



## Sam Walton

Made in America

Sam Walton/John Huey, Published  
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*"The best way to reduce paying estate taxes is to give your assets away before they appreciate." – Sam Walton*

*"Exercising your ego in public is definitely not the way to build an effective organization." – Sam Walton*

## Practice Biopsy Book Study Club

*Learning Awesome Things, to  
Become more Awesome....*



### The Early Days

Sam Walton's father was not entrepreneurial in nature and possessed an aversion to both risk and debt. Walton grew up meagerly and watched his family struggle to get by. Sam always **contributed to the family financial well-being** even from the young age of 7 years old he was milking cows, selling magazine subscriptions, and raising and selling rabbits and pigeons.

He also **prided himself on his competitive nature**. He was a multisport athlete, quarterback of his state championship winning football team, an honor roll student, and a holder of many Class Offices. **Sam strived to be the absolute best at whichever task** he was currently choosing to undertake in life. Sam attributes this to his work ethic, **competitive, yet humble, nature**, and ability to motivate others. These leadership roles continued on during his college years at the University of Missouri, where he obtained a degree in business. The **Wal-Mart business model is based on saving money, this is a model that Sam also embodied in his own life** refusing to fly first class and driving an old pick-up truck – even as a billionaire.

**"When a penny is lying out there on the street, how many people would go out there and pick it up? I'll bet I would. And I know Sam would too." – Bud Walton (brother of Sam)**

**"On the road, we sleep two to a room...We stay in Holiday Inns and Ramada Inns and Days Inns, and we eat a lot at family restaurants." – Sam Walton**

Walton had a desire to go on to the **Wharton School of Finance, but could not afford it at the time**. He instead accepted a job offer to **work for J.C. Penny**, beginning with a salary of \$75 per month. At J.C. Penny is where Walton found one of his earliest **mentors**: Store Manager, Duncan Majors.

**"(Duncan's) secret was that he worked us from 6:30 in the morning until 7 or 8 o'clock at night. All of us wanted to become managers like him. On Sundays, when we weren't working, we would go out to his house...it was a 7-day job. I remember one Sunday Duncan Majors had just gotten his annual bonus check from Penney's and was waving it around all over the place. It was**

for \$65,000, which impressed the heck out of us boys. Watching this guy is what got me excited about retail.” – Sam Walton

*I learned a lesson which has stuck with me all through the years: You can learn from everybody. I didn't just learn from reading every retail publication I could get my hands on, I probably learned the most from what studying what John Dunham was doing across the street.” – Sam Walton*

*“The Eagle never made much money, but I figured I'd rather have a small profit than have my competitor over there in a big store.” – Sam Walton*

*“I became a little more wary of just how tough the world can be.”-Sam Walton*

Sam married the daughter of a successful lawyer. One of Sam's earliest potential business partners was his old friend Tom Bates, however Sam's wife Helen was always a guide to him for many of his business decisions – especially in the early days. Sam and Tom had intended to go into business together, buying a for-sale department store in St. Louis and each contributing \$20,000 to the partnership. Sam's wife advised him against this and advocated that they not locate in a city of over 10,000 population nor go into a partnership, thereby relinquishing their control/freedom to a 50/50 split. Her desire to live in small towns would unknowingly pave the way to Walton's future business enterprise dominance.

The Walton's ended up moving to Newport, Arkansas – population 7,000, and purchasing a Ben Franklin franchise variety retail store. Ben Franklin had an excellent training program which taught Walton many of the foundations of operating a finely tuned retail business. However, Sam disliked the restrictive control the franchise had over his business decisions. Walton was 27 years old at this time, and purchased the store with a loan from his wife's father. There was a competitor retail store (owned by John Dunham) across the street from this location which sales doubled the sales of the store Walton just bought. This direct competition would serve as a motivation for Sam to succeed.

Sam began to experiment with the power of discounting as well as hone his ability to negotiate deals from suppliers. He also began to experiment with marketing and promotion. These negotiated discounts and home-style promotions (ex: ice cream and popcorn machines outside of his store) allowed him to surpass John Dunham in yearly revenue in 3 short years (after the 5th year, revenue was ~\$250,000, and Walton's store was the #1 grossing Ben Franklin store). Walton then bought a lease of a Kroger next door to Dunham's store, and turned it into a massive retail store of his own called the Eagle Store. Walton did not own the building his Ben Franklin store was in. His landlord elected not to re-new Walton's 5-year lease, for any price, he wanted him out. Walton was forcefully bought out, and the landlord gave Walton's prized store to his son. He also sold The Eagle Store.

“It was the low point of my business life. I felt sick to my stomach. I couldn't believe it was happening to me. It was really like a nightmare. I had built the best variety store in the whole region and worked hard in the

community—done everything right—and now I was being kicked out of town.

It didn't seem fair." – Sam Walton

## Moving Forward

*"I needed somebody to run my new store, and I didn't have much money, so I did something I would do for the rest of my run in the retail business without any shame or embarrassment whatsoever: nose around other people's stores searching for good talent. That's when I made my first real hire, the first manager, Willard Walker." – Sam Walton*

*"From day 1 of Wal-Mart, Mr. Walton made it clear that this wasn't just Ben Franklin with low prices on some items. He wanted real discounting. He said, "We want to discount everything we carry." – Charlie Cate, store manager*

*"Like working weekends, it's just something you have to do if you want to be successful in the retail business." – Sam Walton*

The Walton's relocated and moved to Kansas where they bought a small variety store (\$32,000 yearly revenue). Helen's father negotiated the deal. They tore it down, and built a new and larger facility on the land. An old mentor from Ben Franklin helped him set up shop.

This new store was innovative. It was only the 3rd 'Self-Service' variety store in the nation. Today this seems typical, but at the time it was new. It was still a Ben Franklin franchise store, which Walton named Walton's Five and Dime.

Not long after, Walton purchased another for-sale Kroger and turned it into a retail store. This time, it was not under the franchise control of Ben Franklin. Walton retained the name Walton's Five and Dime. After this, Walton would continue to buy more stores under the Walton name, occasionally going into partnerships with his brother, Bud, who was also making his way into the retail business. Walton would use the profits made in one store as finances to open another store, as opposed to simply pocketing the profits and taking them home. Walton began offering limited partnerships to his managers as incentive, but never enough to relinquish his control over the business.

*"We would offer to bring the managers we hired in as limited partners. If you had, say a \$50,000 investment in a store, and the manager put in \$1,000, he'd own 2%." – Sam Walton*

Although he had 15 stores after 15 years of doing this, the revenues were small. Walton was now trying to find a way to make these stores more profitable. In 1962, Sam was now about to open the first official Wal-Mart. For which, he was not able to get financial backing for and put up 95% of the money himself. It was a large-sized variety store, much smaller than what we think of today when we see a Wal-Mart. Walton was not experienced operating something this large, and there was an adjustment period for him. At the time an entire store of discounted items was thought to be one of "Sam's crazy ideas." Sam's main competitor was K-Mart. K-Mart was a much larger and more established operation at this time. Just like with the Ben Franklin stores, the competition served as motivation and as a teacher to Sam.

*"I had bought a bank in Bentonville, for about \$300,000, just a little old bank with only about \$3.5 million in deposits. But it really helped me learn a lot about financing things. I made some new acquaintances and began to study more about bankers and how they liked to do business." –Sam Walton*

*"I'd get down low, turn my plane up on its side, and fly right over a town. Once we had a spot picked out, we'd land, go find out who owned the property, and try to negotiate the deal right then...Bud and I picked almost all our sites that way until we grew to about 120 or 130 stores." – Sam Walton*

*"4:30am wouldn't be all that unusual a time for me to get started down at the office. That early morning time is tremendously valuable." - Sam Walton*

**"Another way we tried hard to make up for our lack of experience and sophistication was to spend as much time as we could checking out that competition." – Sam Walton**

Though he would learn from the competition, he would also buck trends and try to be innovative. The status quo was simply how things were usually done, not how they must be done. He aimed to out-innovate and out-work the competition: requiring all of his executives and managers to attend company meetings on Saturdays.

## **Growing**

Sam Walton was a voracious networker, making contacts with people more experienced than he was. He was able to learn their strengths as well as learn their mistakes – which he himself was more easily able to avoid in his own pursuits.

### ***Core Strengths:***

- 1) Fine-tuned and efficient operations systems
- 2) Being on the cutting edge of technology (Walton enrolled in IBM's school for retailers to better understand the role computers, which were new at the time, could enhance his business)
- 3) Cultivating a Dedicated Following of Managers and Workers, by offering them a sense of ownership and often actual ownership via stock.
- 4) Ingraining a strong company culture – Discount, Save, and Pass the Savings on to the Customer. We will out-compete the competition stores.
- 5) Recognize where your weaknesses are, and seek out an expert who can help you develop this area. \*He once bought a bank, partly to learn more about finances.

**Walton built Walmart on his back by accruing massive debt**, which he admittedly was never fully comfortable taking on, but viewed as necessary for the growth of his company. He was not debt free until his mid-fifties. He never gave up on his vision that he was creating something amazing and the price was not only worth it, but would pay him, his family, and the community massively in the end.

**"Helen and I were also in debt up to our eyeballs, several million dollars' worth. I never dwell on the negative, but that debt weighed heavy on me. If something happened....we would be sunk. Maybe that's what being raised in the Depression does to you, but I wanted out of that debt in the worst way. –**

**Sam Walton**

Walton would finally be debt free after he had taken the Wal-Mart company public. After that point the Walton family walked away only owning 61% of

*“Giving the associates more equitable treatment in the company, was without a doubt the single smartest move we ever made at Wal-Mart.” – Sam Walton*

*“The great thing about the Saturday morning meeting is how totally unpredictable it is. Sometimes you get your soul bared in there. By that I mean somebody may not even have been doing their job so well, and they don’t get publicly castigated, but they get gently chided in front of everybody. Or it can be a form of counseling....another time, the chairman decided I was going to have to stand up there and sing ‘Red River Valley’ at a meeting.” – Al Miles, Wal-Mart associate*

*“I prided myself on doing for so many years as a storekeeper: getting out on the floor and meeting every one of the customers.” – Sam Walton*

Wal-Mart. They were able to pay all of their debts and never needed to borrow money again to support the business. After the initial offering, Walton was very protective of the company’s shares, wanting to keep control in his family.

**Key Strategy:** Dominate a small market before attacking a large market. The original Wal-Mart formula centered on dominating small towns that K-Mart was not in. This allowed them to avoid competition in their growth and niche market dominance.

“...our key strategy, which was simply to put good-sized discount stores in to little one-horse towns which everybody else was ignoring...That method was to saturate a market area by spreading out, then filling in...what [we did] was build our stores in a ring around a city, pretty far out, and wait for the growth to come to us.” – Sam Walton

Walton did not pay his low-level employees well nor did he offer them much of benefits or opportunity. He would soon face the threat of their unionization, which would have posed a threat to his business. At this point he began to experiment which would provide his employees an opportunity to share in the company’s profits as well as offer benefits. After these changes, the threat of unionization receded.

“Take care of your people, treat them well, involve them, and you won’t spend all your time and money hiring labor lawyers to fight the unions.” – Sam Walton

## Later Years

Though Walton was very competitive with his business, his competitive nature was flexed and cultivated in his hobbies as well. These included quail hunting and tennis. He loved the head-to-head battle of tennis, sighting golf as too passive for him to become passionate about.

Saturday morning became company culture development session times. While workers in other companies may feel burdened to be up on a Saturday for meetings, at Wal-Mart it was simply part of the culture.

“Not many companies out there gather several hundred of their executives, managers, and associates together every Saturday morning at seven-thirty to talk about business.” – Sam Walton

Walton would often lead these Saturday meetings with a motivational cheer, similar to a cheer which may be initiated prior to a sporting event.

Sam Walton advocates that at the heart of the matter he wants to give the customer what they want. Which in many cases is simply the best prices and a quality guaranteed product. This along with convenient hours and a generally pleasant shopping experience (incorporation of Greeters for example) make up the bulk of why people shop at Wal-Mart.

*“Everything we’ve done since we started Wal-Mart has been devoted to this idea that the customer is our boss...we have never doubted our philosophy that the customer comes ahead of everything else.” – Sam Walton*

“We passed right by that old variety store competition, with its 45% markups, limited selection, and limited hours.” – Sam Walton

Walton distanced himself from the competition by doing things differently, and doing what the customer wanted. Walton believes that even when you have a good formula for success you have to keep innovating and adapting. Otherwise, someone else is going to come along and de-throw you. There is no room for arrogant pride or you will not hold on to your success for very long. Wal-Mart has long been criticized for pushing out mom-and-pop shops from small towns who cannot compete with the bulk discounts and variety of inventory Wal-Mart is able to obtain. Walton believes that it is the natural result of competition, if they better served the customer, they would not have been pushed out – but they didn’t, and they were.

Sam Walton believes that as a business, you are the “Agent” for you customer. It is your job to get them the best service or product at the best price. When you neglect to do this, another company will do it, and that other company will get the customers’ business.

Partnering with a powerful company will give you great leverage against your competition. You now have your strengths plus the strengths of a powerful ally. Teaming up like this makes it difficult to impossible for other competitors to stay competitive. Walton made a move like this when Wal-Mart partnered with Procter and Gamble. The partnership should be beneficial to both groups.

Though big business partners were important, he never forgot the smaller employees, sometimes showing up in the truck drivers’ break room to bring them doughnuts for breakfast at 4am.

Walton again emphasizes that he is driven by competition.

“We decided that instead of avoiding our competitors, or waiting for them to come to us, we would meet them head-on. It was one of the smartest strategic decisions we ever made.” – Sam Walton

Even as he began to age, Sam Walton’s desire for improvement and growth never ceased. He would go on to launch the creation of another popular and acclaimed retail store chain – Sam’s Club.

## Six Tips from Sam Walton.

- 1) “Think One Store at a Time
- 2) Communicate, Communicate, Communicate
- 3) Keep Your Ear to the Ground
- 4) Push Responsibility, and Authority, Down
- 5) Force Ideas to Bubble Up
- 6) Stay Lean, Fight Bureaucracy Keep on Learning,



About the Author: Meet a genuine American folk hero cut from the homespun cloth of America's heartland: Sam Walton, who parlayed a single dime store in a hardscrabble cotton town into Wal-Mart, the largest retailer in the world. The undisputed merchant king of the late twentieth century, Sam never lost the common touch. Here, finally, inimitable words. Genuinely modest, but always sure of his ambitions and achievements. Sam shares his thinking in a candid, straight-from-the-shoulder style. In a story rich with anecdotes and the "rules of the road" of both Main Street and Wall Street, Sam Walton chronicles the inspiration, heart, and optimism that propelled him to lasso the American Dream.– **Quoted from Amazon.com Book Description**