

LAEDC WAL-MART STUDY HIGHLIGHTS

January 27, 2004

► Savings for Consumers and New Jobs outside the Grocery Industry

- Supercenter customers will save an average of 15 percent on their groceries.
- Price competition will lead to reduced prices at existing grocery chains, providing customers who shop at stores other than Wal-Mart average savings of 10 percent.
- Increased competition in non-grocery items will lead to price reductions averaging three percent at general merchandise and apparel competitors.
- Money that people save on groceries will be redirected to other items, including housing, savings, health, entertainment, and transportation. This new spending will, in turn, create jobs in Southern California outside the grocery industry.

► Savings in the City of Los Angeles

- Consumers in the City of Los Angeles are conservatively estimated to save at least \$668 million annually, or \$524 per household, per year.
- Redirected grocery savings will create 6,500 additional full-time-equivalent jobs.

► Savings in Los Angeles County

- Consumers in Los Angeles County are conservatively estimated to save at least \$1.78 billion annually, or \$569 per household, per year.
- Redirected grocery savings will create 17,300 new jobs County-wide.

► Savings in Southern California

- Consumers in Imperial, Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura Counties are conservatively estimated to save at least \$3.76 billion annually, or \$589 per household, per year.
- In these seven counties, 36,400 new jobs will be created.

► Potential impacts to Major Grocery Chains

- Major grocery companies have used fear of intense competition to seek wage concessions from unionized employees, most likely by seeking a two-tier pay scale for new hires.

- Future foregone wages of unionized grocery employees in Los Angeles County could equal \$150 million to \$258 million annually, and could reach \$307 to \$529 million annually across the entire seven-county Southern California region.
- These foregone wages would reduce overall household spending, potentially costing Los Angeles County 1,500 to 2,500 jobs and the seven-county region (including Los Angeles) 3,000 to 5,100 jobs.
- These losses will be offset by region-wide gains of 36,400 jobs outside the grocery business or a net gain of at least seven new jobs for every one lost.

► **Catalyst for Redevelopment**

- Wal-Mart can be used as a catalyst for redevelopment, particularly in areas saddled with struggling (or failed) retail centers. In Panorama City, Wal-Mart replaced the Broadway department store, creating new jobs and revitalizing the surrounding neighborhood. Wal-Mart will open stores in an abandoned K-Mart in Canoga Park and in an abandoned AutoNation site in Harbor Gateway.
- Wal-Mart has demonstrated a willingness to enter communities that other businesses appear uninterested in serving. In Baldwin Hills, Wal-Mart brought jobs and retail opportunities to an underserved community by opening a store in a former Macy's, which had sat vacant for five years. Again, this retail location was revitalized.
- There are many parts of Los Angeles that are underserved by retail. The need is acute in the grocery sector and these communities stand to gain the most if Wal-Mart were to enter the market and offer lower prices.

► **Sales Tax Leakage**

- Jurisdictions without Supercenters will lose taxable sales when their residents shop elsewhere. Supercenters have become an issue because they sell groceries, which are non-taxable. Sixty to seventy percent of the sales at Supercenters, however, are taxable. The appeal of Supercenters, for both Wal-Mart and the consumer, is that they allow shoppers to combine trips and do all of their purchasing in one location. If city residents choose to buy their groceries at Supercenters outside of the city, the City of L.A. will lose out on the local share of any taxable purchases shoppers make on those trips.
- Cities without Supercenters will also lose out on sales tax revenue when their residents combine trips to Wal-Mart with shopping at nearby stores.
- Overall sales taxes will increase to the extent that customers spend their savings generated from lower-priced groceries (which are not taxable) on goods which are taxable.
- The modest increase in overall taxable sales should not obscure the key issue – the redistribution of taxable sales (and hence tax revenues) among Southern California jurisdictions based on where consumers choose to shop.