



## WAL-MART'S FLAT SAME-STORE SALES

**Wal-Mart's sales are worse than they appear.** Same-store sales continue flat lining for Wal-Mart. Without Sam's Club, Wal-Mart Stores had only a 0.3% increase over last year. As a whole, the company's same-store sales were up only 1.1%. This is anemic same-store sales growth on behalf of Wal-Mart and suggests Wal-Mart Stores and Wal-Mart Supercenters are underperforming in the US.

**Sam's Club remains strong, but not strong enough.** Sam's Club warehouse stores remain the single strong point of the company with a 5.4% increase over last year and 6.4% with fuel costs taken into consideration. However, Sam's Club is not keeping pace with Costco (7.0% Increase).

**Wal-Mart is highly susceptible to any increase in fuel costs** and other external factors. Fuel costs can easily disrupt same-store sales further because in addition to the direct fuel impact of same-store sales, higher fuel costs also limit the purchasing power of the company's economically sensitive core customer base. Wal-Mart's prediction for a 2.0% gain in same-store sales might be considered overly optimistic considering the past couple of months. Wal-Mart is not keeping pace with its retail competitors Target and Costco in terms of same-store sales growth.

**Wal-Mart's profits depend on building new stores.** Wal-Mart's increase in net sales is highly dependent on building new stores. However, cannibalization in which same-store sales begin dropping month by month might be approaching.

**Wal-Mart continues to struggle in apparel.** Apparel is the driving force for growth and profitability in the retail sector outside of electronics. This may be a competitive issue with Target (5.8% increase), and Kohl's (10.5% increase).

**Wal-Mart focuses marketing on Low Prices.** Wal-Mart continues to focus its marketing on Always Low Prices and Rollbacks. However, this combined with its other marketing efforts may be having an impact on same-store sales.

**Wal-Mart's competitors are succeeding.** Small-format stores CVS and Walgreen's saw same-store sales increase by 6.2% and 6.4% respectively which may indicate that people are choosing smaller stores at nearby, convenient locations over Wal-Mart's larger stores located farther from town centers. Most CVS and Walgreen's are located in urban centers and often close to residential developments. Wal-Mart stores are often located outside of urban centers. These figures may reflect a hidden impact of increased gas prices.

**Wal-Mart's labor practices drive away consumers.** Same-store sales may be also be impacted by reduced customer service from skeletal store staffing, high turnover, and scheduling which is controlled by central office rather than local store management.