Sam Walton, Wal-Mart, and the Discounting of America

from *Forbes Greatest Business Stories of All Time* by Daniel Gross, *et al.*

Sam Walton, founder of Wal-Mart and Sam's Club.

Samuel Moore Walton was a small-town kind of guy. He lived in the same neighborhood in Bentonville, Arkansas, for forty years. He rose early every day, had breakfast with the usual crowd at the local hotel, and then, except on Sunday, he went to the office. Only one thing tempted him to play hooky, and that was a chance to do some quail hunting. Walton was the sort to borrow a newspaper rather than spring a quarter for one. But he was also the sort to invite a struggling young family out to lunch with him and his wife every Sunday—a quiet, neighborly way to be generous.

Sam Walton lived in small towns, about 1,800 of them, through his Wal-Mart discount department stores. In the era of franchise restaurants, cookie-cutter shopping malls, and formula retailing, Wal-Mart was built on respect for the individual. It was a quality that emanated directly from the founder.

Controlling about 20 percent of Wal-Mart's stock, Sam Walton appeared at the top of the *Forbes 400,* with a net worth of $2.8 billion in 1985 (the holdings are now worth almost ten times that amount). Of all the innovations that helped make him a billionaire, his greatest innovation as a CEO may have been that he himself did not change. Ignoring the usual trappings of power, he was able to manage his empire as though he were looking each of his 400,000 employees square in the eye. "Associates," he called them, and the term was more than just a matter of semantics. "Only his family meant more to Sam Walton than his beloved associates," said David Glass, the man who succeeded Walton as CEO. "Literally, his second home was a Wal-Mart store somewhere in America."

Under Sam Walton, Wal-Mart imbued its store managers with icy cold attention to the bottom line, as it treated hundreds of thousands of employees and tens of millions of customers with an extra degree of respect. There was nothing half-hearted about either aspect of Wal-Mart: it was the same combination found in Walton himself, a highly successful businessman, but a small-town businessman just the same.

"Hustler" Walton

"The secret is work, work, work. I taught the boys how to do it," said Thomas Walton of his two boys, Sam and James ("Bud"). Walton was a farm-loan appraiser, a dismal occupation to hold during the twenties in Oklahoma, where Sam was born in 1918. Thomas worked long, hard hours, but he and his wife, Nan, eventually moved the family to a string of little towns in Missouri. The father shifted his career toward selling real estate and insurance, the mother started a tiny dairy business, and the boys helped to make ends meet, by selling magazine subscriptions, milking cows, and delivering newspapers.

Sam Walton attended the University of Missouri in Columbia, and received a business degree in 1940. He thought about going to graduate school in the East, but he accepted a position as a management trainee at a J.C. Penney store in Des Moines Iowa. Known as "Hustler" Walton during college, he wasn't anxious to go into retailing at first. But he was impressed by the Penney store, especially by its philosophy of customer service. As a calling, work in retail suited this earnest, ambitious young man. Before long, Walton knew where his future lay.

"I didn't start as a banker or as an investor or doing anything else than waiting on customers," Walton later wrote in his company's employee magazine, *Wal-Mart World.* "Many people who run big companies never ring cash registers, nor do they wait on customers, and so I've always appreciated what it meant to be a salesclerk and how much a salesperson can influence a customer in a business relationship."

Walton interrupted his career to join the service a few months after the United States entered World War II. He was assigned to the Military Police, inspecting various facilities stateside, throughout the duration of the war. In 1943, he married Helen Robson, a recent college graduate he'd met in Oklahoma while waiting to be called up. After the war, Walton, like many other veterans, was brimming with confidence and in a hurry to make up for lost time. He didn't return to Penney's; he borrowed $25,000 from his father-in-law to buy his own business: a Ben Franklin Store in Newport, Arkansas. Ben Franklin was a well-known name in the variety-store business, competing against stores like Woolworth's and McCrory's.

In Newport, the Ben Franklin Store was on the best corner downtown, across the street from the Sterling Variety Store. One of those who worked there was Bud Hewitt, who would be Sam Walton's lifelong friend. In 1947, Hewitt later recalled, his store had a sensational new item, rayon panties for women. Even at the premium price of thirty cents a pair, they sold out at the Sterling Store, and so Hewitt did just what he was supposed to do: he placed another order from the distributor in Little Rock. But Sam Walton, a goal-oriented businessman, was obsessed with beating Sterling in annual sales. He made it a habit to know as much about all of his competitors as he did about his own store. When he heard about the run on rayon panties, he saw an opportunity. He dropped everything, and drove to Little Rock to buy the distributor out. Not only did his store have plenty, but Sterling had none.

Hewitt never held it against Walton; just the opposite was true. "The way he lived his life reminded me that I had rather see a sermon than hear one anytime," he later told *Arkansas Business* magazine.

By 1950, Walton had developed the Ben Franklin Store in Newport into the most successful location in his region. That year, however, he lost his lease, Forced to sell out, he moved to Bentonville, where he purchased another Ben Franklin store, opening it as Walton's Five & Dime. Throughout the fifties, Sam Walton continued to add "Walton's Ben Franklin Stores" to his little chain within a chain. As he did, he learned the first lesson of his empire-building days to come: large stores, at about 25,000 square feet, could succeed in towns of fewer than 5,000 people, if they offered some inducement to rural folk to make a drive of ten or twenty miles.

Bud Walton, Sam's younger brother, had been a bomber pilot during the war, and so flying was a familiar activity to the family. In 1953, Sam earned his pilot's license and bought a prewar airplane—a contraption that Bud deemed unsafe. Nonetheless, Sam used it, to hopscotch from town to town and visiting his stores. He loved to fly and splurged on some interesting planes through the years, but flying was no mere hobby. As a hands-on manager, Walton used the airplane as a vital tool. It allowed him to make regular visits to locations spread over a whole region, dropping in as easily as if they were all in the same county. He even used the plane to scout new locations from the air, assessing factors like traffic flow and population concentration, from above.

Further afield, Walton studied other chain stores around the nation. When he heard about a pair of Ben Franklin "self-service" stores in Minnesota, he took a bus up to see them firsthand. Most stores of the day were organized around counters, at which clerks would show merchandise on request. The new self-service stores put items out on shelves, where customers could compare them. The stores' lower overhead allowed the operation to offer lower prices. Walton returned home from Minnesota to open a self-service store of his own, Walton's Five & Dime.

"One of Sam's greatest contributions to Wal-Mart . . ." said a manufacturer who worked with him for decades, "was his attitude toward experimentation. He constantly encouraged us to experiment on a small basis and if the idea worked, roll it out. If it failed, try something else. It was his attitude of keep trying, and don't be afraid of failure."

In 1948, E. J. Korvette's opened in New York City; in 1953, Ann & Hope started business in Rhode Island. They were among the first in a bold generation of discount stores, operated generally on the motto of one Southern discount retailer: "Buy it low, stack it high, sell it cheap." Walton went out of his way to visit the nation's new discount stores and to speak to the managers about what worked and what didn't.

In the late fifties, Sam Walton tried a different format, offering a wider variety of items than ever before in a few "Walton's Family Centers." Early in 1962, he was ready to try the discount-store concept, in conjunction with Ben Franklin, but the corporate executives there declined his offer to develop it. They just didn't see how they could sell merchandise to him at the low prices he needed. They did, however, suggest that Walton might as well take a look at the S.S. Kresge dimestore chain's new entry in the discount niche. It was called "Kmart," and one had just opened near the Ben Franklin headquarters in Chicago. Walton went over and took a hard look at a Kmart. Other discount stores had a flimsy, fly-by-night air, but Kmart was well-planned and well-stocked. Unlike the others, it looked like it was going to last.

No sooner did Walton return home than he chose a site for his own version of a discount mart, copied from Kmart. In naming the store "Wal-Mart," he even copied the syntax of its name. Kmart didn't suffer from the early competition: its first stores were located in the suburbs of major cities like Detroit and Chicago. The first Wal-Mart Discount City was located in Rogers, Arkansas, population 4,500. The opening day was July 2, 1962.

The store was rudimentary, consisting of items neatly piled on the floor and on tables. Shelving didn't arrive until later. Taken altogether, it bore little relation to the clean lines and streamlined layout of the modem Wal-Mart. More important, the store's relationships with suppliers were just as rudimentary, compared to the sophisticated procedures that were painstakingly developed in later years. Walton didn't have a wide choice in merchandise at the pricing he required. Among other things, manufacturers of higher-quality items simply wouldn't sell at a deep discount; some wouldn't deal with a store like Wal-Mart under any circumstances. They just didn't want to be connected with a "mass merchandiser."

As Sam Walton tinkered with the formula for Wal-Mart, he continued to earn a living with his string of Ben Franklin Stores. He made only a small profit with Wal-Mart, but he carefully honed his new store, adjusting the display, improving the product mix, and constantly trying to establish better sourcing. He was on the premises as often as he could be, even after hours. When he couldn't sleep, he often brought a sack of donuts down to the crew on the receiving dock and chatted with them when they were on break. Sam Walton didn't find inspiration on retreats or by staring into reports. He showed up wherever the work was being done.

In 1964, the second Wal-Mart opened in another small Arkansas town called Harrison. The day was hot even for the South, with a temperature soaring over 110 degrees. Watermelons stacked in front of the store cracked open. A donkey that was on hand to give free rides to children left its mark in the parking lot. The store in Harrison clicked, despite the opening-day debacle, and Walton used it as his flagship site, training managers there for other locations.

It is part of the lore of Wal-Mart that one visitor, a local businessman named David Glass, surveyed the opening and said, "it was the worst retail store I've ever seen." Twenty-five years later, as president of the Wal-Mart Corporation, Glass publicly recanted. "The dumbest thing I ever did was make that statement about the Harrison store," he said. "What I didn't count on was the quality of the people."

A discount department store operates on a small profit margin; the idea is to make it up in volume sales, of course. But the profits from a handful of new stores didn't underwrite other locations very quickly, and the Wal-Mart chain grew slowly at first. Walton borrowed money from banks, individuals, and insurance companies, but could not spur enough growth to take advantage of the gaps that he felt the big chains were missing in small towns all over his region, and perhaps the country. Sam and Bud, who was vice president of Wal-Mart, knew that they had a successful formula, but they needed stronger financing.

The Bargain Store's Best Customer

Three years before the first Wal-Mart opened, Sam and Helen Walton bought a tract of twenty acres outside of Bentonville and commissioned a respected architect to build a modem house that straddled a brook. The house cost $100,000 in 1959—a hefty sum, but then, it was the last house the couple would ever buy. The Walton family simply didn't spend money conspicuously.

It probably behooves a discount retailer to be something of a cheapskate. At the height of his immense wealth, S. S. Kresge used to stuff cardboard in his shoes to cover the holes. He even gave up golf during his very first round after losing a ball in the rough. Sam Walton wasn't quite that parsimonious, but he did leave a record of home-spun frugality, for a rich man. He flew first class only once in life (on a long flight from South America to Africa); on business trips with other employees, he readily followed the company policy of doubling up in hotels. His company car wasn't exactly a limousine. Bernard Marcus, chairman and co-founder of Home Depot, recalled going out to lunch with Walton after a meeting in Bentonville: "I hopped into Sam's red pickup truck. No air-conditioning. Seats stained by coffee. And by the time I got to the restaurant, my shirt was soaked through and through. And that was Sam Walton—no airs, no pomposity."

"My shoes cost more than everything Sam Walton is wearing today," another friend commented, after meeting him at a business function. Walton took such teasing well. At a meeting in Little Rock, he stood up to show everyone the label in his business jacket. "Wal-Mart," he announced, "fifty dollars. The pants? Wal-Mart, sixteen dollars."

Personally and through the company, the Waltons gave large amounts of money to medical research, scholarship funds, Christian religious causes, and charities serving the arts. At home, the family lived comfortably on Sam's salary as an executive; at different times, both of them said that the only reason they didn't spend more money was that they couldn't really think of anything they wanted.

Raising Spirits

In 1970, Wal-Mart made a public stock offering. It raised about $5 million to build six more stores and to complete the company's first distribution center. With that and subsequent stock offerings, momentum finally picked up and matched Walton's plans: After building thirty nine stores in the first decade, Wal-Mart built 452 in the seventies and 1,237 in the eighties. From 1970 to 1990, the stock not only outperformed the rest of the market, but outperformed the wildest dreams of those who bought it. One hundred shares, purchased in 1970 for $1,650, were worth $2.6 million in 1992.

With the stock offering, managers began to participate in a formal profit-sharing plan. The next year, Walton extended the plan to include all his associates, with some regret that he hadn't remembered them from the start. Workers who had been with the company for at least a year, and who worked more than about twenty hours per week, earned bonuses of, on average, 5 percent of their annual wages. The profit sharing was held on account until the worker left the company, and, since it was paid in high-flying Wal-Mart stock, many managers retired as millionaires. So did many hourly employees.

The profit-sharing plan was a remarkable incentive for longtime workers. Even so, a major part of Walton's job, day in and day out, was in keeping hundreds of thousands of associates interested in their jobs. Though Wal-Mart tended to be a little less expensive than Kmart or Target stores, it was up to the salesclerks to make Wal-Mart truly *different.* The other stores offered a low level of service. In counterpoint, Wal-Mart's staff had to be friendly, helpful, enthusiastic; Walton depended on it.

Even as the chain expanded, Walton continued to visit a handful of stores every week, flying from site to site his private plane. Sometimes he spent his day riding in a rig with a company driver, making deliveries to stores. Normally he would simply enter a Wal-Mart store unannounced and look around a bit, before going to the public-address system to introduce himself to associates and customers. Not all of his visits were pleasant. If he found a store that was dirty or disorganized, he closed it on the spot for improvements. More often, though, a Walton visit was like a campaign swing from a political candidate, as the founder walked through the aisles, hearing out complaints and trading kind words. For all of his easy-going charm, he was a sharp-eyed storekeeper when gathering data.

As a motivator, Walton established three lines of communication. First, he attended as many store openings as he could. Using his wry sense of humor, and considerable charisma, he turned store openings and company meetings into pep rallies. He might congratulate the associates on their fine performance, but he would always follow praise with a challenge to do even better in the *future.* He often ended—or began—by jumping on a table and leading everyone in a cheer for Wal-Mart. Store cheerleaders even invented and practiced store cheers, such as, "Wal-Mart! Wal-Mart! That's our name!/The retailing business is our game/We've got what it takes to be number one/So watch out Kmart! Here we come!" What Sam Walton discovered was that the employees liked to belong to a company that wanted them to belong to it. And so they did belong: Cheering for Wal-Mart was just like cheering for themselves.

As a second policy, Walton wrote a column every month in the company newspaper, *Wal-Mart World*—and he wrote it himself. In 1983, he used his colunm to dare the associates to help the company bring in a pre-tax profit of 8 percent for that year. If they did, Walton wrote, he would do a hula dance down Wall Street. They did. Walton was widely photographed with a grass skirt (over a suit), dancing down Wall Street; while it may have wounded his dignity, it paid the bet and, moreover, it insured that everyone on Wall Street knew just how hot Wal-Mart was getting in the retail world.

Third, Sam Walton maintained an open invitation for any associate to contact him personally with a store problem, a comment, or an idea. Any of them who wrote a letter received a personal reply from Walton; any who made the trip to Bentonville received an appointment with Mr. Sam, as many employees called him.

Lowering Prices

In 1973, the Arab oil embargo caused energy prices to soar. For WalMart, it was an ill-timed setback. Like most people in the business of distribution, Walton felt as if he were a hostage to the irrational price inflation. This event changed the way he conducted business. After the oil crisis, Wal-Mart stores were built only within a twelve-hour drive from the nearest distribution center. Situated in clusters, the stores could be efficiently supplied, reducing the overall effect of rising gas prices. "Other retailers built warehouses to serve existing outlets," Forbes reported later, in 1982, "but Walton went at it the other way around. He started with a giant warehouse, and then sprouted stores around it." And so, Wal-Mart did not "go national" all at once; the plan was to make a steady march, one distribution center at a time, into new territory.

In 1974, after building Wal-Mart into a strong company, set to grow, Walton abruptly retired. He still controlled the company, as the head of the family partnership that owned about 38 percent of the stock, but at the age of fifty-six he wanted to relax. He also thought that another executive might bring fresh vigor to the company's next phase of expansion. The man chosen was the financial vice president, an ambitious forty-year-old named Ron Mayer. About a year and half later, though, Walton tired of being retired and grew anxious to return to command of his company. Sam Walton made an appointment with Ron Mayer and asked for his old job back. Mayer stepped aside—in fact, he quit Wal-Mart—and in 1976, Sam Walton was back in place as CEO.

As a CEO, Walton set a frenetic pace. The atmosphere was humble to a fault, with the unchanging goals of better service and lower prices for the customer. To those ends, he forced Wal-Mart executives to rethink every process in retailing, from purchasing through to the cash register. Weldon Wyatt, a businessman who had worked with the corporation for many years, told trade magazine *Chain Store Age Executive*, "I observed three characteristics in Mr. Walton that fascinated me. The first was his willingness to listen to anyone's ideas at any time. The second was his ability to sort through those ideas to find ideas that made sense. The third was his willingness to apply the energy and effort necessary to implement the ideas he chose to use."

"Try anyone's idea," Walton advised. "It might not work. But it won't break the company when it doesn't."

Lower prices for the customer started with the company's buyers who were notoriously cold in an industry used to glad-handing. Over the years, Wal-Mart's insistence that it would not meet with manufacturers' representatives infuriated the industry. Manufacturers were angry because under this plan they would have to send their own ranking executives to Bentonville to make sales. And reps everywhere were indignant at the implication that they were expendable. From Walton's point of view, they were. The tactic was supposed to lower prices by obviating the reps' commission, but as a matter of fact most manufacturers were obligated to pay it regardless of who actually made the sale. When Wal-Mart could enforce the ban, it claimed a savings of about 6 percent. Some manufacturers, like Procter & Gamble, did eventually work with WalMart to remove excess layers from the sales process. In fact, the overall key to selling to Wal-Mart was working *with* the company. Walton wanted to work with any sources that would work with him, in any way, to lower prices for the customer.

Some considered the company unreasonable, but most accepted Wal-Mart's attitude for what it was: insurmountable. "[Sam Walton] understood, perhaps better than anyone else, how manufacturers and retailers can better serve the consumer by working closely together," conceded a spokesman for Procter & Gamble, which, after some difficult negotiation, became Wal-Mart's number one vendor.

Wal-Mart's favored method was to involve itself throughout the manufacturing process. In 1984, Bill Clinton, who was then the governor of Arkansas, called Wal-Mart looking for help for a clothing factory in the state that was about to lose its biggest customer to foreign competition. "We're going to see if we can do something that's never been done before," Walton told Clinton, after discussing the matter with his executives. Wal-Mart prepared to hand the local factory the bulk of its requirement for flannel shirts, an order previously purchased from the Far East. The retailer itself arranged to buy the fabric overseas, because no American company made quite the right pattern. But it received good publicity for bringing the piecework back to Arkansas. Meanwhile, Wal-Mart was able to work closely with the local factory to eke out efficiencies.

Looking back on the shirt deal, Walton felt that he had identified a certain type of American company, slightly displaced by foreign competition, hungry for work, and willing to involve a company like Wal-Mart in its future. In March 1985, Walton took out full-page ads in major newspapers to announce the store's new "Buy American" program. It was, on the surface, a patriotic gesture, especially fitting for a company with a predominantly blue-collar clientele. It was also an example of Walton looking for opportunities to squeeze out better prices. He wanted to insure that he was buying from companies that were efficient. And he didn't keep his ulterior motive a secret: "Our American suppliers must commit to improving their facilities and machinery, remain financially conservative and work to fill our requirements, and most importantly, serve to improve employee productivity," Walton wrote in his open letter. The store documented $1.2 billion in new domestic contracts over the next three years, according to *Nation's Business,* though some observers in union watchdog groups maintained that Wal-Mart remained just as dependent overall on foreign sources as any other big store.

In 1987, Walton announced a similar invitation for suppliers to participate in an environmental program. Wal-Mart promised to work closely with manufacturers selling products "guaranteed not to last," as Walton wrote in the open letter that introduced the program.

"Up Against Wal-Mart"

Wal-Mart built a national reputation for bringing its low prices to the residents of small towns. And yet, in a backlash that began in the late eighties, it came under attack in hundreds of communities for doing just that.

Given the label "Sprawl-mart" in the early nineties, Wal-Mart stores were blamed for destabilizing the central business districts of small towns and for bringing blight to farm country. Some of the towns that fought Wal-Mart did indeed have a lot to lose: In spots like Lake Placid, New York, and Fredericksburg, Virginia, a downtown full of healthy, old-fashioned stores was an important facet of the tourist industry. Other towns, however, tried to prevent Wal-Mart from locating on commiercial stretches that already contained similar stores, like Kmart or Target. "Stop the WAL" clubs formed in hundreds of towns, and in 1994 The Nation printed "Eight Ways to Stop the Store," a tipsheet for people who felt "Up Against Wal-Mart." By the middle of 1996, forty-five towns across the country had created enough of a fuss to keep the store out.

In many towns where a Wal-Mart opened, business actually was drawn away from small shops on the main street. That's just what happened in Taylor, Texas; but the real problem may not have been with the newcomer. As one customer put it: "Before Wal-Mart came here, those stores downtown never heard of a sale." For his part, Sam Walton had little sympathy for the shops that were losing out to Wal-Marts. "The truth is that a lot of those folks just weren't doing a very good job of taking care of their customers before we, or somebody else, came in and offered something new," he wrote, in his best-selling autobiography, *Made in America*. "The small stores were just destined to disappear, at least in the numbers they once existed," he continued, "because the whole thing is driven by the customers, who are free to choose where to shop."

Where it met opposition, Wal-Mart used legal and public-relations campaigns to defend its right to open stores in any community with a potential customer base and it had some success. But not all store owners complain when they see a Wal-Mart moving in. Some prosper by moving closer to take advantage of the increased traffic or by recasting their business into niches not served by Wal-Mart. One hardware store owner in Iowa saw his sales increase by 300 percent over the first three years that he had Wal-Mart as a neighbor. He had to work harder to buy smarter and sell lower, but it kept him out of the ranks of victims; that is, merchants "whose customers know what the competition and he doesn't cause he never leaves the store." That store owner's formula for success against Wal-Mart sounded a lot like Sam Walton's formula for success in creating Wal-Mart.

The Wal-Mart distribution centers became another distinctive factor in the Wal-Mart system. A warehouse, by itself, is the dull backstage of retailing. But a Wal-Mart distribution center was engineered to do more than feed products into stores; it was designed to lower their costs. Early on, Wal-Mart found that it could truck goods at a lower cost than most manufacturers could, and so it insisted on making most purchases without exorbitant delivery charges included. Walton's fleet would instead pick up the products at the factory door. Three-quarters of the stock in a store was delivered directly from a distribution center; in 1992, there were fourteen distribution centers, with the largest covering 1.5 million square feet. Fully automated, the distribution centers were to be "smart" warehouses, receiving inventory reports directly from store registers, as part of the Wal-Mart computer system. At the bottom of the technology tree, Wal-Mart's trucks were routed to each of the 200 stores attached to a distribution center in such a way that they would not travel empty. Even as the Wal-Mart chain expanded into all four continental time zones, its distribution costs remained the lowest of any retailer.

When the corporation zipped past its thousandth store in 1987, no one, not even a man of the prodigious energies of Sam Walton, could hope to monitor all the Wal-Marts personally. The airplane had expanded Walton's reach once; now satellite technology greatly expanded his ability to control the Wal-Mart empire.

In 1985, Wal-Mart became one massive store with the inauguration of its own Hughes Network Systems six-channel satellite. Walton could easily address all his associates at once, via videotape, but the new technology had an even more serious purpose than that. The satellite wiped out the distances along the Wal-Mart line of command, from store to headquarters to distribution center, and even, in the case of major suppliers, to the factory. All were connected to and controlled from Bentonyule. Every efficiency could be a chainwide savings; for example, the temperature in every Wal-Mart store was monitored and adjusted by the computers back in Bentonville. In 1981, the company had begun installing an electronic monitoring system in its stores. Called VideoCart, it not only flashed messages to customers roaming through the store but also watched the way people shopped and collected information on their pauses, patterns, and purchases to beam back to Bentonville. The company's computer center, built in 1984, was bigger than a football field.

Wal-Mart was the first discount retailer to test UPC scanning in 1980; after this innovation helped cashier productivity increase by 50 percent, it was installed throughout the chain. In the thirty years of Walton's leadership, Wal-Mart didn't authorize a penny for the decoration of executive offices, but it became the most technologically advanced company in retailing.

In 1981 Wal-Mart's operating costs stood at sixteen cents for every dollar in sales. Kmart's costs were twenty-two cents per dollar. Just as Ford's moving assembly line was an amalgamation of daily improvements, Wal-Mart's system took years to develop, idea by idea.

Sam Walton was diagnosed with a rare form of cancer known as hairy cell leukemia in 1982. After treatment at a Texas hospital, the disease went into remission. When he returned, he worked almost as hard as ever, and in 1983 he was active in launching Sam's Club, a deep-discount warehouse shopping club similar in concept to the Price Club originated by Sol Price in California. The new subsidiary was a success. Next, Wal-Mart tried yet another type of store: the Hypermart, or the "mall without walls" as Sam Walton liked to call it. Standard Wal-Marts were built in five sizes, depending on the community; the biggest was 60,000 square feet. A Hypermart, which sold everything from groceries to haircuts to fishing poles, measured 222,000 square feet. As the company made plans to open its first fifty Hypermarts, grocery stores around the country found themselves in the same position as most of the rest of the retailing world: nervously drawing up defenses against the Wal-Mart juggernaut.

In 1991, Wal-Mart handed Walton a gift, an achievement unthinkable until it happened: Wal-Mart surpassed Sears as the nation's biggest retailer. Ten years earlier, Wal-Mart had racked up paltry sales of $2.6 billion, compared to Sears' $20 billion. In 1991, though, Wal-Mart had sales of $32.6 billion, vaulting past Sears' $32 billion.

Unfortunately, as Wal-Mart business speeded up, Walton's health deteriorated, and he was finally forced to slow down. Sam Walton was in a wheelchair in 1992, debilitated by a return of his cancer, when President George Bush paid a visit to Bentonville to give him the Medal of Freedom. The president concluded his citation by calling Walton a "captain of commerce, as successful in life as in business." Wal-Mart President David Glass went out to the house later in the day and Walton told him it had been the greatest day of his life.

Walton reconsidered his comment, though. "A few days later," as Glass recalled, "he told me that the greatest days of his life were when he was out in the stores visiting our wonderful associates and loyal customers."

That same year, Sam Walton succumbed to cancer. The news was sent via satellite directly to the company's 1,960 stores; when the announcement played on the public address system at some stores, clerks started crying. The obituary in the *New York Times* referred to the fortune at the time of his death, estimated at $28 billion. But that probably wouldn't have meant as much to Walton as the mention made a few paragraphs below of a Wal-Mart cashier who had $262,000 in her retirement account, after working for the company for twenty-four years.