

Bringing a Wal-Mart to Rawlins, WY

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Commissioned by Rawlins Citizens for Informed Decision Making
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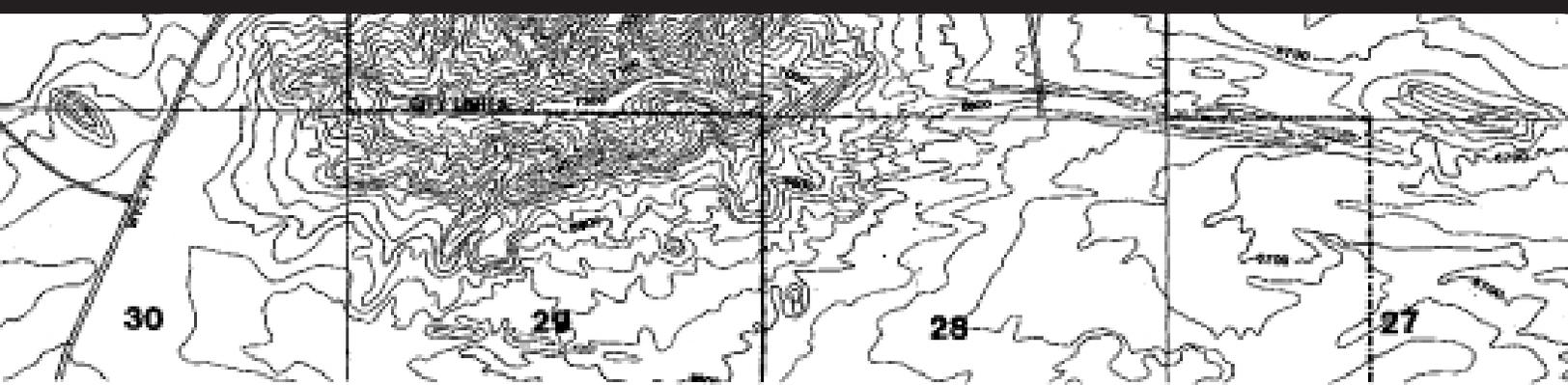


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Executive Summary

I was commissioned by the Rawlins Citizens for Informed Decision Making group to collect data and analyze the effects of a potential Wal-Mart moving into Rawlins, WY. After careful consideration of the many effects that it would have on Rawlins, I have selected a site and have decided that a Wal-Mart would make a good addition to the town for the following reasons:

1. Fiscal Health

The addition of a Wal-Mart would improve the fiscal health of the city via tax income. Many anti-Wal-Mart advocates would argue that the construction of a new Wal-Mart would require significant investment from the city in services, such as electricity, water, and roads (services that any business would require, but in a much larger quantity). I argue, however, that the increase in tax revenue from a new Wal-Mart via property and sales taxes would offset these costs and lead to a net increase in tax income.

2. Local Economic Benefits

The population of Rawlins is high for a city without a Wal-Mart and is expected to grow because of Rawlins' location within the Wyoming Energy Corridor. Additionally, the demand for retail space currently is high and expected to grow significantly in the coming years. The existing retail gap is exceedingly large at \$100 million and a Wal-Mart could collect that gap and add it to the government coffer.

The most common argument against the arrival of a Wal-Mart, the death of small businesses, is easily debunked. There are many case studies that actually point to the opposite: some small businesses benefit from the addition of a Wal-Mart to a city. There is also a good chance that other large retailers will join Wal-Mart in Rawlins, since they tend to build where Wal-Marts are already located.

3. Direct Benefits to Citizens

The arrival of a Wal-Mart provides not only significantly lower prices for goods that residents already buy, but a much larger variety of goods than what previously existed. This leads to a greater quality of life for residents, especially those who are of modest means. A Wal-Mart would also offer jobs that residents of Rawlins

Executive Summary

are qualified for in great quantities. It hires people from many different racial, gender, and age groups, and for wages that are on average higher than the national minimum wage. Additionally, the arrival of a Wal-Mart would provide significant convenience to Rawlins residents since the closest Wal-Mart is currently located in Laramie, over 100 miles away.

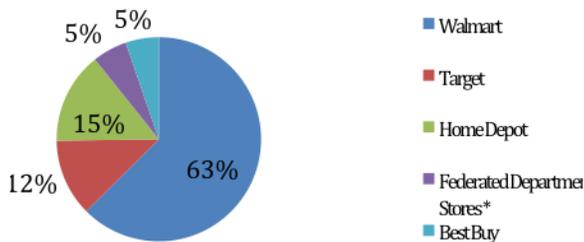
Conclusion and Recommendations

The construction of a Wal-Mart would benefit the citizens of Rawlins greatly. I do recommend, however, that the city take an active role in managing the problems typically associated with the arrivals of big box stores. I also recommend that the city encourages the use of alternative means of transportation to the Wal-Mart, such as bike paths and mass transit, to make it more accessible.

About Wal-Mart

Often, it is easy to forget how large Wal-Mart really is. Wal-Mart is the world's largest retailer and company, having sold \$244.5 billion worth of goods in 2006. It is larger than General Motors, General Electric, and Exxon Mobil. Additionally, as it does more business than "Target, Sears, Kmart, J.C. Penny, Safeway, and Kroger combined," it has no rivals (Fishman, 2003). Almost 9 out of every 10 Americans has shopped at Wal-Mart in the last couple of months. This ratio far exceeds that of any U.S. election (Hicks, 2009).

Percentage of total revenue of selected retailers
1996-2005



With their aggressive cost-cutting techniques, genius marketing campaigns, and innovative supply-chain management, Wal-Mart has proven to be one of America's most savvy companies. Its size and power, however,

are what often contribute to the anti-Wal-Mart sentiment in the United States. When a Wal-Mart is proposed in a community, local activists rally against it, citing unfair labor practices, large and unsightly stores, and condemned main streets. Pro-Wal-Mart advocates argue that a Wal-Mart provides many jobs for struggling communities and provides a wider selection of affordable goods, thus raising the quality of life for those in that community.

The Wal-Mart debate within local communities is fierce, but the collection and careful analysis of relevant data can make the decision to build a Wal-Mart in a community much easier for local leaders.

About Rawlins

Rawlins is a town of 9,259 within Carbon County, Wyoming (U.S. Census 2010). Located in South-Central Wyoming, it falls within the Wyoming Energy Corridor, which provides employment to many of the Rawlins residents in the mining and energy industries (Rawlins, 2010).

Rawlins was discovered in 1867 when “General John A. Rawlins (chief of staff of the U.S. Army) expressed a wish for a drink of good, cold water (Rawlins, 2012). The first spring that he found was located in present day Rawlins.

Carbon County has historically been traversed via the “Overland Trail, Oregon Trail, Mormon Trail, and both the original route of the Union Pacific Railroad and the Lincoln Highway” (Rawlins, 2012). Today, the most popular means to travel through Carbon County is via the I-80, which meanders right through Rawlins.

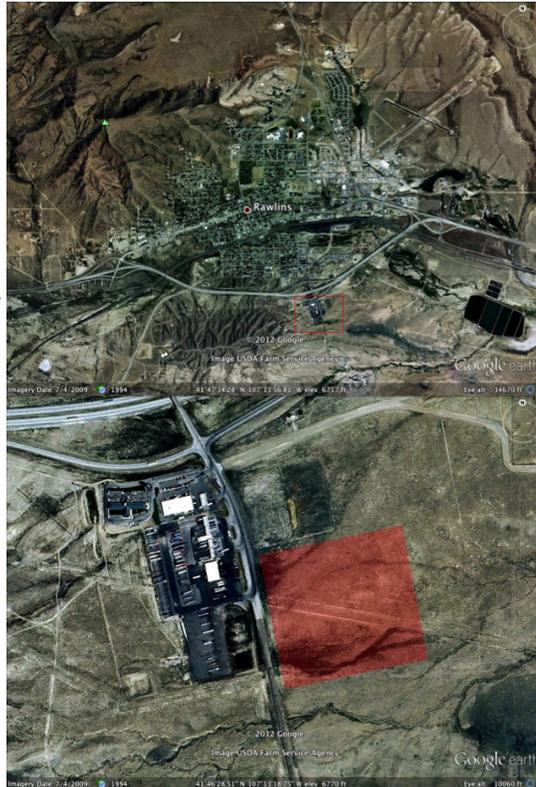
Site Selection

The site that has been selected to place the Wal-Mart in Rawlins is located just South of I-80, across the street from the Travel Centers of America gas station. This spot is completely undeveloped and very large. It is show in red on the map to the right.

This site is located on a major road that not only leads to Rawlins, but also crosses and connects to I-80. Therefore, travelers on I-80 could potentially stop at this Wal-Mart. The Wal-Mart and gas station across the street would have a mutually beneficial situation being located so close together; shoppers that were stopping for gas could shop at Wal-Mart and Wal-Mart shoppers could stop for gas.

The Wal-Mart is located within driving distance of everywhere within Rawlins, but not necessarily within walking distance. There is a trade off that needs to be made between walk-ability and traffic congestion. Since Wal-Marts tend to draw large quantities of people to their stores, locating it within an existing neighborhood is not necessarily a wise idea, especially if it has older, more-narrow streets. Additionally, developing new land on the outskirts allows for the potential for new commercial and residential development south of I-80 in the future, as existing retail infrastructure will be present.

Keeping the Wal-Mart south of the highway also minimizes the negative aesthetics often associated with big-box stores. Since it is close to a highway and across the street from a gas station, fewer would mind than if it were on Main Street. If there is a serious demand for alternative ways to reach this site in the future, bike trails and public transportation is something that can be easily implemented.



Data and Analysis

It seems like every city in America has a Wal-Mart but Rawlins. Now, with the possibility of a new Wal-Mart in Rawlins, I have been commissioned to research the effects that it might have on Rawlins specifically. Although there are drawbacks to having a Wal-Mart in Rawlins, I believe that the benefits associated with building a Wal-Mart in Rawlins would greatly exceed the disadvantages for the following reasons:

The construction of a Wal-Mart would be advantageous for city fiscal health.

The local economy would benefit.

Individual citizens would experience direct benefits.

I believe that this choice becomes clear with the careful analysis of nation data, local data, and case studies for similar cities. The data is presented in the next few pages and is followed by a conclusion and recommended course of action.

The construction of a Wal-Mart would benefit the city through the tax dollars that it would generate. For local municipalities, this is in the form of property taxes and sales taxes. One needs to keep in mind, however, that the presence of a Wal-Mart in the city places a greater burden on the city to provide services to that Wal-Mart. In many case studies that I have examined, however, there is a net gain.

Property Taxes

The arrival of a Wal-Mart will increase property taxes, especially if it is built on the proposed Greenfield site. Currently, very little is being paid for that property since nothing is built upon it. With the arrival of a Wal-Mart, infrastructure will be build upon it, allowing for the collection of a greater level of property taxes, as well as increasing the property value and utility for future use.

According to a study done by the International Economic Development Council, the development on previously undeveloped land provides more in increased property taxes than the infrastructure required by the city (International, 2006). This means that building the Wal-Mart on a Greenfield is a win for the city coffers.

Sales Taxes

There is an increase in sales tax when a Wal-Mart is built in a city, despite the lowering of the costs of goods. This can be attributed to the huge variety of goods that Wal-Mart stores carry. Additionally, since Wal-Marts attract other large retailers, sales taxes will increase because of their presence as well (International, 2006).

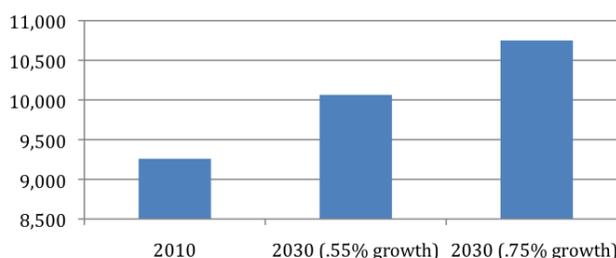
Local Economic Benefits

Population Growth and Retail Demand

With a population of 9,259, according to the U.S. Census Bureau, the Wal-Mart would have many potential shoppers (Census, 2010). Additionally, there is a strong likelihood that Rawlins will experience significant population growth over the next 15 years.

The Wyoming Department of Administration and Information has calculated a .55% growth rate from 2000 to 2009 (Rawlins, 2010). If this trend continues until 2015, the population would be 9,219; if it continues until 2030, its population would be 10,065.

Current population and various population growth projections



Throughout the 1990s, Rawlins saw a period of significant population decline: about a 9% net loss (Census, 2010). This scenario is unlikely to happen again, however, consid-

ering the presence of Union Pacific, the State Penitentiary, and the continual investment in mining and energy in the area.

The most promising, however, is the Rawlins Downtown Plan which believes that a growth rate of .75% would be “a conservative estimate” based on Rawlins location within the Wyoming Energy Corridor, where “the state is expected to channel future investments in mining, coal, methane production, and electricity production through coal gasification” (Rawlins, 2010). The report goes on to point out that the neighboring city of Rock Springs has experienced significant growth after the increased investment in mining in Sweetwater County. The investment in sites located within Carbon County could mean similar outcomes for Rawlins.

The Downtown Plan also calculates the potential demand for retail space in the future, with help from Claritas, Inc. and RDG Planning and Design, a planning and architecture firm with branches in four major US cities. The report identifies the potential demand for 76,000 square feet of retail space within the next

five years alone (Rawlins, 2010). Additionally, the report calculates that in 2009, there was a \$101,066,944 gap in the retail market, meaning that residents were spending that money in places other than Rawlins. With the construction of a Wal-Mart in Rawlins, the gap could be minimized and the retail money could be spent in a business located within Rawlins, rather than big box stores in other towns.

Debunking the “Death of Small Business” Myth

A common argument against Wal-Marts is that it is bad for local businesses since they cannot compete with Wal-Mart’s low prices. This is a flawed argument, however, since the idea of consumers doing the majority of their retail shopping in a small downtown is unrealistic in this day and age. According to an article published by Bloomberg in 2008, small businesses that go head to head with Wal-Mart stand no chance of surviving and fail. “But other businesses, most likely those that don’t go head to head with Wal-Mart, pop up in their place” (Barrett, 2008). The Rawlins Downtown Plan even discusses this, acknowledging that for downtowns to be successful today, businesses need to appeal to niche markets (Rawlins, 2010).

The Federal Reserve Bank of Minneapolis released a study documenting the addition of a Wal-Mart to local communities and studying the economic effects from 1988-2003. It concludes that “personal income growth during the two decades was virtually identical in counties with or without Wal-Marts” (Chen, 2008). This finding goes against the popular belief that the presence of a Wal-Mart in a community destroys local business. In a phone interview, the senior economist in charge of the study, Terry Fitzgerald, is quoted as saying, “the success of a local community depends on factors other than the presence or non-presence of a Wal-Mart” (Chen, 2008).

In a study done by Mitch Renkow, an economist writing in the North Carolina State Economist, he concludes that although businesses that directly compete with Wal-Mart are ultimately negatively impacted, some businesses actually benefit. These businesses include “home furnishing stores and some eating establishments” (Renkow, 2005). This incidence is attributed to the increase in walk-in or drive-by shoppers.

In a case study done by Applied Economic Research for Hillsborough, New Hampshire, a similarly negligible effect on small business is found. This study finds that mom and pop stores are not particularly negatively affected, and that “national discounters and

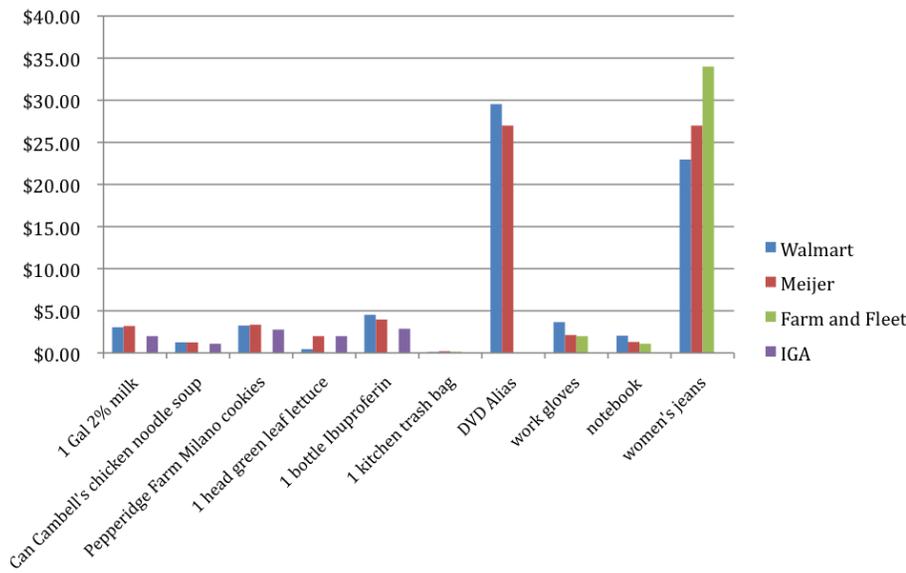
retail chains” are the ones that bear the burden of Wal-Mart (Applied, 2005). In fact, the arrival of a new Wal-Mart in a town can actually bring other large retails in, giving the residents a greater choice in which goods to purchase.

It is hard to calculate exactly how much direct benefit residents experience when a Wal-Mart is welcomed into their community, but it can be summarized in terms of employment, convenience, and products.

Products

The benefits of a Wal-Mart in Rawlins for the individual citizen would be staggering in terms of the variety and inexpensiveness of the products they would receive. Wal-Mart is known for its low prices and wide variety of products, both of which would serve to increase the quality of life for the residents of Rawlins. In a study done by Emek Basker of the University of Missouri, many different case studies of the introduction of Wal-Marts to various cities are examined. He concludes that prices for a wide variety of goods fall dramatically in that given community when a Wal-Mart arrives. Items sold in drug stores like shampoo and toothpaste, for example, can decline in price 1.5-3% in the short run, and up to 4 times longer in the long run (Basker, 2005).

Price comparisons between Wal-Mart and other retailers



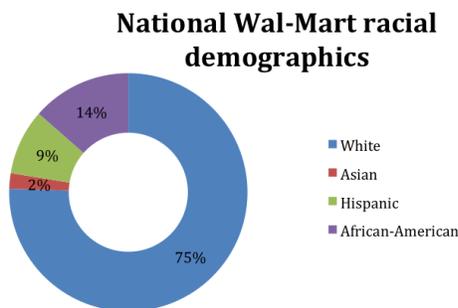
These prices would especially benefit the 8% of Rawlins residents that live below the poverty line (Census, 2010). Wal-Mart does wonders in increasing the quality of life for those living in

poverty. The average American household saves approximately 15% in groceries per year when they switch to Wal-Mart (Fishman, 2006). When you think about this statistic, the savings are colossal considering that 15% savings on a years worth of groceries is the equivalent of receiving approximately 8 weeks of free food. This savings can also be quantified in terms of dollars, which is about \$2,500 in savings per year per household (Chen, 2008).

A common criticism as far as the cheapness of the goods goes is that one is sacrificing quality for quantity. In other words, products sold by Wal-Mart are not as good as their more-expensive counterparts. However, in the same study by Basker that was mentioned earlier, he disproves this theory by comparing goods that have negligible differences from store to store (Basker, 2005). There is still a huge drop in price from many identical items, such as groceries, when you shop at Wal-Mart.

Employment

A Wal-Mart would provide jobs to Rawlins citizens. The opening of a new Wal-Mart in a community can provide 150-300 jobs for a normal Wal-Mart, and upwards of 500 for a Super-Wal-Mart (Vedder, 2007). Rawlins has an unemployment rate of approximately 5% (Labor, 2012). With a population of 9,259 and unem-



employment rate of 5%, there are 462 people without work. These people could potentially find employment at the Wal-Mart.

Additionally, these are jobs that require no education or technical training. Only 13.7% of Rawlins citizens 25 years or older possess a bachelors degree or higher (Census, 2010). Thus, the jobs that a Wal-Mart would create are jobs that Rawlins citizens can do. Wal-Mart also employs people from all walks of life: from high-school students looking for some work after school or during the summer, to the elderly just trying to get out of the house.

A common criticism made about Wal-Mart is its allegedly unfair labor practices. Much of this is completely anecdotal, which is difficult to quantify. There is data that can be quantified, however, on wages. The average Wal-Mart employee, according to wake-upwalmart.com, gets paid above the minimum wage. Additionally,

Wal-Mart hires an incredibly diverse group of people to staff its stores (Wal-Mart, 2012).

Convenience

Having a Wal-Mart would provide a substantial increase in convenience for Rawlins residents. The closest Wal-Mart to Rawlins is in Laramie, WY: a town over 100 miles away. Having a Wal-Mart in Rawlins would save residents a trip that amounts to approximately one hour and 45 minutes, a distance that few have the time or energy for. The Wal-Mart would potentially be located in an open area near I-80, so it would be very convenient to shop on your way in or out of town. Placement near I-80 would also serve to minimize the traffic generated by the new Wal-Mart, since I-80 would presumably be better equipped to handle traffic than local roads.



Conclusion & Recommendation

To conclude, I believe that the data speaks for itself. Bringing a Wal-Mart to Rawlins is the best decision to make with the well being of your constituents in mind. It will benefit the local economy by filling the need for retail space, as well as capturing the significant retail sales gap. It will benefit the fiscal health of the city by collecting property and sales tax revenue. And lastly, it will benefit local citizens for all of the aforementioned reasons, as well as by providing a larger variety of less expensive goods, adding jobs for the unemployed to take, and providing convenience.

Since the city has such a large, isolated population, it puts Rawlins in an interesting position when it comes to bartering with Wal-Mart. Rawlins is sort of an untapped market when it comes to big-box retail. In an ideal world, there would be a means for pedestrians and bikers to access the new Wal-Mart via sidewalks and bike paths. Additionally, public transportation to and from the residential zones would be advantageous in making sure the new Wal-Mart would be as accessible as possible to those who might not have a car. I encourage the leaders of Rawlins to take these steps and make sure that the government is calling the shots, and not the Wal-Mart.

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