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ATLANTA BUSINESS NEWS 5:00 a.m. Sunday, November 27, 2011

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## Big box stores get bigger, and richer

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By Michael E. Kanell  
The Atlanta Journal-Constitution

The call to the Chandlery comes from a frazzled mother. She sits in a car not far away. There's just one item she needs at the Roswell store.

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Curtis Compton ccompton@ajc.com

As department stores chains proliferate, personal service is part of what keeps customers like Susan King of Douglasville visiting smaller stores like the Chandlery in Roswell.

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Customers enter the Chandlery, where workers are likely to remember your name if you're a regular. During the holidays, the store holds seminars for customers on how to decorate trees.

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"She'll say, 'I've got a sleeping baby. Can you meet me at the curb?'" said Sally Johnson, co-owner of Chandlery, a "mini" department store that's been in business since 1977. "We say, 'What's your credit card number? We'll come out.' It happens a lot."

You might not get such indulgences at Walmart or Target. But most consumers — in this, the busiest of shopping seasons — are looking for the lowest prices, even if it means taking a pass on personal service. A handful of chains is all but certain to command an overwhelming share of holiday spending.

In the past two decades, the share of sales going to the top general merchandise stores has soared from 47 percent annually to 73 percent, according to an analysis of census data by University of Oregon sociologist John Bellamy Foster and University of Illinois at Urbana-Champaign communications professor Robert McChesney.

"I do shop at Walmart," said Amy Nichols of Marietta, carrying a shopping bag through Perimeter Mall in Dunwoody. "The price is cheaper. And I go for things I can't find anywhere else."

Experts agree that the trend is clear.

Many independent stores like Atlanta-based Rich's and smaller chains like Burdines have been absorbed into big chains. Meanwhile, the big chains themselves have kept growing.

"In pretty much every category, you'll see that the biggest guys are a lot bigger today than they were 10 years or 20 years ago," said Lawrence Ring, business professor at the College of William & Mary in Virginia.

The implications of retail consolidation are varied: lower prices for consumers, but also less energetic hiring of workers and a more streamlined economy overall.

### Efficiency of going big

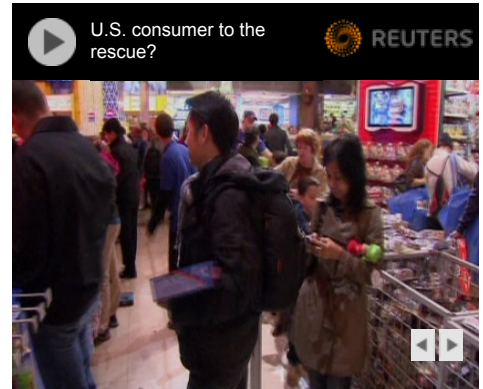
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National brands, on average, are 6 percent to 7 percent less expensive, thanks to consolidation, said David Weiskopf, senior vice president at Compass Lexecon and adjunct economics professor at Johns Hopkins University.

Bigger can be more efficient — and most analysts say that the triumph of huge retailers, led by Walmart, has made the economy more efficient as well.

Big chains can buy in massive bulk, invest in new technologies, pressure suppliers to meet ever-lower benchmarks for price and make up for thin profit margins with tens of billions of dollars in sales.

The effect on consumers is cheaper goods, but less choice, said Elaine Buxton, president of Confero, a “customer experience measurement firm” based in Cary, N.C.

Lynne Andrews of Cumming remembers shopping at Rich’s and other stores that no longer exist.

“It has definitely changed, and I feel like there are not as many choices,” Andrews said.

And while she does some shopping at the big stores, she also spends time and money at the small ones. Her favorite might be a local store: Straw Dog, a women’s apparel store.

“Those kinds of stores are a little more expensive. But at Straw Dog, they have a gal there who is like my personal shopper. I just feel like a person, not a number.

“I feel like they are working for my business.”

As the big stores squeeze for lower costs, they also push some suppliers into consolidation, Buxton said. “Instead of 18 lines of cosmetics, they may offer seven — and then, they can squeeze those seven.”

So, consumers may find that the shelves are full, but certain items may actually come from just one or two companies.

And big stores often create their own brands — items that are generally cheaper than the well-known names but more profitable to the store, Buxton said.

Whatever the big stores are doing has been working: Walmart’s U.S. sales last year were \$308 billion. Target’s were \$78 billion; Costco’s, \$59 billion; Sears, \$35 billion; Macy’s, \$25 billion; Kohl’s, \$18 billion; and J.C. Penney, \$18 billion.

Those revenues far outweigh the totals for the tens of thousands of small stores.

“I’ll admit that the service isn’t that great at the big stores, but if you want somebody to hold your hand, you go to the corner guy,” Ring said. “And you’ll pay for it.”

There is nothing new about chains surging to national preeminence — and facing criticism.

Older Americans can remember when food sales were dominated by a massive network of A&P stores, and the heights of retail were commanded by Sears Roebuck and F.W. Woolworth.

Consumers flocked to those stores too, despite charges that they were crushing competition and undercutting small business with their buying power.

And just as those retail dynasties were eroded by new circumstances and technology, changes could weaken today’s behemoths.

Size does not always triumph — the impact of big on small is not so simple, said Weiskopf.

As the largest player, Walmart has the greatest impact, and “it is uncontroversial” that wages in general tend to go down when Walmart enters a community, he said.

“It depends on the business and how close to Walmart you are,” Weiskopf said. “In fact, small business revenue tends to go up when they are close to the Walmart.”

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Walmart officials declined comment. So price is not the whole game — not for the small stores and not for customers like Brenda Carreras of Atlanta.

Walmart is too chaotic and too crowded, she said. “I know Walmart is probably cheaper than other places. I don’t care. I just can’t go there.”

That doesn’t mean she’s headed for a boutique — she’s more likely to shop at Target.

Big and small each play to different strengths, said Buxton. “What the big stores can’t do is figure out how to compete on customer experience. Someone can say ‘welcome to the store,’ but can that person direct you to a product you want?”

Or for that matter, can they analyze your gait? For that, you might go to Big Peach Running Co., a six-store, 75-employee retailer based in Atlanta.

With shoes ranging from \$85 to \$200, Big Peach prices are not going to siphon customers from the mall. But for advice, guidance, expert chat and even a running group to join, it’s an option.

“You can come in here and spend two hours picking the brains of these people,” said Karen Kaye, director of communications and community relations. “Everybody who works here is an experienced runner, walker or hiker. We don’t hire high school students. We don’t hire temp workers.”

The advantage of a small store is in having a relationship with customers, said Melissa Murdock, owner of the Sandpiper at Vinings Jubilee.

Big stores may amass information about their customers by toting up credit card data, but she knows hers by name, she said. “It all starts with my customers and knowing them better than anyone else knows them — where they’ll be shopping, what will they be looking for, what is the ceiling on their price points.”

### **Controlling labor costs**

Consolidation seems to have put a mild chill on hiring.

Not only do the big stores keep labor costs low, they pressure suppliers to do the same. Some of them will be run out of business. Others will look overseas for cheaper workers.

All of that seems to mean that lower prices for consumers are escorted by lower costs for companies and a slower pace of hiring. There are now about 11.8 million workers in retail, according to the most recent government data.

During the past two decades, those payrolls have grown by 16.8 percent. But in that same time period, retail revenues have surged by 147 percent.

That means that, in 1991, there were nearly 70 retail employees for every \$1 million in revenue for the sector. Now, for each \$1 million in revenue, there are only about 33 workers.

Walmart and Target each have a little more than five employees for each million dollars in sales. So if hiring now were still at the 1991 pace, the economy would have 13.1 million more jobs.

That might be wishful thinking: Perhaps it was only big retail’s hard-headed efficiency and low-cost policies that fueled the sector’s strong growth these past two decades. Retail was never a source of many high-paying jobs anyhow.

In a \$15 trillion-a-year economy, the consolidation in retail is not the only cause for job losses and weak wage gains, said Josh Bivens, senior economist at the Economic Policy Institute. “I am really not sure how much this explains — but it’s on my list of suspects.”

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