty recalled. "They felt reinvigorated, they hadn't seen something like this in a long time, since the civil rights struggle" of the 1960s.

Ulmer's decision represented a major turning point in the campaign. In addition to the union-backed messages on economic justice and corporate social responsibility, the issue had at least in part become one of "control" within the community. "Wal-Mart created its own nightmare," councilman Ralph Franklin believed. "They took the minority community for granted, and acted like they could bully us. Did they really think we were not sophisticated enough to read and understand the referendum? It was the disrespect that galvanized everyone."

Hitting the Pavement

As Petty had hoped, the Wal-Mart campaign was getting people to think about what economic empowerment really meant. With a larger group of volunteers, Petty and other

organizers began to contact Inglewood residents directly, in telephone campaigns and by canvassing them on the street. At that point, an unusually broad coalition of volunteers developed that included the religious community, local business owners, union members, and even many who were normally excluded from mainstream political action. For example, Tony Muhammed, the Nation of Islam leader, became deeply involved. According to Johnson, “he met with gang bangers—he had a good rapport with them—and they called a truce and at one point he got 150 of them to pass out anti-Wal-Mart flyers on the street! People don’t think about it often, but gang members vote, too.”

Typical of these citizen activists were independent consultant Gary Cowley and his wife Irene, who was active in labor union politics. They were both white and had lived in the community for more than forty years. “We got involved through our church,” Irene recalled. “Reverend Altagracia Perez provided space at the Holy Faith Episcopal Church for CBI meetings and spoke on the Wal-Mart issue often.” The Cowleys felt outraged at Wal-Mart’s attempt to pass the referendum over the heads of the city council. “Wal-Mart wrote this entire package—over seventy pages!—that would change the city charter,” Irene said. “That’s what lit a fire in people’s bellies. It was like they were saying that they didn’t need to follow the rules—they could completely bypass any zoning requirements. If we wanted to put a shed in our backyard, we would need to get a zoning permit. But Wal-Mart wouldn’t have to get one.” As she approached business owners and went door to door, Irene found that virtually everyone she spoke with felt that, in her words, “Wal-Mart was trying to put one over on us.” While they agreed with the general arguments as articulated by union organizers, in her view the self-determination issue was what really hit the community nerve.

The Final Weeks

As the campaign against the referendum entered its final phase, the end of the grocery workers’ strike gave CBI activists a much-needed boost. Not only did this add volunteers to CBI from a number of unions, but it also freed up a few thousand dollars of union funding. CBI and LAANE immediately hired a political consulting firm to oversee a direct mail campaign, which accused Wal-Mart of racial and sexual discrimination and other practices. In spite of the growing momentum behind them, the Wal-Mart opponents remained deeply pessimistic about their prospects for success. Not only were there a number of absentee ballots already submitted—a major factor of uncertainty as many of them had not heard CBI’s arguments at the moment they voted—but Wal-Mart’s presence appeared overwhelmingly strong. According to LAANE activist Dan Tabor, “We thought we had fought the good fight, but that it would soon be time to move on. They were outpacing us and hiring more people to work in the campaign all the time.”

However, as Tabor and his colleagues continued to campaign door to door, they began to notice how deeply their message was penetrating. “When I saw the way neighbor was debating neighbor,” he explained, “I knew that our message was getting through. I remember one guy standing in his doorway in his underwear. He was agreeing with our arguments, and when he heard that one of his neighbors didn’t get it, he immediately put on a robe and went straight out to talk to him in his slippers! I thought, ‘Wow! People are listening and they care.’”

A major late development in the campaign came from a Wal-Mart flyer, which featured a “letter of support” from Annie Lee Martin, an elderly Inglewood resident. Notwithstanding its ringing endorsement of the referendum—the letter included the statement “and I am very excited about the [Wal-Mart] shopping center”—when asked about it by her pastor, Martin was

dumbfounded. While she acknowledged that she had had her picture taken and signed what she thought was a petition, she had written none of the things in the letter and had no idea that she would appear in any flyer. She was shocked that Wal-Mart had pasted her signature into the fictitious letter.³³ In cooperation with Rev. Carol Scott, in whose congregation the incident was discovered, CBI was able to generate a story that dominated local news for several days at the end of March. “We had a real live example of the kind of tactics Wal-Mart used,” Petty said, “and we think a lot of people were convinced by Annie Martin’s interviews that the company was not trustworthy.” According to Irene Cowley, “their dishonesty caught up with them. It did terrible damage to them, because people wondered if anything they said was true. It no longer mattered what they promised.”

Finally, with all the media attention, in the last few days of the campaign CBI invited some major political figures to speak. Jesse Jackson came, as did Congresswoman Maxine Waters, to contribute their star power to the final push for a “no” vote. The last issue that CBI raised was related to gun control. Though Wal-Mart had stated it would refrain from selling guns and ammunition in accordance with the community’s preference—they were currently not sold anywhere in Inglewood—residents could not believe the company’s promises. For its part, Wal-Mart continued to argue that “their groups are not representative of the community” and that the vote would go in the company’s favor.³⁴

The Vote

On April 6 Inglewood residents voted to reject the referendum by a margin of 60.6 to 39.9. Two-thirds of the absentee ballots were against the referendum. According to Irene Cowley, “Wal-Mart wasn’t able to come here because we stuck together . . . The whole thing started with the labor issues, but community control was what really provided focus to the campaign. I think this should encourage Wal-Mart to remove its blinders and transform itself—if it makes an effort to change, we will be able to tell when the change is real.”

Petty was jubilant. “We showed Wal-Mart that we can ask for more, that we don’t have to just accept what they give. We believe that we can do better.” Almost immediately, Petty was offered a job at LAANE. However, because he wanted to work on the Kerry presidential campaign, he put off his decision until after the election. “I would like to get a master’s or maybe go to law school,” he said, “but there are too many things I want to do first.” In the end, he accepted a position at LAANE. He had also been approached about running for public office.

Though unable to use the lot without a vote to change the zoning, Wal-Mart bought the sixty-acre plot in May 2004. According to Nassardeen, “people got steamrolled and caught up in the hype. Eventually it’s going to happen. Wal-Mart is going to have to make concessions—it is going to have to negotiate with the community even though that isn’t the company’s policy.”

Gray-Barkan and Tabor felt that, to be effective, the campaign against Wal-Mart’s labor practices had to go national. “What Wal-Mart needs to do,” Gray-Barkan said, “is change its business model. Right now, it is based on poverty: poor people shop there, and they keep prices low by treating their employees badly.” Johnson agreed, and soon thereafter accepted a position

³³ Erin Aubry Kaplan, “Duped by Wal-Mart,” *LA Weekly*, March 26–April 1, 2004.

³⁴ John M. Border, “Stymied by Politicians, Wal-Mart Turns to Voters,” *New York Times*, April 5, 2004.

at Wal-Mart Watch as director of faith-based organizing; this involved relocating to Washington, D.C.

Gray-Barkan and Tabor sent a letter to Wal-Mart, challenging it to negotiate a community benefits agreement. One potential local developer of Wal-Mart big-box stores had already signed one. In April 2005, when Wal-Mart was undertaking a large public relations event near its Bentonville, Arkansas, headquarters, Gray-Barkan and Tabor traveled there and held their own “alternative” press conference. “We hoped to meet [Wal-Mart president and CEO] Lee Scott to discuss the Wal-Mart business model,” she recalled, “but he refused to make himself available.” Nonetheless, they were invited to meet the vice president of human resources, who was African-American. “We were referred to him,” she believed, “because they saw we were African-American.” He listened to their ideas politely, she said, “but there was no meaningful dialogue.” Motivated by the need to better understand how businesses operate, Gray-Barkan decided to pursue an MBA at the University of California at Berkeley.

In early 2006 city council member Franklin and his colleagues began to work on a supercenter ordinance for Inglewood. In its draft form, the ordinance required large retail stores that made 20 percent or more of their revenues from groceries to file a number of reports, including statements on their environmental impact and policies governing labor practices, wages, and healthcare benefits. If the policies did not measure up, he said, “then we would not allow them to build their stores in our city.”

Discussion Questions

1. Discuss and evaluate Wal-Mart's strategy in Inglewood. What were some of its mistakes? Could they have been avoided, and if so, how?
2. Discuss the arguments by Wal-Mart's critics. Are they persuasive? How should Wal-Mart respond? What is your view?
3. What should Wal-Mart learn from its defeat in Inglewood as it faces similar issues in other cases?