

The Wal-Mart Effect: How the World's Most Powerful Company Really Works--and How It's Transforming the American Economy



Review by Victor Quiroz

Wal-Mart seems to get the short end of the stick when it comes to public perception about the company's image. For several years I've heard two different conflicting opinions about this company. While studying for my undergraduate degree I read business cases that praised Wal-Mart for its successful initiatives to improve efficiency in the supply chain and cut costs for consumers. The other side of the story tells how Wal-Mart is a ruthless greedy company that takes advantage of employees, suppliers, and is dangerous to the free market. Wal-Mart has been criticized for practices such as locking its employees in stores over night and forcing them to work off the clock. They've also been accused forcing suppliers to move manufacturing jobs overseas to reduce their costs. Like other companies, Wal-Mart operates by a set of core values and engages in practices that align with its principles. Wal-Mart's commitment ultimately is to the consumer and that it is committed to always providing the lowest possible prices. In Charles Fishman's *The Wal-Mart Effect* the author does a great job of walking the tightrope and presenting an unbiased view of Wal-Mart and its impact in the world.

Wal-Mart makes a big overall impact on prices in America. Fishman states that the lower prices at Wal-Mart are eight to forty percent lower than what people would pay elsewhere. According to Fishman the total annual savings in one recent study...for consumers are \$263 billion. That's \$2,300 for every household in America. The author is quick to point out that even if you don't shop at Wal-Mart, another person is saving more than \$2,300 to get to that average.

Throughout the book Fishman seeks out both former and present Wal-Mart suppliers and employees to get their stories about their experiences with the company. One area that really caught my attention was over the years how Wal-Mart effectively whittles down supplier profits by forcing them to reduce prices and the quality of their products. Fishman dives into a story about the *Nelson Sprinkler Company* which Wal-Mart slowly required them to start using cheaper plastic parts in their sprinklers. Ultimately the company ended up closing down their factory in the U.S. and moved their jobs overseas to further reduce prices for Wal-Mart.

In my opinion, overall the good outweighs the bad in regards to Wal-Mart's effect on society. Fishman points out that we as consumers are in part responsible for the Wal-Mart effect in that we choose to vote our dollars for their business model. This is a valid point. However, I strongly believe that in today's world where the voice of the consumer is heard louder and stronger Wal-Mart will feel more pressure to address these issues and find new innovative ways to cut costs and provide low prices.