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BUSINESS

Wal-Mart Entertains a Pitch: 'Made in U.S.A.' *Some Manufacturers See Opportunity in Opening State-Side Factories*

By JAMES R. HAGERTY

Wal-Mart Stores Inc. has long lured Americans with a cornucopia of low-cost merchandise from overseas, ranging from softball bats made in China to candles from Vietnam.

For the past nine months, however, Wal-Mart has been trumpeting patriotic promises to stock more U.S.-made goods. Manufacturing means “good middle-class jobs, and that’s exactly what our country needs,” said Bill Simon, chief executive of Wal-Mart’s U.S. arm, in a revival-style speech at a recent supplier meeting in Orlando, where a children’s choir sang the national anthem.

So far, Wal-Mart has announced plans to offer U.S.-made socks, towels, candles and light bulbs, among other things, creating more than 1,200 jobs. On Monday, it will announce that Redman & Associates LLC will open a plant in Rogers, Ark., next year to make battery-powered toy cars. The cars, large enough for children to drive, currently are imported from China. Another Arkansas-based company, Hanna’s Candle Co., says it has doubled its workforce to about 200 people, including temporary workers, in the past year because of an increase in sales to Wal-Mart.

Wal-Mart’s new emphasis on U.S. goods spells opportunity for Lip Yow, a Malaysia-born entrepreneur who until recently made everything in China. Mr. Yow’s company, AFC Trident Inc., Ontario, Calif., uses contract manufacturers in Shenzhen, China, to make plastic cases that shield smartphones and tablet computers. In April, Trident began production at a small factory in Rancho Cucamonga, Calif. Mr. Yow aims to shift most production from China to the new California plant, partly to appeal to retailers like Wal-Mart.

Getting on the shelves of Wal-Mart, the nation’s largest retailer, is “very important,” Mr. Yow said,

showing a visitor his new plant where an American flag hangs from an overhead crane.

Wal-Mart has promised to increase purchases of U.S.-made merchandise by \$50 billion, which would work out to an average of \$5 billion a year. That affects just roughly 2% of what Wal-Mart spends annually on merchandise at U.S. stores, said Matthew Nemer, an analyst at Wells Fargo Securities. It is less than 1% of the U.S. trade gap in 2012.

“It’s a great place for us to start,” said Michelle Gloeckler, a senior vice president at Wal-Mart. “We believe it will be bigger.”

The campaign is partly public relations, depicting Wal-Mart as a good citizen, but also promises financial benefits. To the extent it can find low-cost manufacturers in the U.S., Wal-Mart can reduce inventory costs because goods spend less time in transit. With U.S.-based suppliers, Wal-Mart can get new merchandise into stores faster when consumer fads change.

It is too early to gauge the impact on U.S. manufacturing, said Robin Sherk, a New York-based analyst at market research firm Kantar Retail, “but if anyone can move the needle, that would be Wal-Mart because of their scale.”

Ms. Gloeckler said Wal-Mart won’t buy U.S. goods if it means higher prices, adding: “We don’t believe the customer should pay more.”

The retailer is talking to existing suppliers about where they make products and looking for new U.S.-based suppliers at trade shows. That is how Wal-Mart met Amy Bradley. Ms. Bradley and her husband, Tyler, run a tiny company from their home in Wyndmoor, Pa., that produces a plastic scoop she invented, the Toydozer, to pick up Legos and other toys with tiny pieces that scatter across floors.

The Bradleys assumed it would be too expensive to make in the U.S. and initially had it made in Mexico. But, unhappy with the quality, they checked with local plastic injection-molding companies. To their surprise, the highly automated work could be done more cheaply in the U.S. than at their Mexican contractor, so they switched production to Pendell, Pa.

The Toydozer already is available on walmart.com and is due to begin a test run in 50 Wal-Mart stores in January. The suggested retail price is \$14.99, but Ms. Bradley said Wal-Mart wants the price between \$10 and \$12 on its store shelves.

Kayser-Roth Corp., which has factories in Tennessee and North Carolina, sells its No Nonsense brand socks for women at Wal-Mart but expects to gain more shelf space in early 2014 with a new, low-price line. To lower costs, Kayser-Roth is investing about \$18 million in new equipment and other items, getting better terms from suppliers and streamlining distribution.

“Everybody has had to make compromises along the way,” said Kevin Toomey, chief executive of Kayser-Roth.

Trident’s Mr. Yow, 40 years old, previously worked in financial services in San Francisco and ran a company that supplied Chinese-made plastic guitars used with a videogame. When the game fad petered out, he decided to make cases for phones and tablets. Initially, Trident produced the cases in China, but Mr. Yow said he aimed to move most production to the U.S. He’s creating jobs for his adopted home of America and it also makes good business sense, he said.

Starting pay for assembly workers at Trident’s factory in Rancho Cucamonga is about \$12 an hour. With benefits, the monthly cost of a U.S. production worker is more than four times that of one in China, Mr. Yow said. But Chinese wages are rising fast, narrowing the gap. Producing in the U.S. also allows him to avoid a 20% import tariff and airfreight costs. The rise of the Chinese yuan against the dollar, which makes Chinese goods more expensive in dollar terms, also makes production in China less compelling.

Even so, it will be a struggle to make the numbers work. Trident is simplifying packaging to eliminate

some manual labor. It also is using different raw materials to reduce the need for snapping together parts and trimming excess material from freshly molded cases.

Trident cases are available on Wal-Mart’s website, and Trident hopes they eventually will be on store shelves. Mr. Yow knows how fickle consumers can be: His 12-year-old daughter recently bought a phone case from a rival supplier because she wanted one with imagery from the band One Direction.

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