

## 2004 Press Releases

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### **LAEDC RELEASES FIRST in-depth STUDY ON THE ECONOMIC IMPACT OF WAL-MART SUPERCENTERS ON SOUTHERN CALIFORNIA**

*“Imperial, Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura county consumers will have a combined total annual savings of least \$3.76 billion and there would be 36,400 new jobs.”*

**Los Angeles, CA** — “The City of Los Angeles is a large, growing market, giving Wal-Mart a powerful incentive to expand here. However, if the city attempts to shut Wal-Mart out altogether, the company can still serve its City of Los Angeles customers from neighboring communities.” So says the first complete study released today (Tuesday, January 27, 2004) by the Los Angeles County Economic Development Corporation (LAEDC).

“Many cities throughout Southern California face the same challenges and the results of this analysis apply to them as well,” said study author Gregory Freeman, director of Policy Consulting at the LAEDC. The 45-page study is entitled: “Wal-Mart Supercenters: What’s in store for Southern California?” is posted at [www.MayoCommunications.com](http://www.MayoCommunications.com) and [www.laedc.org](http://www.laedc.org).

The LAEDC is a section 501(c) (3) private non-profit corporation, which mission is to attract, retain and grow businesses and jobs in the regions of Los Angeles County. The consulting practice of the LAEDC carries out selected projects of regional significance. Recent clients have included the California Chamber of Commerce, the Alameda Corridor Transportation Authority, the City of Placentia, and the Los Angeles Business Tax Advisory Committee.

Wal-Mart hired the LAEDC to look at the economic impacts of their Supercenters on the Southern California market. “The LAEDC agreed to assess the economic implications of Wal-Mart’s entry into the Southern California grocery market because, existing studies, which tend to tally only the negative impacts of Wal-Mart’s operations, miss half the story,” said Wally Baker, LAEDC senior vice president of Economic and Public Policy Consulting. “In our study we aim to provide a fair and balanced assessment of both the good and not so good impacts of Supercenters in Southern California.”

According to the study Wal-Mart shoppers would immediately save an estimated average of 15 percent relative to what they would have paid under the current status quo. The savings could be higher, particularly in portions of the City of Los Angeles such as South Los Angeles and the northeast San Fernando Valley, which are underserved by traditional grocery stores.

“The LAEDC conservatively calculated the potential savings to consumers in the City of

Los Angeles to be at least \$668 million, or \$524 per household, annually once Wal-Mart reaches 20 percent market share,” said Freeman.

The LAEDC also looked at the potential economic impact of Wal-Mart Supercenters on the entire Southern California market, including the impact on grocery worker wages.

“Our research found that in Los Angeles County, the aggregate annual ‘savings’ to consumers would be at least \$1.78 billion,” explained Freeman. “When the savings are redirected to other purchases, the countywide job creation will total 17,300 jobs. For consumers in Imperial, Los Angeles, Orange, Riverside, San Bernardino and San Diego counties, the combined total

annual savings will be at least \$3.76 billion. The Southern California job creation total as a result of those savings is 36,400 jobs.”

Freeman also noted that Wal-Mart compensation is lower than the best-paid unionized grocery employees yet better than most people realize, particularly in its food business. “Using more realistic assumptions of Wal-Mart Supercenter employee pay (and hence a narrower wage gap), we find the potential cumulative wage loss in Los Angeles County is \$150 million to \$258 million annually,” said Freeman.

“For the Southern California region (including Los Angeles), the range is \$307 million to \$529 million,” he said. “If all current unionized grocery employees were to eventually earn the equivalent of Wal-Mart Supercenter employees; the lost spending due to eroded household income could cost Los Angeles County alone 1,500 to 2,500 jobs and the seven-county region 3,000 to 5,100 jobs. Should these losses materialize, they would be offset by region-wide gains of 36,400 jobs, meaning that outside the grocery sector at least seven jobs would be added for every one lost.”

Wal-Mart appears to be proceeding cautiously in California, with plans to build just 40 Supercenters in the state over the next three to five years. This represents four percent of the 1,000 new

Supercenters that will be added nationwide during the same period. If the distribution of existing Supercenters were factored in, the California number would be higher still. By comparison, Texas, which is the nation’s second most populous state, already has many Supercenters while California, the most populous state, has none. For a detailed look at the economic impact visit: [www.laedc.org](http://www.laedc.org).

[Editors: For interviews and images call: George McQuade at 818.340.5300 or 818.618.9229]

The LAEDC is a private, non-profit organization whose mission is to attract, retain and expand business and jobs in the region. It provides economic and industry forecasts as well as strategic consulting in trade, infrastructure, logistic and land use. The LAEDC Business Assistance Program works one-on-one with businesses throughout the county. Visit [www.laedc.org](http://www.laedc.org) .

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