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HERE COMES WALMART

Despite earlier failure, mass retailer determined to open in the city

By DANIEL MASSEY

To close an analysts meeting last month, a choir of Walmart associates belted out “New York, New York.” A few days later, the Arkansas retail giant announced that it had hired Bradley Tusk, Mayor Michael Bloomberg's former campaign manager, to bolster its efforts to open a store in the Big Apple.

Four years after failed attempts in Queens and Staten Island led former Chief Executive H. Lee Scott to write off New York City as not “worth the effort,” Walmart is indeed singing a different tune. Five straight quarters of same-store sales declines in the U.S., disappointing forays abroad and bold moves into the city by such competitors as Costco and Target have forced Walmart to push harder than ever for a foothold here and in other urban areas.

“They're looking all over,” says **Faith Hope Consolo, Chairwoman of Prudential Douglas Elliman's Retail Group.** “This is aggressive now. This is not just thinking about it and dabbling. They're dancing around the city.”

And the retailer might find a real estate partner this time.

Last month, Walmart announced that it would consider stores far smaller than its typical 150,000-square-foot supercenter. With no shortage of 30,000- to 60,000-square-foot spaces in the city, the “Smallmart” strategy could nullify longtime opponents' most potent weapon - the City Council's zoning hammer. No matter how loudly labor and political foes shout about Walmart's potential impact on nearby small businesses, its antiunion policies or its alleged discrimination against women, the downsized approach makes for a smoother entry into New York.

Ms. Consolo says a team of at least a dozen Walmart real estate experts is looking at space all over Manhattan - from East Harlem to the Sixth Avenue Ladies' Mile strip. And she says the company has not ruled out entering the local market via pop-up stores, as Target did. It could also purchase an existing big-box chain, such as Pathmark, whose parent, A&P, is choking on \$1 billion in debt. Walmart is sitting on \$10 billion in cash.



In a down economy, Walmart hopes to build community support by highlighting its potential economic impact. Last year, the company spent \$5.7 billion with 835 New York City suppliers, and its foundation has given more than \$9 million in grants to nonprofits here in the past three years.

Though smaller formats are likely, Walmart isn't giving up on stores of 80,000 to 150,000 square feet, says Director of Community Affairs Steven Restivo. It's looking "across the entire city," he says, and will probably zero in on poor neighborhoods, where unemployment is high and fresh-food options are limited.

"We can be part of the solution in terms of addressing unemployment and improving access to affordable, healthy food," Mr. Restivo adds.

Walmart has a stalwart local supporter in the mayor, who said last week through a spokesman that "we shouldn't tell businesses that want to invest and create jobs in New York City that they can't."

Working the community angle

In Chicago, Walmart eventually won over ministers, community leaders and construction unions by focusing on jobs, and it will use the same strategy in New York.

Already, the Hip-Hop Summit Youth Council and community leaders have launched Walmart 2 New York City, arguing that the retailer would create jobs. Walmart officials say it has no ties to the group, but it has partnered with Russell Simmons' Hip-Hop Summit Action Network, a sister organization of HHSYC.

Meanwhile, leaders of the city's building trades are still irritated that the retail union engineered the defeat of a proposed mall at the Kingsbridge Armory last year, killing 1,000 construction jobs. With its members facing 30%-plus unemployment rates, the trades have little incentive to join the retail unions in fighting Walmart, which said it will build with union labor. The Building and Construction Trades Council declined comment.

Walmart's competitors are thriving here. Costco has five stores in New York and wants additional locations in the outer boroughs. The stores averaged sales of \$185 million in fiscal 2010, 35% more than the company average, Costco says.

Target has 10 stores in the city, and supermarket union officials say its growing food and beverage operations could make the company a focus of labor opposition. Each Target store here brings in an estimated \$25 million a year in grocery sales alone, says Burt Flickinger, a retail analyst with Strategic Resource Group.

Brian Sozzi, a retail analyst at Wall Street Strategies, says, "Walmart's desperately trying to ramp up growth, and urban areas [in the U.S.] are the next frontier."

All eyes on East New York

But many labor leaders and their political allies, worried that the non-union retailer will erode the shrinking market share of unionized stores in New York, are equally desperate to stop Walmart.

“When you look at the places [it] has gone, they're just pushing out the longtime mom-and-pop jobs and replacing them with their jobs in a cannibalistic way,” says City Council Speaker Christine Quinn.

The fight has begun in East New York, Brooklyn, where Walmart is eyeing 180,000 square feet at The Related Companies' Gateway II complex. The City Council OK'd plans for a 630,000-square-foot shopping center there last year, but the vote didn't take into account the “higher order of environmental impact” of a Walmart, says Richard Lipsky, a lobbyist for the Retail, Wholesale and Department Store Union. Mr. Lipsky is preparing a legal challenge to the initial approval. Even if opponents prevail in East New York, it's just a matter of time before Walmart secures an “as-of-right” site - one without zoning hurdles - which will reduce union leverage. In the end, labor might have to settle for more modest concessions. One blueprint is a deal Walmart agreed to at its Pullman neighborhood location in Chicago to pay workers up to \$9.35 an hour after their first year on the job. But the price of admission in New York will be a lot higher.

“Walmart can say, 'We have an as-of-right site and want to sit at the table and talk about how we can go into a community without the tremendous backlash we know is coming,' or it can fight,” says Pat Purcell, assistant to the president of United Food and Commercial Workers Local 1500. “They want to fight, we'll fight. They want to talk, we'll talk.”