

LET'S TALK BUSINESS

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The Impact of Wal-Mart on Small Towns

Summarized by Matt Kures and Bill Ryan*

The growing presence of big-box retailers in small towns has sparked considerable controversy. A recent PBS documentary, "Store Wars: When Wal-Mart Comes to Town" by Micha Peled highlights this debate in Ashland, Virginia. The community's split over a proposed Wal-Mart highlights many of the issues Ashland faced. However, the dispute is not limited to Ashland and is occurring throughout the United States and the world. Drawn from this documentary, the following discussion summarizes many of the issues communities face when Wal-Mart comes to town.

Debating the appearance of Wal-Mart in any community can be a formidable task. With sales of \$137 billion, Wal-Mart is the largest retailer in the world. Their business model has set the standard for discount retailers. To sustain growth and remain accountable to their stockholders, Wal-Mart must maintain an aggressive growth strategy that sees a new store open every two days. Some feel that these stores bring economic growth and new job opportunities to a community. However, many maintain that a Wal-Mart can bring economic disaster for smaller retailers and ruin the character of small towns.

Economic Impact of Wal-Mart

Perhaps the greatest concern is the economic impact of Wal-Mart on a community. Proponents often believe that a new Wal-Mart will be an economic catalyst for their community. They feel that Wal-Mart is a natural market response to a downtown area that has not stayed competitive. They view a new store as a draw to their town, shining new light on a community. As customers travel to Wal-Mart, it is hoped that they will stay and shop at other local retailers. Furthermore, these supporters see Wal-Mart as a new tax revenue source that often provides addi-

tional financial incentives, such as money for new road improvements.

However, the actual economic value of a new Wal-Mart is often questioned. While Wal-Mart may provide tax revenues, many argue that the costs of municipal services such as water, sewer, police and fire protection outweigh the taxes received. Researchers suggest that as smaller stores are forced out of business, their tax revenues are lost and existing infrastructure is abandoned. Ultimately, these tax dollars are simply transferred from dollars spent at smaller retailers to dollars spent at Wal-Mart. Other businesses such as banks and local newspapers also suffer as many of the services they have provided are no longer needed. Sales from local retailers that were once recycled in the community are now sent to Wal-Mart's corporate headquarters.

Impact on Employment

Another topic for contention is the impact Wal-Mart has on the local labor market. Supporters of Wal-Mart point to the large number of new jobs such stores create. For instance, Wal-Mart claimed that the new store in Ashland, Virginia would generate 350 new



jobs in the community. Of these jobs, 70% would be full time positions with available health and dental insurance. Furthermore, these jobs provide opportunities to people without advanced education or job experience.

Wal-Mart detractors suggest that a new store may actually be a detriment to the labor market. They argue that Wal-Mart is not creating new jobs. Instead, these jobs are transferred from small retailers that have closed due to the new competition. Additionally, opponents point to the type of jobs offered by Wal-Mart. They suggest that these positions are mostly low wage, with employees often making as little as \$250 per week. With such a small take-home pay many workers cannot afford to pay their contribution to Wal-Mart's corporate health insurance.

Impact on Community Character

Determining the impact on community character is a third, less quantitative issue towns must consider. Accordingly, the debate over community character can often create deep divisions in a community. Many would argue that no one should be precluded from shopping at Wal-Mart. Free enterprise dictates that it is not the role of government to regulate competition in communities. Furthermore, for many consumers, Wal-Mart accommodates their busy lifestyle by offering one-stop-shopping, prices, selection and extended hours that are not offered by their local retailers.

Nonetheless, these possible consumer benefits may have other consequences for a community. With increased selection and lower pricing also comes a lower level of service. Given Wal-Mart's site-selection strategy, they are often able to force smaller retailers out of business. Subsequently, as downtown retailers fail, the downtown is destroyed. The decline of the downtown leads to sprawling development, increased traffic at the edge of town, and abandoned infrastructure downtown. Accordingly, the change in land use and loss of green space brings environmental problems. Ultimately, many people view the loss of a community's downtown business district as the loss of a community's character.

Debating the Wal-Mart Issue

In his autobiography, Sam Walton states "Wal-Mart will not put a store in a community where it is not wanted." However, it is difficult to decide whether or not a Wal-Mart is actually wanted by a community. According to Al Norman, an anti-sprawl consultant, approximately 100 U.S. communities have successfully denied big-box developments at least one time. This number suggests that there is significant opposition to Wal-Mart and other similar-sized retailers. However, Wal-Mart suggests that their desirability can be gauged by the large number of people that shop at

their stores.

The PBS documentary, "Store Wars: When Wal-Mart Comes to Town" clearly describes the deep divisions and emotions that have and will continue to occur in many small communities. The debate is about values and who decides the future of a community. The points described in this article serve as a starting point for addressing these values at the community level.

For more information, see the PBS web site: <http://www.pbs.org/storewars/resources.html>

Also see the November and December 1996 editions of *Let's Talk Business* for related discussions on co-existing with the retail giants: <http://www.uwex.edu/ces/cced/publicat/letstalk.html>

Also see: Stone, Kenneth E., "Impact of the Wal-Mart Phenomenon on Rural Communities," *Proceedings of National Public Policy Education Conference*, Charleston, SC, October 1997.

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