



# **An Analysis of Taxable Retail Sales and Retail Business Permits in California Cities with **WAL★MART** Supercenters**

Prepared for

Wal-Mart Stores, Inc.

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## Executive Summary

We were retained by Wal-Mart Stores, Inc. to perform an independent and objective analysis to quantify the city-wide *Taxable Retail Sales* in California communities where Wal-Mart Supercenters have opened during the period of 2003-2007. We also analyzed the number of *Retail Business Permits* in those same communities. We accomplished this through a comparative analysis of *Taxable Retail Sales* and *Retail Business Permits* from the years just prior to and the years just after the opening of the various Wal-Mart Supercenters. We also looked at data from subsequent years for those locations that have been opened for more than one year. Since data is only available through the end of 2007, we were able to perform these comparisons for the cities of 21 of the 32 Wal-Mart Supercenters in California (the remaining 11 Supercenters opened in 2007 or later).

The results of our analysis are as follows:

- In every city where Wal-Mart has opened a Supercenter in California, the city-wide *Taxable Retail Sales* (including apparel stores, general merchandise stores, grocery stores, home furnishing and appliance stores, and other retail stores) have increased in the year following the opening of the Supercenter as compared to the *Taxable Retail Sales* of the year prior to the opening. Moreover, city-wide *Taxable Retail Sales* have continued to increase in each subsequent year in all communities that have had Wal-Mart Supercenters for multiple years.

- Increases of city-wide *Taxable Retail Sales* one year after the opening of the Wal-Mart Supercenter averaged over \$79 million compared to the year prior to the opening for all communities (21 Supercenters). *Taxable Retail Sales* increases averaged 15.0% for all cities.
- Increases of city-wide *Taxable Retail Sales* two years after the opening of the Wal-Mart Supercenter averaged nearly \$123.9 million compared to the year prior to the opening for all locations opened more than one year (10 Supercenters). *Taxable Retail Sales* increases after two years averaged over 25.9% for the ten cities.
- Increases of city-wide *Taxable Retail Sales* three years after the opening of the Wal-Mart Supercenter averaged over \$206.2 million compared to the year prior to the opening for all locations opened for more than two years (3 Supercenters). *Taxable Retail Sales* increases after three years averaged over 39.6% for the three cities.
- Taxable sales for *Other Retail Outlets* (including restaurants and bars, building materials and farm implements, auto dealers and supply, and service stations) also increased in each community following the opening of Wal-Mart Supercenters. These increases averaged over \$72 million compared to the year prior to the opening for all locations with available data (15 Supercenters). This was an average increase of 10.5% for each city.

- Increases of taxable retail sales for *Other Retail Outlets* two years after the opening of the Wal-Mart Supercenter averaged over \$124.1 million compared to the year prior to the opening for all locations (with available data) opened more than one year (7 Supercenters). This was an average increase of 16.8% for each city. Increases of taxable retail sales for *Other Retail Outlets* three years after the opening averaged over \$204 million (3 locations), with an average increase of 30.4% per city.
- When combined, city-wide *Taxable Retail Sales* and *Other Retail Outlets* (“total taxable retail sales”) one year after the opening of the Wal-Mart Supercenter increased by an average of \$157 million when compared to the year prior to the opening (15 Supercenter locations). The total taxable retail sales increased even more dramatically after two years to an average of \$271.6 million per city (7 Supercenter locations). After three years, total taxable retail sales increased even further to an average of \$410.3 million per city (3 locations).
- In 18 of 21 communities, the number of *Retail Business Permits* increased in the year following the opening of the Wal-Mart Supercenter when compared with the year prior to the opening. The average increase in the number of *Retail Business Permits* was 32.7 per community. Slight declines occurred in Gilroy (from 516 to 508), Palm Desert (from 1446 to 1388), and Palm Springs (from 881 to 803). However, these were offset in those communities by sizable gains in *Retail Business Permits* two years following the opening of the Wal-Mart Supercenter—Gilroy (up to 517), and Palm Springs (up to 840).

- In 9 of 10 communities, the number of *Retail Business Permits* increased two years following the opening of the Wal-Mart Supercenter when compared with the year prior to the opening. The average increase was 65.8 Retail Business Permits per city. This is double the increase after only one year and reflects a total increase of 658 new *Retail Business Permits* across 10 cities and an average increase of 8.2% per city. Additionally, the number of *Retail Business Permits* increased three years following the opening in all three communities, nearly doubling again to an average of 130.3 Retail Business Permits per city or a 15.7% increase.
- Regardless of population, all California communities which opened a Wal-Mart Supercenter also enjoyed sizeable gains in city-wide *Taxable Retail Sales*. Cities with populations over 50,000 had an average increase of nearly \$91 million; cities with populations under 50,000 had an average increase of more than \$64.2 million; and cities with populations under 25,000 had an average increase of more than \$34.4 million.
- Central Valley and Imperial Valley communities, where economic growth is historically the slowest in the state, experienced strong city-wide *Taxable Retail Sales* gains after the opening of Wal-Mart Supercenters. From the north to the south through the Central Valley, Anderson has seen an increase of \$51.2 million or 37%; Marysville—\$8.9 million or 6.6%; Yuba City—\$35.2 million or 7.9%; Dixon—\$27.8 million or 17.4%; Stockton—\$122.3 million or 21.4%; Dinuba—\$49.9 million or 12.8%; and Hanford—\$32.4 million or 10%. In addition, the Imperial Valley cities of

Calexico and El Centro have seen increases of \$38.5 million or 18.4% and \$61.8 million or 16.1% respectively. Just as impressive, all of the aforementioned communities also experienced a gain in the number of *Retail Business Permits* over this same period.

Based upon our analysis of the available data and information, we believe that the presence of Wal-Mart Supercenters across California has provided various positive economic benefits to their local economies. City-wide *Taxable Retail Sales* have increased, often dramatically, in every California community where Wal-Mart has opened a Supercenter. In addition, these increases in *Taxable Retail Sales* were not solely the result of Wal-Mart's presence, but also the result of other new businesses opening in the same communities. Furthermore, the opening of Wal-Mart Supercenters also enhanced the taxable sales of *Other Retail Outlets* such as restaurants, auto dealers, and service stations. Thus, increased retail traffic brought on by the opening of Wal-Mart Supercenters appears to have resulted in sizable sales gains for other related service providers.

In addition, the benefits of the greater *Taxable Retail Sales* were not limited to metropolitan or suburban communities. Economically challenged rural areas such as the Central Valley and Imperial Valley both experienced strong increases in *Taxable Retail Sales* and in the number of *Retail Business Permits* after the opening of Wal-Mart Supercenters in their communities. In sum, the presence of Wal-Mart Supercenters in any California community appears to enhance the local community as it relates to increased *Taxable Retail Sales* and increased numbers of *Retail Business Permits*.