

Sam Walton Is Dead At 74; the Founder Of Wal-Mart Stores

By THOMAS C. HAYES

Sam Walton, the founder of Wal-Mart Stores Inc. and the most successful merchant of his time, died yesterday at the University of Arkansas Medical Sciences Hospital in Little Rock. He was 74 years old.

A spokeswoman at the hospital, where Mr. Walton was admitted a week ago, said that the cause of death was being withheld at the request of the family. Mr. Walton had long struggled against two types of cancer, hairy-cell leukemia, which weakens the immune system by attacking white blood cells, and a bone-marrow cancer called multiple myeloma.

Mr. Walton opened the first Wal-Mart Discount City in 1962 in Rogers, Ark., a small city in the Ozarks. By 1991 the chain passed Sears, Roebuck & Company to become the nation's largest retailer. On April 1, it had 1,735 stores in 42 states, as well as 2 in Mexico. Mr. Walton assembled a management team that will carry on, and the company said yesterday that it foresaw no changes in corporate policy or control.

Mr. Walton created Wal-Mart with the idea, once mocked by retailers, that large discount stores could thrive in small towns and rural areas. A gifted, homespun orator, he entranced legions of low-paid loyal workers with a simple refrain — help customers, cut costs and share profits. Wal-Mart's headquarters, in contrast to the 110-story

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Sam Walton, Wal-Mart Founder, Dies

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Sears Tower on the edge of Chicago's Loop, remain a box-like warehouse and general office in Bentonville, Ark.

Wal-Mart began to sell its stock to the public in 1970. As Wall Street discovered the company's unbroken pattern of high profits and fast growth, the price of Wal-Mart's stock began to soar in the late 1970's, and the Walton family's wealth with it.

The family fortune includes \$23 billion in Wal-Mart stock alone, which provides more than \$90 million in annual dividends. The Waltons also own seven banks in Arkansas and Oklahoma and five newspapers in Arkansas. While the Walton name is hardly as well known as Rockefeller or Getty, the family is believed to be the nation's wealthiest.

Investors in Wal-Mart stock also enjoyed a bounty. From 1981 to 1991, the company's shares produced an astounding average yearly return of 46.8 percent, including dividends and increases in the share price. A \$3,000 investment in Wal-Mart stock in January 1981 was worth \$105,600 in January 1991, the company calculated. By last week, it would have been worth \$170,000.

High Volume, Low Prices

Wal-Mart's rapid growth, built on high sales volume and low prices, brought financial ruin to hundreds of small-town merchants on Main Streets across the South and Midwest. And as Wal-Mart's reputation grew, Mr. Walton often faced bitter resistance in communities where he planned to open stores. Yet, his promises to attract shoppers, assist charities and provide jobs almost always prevailed.

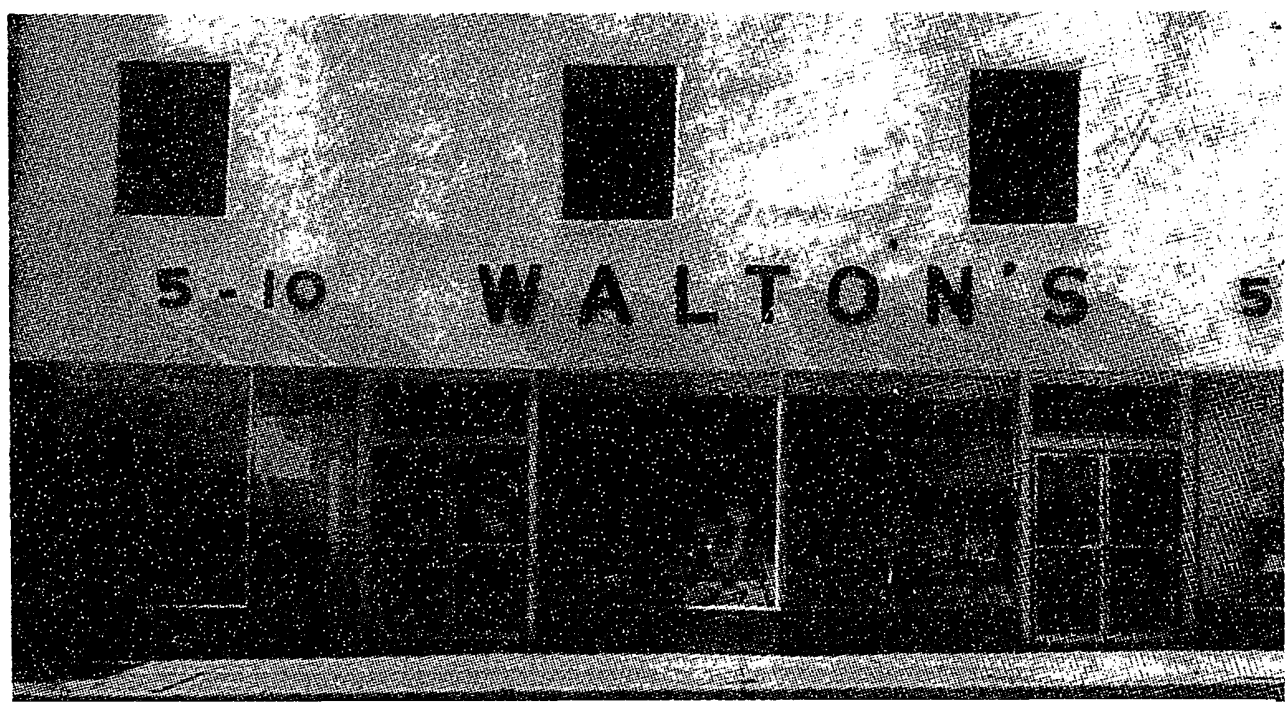
Mr. Walton always worked hard at shaping his work force, using cheers, rap songs and payment policies to urge employees to be frugal in their jobs and friendly toward customers. Bonuses were paid to all employees in stores where stealing and other inventory losses were kept below 2 percent of sales. Scholarships were established at colleges in names of employees who crafted better ways to handle merchandise.

Mr. Walton set the tone, often beginning his mornings at 4:30 and working long days from a cramped, spartan office in Bentonville, in northwestern Arkansas.

"This is a man who was at work at 4:30 in the morning, had warmth and charm throughout the day, an interest in his customers, and who treated his associates well as persons, not just as clerks and salespeople," said Walter F. Loebe, a retailing consultant who first met Mr. Walton in 1976. Mr. Walton always referred to Wal-Mart employees as his associates.



Sam Walton with employees at one of his Wal-Mart stores. His first five-and-dime store was in Bentonville, Ark., above, a town that later served as the headquarters of his empire.



Born in Oklahoma, Raised in Missouri

Samuel Moore Walton was born in Kingfisher, Okla., on March 29, 1918, the first child of a rural banker, Thomas Walton, and Nancy Lee Walton. An Eagle Scout, quarterback of the state champion football team and student council president, Mr. Walton was voted "most versatile boy" by his graduating classmates at Hickman High School in Columbia, Mo., in 1936.

Working his way through the University of Missouri at Columbia, he delivered newspapers, waited on tables and clerked at a five-and-dime store while taking classes in the Army's Reserve Officer Training Corps and serving as president of the senior class and the honor society. After graduating in 1940 with a degree in economics, he worked briefly as a management trainee in Des Moines with the J. C. Penney Company, then a small-town retailer with 1,500 stores.

During World War II, Mr. Walton served as an Army captain, working in intelligence. In 1945, he acquired his first store, a Ben Franklin franchise in Newport, Ark., with a \$25,000 loan from his father-in-law, Leland Stanford Robson, a small-town Oklahoma banker. By the early 1960's, Mr. Walton and his brother, James L. (Bud) Walton, owned 15 Ben Franklin franchises.

Striking Out on His Own

In 1962, when Ben Franklin executives in Chicago turned down his plan to open bigger stores in rural areas, with discount prices and smaller profit margins, he began to form what even-

tually became Wal-Mart Stores.

In a 1989 interview with Financial World magazine, Mr. Walton said of his disagreement with Ben Franklin, "They didn't want to give on their end to the degree that it took for the prices to be as low as I felt they should be." Operating costs at Ben Franklin were as much as 25 percent of sales, but Mr. Walton thought they could be much lower.

He said: "If they had been able to sell to me on a 12 percent range, I probably would not have put together the organization that we did. Aren't I glad they didn't accept the idea, because I was forced to build our own team and program?"

One Temporary Retirement

Mr. Walton remained the chairman of Wal-Mart until his death. He relinquished the titles of president and chief executive in 1988. He retired briefly from the chief executive's post in 1974 but reclaimed it two years later.

Last month, he was awarded the Presidential Medal of Freedom, the nation's highest civilian honor, and hailed as "an American original" who "embodies the entrepreneurial spirit and epitomizes the American dream."

Rejecting occasional advice to sell part of his family's shares and spread his investments, Mr. Walton kept 39 percent of Wal-Mart's common stock under family control in five trusts he established in 1954. Since it became a public company, Wal-Mart has issued more than 1.1 billion shares of common stock.

The five Walton trusts hold Wal-Mart stock collectively valued at \$23 billion, about \$4.6 billion apiece, at current market value. Annual dividends

on the family stock amount to \$93.5 million.

Hated Distinction As Wealthiest

In 1985, Forbes magazine declared Mr. Walton the wealthiest person in America, a distinction Mr. Walton often said he hated. "All that hullabaloo about somebody's net worth is just stupid, and it's made my life a lot more complex and difficult," he told Fortune magazine. Although he disliked doing it, he autographed dollar bills for customers and employees and smiled for their cameras.

Mr. Walton displayed scant interest in the social whirl of the fashionably rich. And on business trips that often included visits to six Wal-Mart stores in a day, he rented subcompact cars and spent nights at budget motels, or in the homes of store managers. He was notoriously absent-minded. Driving once, he was distracted by counting cars in a competing store's parking lot and rammed into the rear of a Wal-Mart tractor trailer. No one was hurt.

And Mr. Walton had his business failures. Wal-Mart's ventures into selling discount drugs, do-it-yourself building supplies and arts-and-craft supplies were all abandoned after mixed results. His huge Hypermarket stores, which have sold groceries along with Wal-Mart's traditional fare since 1988 under a roof that could cover five football fields, have apparently proved too large to manage. The company is trying a similar formula in scaled-down stores called Supercenters.

On occasion, Mr. Walton sparred with labor unions that tried unsuccessfully to organize clerks in his stores or drivers in his vast trucking fleet. But he mostly avoided labor clashes by placing stores and distribution centers away from cities where unions were powerful.

He also installed profit-sharing plans that enabled hundreds of workers with low wages to retire with comfortable, and occasionally lucrative, pensions because of the rising price of Wal-Mart stock. A cashier who retired in 1989 with \$262,000 in retirement benefits, Shirley Cox, earned \$7.10 an hour on her last day of work after 24 years with the company, said Vance H. Trimble, author of an unauthorized biography of Mr. Walton published by Dutton in 1990.

Mr. Walton was an avid hunter, particularly of quail, and a frequent patron of local restaurants in Bentonville. He was an active worshiper at the First Presbyterian Church, where he once taught Sunday school. In recent years he drove a red 1985 Ford pickup. Bentonville, which now has a population of 10,825, named the local junior high school after him in 1983 and the local day-care center for his wife, Helen Robson Walton.

Mrs. Walton, 72, controls the trust she shared with Mr. Walton. The other four trusts are controlled by the Waltons' four children: S. Robson, 47, one of three Wal-Mart vice chairmen; John T., 45, owner of a boat-making business in San Diego; James C., 43, president of Walton Enterprises, which includes family-controlled newspapers, banks and other businesses and charitable activities; and Alice, 42, who heads a private investment firm, the Llama Company, in Fayetteville, Ark.

Mr. Walton's brother, James, 70, owns more than 20 million shares and is a senior vice president and director of Wal-Mart. Mr. Walton is also survived by 10 grandchildren.

Ideas That Built The No. 1 Retailer

One of Wal-Mart's biggest strengths was the streamlined, sophisticated logistics it created for replenishing products as its universe of stores expanded, management advisers at the Boston Consulting Group said.

In the early years, Mr. Walton insisted on building stores no more than a day's drive from distribution centers. Now, Wal-Mart fills merchandise orders within two days, compared with an average of two weeks among its rivals.

The company has 19 cavernous distribution centers, with an average of six miles of rack space in each; nearly 2,000 trucks; a satellite video system for relaying sales trends to executives, buyers, store managers and clerks, and a fleet of aircraft — purchased secondhand — to ferry managers across the Wal-Mart system.

Eighty-five percent of the merchandise Wal-Mart sells is shipped from its distribution centers, compared with 50 percent at its biggest competitor in discounting, Kmart, which relies on suppliers to ship the rest of its merchandise.

Upsetting Conventional Wisdom

In the March-April 1992 issue of The Harvard Business Review, three officers at Boston Consulting — George Stalk, Philip Evans and Lawrence E. Shulman — said Mr. Walton had turned on its ear the conventional retailing approach of having senior executives make purchasing and stocking decisions.

"Instead of the retailer pushing products into the system, customers 'pull' products when and where they need them," they wrote. "The job of senior management at Wal-Mart, then, is not to tell individual store managers what to do but to create an environment where they can learn from the market — and from each other."

Some executives at the company and consultants said Mr. Walton was a fair-minded leader, but hard-driving and demanding. "He was a man who extracted and expected a great deal from others because he himself always gave 100 percent," said Kurt Barnard, an industry consultant.

Unauthorized Biography

Mr. Trimble wrote that Ron Loveless, former head of the company's wholesale-club division, retired in 1986 at age 42 partly because of job stress.

"If you don't produce, you'll be gone," Mr. Loveless, who did not talk to Mr. Trimble, told The Arkansas Gazette in 1986. David D. Glass, who succeeded Mr. Walton as chief executive in 1988, suffered a heart attack a year after being promoted to president in 1984.

With the economy in recession during 1991, Wal-Mart continued to flex its muscle. Although Mr. Walton was slowed by cancer treatments, he continued piloting himself, often alone, in a twin-engine Cessna to visit dozens of stores each week as he pursued plans to push Wal-Mart's yearly sales be-

yond \$100 billion by the turn of the century.

The company opened more than 150 new and mostly bigger stores, expanded into Northeastern states and accelerated openings of its wholesale subsidiary, known as Sam's Clubs, which in 1991 increased sales by 43 percent, to more than \$9 billion. Over all, Wal-Mart's sales rose 35 percent last year, to \$43.9 billion, and profits jumped by 24.8 percent, to \$1.6 billion.

Delighted Crowds As a Showman

Mr. Walton's enthusiasm knew few bounds. In 1983, after Wal-Mart's profits exceeded expectations, he kept a promise to employees and donned a grass skirt to dance a hula on Wall Street.

At the Wal-Mart annual stockholders' meeting each spring, the charismatic Mr. Walton played barker, preacher, cheerleader and company visionary to ever-larger crowds. On June 7, 1991, more than 10,000 people filled the basketball arena at the University of Arkansas, 30 miles south of Bentonville, for what was Mr. Walton's last performance in a role that began that day at 7 A.M. and continued until noon.

"A lot of believers are here today," he shouted to an approving roar from the crowd of stockholders, executives of Wal-Mart suppliers, and more than 2,000 employees who had traveled to Fayetteville at company expense from stores across the country. Later that day, Sam and Helen Walton held their annual barbecue for the employees on the lawn of the 5,500-square-foot house they built in Bentonville and lived in since 1959.

The Spirit of Prosperity

Mr. Walton orchestrated the annual meeting to underscore his managerial doctrine that the close links among suppliers, shareholders and employees determined Wal-Mart's prosperity.

During the meeting, Mr. Walton urged each of these three constituent groups to stand separately as applause filled the arena. Then he called on employees who served in the military during the Persian Gulf conflict to stand. "Good God, let's get the lights on them," he commanded. Among Wal-Mart's 380,000 employees at the time, 582 reservists and members of the National Guard were activated for the fighting.

A Wal-Mart executive announced that 80,000 jobs had been created in the United States by Wal-Mart merchandise orders since Mr. Walton's "Buy America" campaign began in 1985. The reigning Miss U.S.A., Kelli McCarty, the daughter of a Wal-Mart manager, smiled, posed and exchanged a "high five" with Mr. Walton. Paul Harvey, the radio commentator whose sponsors included Wal-Mart, proclaimed on stage that the Wal-Mart way was "something better than capitalism: enlightened consumerism." Then the entertainer Lee Greenwood sang "God Bless the U.S.A."

'High Expectations Are the Key'

"There is nothing like it in the annals of retailing," Mr. Walton shouted as the spectacle unfolded. "High expectations are the key to everything." When Mr. Glass announced that the value of all Wal-Mart shares had increased to \$45 billion from \$150 million in 1976, Mr. Walton interrupted him.

"And it's only just begun," he declared. "Do you believe it? Let me hear you say it!" And a chant immediately filled the hot auditorium: "And it's only just begun."

Industry analysts say Mr. Walton gained the edge in sales over other retailers by taking risks, adopting approaches that worked for competitors and getting the most from his employees. In 1988, for instance, Wal-Mart averaged \$103,000 in sales for each employee, while Kmart averaged \$82,000.

In the 1989 interview with Financial World, which named him chief executive of the decade, Mr. Walton said: "I probably have traveled and walked into more variety stores than anybody in America. I am just trying to get ideas, any kind of ideas that will help our company. Most of us don't invent ideas. We take the best ideas from someone else."

The family has planned a private funeral in Bentonville.