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## What Wal-Mart Savings Claim Doesn't Tell You

Families Spared \$2,500 a Year -- Whether They Shop at Retail Behemoth or Not

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Consumers aren't buying Wal-Mart's new "Save Money. Live Better" ad campaign, according to a survey to be released today by Wal-Mart Watch, which found that only 4% of people believe that Wal-Mart saves the average family \$2,500 annually.

Consumers are paying less, but they don't necessarily have to shop at Wal-Mart to do so.

And consumers have reason to be skeptical. The study Wal-Mart used to back that claim doesn't say people need to shop at Wal-Mart to get the savings. It says only that "the existence of Wal-Mart saves the average family \$2,500 a year."

The report, which doesn't analyze price differences among retailers, says some of the savings are a result of rival retailers becoming more efficient and lowering their prices in response to competition from Wal-Mart. Take Wal-Mart's much-touted \$4-generic-prescription program. It's been matched by rivals such as Walgreens, CVS and Kroger Co. Consumers are paying less, but they don't necessarily have to shop at Wal-Mart to do so.

### **Not as much spending power**

Global Insight, the author of the Wal-Mart study on which the claims are based, also notes that the net increase in purchasing power due to Wal-Mart averages only \$1,122 annually after the retailer's depression of wages is factored in.

"The report does talk about the impact of Wal-Mart on the communities where the retailer is located," a Wal-Mart spokeswoman said.

She said the ads and Wal-Mart press releases do not specify that people need to shop at Wal-Mart to get all of the savings. That's a distinction that has been lost, however, in much of the news coverage of the campaign. Media outlets including ABC's "Good Morning America," The Washington Post, Advertising Age and The Honolulu Advertiser all have reported in recent months that the report said shopping at Wal-Mart saves the average family \$2,500.

In an e-mail, a Wal-Mart spokesman said it is "ridiculous" to believe it's "some kind of surprise" that people don't need to shop at Wal-Mart to realize the \$2,500 in savings. "In 2005 we held an economic-impact conference in Washington to air these very issues," the spokesman said. "Just the very presence of Wal-Mart saves Americans an average of \$2,500 a year whether they're Wal-Mart shoppers or not. We're very proud of that. But of course, the more you shop with us, the more you save."

### **Confusion**

Wal-Mart didn't try to correct reports that people needed to shop there to get the savings, but the spokesman

said in an interview, "There were several news organizations that did get it right."

At times, Wal-Mart seems a bit confused itself. According to a transcript of the retailer's October analyst meeting from FD Wire, Leslie Dach, exec-VP of corporate affairs and government relations, told analysts Oct. 23: "Whether or not [families] shop at Wal-Mart or they don't shop at Wal-Mart, they're saving \$2,500 a year -- sorry, by shopping at Wal-Mart." The spokesman said Mr. Dach was "just trying to correct his own double negative."

It seems consumers are a tad more skeptical than journalists. Though the Gotham Research survey funded by Wal-Mart Watch, one of the leading bashers of the retailer, may be suspect, Wal-Mart's own sales results last month showed the second consecutive monthly decline in same-store-sales growth since the new campaign by Interpublic Group of Cos.' Martin Agency launched in September.

Wal-Mart Stores' same-store sales were flat compared with a year ago, though sibling Sam's Club, not covered by the campaign, saw comparable-store sales rise 2.7%, pulling the company's overall U.S. same-store sales up 0.4%.

### **Hot air?**

Wal-Mart and Martin declined to comment on whether the sales results indicate the campaign isn't working, but Wal-Mart did weigh in with an attack on Wal-Mart Watch and a pitch for its low prices.

"With another holiday season filled with great deals on Wal-Mart merchandise comes yet another union-funded attack based on nothing but rhetoric," the company said in a statement.

One reason those savings may not be as persuasive as they once were, however, is that they're shrinking. Key competitors are finding ways to narrow the price gaps enough to render them largely unnoticeable, said Chris Hoyt, a Scottsdale, Ariz., retail-marketing consultant.

Wal-Mart's operating expenses as a percent of sales have been creeping up in the past decade -- a total of more than two percentage points -- as those of supermarket rivals have declined, Mr. Hoyt said. Leading supermarket retailer Kroger Co.'s operating expenses as a percent of sales are only 2.2 points ahead of Wal-Mart's, and its gross margin is about 0.8 points higher, he said. That should amount to only about a 3% average difference in pricing with Wal-Mart, he said, small enough to escape notice by many consumers.