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## Wal-Mart Uses FedEx to Expand Urban Push

By MIGUEL BUSTILLO

Wal-Mart Stores Inc. is experimenting with allowing customers to buy merchandise online and have it delivered free to urban FedEx Corp. locations, a bid to boost sales in big cities where the retailer has little to no store presence.

The tests, which started this summer in Los Angeles and Boston, allow customers to direct purchases made on Walmart.com to FedEx Office outlets at no cost, mimicking a Wal-Mart offering called Site to Store that lets online buyers send items to the retailer's stores free.

Wal-Mart has no stores in Boston and only two in Los Angeles, but FedEx has many locations in both. "Whether you are near your office, your home, your university or just happening to be passing by 26 locations in L.A. and 18 in Boston, you have access to Wal-Mart variety and prices in a very convenient pickup location," Bill Simon, Wal-Mart's new head of U.S. operations, said last week during a Goldman Sachs conference.

Wal-Mart representatives said the company is still collecting feedback from the tests, which began in L.A. in June and Boston last month, and had no immediate plans to broaden the program. "Customer response thus far has been quite positive, and our business team recognizes we have a winning formula," spokesman Ravi Jariwala said.

Still, some retail experts said it seemed like an inevitable next step for the Bentonville, Ark. retailer, which has struggled to expand into America's largest cities amid political opposition from labor unions. Wal-Mart sales have declined for five consecutive quarters at U.S. stores open at least a year, and the company is searching for new ways to spark domestic growth.

"This is Wal-mart trying to extend its footprint without investing capital in real estate," said Leon Nicholas, a Massachusetts-based director of retail research at Kantar Retail. He said Wal-Mart also is pursuing younger urban shoppers, who don't think twice about making big purchases online. "They don't want to be the next Montgomery Ward, so they have to go after the Millennials where they are," he said, referring to the chain that went out business in 2001 and whose brand was later revived as an Internet retailer.

Shoppers long have had the option to direct packages to the locations of FedEx or rival United Parcel Service Inc., something urban dwellers have done to avoid having items stolen from doorsteps. But Wal-Mart is trying to use the option to expand the reach of its free store-delivery program, which it considers an advantage over pure online competitors, which don't have physical locations

The partnership could allow FedEx to capitalize on its locations near college campuses it inherited when it acquired Kinkos in 2004.

In L.A., Wal-Mart has been promoting the pickup program with direct mail to students at the University of Southern California and mobile billboards around Westwood, home of the University of California, Los Angeles.

Wal-Mart and FedEx officials declined to reveal the financial details of the partnership.

"We fully expect other large retailers to take advantage of this," said Randy Scarborough, vice president of marketing for FedEx Office. He said the shipping giant recently began a new store-pickup service from FedEx Ground that previously had been available only on faster shipments from FedEx Express. FedEx has 1,800 U.S. locations that can serve as pickup spots. He declined to name other retailers.

"We are planning our physical network to accommodate this because we do anticipate additional demand."

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