

Rodino Associates

Economic Development & Real Estate Services

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Review and Summary of Superstore Impact Studies since 2003

(If you are interested in the complete text of this study please e-mail or call our office)

A summary of the studies conducted on the impacts of superstores on urban communities is provided herein, updating the study conducted by Rodino Associates for the City of Los Angeles in 2003. We have reviewed studies relating to:

- Overall economic impacts
- Labor employment and compensation
- Impacts on neighborhood retailers and supermarkets
- Consumer choice and benefits
- Municipal revenues
- Property values
- Land use and urban design

Overall Issues and Conclusions

The nation's retail grocery sector is undergoing a major transformation, led by supercenters – big-box retail stores with full-scale grocery service. These supercenters are the latest development in the nationwide restructuring of the retail grocery industry. Based on efficient distribution systems, low prices, and shoppers increasingly seeking value, supercenters are intensifying competition within the sector. While they are a national phenomenon, supercenters also have important local impacts. Their appearance in California and most other regions of the nation raises a complex range of issues concerning their costs and benefits, fiscal implications for local communities, governments, and land use policy. The claims made by the advocates of supercenters regarding their economic development benefits are often invalid, and in fact numerous studies have found their impacts can be economically harmful. Advocates of “free market” economics argue that an unregulated economy works best. However, if the case for supercenters is made based on economic development, one must look carefully at facts to the contrary.

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The overall conclusions of our current review of studies are similar to the conclusions of our 2003 report, and are based on the following:

- In a mature urban retail market, such as is found in most large cities, a superstore of 100,000 to 200,000 square feet of floor area, averaging \$50 million to \$100 million in annual sales, must take most of those sales from the surrounding retailers selling similar products within the trade area. There is not enough population growth within the mature trade areas in cities like San Diego, Los Angeles, Seattle, New York, or Philadelphia to generate retail sales from increased demand. In other words there are little or no “net new sales” within a superstore’s trade area.
- While a portion of sales can be made up from consumers coming into a trade area, i.e. into the local urban neighborhood from outside the area, this process is rarely sufficient to satisfy the annual sales volume associated with superstores. Regionally, there would still be little or no net new retail sales growth, since those retailers outside the trade area would correspondingly lose sales volumes.
- Focusing on the source of retail expenditures, namely consumer expenditures, is key to understanding the economic processes at work. Since consumers do not consume more simply because a new superstore has arrived, their retail expenditures are primarily redistributed to the superstore from the existing grocery and general merchandisers in the trade area.
- With no “net new expenditures” there are no “net new jobs” created. In fact a decrease in retail employment may occur since superstores can generate more sales with fewer employees. Those jobs at the superstore often pay less with lower benefits than the jobs at competitive retailers, particularly compared to jobs at unionized supermarkets or retailers paying similar union-scale wage and benefit packages.
- Sales tax revenues may actually decrease as a result of the superstore, if there are no net new retail expenditures, since prices are often lower at superstores than at local competitors (although this is not universally true), and sales taxes are based on the dollar volume of sales.

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- In some communities competing grocery stores have closed due to their reduction in sales. When this occurs consumer choice is reduced as well as employment, municipal revenues and property values.
- Superstores have sometimes relocated out of their stores within a given trade area, to what is believed to be a better location, often leaving their former stores dark, while holding on to their lease, and thus preventing other retailers from occupying their former location. When this occurs, and particularly if combined with closed grocery stores within the trade area, property values impacted decrease and surrounding businesses that had depended on their proximity to the superstore or supermarket lose business. The cascading impact can mean not only a loss of property values to property owners, but of a loss of property taxes and sales taxes to the local municipality.
- Since superstores require about 7 to 15 acres of land for the store and parking, this large expanse of black-topped parking can cause problems for communities seeking to create pedestrian-oriented retail areas.

When considering the proposal of a superstore it is therefore critically important that communities examine in detail the likely economic impacts on nearby supermarkets and retail stores, and of the overall impacts on the economic well being of the host community.

I hope you found this summary of our study useful in your work. If you would like to discuss any aspect of this study, obtain a copy of our report, or if I can be of help to you or your clients in this area, please feel free to call or e-mail me

*Best regards,
Bob Rodino, Ph.D.*

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