

## A 'Made In America' Walmart: Truth Or Gimmick?

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Last week, Walmart Stores [announced](#) [1] that they would be holding a summit on U.S. manufacturing, and there's a fair amount of skepticism over the company's motives, particularly considering its long history of sourcing a vast majority of products from overseas.

The summit kicked off with Florida Gov. Rick Scott, who entreated, albeit jokingly, to move their companies to Florida for the great taxes and better weather. In the end, he said his goal was to help people, in essence, achieve the "American Dream": being able to find success no matter where they began.

This was followed by a video with a litany of patriotic images, plus what may very well be the company's tagline for this new campaign: "Here's what we find beautiful: American jobs leading to American prosperity."

Bill Simon, Walmart U.S. president and CEO, was next up at bat, reiterating the company's [pledge](#) [2] to spend \$50 billion in U.S.-made products over the next ten years. "That's just the start," he said, while acknowledging that it's often difficult for companies on both sides of the retailing equation — retailer or supplier — to figure out how to get more involved in American-made products. He said Walmart hopes to build a "network of support," in collaboration with groups like the National Retail Federation (NRF), that helps manufacturers make more goods here, and helps retailers buy more goods bought here.

Simon said, "We can't become solely a service economy. We have to make things in America." And for many, particularly those who commented on the original announcement, this is where the company delves into hypocritical territory. For years, the company has been the poster child of low-cost goods, primarily made overseas. That formula, admittedly, has done them incredibly well — [as of July 31, 2013](#) [3], there are 4,713 retail locations in the U.S. alone.

But why this emphasis on American manufacturing, and why now? It can't be patriotic in nature. A corporate-level patriotism, perhaps — the kind that led to the "greenwashing" crazy a few years ago.

Secretary Penny Pritzker with the U.S. Department of Commerce, said "it's an exciting time to be an American manufacturer." She lays out many of the economic facts we've heard before — that exports are higher than ever, that American

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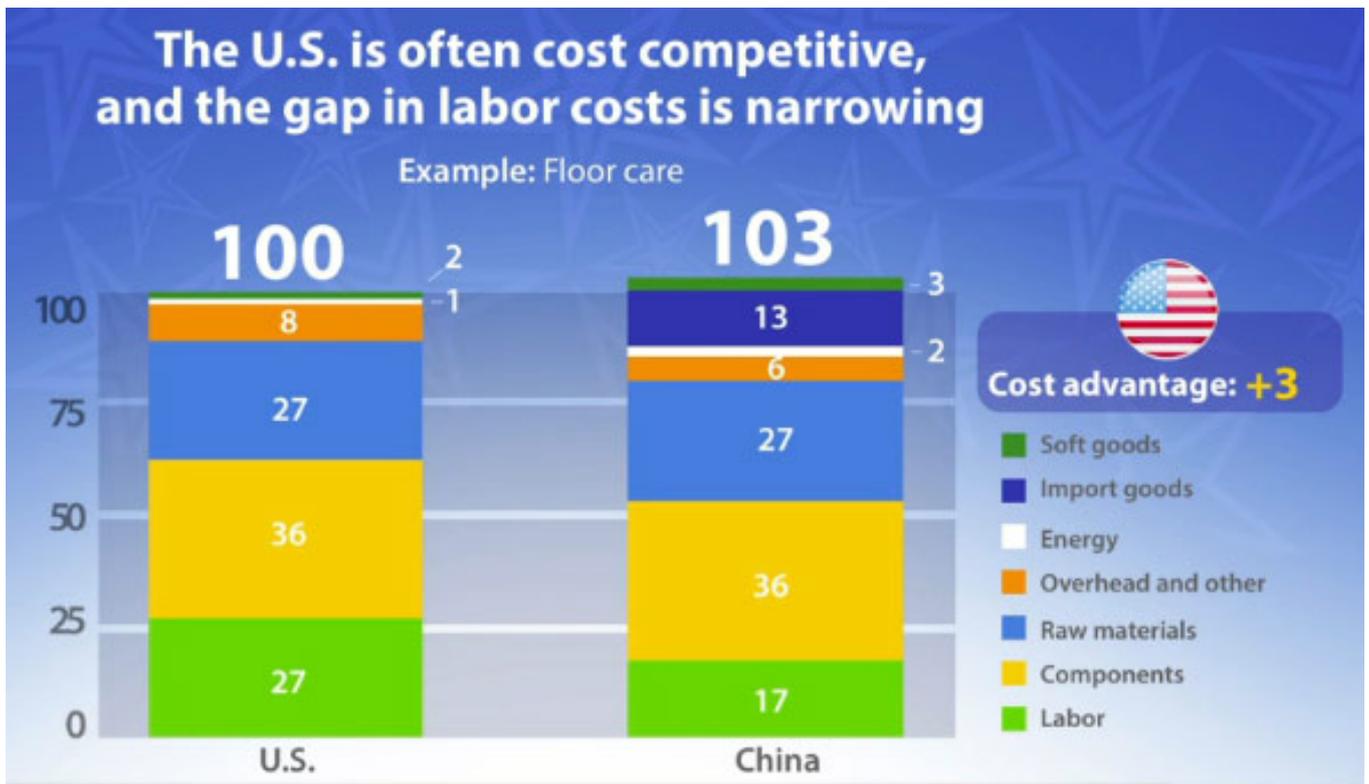
manufacturers have added 500,000 jobs since 2010. One new bit of information to some might be that of the manufacturing jobs added in 2010 or 2011, they had a 38 percent higher monthly earning than those in other sectors. She added, "America's new manufacturing jobs are good-paying jobs."

Hal Sirkin, a senior partner and managing director at the Boston Consulting Group, came out with some analysis of the numbers game, along with a bit of history. He related the well-known story that not too long ago, everyone believed that Japan was going to be supreme. American schoolkids started learning Japanese so that they might still be competitive in a Japan-heavy global economy. Now that threat is based out of China. Sirkin said that to claim U.S. manufacturing "died" over the last few years is a gross mischaracterization of the data — U.S. manufacturing is 2.5 times more productive today, despite having lower employment. At the same time, wages in China have been rising 15 to 20 percent annually. He offered a few compelling graphs:



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Jeff Immelt, GE's chairman and CEO, dominated the following panel, which also included Pritzker and Mike Duke, the president and CEO of Walmart Stores Inc. Being at GE for more than three decades, Immelt said he's seen the entire gamut of manufacturing competitiveness between America and other countries, and said, "The U.S., on a relative basis, has never been more competitive in my career than it is now." He cited 3-D printing, high transportation costs and better labor management as big "wins" for the American-made picture. He then announced that GE would add 150 jobs to plants in Illinois and Ohio, to develop high-efficiency light bulbs, which will be stocked in Walmart stores next year.

A number of governors came up on stage to trumpet their own states. At the end of the day, all fairly forgettable — their motivations are clear enough. They just want more business in their state. Nothing new there, really.

The best news to come out of the event? The number of announcement on expansions, new plants, new products or more hiring across the U.S. Kayser-Roth Corporation announced that it would hire 100 new employees in North Carolina and invest \$28 million in product facilities via its No nonsense brand. Element Electronics Corp. will start making TVs in Winnsboro, S.C. with 500 new jobs. Renfro is investing \$14 million in Tennessee and Alabama, creating 195 jobs. Chobani talked about its massive yogurt manufacturing facility in Idaho. And Hampton Products International announced its intent to add 150 jobs at a Wisconsin facility.

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Simon came back on stage near the end to wrap up the day's discussions, and began by saying he wanted to focus on the numbers that aren't so easy to quantify — the "soft" numbers, as many might call them. He said, "Each and everyone one of us can remember when a job at the local factory was a ticket to the middle class." But today, he said, there are pretty much only jobs on the low end and the high end — no middle ground. Some call it an "hourglass" economy, but Simon said he prefers a "canyon" economy.

The solution, he said, isn't to inflate wages for entry-level jobs until they pay like middle-class jobs. That ignores the fundamental workings of our economy, and the reason for people to go out and attain new skills. He talked about how he started as a dishwasher, and that "the solution isn't to get rid of those starting points — the solution is to fill in the middle." Businesses need to lead the way, Simon said, and can't wait around for government to take care of everything. He called the \$50 billion in U.S.-made investments a "lay-up," meaning there may be more announcements down the road.

Simon ended by saying, "We're going to rebuild that class of American jobs in the middle that made this country great." And it was a good message to hear, particularly from a company that creates mostly those entry-level jobs, and doesn't rely on a product's country of origin in order to make a sale.

At the end of the day, I think Walmart's executives elaborated their point quite well: They are in this business of encouraging re-shoring and American manufacturing because it jives well with their business. It's a dollars thing. And being a business, making money is nothing they can be faulted for — even Jeff Immelt, the CEO of GE, said he's in it for exactly the same reason, and he's not ashamed about it. The methods for making that money — well, no company is safe from criticism from some angle.

To me, the main takeaway is that Walmart is encouraging U.S. manufacturing because, as those graphs above show, it's going to be, if it isn't already, on par or cheaper than producing overseas. Simon can say it's because he wants to fill in that canyon of middle-class jobs, but I don't think very many people have forgotten why those jobs left in the first place. Add into that the timing of this summit — "re-shoring" has existed as a buzzword for years, and many have seen this tide coming long before yesterday — and many are left wondering why, if Walmart cared so much about creating good American jobs, they waited this long to make a stand.

It would be a mistake to hope, or assume, that Walmart is in this for altruistic reasons, or because they've had some sea change against the business practices

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they've followed for the last 20 or so years, in particular. Instead, I think it's safe to say that the company has recognized a sea change outside of its walls, in that Americans want to buy locally-produced goods again, and that, for one reason or another, the costs of producing here aren't as dramatically high as they used to be.

And what does Walmart love more than anything? Low prices.

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### **Links:**

[1] <http://www.impomag.com/news/2013/08/wal-mart-pushes-made-america-summit>

[2] <http://news.walmart.com/executive-viewpoints/a-job-to-do-retails-role-in-an-american-renewal>

[3] <http://corporate.walmart.com/our-story/locations#/united-states>