



SOCIAL STUDIES

Big Box Stores

by Amy Standen

Overview

Students will:

- Learn about the history of discount stores.
- Develop their own trade strategies.
- Create a public relations campaign.



Terrain Article: “New Wave Coming,” Summer 2005, page 24.

Introduction

In 1962, Sam Walton made a prediction: the future of retail was in discount stores. Given a choice between two stores, Walton believed, shoppers would always choose the one that offered items at a cheaper price. Therefore, in order for a business to be successful, it would have to find a way to cut costs at every stage of the production, distribution, and marketing process, to offer goods as cheaply as possible.



Walton wasn't the only entrepreneur to have that epiphany. 1962 also brought America its first Target and Woolworth stores. But over the years, Wal-mart has overtaken its competitors to become the largest retailer in the world. In 2004, Wal-mart sold \$10 billion worth of discount goods. Today, Wal-mart is the largest private employer in the United States, Canada, and Mexico. How has Wal-mart achieved such success? In many ways, by keeping to Sam Walton's original philosophy: buy low, sell low.



Wal-mart has shaved down its costs to a degree unmatched by any other store. Because the company buys items in enormous quantities to fill the shelves of its 3,600 stores, it can get huge discounts from suppliers. In addition, Wal-mart scours the planet for the best discounts: About 70 percent of the items sold in Wal-mart stores come from China, where many workers make an average of 64 cents an hour. American workers make, on average, less at Wal-mart than at comparable jobs and have fewer health benefits and no access to union organizing.



Glossary of Terms

Big box store: Typically, a square, windowless, single-story building enclosing between 50,000 and 200,000 square feet of retail space. (Examples: Bed, Bath and Beyond, Home Depot, Costco)

Category-killer: A large business which covers an entire category of goods – like groceries, office supplies, or building supplies – therefore drawing business away from smaller stores which only sell some of those goods from that category.



Urban planning: The activity of considering and planning a town's physical, social, and economic development—everything from the width of sidewalks to the organization of roads and highways and approval of new residential and business development.



Cost-benefit analysis: The process of weighing the total expected costs versus the total expected benefits of an action in order to decide on the best choice.

CA HISTORY-SOCIAL STUDIES STANDARDS: Chronological and Spatial Thinking 3. Students use a variety of maps and documents to interpret human movement, including major patterns of domestic and international migration, changing environmental preferences and settlement patterns, the frictions that develop between population groups, and the diffusion of ideas, technological innovations, and goods. 4. Students relate current events to the physical and human characteristics of places and regions. Principles of Economics 12.1 Students understand common economic terms and concepts and economic reasoning. 2. Explain opportunity cost and marginal benefit and marginal cost. 3. Identify the difference between monetary and nonmonetary incentives and how changes in incentives cause changes in behavior.



Stream of Consciousness Warm-Up

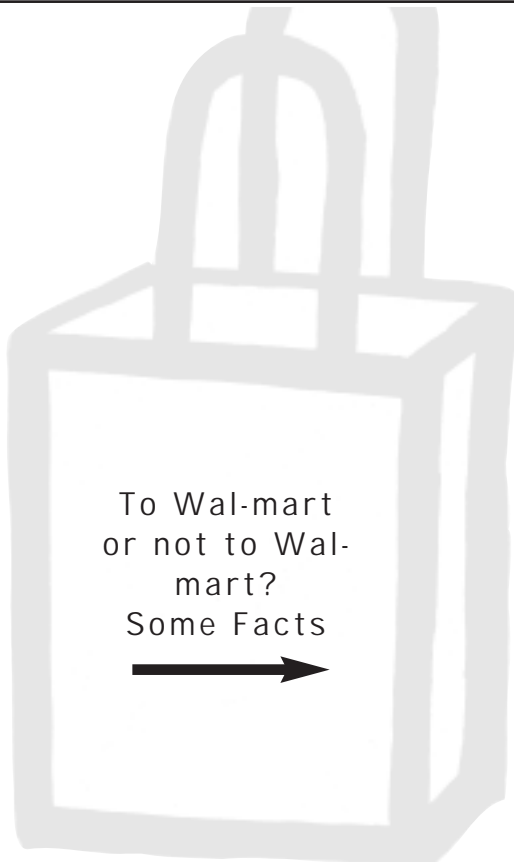
Students will write about Wal-mart without the limitations of correct spelling and grammar.

Teacher Directions

1. Have students take out a piece of paper and answer the prompt below in silence. You will also take out a piece of paper and do the same.
2. On the very first line write:
When I think about Wal-mart I think about...
3. Without putting down your pen for 5-10 minutes, write everything you think, feel, and know about Wal-mart. For instance, if Wal-mart makes you think of shopping which makes you happy, which makes you think about baseball, write it down! The only rules are:
 - Do not worry about spelling or grammar.
 - You cannot lift your pen for more than one second.
4. After everyone is done with the assignment, choose a volunteer to take notes on the chalkboard under the heading "Wal-mart."
5. You will read your own brainstorm about Wal-mart. The volunteer will take notes on the chalkboard. After you're finished reading, ask for volunteers to offer up their own stream of consciousness thoughts about Walmart.
6. After the volunteer takes all the notes, the class will have a discussion based on the following prompts.

Discussion Questions

- How do we, as a class, feel about Wal-mart?
- How do we feel about spending money or shopping?
- Why do we like to shop or not shop?
- How do we feel about getting a bargain? Why?
- What makes you want to buy something?
- What makes you want to buy one more of the same thing? (i.e. sweaters, tennis shoes, etc.)
- Why would you refuse to buy something even if it were on sale or a bargain?
- To whom is Wal-mart marketing? Why? (i.e. young people, mothers)
- How is Wal-mart different from other big box stores like Target or K Mart?
- Is Wal-mart a successful company? Why or why not?
- Is Wal-mart good for the US? Why or why not?
- When would you forgo hanging out with friends to earn money?
- Is the making money more important than the environment or civil rights? Why or why not?
- Does the bottom line ensure the safety of the environment and civil rights? Why or why not?



Wal-mart sells from big box stores, which can be as large as five football fields and require acres of parking. Because these stores and parking lots are so large, they are usually built on the outskirts of town, away from public transportation and accessible only by car. Today, Americans spend 50% more time driving to do our shopping than we did 15 years ago.

Wal-mart and other big box retailers usually find it cheaper to build a new store rather than renovate an existing building, which means that dozens of acres of open space are paved over for parking lots and stores. This means less habitat for plants and animals and leads to environmental problems like polluted runoff from parking lots.

Big box stores like Wal-mart—often called category killer stores—have been shown to take business away from the local downtown areas, as shoppers drive to Wal-mart to take care of all of their shopping needs in one trip, rather than shop at a variety of traditional businesses in their local shopping district.

On the other hand, Wal-mart often creates jobs in areas where unemployment is high, and it offers convenience to customers, particularly for those living on low incomes. Big box stores like Wal-mart allow shoppers to stretch their paychecks much farther, and be able to cover their needs more efficiently.

Wal-mart's giant profits allow the company to make large charitable donations, such as buying land for conservation, and donating \$17 million to victims of hurricane Katrina.



Trade Decisions

In this exercise, students will discuss trade strategies and develop one of their own.

Teacher Directions

Define the glossary terms at right. Place the chart below on an overhead projector.

Student Directions

- In collaboration with 3 classmates, answer the following questions on a piece of paper, using the chart below.
- Imagine yourselves as a retail corporation a la Wal-mart.
 - Would you rather trade with China or the US? Why?
 - Who offers the best cost incentive for manufacturing? How? Explain.
 - Who offers better non-cost incentives? Explain.
 - What are some of the non-cost incentives offered by both countries?
- Imagine that you are shopping for a CD player.
 - Would you rather buy from a retailer whose trade strategy focuses on cheap manufacturing in China, resulting in cheaper goods, or one which focuses on U.S. trade and more expensive goods? Why?

Glossary Terms

Marginal Benefit: the benefit one receives when consuming one more of the same product. This is measured in the amount a person is willing to pay for another unit of the same item.

Marginal Cost: the amount it costs to make one more of a product.

Opportunity Cost: the cost of something in terms of opportunities passed up. For example, if a city decides to build a hospital on land that it owns, the opportunity cost is whatever might have been done with the land and building funds instead. In building the hospital, the city has foregone the chance to build a sporting center on that land, or the ability to sell the land to reduce the city's debt, etc. Opportunity cost need not be assessed only in terms of money. It can be assessed in terms of anything that is of value to the person(s) doing the assessing.

Cost Incentive: something that is a good bargain. The incentive to buy is linked with the cost/value.

Non-cost Incentive: The incentive to buy something not based on cost. An example of a non-cost incentive is product quality.

- Which strategy is more moral? Why? What can retailers do to seem moral to their consumers and maintain the bottom line?

Manufacturing a DVD Player:Cost Comparison

	US: Cost Per Unit (includes marginal cost)	China: Cost Per Unit (includes marginal cost)
Making the materials (plastic, electronics, wiring)	~\$22 per unit	~\$12 per unit
Manufacturing the DVD (machines used to make it)	~\$9 per unit	~\$3 per unit
Manufacturing labor costs	~\$15 per unit made - \$15/hr	~\$1 per unit made - \$1/hr
Real estate (rent paid on factory and storage space)	~\$5 per unit made	~\$.50 per unit made
Transportation(trucking, shipping)	~\$.25 per unit shipped from factory to store	~\$1 per unit to ship from China to store

Town-Hall Meeting

In a mock town-hall meeting, students will decide whether or not to allow a big box store to be built on the outskirts of their town, and under what conditions.

Teacher Directions

Divide the students into groups of four. In each foursome, students will be assigned the following four identities: local business owner, parent in low-income working family, unemployed person, environmentalist.

After the students are assigned their identity, they will research their new persona using the web links below.

www.scu.edu/ethics/publications/ethicalperspectives/wal-mart.html
www.walmartfacts.com/
www.sierraclub.org/planet/200505/walmart.asp
www.sfgate.com/cgi-bin/article.cgi?file=/c/a/2005/08/17/MNGDPE91AH1.DTL
www.americanprogress.org/site/pp.asp?c=biJRJ8OVF&b=137846
www.usatoday.com/money/companies/2004-03-11-waltons_x.htm
www.alternet.org/walmart/16685/
www.religioustolerance.org/abo_walm.htm
www.blackcommentator.com/72/72_fr_wal_mart.html
www.mindfully.org/Industry/2005/Wal-Mart-Hispanic31may05.htm

Student Directions

Conduct a mock town hall meeting with your group. Research the needs/concerns of the person you will be portraying. After you know your character, your group will answer the following questions on one piece of paper.

Town Hall Meeting Questions

- What are the main interests of each person in the meeting concerning the store? What is most important to each of them economically, socially, politically, environmentally?
- Is one of these voices more important than the others? Is there one person who should be allowed to have the final say?
- What voices are not represented in this town hall meeting? Who else will be affected by the decision?
- Should the Walmart move into your town? What is the opinion of each person? What are their reasons?
- If yes, what three conditions would you set for this store to move to your town? (eg. pay rate, solar energy, etc.)
- If no, give an in depth explanation which includes financial drawbacks, socio-political ramifications, and environmental concerns of the community.



The New and Improved Environmental Movement

Discussion

In this exercise, students will discuss the concept of privilege and how it relates to the environmental movement.



“One of the problems right now is you've got a bunch of white folks who get it, and have moved on to being vegan and trying to have solar powered hair dryers, or whatever. But what about the person living 20 minutes away who's happy that Wal-mart might give them access to commodities they don't have to take four buses to get to, and who would be happy getting a job anywhere, even it was smoking up the sky a little bit?”

-Van Jones, “New Wave Coming” (Terrain Summer '05)

Van Jones Discussion Questions

What is Van Jones saying about the environmental movement, as it stands today?

Do you agree with him?

How does what you've just read relate to the town hall discussion you had earlier?

Do environmental problems affect wealthy and low-income people in the same way?

Who suffers more from environmental problems? Examples?

What are some of the first steps environmentalists should take to address these problems?

Designing a New Environmentalism

In this activity, students will design a public relations campaign for the environmental movement.

Student Directions

In self-selected pairs, you will create a new environmental slogan, a new TV commercial, and a new campaign, each of which should convincingly “sell” environmentalism, or make it meaningful, to a diverse group of people.

The Slogan: Some of the environmental slogans from the past may be familiar to you: “Love your mother,” “It's good for the bottle, it's good for the can.” They're short, memorable, and easy to understand. Now we need a new slogan, one which addresses the problems Van Jones described above. What should it be? Create your own one-sentence slogan.

The Campaign: You've been given \$1,000 to conduct an environmental campaign in your area. Think about all the environmental campaigns you've heard about before: projects to save endangered animals, to improve air quality, to clean up toxic

waste, to save energy, to combat global warming. Your project should not only do something good, it should be relevant to people who have felt in the past that environmental issues don't speak to them. This will be the banner project of your new environmental movement, so it should sum up as many as possible of the ideas you've been discussing so far. What will you do with the money?

The TV or Radio Spot: Create an ad to sell your new brand of environmentalism, or some aspect of it. Based on what you know from your science classes and your life, why does the environment matter? Keeping Van Jones' comments in mind, write the script for a 30-second TV or radio ad which describes your new and improved environmental philosophy. Once the scripts are finished, each group will perform its advertisement in front of the class. If you decide on a radio ad, record it on a tape recorder. Use sound effects wisely. If you chose to create a TV ad, pay particular attention to visual aids and the movements you make in front of your audience.

