

ISU economists study Iowa communities 15 years before and after Wal-Mart

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Ken Stone, an Iowa State emeritus economics professor; and Georgeanne Artz, a visiting assistant professor of economics in ISU's College of Agriculture and Life Sciences, have authored a new study on Iowa communities 15 years before and after Wal-Mart. Photo by Bob Elbert, ISU News Servic

(Phys.org) -- Small towns in Iowa (between 3,000 and 20,000 population) that have hosted Wal-Mart stores showed moderate increases in total retail sales in the 15 years following the stores' opening according to a new study by two Iowa State University economists.

Control communities in the study -- those without [Wal-Mart](#) stores -- didn't match the [retail sales](#) growth of the Wal-Mart host towns, but their sales also largely stabilized during the same 15-year period. The study will be published in a future issue of Economic Development Quarterly.

"Revisiting Wal-Mart's Impact on Iowa Small Town Retail: Twenty-Five Years Later," was co-authored by Ken Stone, an Iowa State emeritus economics professor; and Georgeanne Artz, a visiting assistant professor of economics in ISU's College of Agriculture and Life Sciences. They've been studying the economic impact of Wal-Mart stores dotting the Iowa landscape since 1988.

Host towns become regional trade centers

"This is a much longer-term study and it shows that among the Wal-Mart host towns, their total sales went up and stabilized, and they became more of the regional trade centers," said Stone, one of the nation's leading experts on the economic impact of Wal-Mart in small towns. "But one has to keep in mind that most of that gain was by Wal-Mart stores, and they did have negative impacts on a lot of other businesses in town -- mainly any store that was selling essentially the same thing they were selling.

"The few towns in our population group that don't have a Wal-Mart store fared better than I had expected," he continued. "They too were declining [in retail sales] before Wal-Mart came in, but they kind of stabilized at that lower level from Wal-Mart. And I think it's because nearly all of them got a regional chain store like an ALCO, or a Dollar General. And in particular, I think every one of them had a good chain grocery store like Fareway or HyVee. So again, they sort of had a critical mass of retail stores to retain people there and it's my contention that most people don't really want to drive any farther than they have to to shop."

The smallest towns in the state experienced substantial retail losses during the period, according to the study. For example, Stone reports retail sales in towns below 2,500 population declined 30 percent during the post Wal-Mart era, or about \$1.5 billion in current dollars.

The ISU researchers used data obtained from the Iowa Retail Sales and Use Tax Reports, published annually by the Iowa Department of Revenue and Finance, in their analysis of 28 Wal-Mart host towns and 22 control (non-Wal-Mart) towns.

"It's important to note that we picked a group of control towns that looked most like the host towns before Wal-Mart came in, so it's not every other town in the state," Artz said. "It's a select group [of towns] we thought were feasible sites for Wal-Mart, but didn't get a Wal-Mart."

In the 15 years following the Wal-Mart opening, the general merchandise (GM) category sector in host towns showed a sharp increase in sales, while the control towns saw a slight decrease in GM sales. The researchers point out that [Wal-Mart stores](#) are classified as general merchandise stores, so they generated most of the host towns' GM sales.

Niche merchandise still sells

The study also reports that host town stores that sold niche merchandise -- such as specialty retailers, service firms and apparel shops -- showed some positive sales increases in the post Wal-Mart era. Conversely, host town stores that sold merchandise similar to Wal-Mart's experienced a sales decline, at least initially.

"Many of the types of stores that were impacted negatively initially seemed to find their way and figure out how to operate against Wal-Mart as time went on," Stone said. "As an example, the old line hardware stores back in the 1980s sold toys and sporting goods, too. They tried to be a general store. And that just didn't work against Wal-Mart because they were dominant in toys and sporting goods, etc. But the hardware chains in particular -- and I did a lot of work [consulting] for True Value and Ace -- finally learned that they had to specialize and find niches."

And the first niche was service. They gave better service."

The researchers point out that Wal-Mart's entry into Iowa coincided with significant geographic shifts in the location of retail trade toward larger cities and regional trade centers within the state.

"I think in almost every case, sales were declining in these smaller towns before Wal-Mart came in -- primarily because the bigger cities in Iowa had just built new shopping malls," Stone said. "So they were trending downward, but once Wal-Mart came in, they turned that around and sort of stabilized their sales."

Stone says the study's findings also suggest policy issues that local officials and business people may want to consider -- specifically the merits of allowing a big box store to build in a town and whether or not to offer financial incentives.

Provided by Iowa State University

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