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Rival Chains Secretly Fund Opposition to Wal-Mart

By ANN ZIMMERMAN

MUNDELEIN, Ill.—Robert Brownson long believed that his proposed development here, with its 200,000-square-foot Wal-Mart Supercenter, was being held hostage by nearby homeowners.

He had seen them protesting at city hall, and they had filed a lawsuit to stop the project.

What he didn't know was that the locals were getting a lot of help. A grocery chain with nine stores in the area had hired Saint Consulting Group to secretly run the antidevelopment campaign. Saint is a specialist at fighting proposed Wal-Marts, and it uses tactics it describes as "black arts."

As Wal-Mart Stores Inc. has grown into the largest grocery seller in the U.S., similar battles have played out in hundreds of towns like Mundelein. Local activists and union groups have been the public face of much of the resistance. But in scores of cases, large supermarket chains including [Supervalu Inc.](#), [Safeway Inc.](#) and [Ahold NV](#) have retained Saint Consulting to block Wal-Mart, according to hundreds of pages of Saint documents reviewed by The Wall Street Journal and interviews with former employees.

Saint has jokingly called its staff the "Wal-Mart killers." P. Michael Saint, the company's founder, declines to discuss specific clients or campaigns. When read a partial list of the company's supermarket clients, he responds that "if those names are true, I would say I was proud that some of the largest, most sophisticated companies were so pleased with our success and discretion that they hired us over the years."

Supermarkets that have funded campaigns to stop Wal-Mart are concerned about having to match the retailing giant's low prices lest they lose market share. Although they have managed to stop some projects, they haven't put much of a dent in Wal-Mart's growth in the U.S., where it has more than 2,700 supercenters—large stores that sell groceries and general merchandise. Last year, 51% of Wal-Mart's \$258 billion in U.S. revenue came from grocery sales.

In many cases, the pitched battles have more than doubled the amount of time it takes Wal-Mart to open a store, says a person close to the company. And the fights generate negative publicity for the retailer.

A Wal-Mart spokesman declined to comment on activities Saint has undertaken on behalf of its competitors.

In Mundelein, a town of 35,000 about 20 miles northwest of Chicago, it was



Supervalu, a national grocer based in Eden Prairie, Minn., that hired Saint to work behind the scenes, according to Saint documents. Supervalu's objective was to block Wal-Mart from competing with its nine Jewel-Osco supermarkets located within three to ten miles of the proposed shopping center, the documents indicate.

City officials say the effort stalled the development for three years and cost Mundelein millions in lost property and sales taxes.

Mr. Brownson, who has developed shopping centers in 15 states over 25 years, says he learned about Saint's involvement only recently when someone phoned him and spilled the news. "A huge national company conducts a dirty tricks campaign for its own goals, and a city and

a developer become collateral damage," he complains.

Supervalu didn't return calls for comment. Mr. Saint declines to discuss the situation in Mundelein. In general, he says, "developers always say the world is coming to an end because the project that would have made them millions wasn't approved."

Mr. Saint, a former newspaper reporter and political press secretary, founded his firm 26 years ago. It specializes in using political-campaign tactics—petition drives, phone banks, websites—to build support for or against controversial projects, from oil refineries and shopping centers to quarries and landfills. Over the years, it has conducted about 1,500 campaigns in 44 states. Mr. Saint says about 500 have involved trying to block a development, and most of those have been clandestine.

For the typical anti-Wal-Mart assignment, a Saint manager will drop into town using an assumed name to create or take control of local opposition, according to former Saint employees. They flood local politicians with calls, using multiple phones to make it appear that the calls are coming from different people, the former employees say.

They hire lawyers and traffic experts to help derail the project or stall it as long as possible, in hopes that the developer will pull the plug or Wal-Mart will find another location.

"Usually, clients in defense campaigns do not want their identities disclosed because it opens them up to adverse publicity and the potential for lawsuits," Mr. Saint wrote in a book published by his firm.

Mr. Saint says he "encouraged" his employees not to use their real names in campaigns in order to protect the client's identity and "to protect our employees, who have been followed, threatened and harassed by the opposition."

Safeway, a national chain based in Pleasanton, Calif., retained Saint to thwart Wal-Mart Supercenters in more than 30 towns in California, Oregon, Washington and Hawaii in recent years, according to a Saint project list and interviews with former employees. Former Saint employees say much of the work consisted of training Safeway's unionized workers to fight land-use battles, including how to speak at public hearings.

Former Saint workers say the union sometimes pays a portion of Saint's fees. "The work we've funded Saint to do to preserve our market share and our jobs is within our First Amendment rights," says Jill Cashen, spokeswoman for the United Food and Commercial Workers Union. Safeway declined to comment.

In Pennsylvania, Saint's work roster in August 2007 listed 53 projects, almost all directed at stopping Wal-Mart on behalf of client Giant Food Stores, owned by Amsterdam-based supermarket company Ahold. Saint documents from 2007 say it had lost one battle in Pennsylvania, defeated 13 projects and delayed the remaining ones from four months to four years.

In 2005, Giant Foods hired Saint to stop a proposed Wal-Mart in North Cornwall, Pa., a town of 6,000, a Saint report indicates. Saint planned to charge Giant \$7,500 to \$10,000 a month for legal services, mailings, phone banks and 60 hours a month of Saint staff time, according to a preliminary budget.

Locally, there was strong opposition from a citizens group that wanted to preserve the proposed site as farmland and was concerned about traffic. Nevertheless, Wal-Mart received conditional approval.

Before construction began, with support from Saint, the opponents filed suit, claiming that when the land was rezoned for commercial use three years earlier, neighbors had not been properly notified.

One member of the citizens group, Kip Kelly, says a woman he assumed was from a labor group or anti-Wal-Mart coalition had offered to fund the effort. Former Saint employees say the woman was a Saint operative and that Giant was paying the group's legal bills through Saint. Tracy Cadzow, the lawyer who represented the group, says she had no idea that the grocer was behind the effort. "This is new information to me," she says.

As the suit dragged on, Giant abruptly changed its game plan, according to two former Saint employees. Giant had decided it wanted to erect a supermarket directly across from the Wal-Mart location, according to former Saint workers and Saint documents. Giant needed Saint to switch sides in the political battle over commercial zoning, the former employees say.

Saint workers were directed to withdraw support for the anti-Wal-Mart group, called Citizens for Responsible Growth, according to the former Saint workers. "We had to kill a community group we started, and I was told to stop paying the attorney," says a former Saint employee.

Town officials reapproved commercial zoning for the land, this time giving proper notification to homeowners, which rendered the lawsuit moot.

Giant and its parent company, Ahold, did not return calls seeking comment.

Asked about the situation, Mr. Saint said his company is an advocate for its clients but doesn't determine overall strategy. "If it's legal to perform a service, we'll do it," he said.

Mr. Saint says there is nothing illegal about a company trying to derail a competitor's project. Companies have legal protection under the First Amendment for using a government or legal process to thwart competition, even if they do so secretly, he says.

The protection is known as the Noerr-Pennington doctrine, which grew out of several U.S. Supreme Court cases. Some legal experts say that, under the doctrine, a company has to reasonably expect it can win a lawsuit or a zoning battle—it cannot just use the process to interfere with a competitor's business.

"If a company routinely files suits and does it to delay a competitor, there is a pattern exception to the Supreme Court decisions," says Timothy Muris, former chairman of the Federal Trade Commission and a law professor at George Mason University. "If a competitor in this instance is spending millions [of dollars] to repeatedly sue, it is hard to believe they are doing so because they care about zoning."

Former Saint employees say that the goal of many legal or political challenges was merely to delay projects.

"That may be the result," responds Mr. Saint. "But our goal is always to kill Wal-Mart."

In Mundelein, where Supervalu wanted to protect its Jewel-Osco stores from Wal-Mart, Saint first focused on a vote on the 100-acre development by the city's Plan Commission, scheduled for May 2007, Saint documents indicate. Saint's Chicago-based regional director, Jay Vincent, who drives a Honda CRV with the license plates BLKOPS 1, assigned the job to a project manager, Saint documents indicate. That manager, who is a baseball fan, borrowed an alias for each of his assignments from a major leaguer. For the Mundelein job, he took the name of a former catcher for the Minnesota Twins, Greg Olson.

"For this project, delay is a substantial weapon," the project manager wrote in a report. He sent a flyer to neighbors of the proposed development that outlined purported evils of a neighborhood Wal-Mart, including increased police calls and more traffic. The flyer listed his alias and an email address, according to several residents.

Tom Budwick, a retired crane operator in Mundelein, responded. The project manager told him that a Wal-Mart built behind his own parents' home had prevented them from selling it and having a comfortable retirement, Mr. Budwick recalls.

Several former colleagues of the baseball-loving project manager say he frequently told that story, which is false, in connection with Wal-Mart projects.

Mr. Budwick says the project manager told him that the fight in Mundelein would be lengthy and expensive, but it would cost the residents nothing because he was involved in politics and had sympathetic donors willing to fund their campaign.

"I didn't know where the money was coming from, and I didn't want to know," says John Abraham, a landscape-company owner whose large home abuts the development site.

The project manager arranged for a lawyer, William Graft, who had experience fighting land-use battles, to represent neighbors who opposed the development, according to Saint documents. Although the public hearing on the development was packed with opponents, according to city trustee Ed Sullivan, the city's board of trustees approved the project in July 2007.

Mr. Graft filed suit on behalf of four local residents with properties adjacent to the proposed development, appealing the board's decision and claiming their rights had been violated. He sent monthly bills ranging from \$20,000 to \$55,000 to the project manager, who forwarded them to Saint, according to copies of the bills viewed by the Journal. Mr. Graft confirms that Saint paid those bills.

The suit remained in court for two and a half years—until March 26 of this year, when a judge ruled in favor of the city, saying its decision to approve the development was not "capricious, irrational or arbitrary."

The development is still in limbo. The plaintiffs have asked the judge to reconsider his decision. The developer, Mr. Brownson, says he and his partners have spent more than \$3 million on legal fees, expert testimony and other expenses. He lost almost all the tenants he had lined up three years ago, including [Kohl's](#) and [PetSmart](#), according to documents he provided the city. All except Wal-Mart.

City Administrator John Labaido says the village and school district have lost an estimated \$6 million a year in sales and property-tax revenue.

"It is disheartening to hear that a corporate competitor was behind this whole thing," he says.

—Dionne Searcey contributed to this article.

Write to Ann Zimmerman at ann.zimmerman@wsj.com

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