

# Walmart Case Study

## Tacoma, Pierce County

(Study commissioned and paid for by Wal-Mart Stores, Inc.)

Tacoma, Washington is a major port city on Puget Sound, 32 miles south of Seattle on the I-5 corridor. Tacoma is known for its industry, blue-collar population, and proximity to major military bases, and serves as the hub of the South Puget Sound region. Walmart plans to open a 150,000 square foot Supercenter in Central Tacoma, but these plans are currently complicated by a controversial city moratorium on the creation of new big-box retail stores.

### Demographics

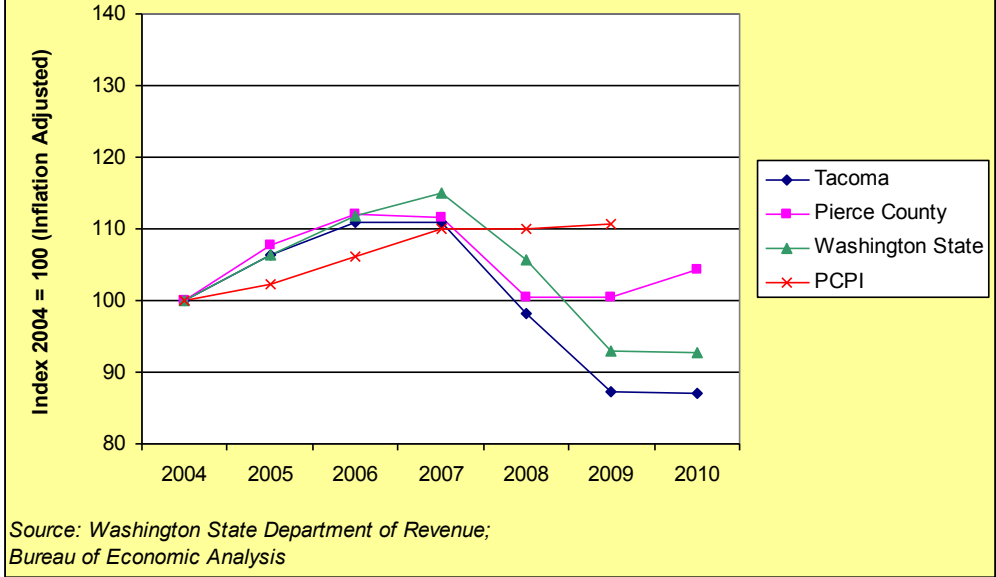
Tacoma's demographic nature has remained stable for the past decade. At 198,397 people as of 2010, Tacoma is the third largest city by population in Washington State, trailing only Seattle and Spokane. The city's median household income reflects its population's working-class nature, sitting below the national average of \$50,046.

**Table 1: Population Demographics**

	2000	2005	2010
Population	193,556	191,934	198,397
Total Households	76,152	78,806	78,541
Family Households	45,924	45,784	45,716
Average Household Size	2.45	2.44	2.44
Median Household Income (2010 Dollars)	\$49,580	\$44,967	\$47,465
Labor Force Participation Rate	64.2%	64.4%	63.1%
Unemployment Rate	7.6%	8.4%	12.8%
<i>Source: U.S. Census Bureau</i>			

Employment in Tacoma has been hit particularly hard by the recession. Tacoma's 12.8% unemployment rate in 2010 was well above the national level of 9.6%, indicating a large pool of potential workers for new businesses to utilize. Labor force participation has been relatively steady by comparison, dropping only 1.1% in the last decade despite the poor labor market. Out-of-work Tacoma residents have chosen to stay in the labor market and continue searching for work, rather than give up in discouragement.

Figure 1: Taxable Retail Sales



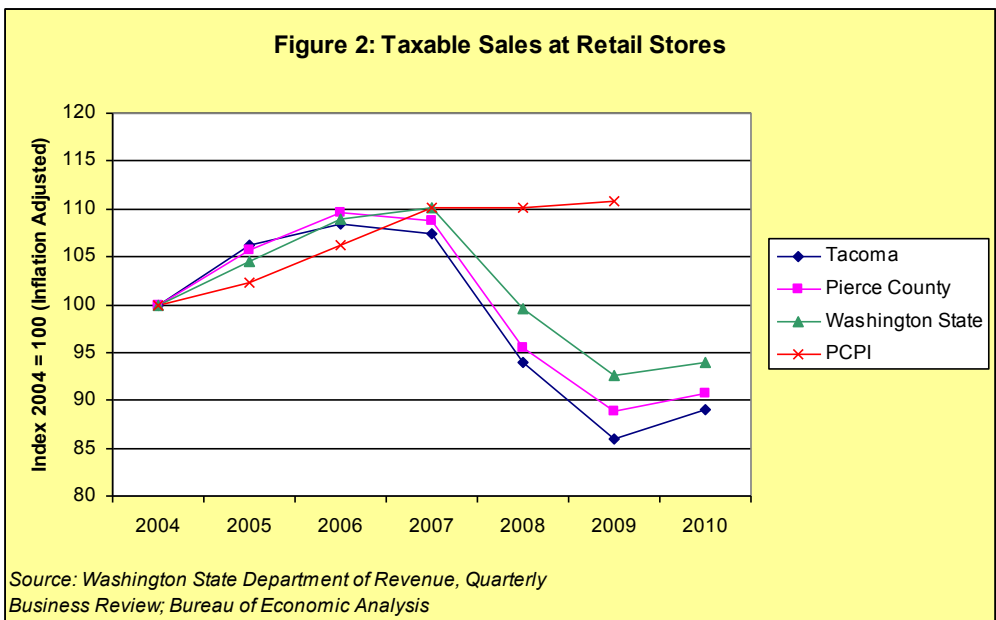
## Total Retail Sales

Figure 1 displays the trend in overall retail sales in Tacoma, Pierce County, and the entire state of Washington, adjusted for inflation and indexed to 2004 levels. Also shown is the trend in per capita personal income (PCPI) for Pierce County, which is an indicator of purchasing power.

Until 2006, Tacoma, Pierce County, and Washington State all showed a similar level of consistent growth in retail sales. Since the

onset of the current recession, taxable retail sales in Tacoma declined significantly, tracking a similar but more extreme path compared to the state as a whole. Recently, the retail market in Pierce County has stabilized and even began to recover, but Tacoma itself remains well below 2004 levels. PCPI in Pierce County has stagnated since the recession began, but has managed in every year to at least keep pace with inflation.

## Sales at Retail Stores



As shown in Figure 2, taxable sales at retail stores since 2004 have followed the path of the economy in general: consistent growth through 2006, followed by a steep decline into 2009. The beginnings of a possible recovery appeared in 2010, but Tacoma, Pierce County, and the state as a whole remain below the level of sales at retail stores seen in 2004. Since 2006, Tacoma's retail sales growth has consistently trailed the broader market areas.

**Figure 3: City Revenues**



Source: Washington State Auditor's Office

## City Revenues

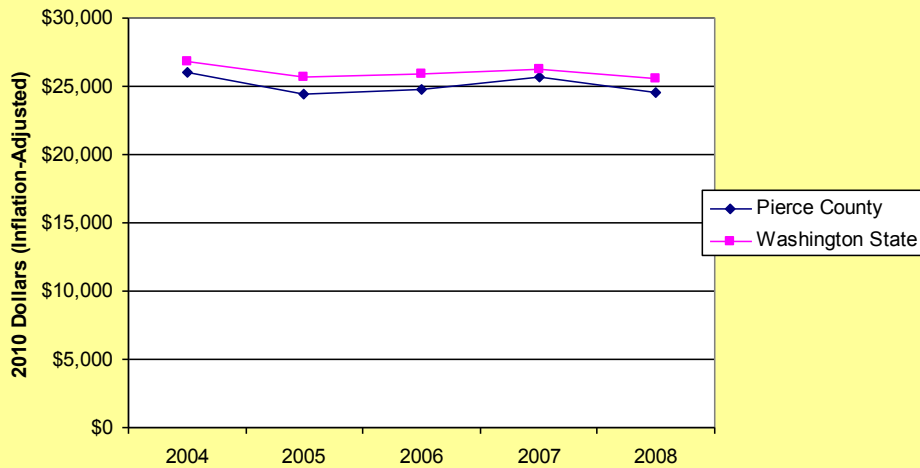
Figure 3 displays revenues taken in by Tacoma's city government. Despite tough economic times, Tacoma's revenues have grown in recent years, from an inflation-adjusted \$862 million in 2004 to \$923 million in 2010. This increase has come primarily from business taxes and charges for services, while sales tax revenue has declined.

Tacoma recently modified its business and occupations tax in order to stimulate the economic development of local small

businesses. Historically, Tacoma's high B&O tax has restricted growth, pushing small businesses to settle in nearby communities like Lakewood and Fife, but the city government is working to change that. Beginning in January 2011, the threshold of gross annual receipts at which a business becomes subject to the tax has been raised from \$75,000 to \$250,000. In the short term, this will result in a decrease in city revenues, but the change has created increased opportunity for small businesses in Tacoma.

On October 25, 2011, Tacoma's city government announced a projected \$26 million budget shortfall in general funds revenues through 2012. A new Walmart Supercenter would produce a large amount of tax revenue and work to combat this deficit. This impact is quantified on page 7.

**Figure 4: Average Wages of General Merchandise Employees**



Source: Washington State Department of Employment Security

## Workers and Wages

Wages of general merchandise employees in Pierce County have been slightly lower than the state average in recent years. As shown in Figure 4, average wages in Pierce County have been stable relative to inflation, varying between a minimum of \$24,397 and a maximum of \$26,025 over the five-year period.

Despite the stability in wages, unemployment has increased to very high levels, as discussed in Table 1. Tacoma contains a large population of unemployed potential workers, creating a possibility of win-win mutual

benefit for any new employers who enter the market. Walmart's average wages for regular full-time hourly associates in Washington is \$12.79 per hour as of October 2011. This corresponds to an inflation-adjusted average yearly income of \$26,520. A Walmart in Tacoma would provide competitive wages and have little to no resistance attracting employees and creating jobs.

## Economic Leakage

Table 2 shows current-year retail sales in Tacoma and consumer expenditures by Tacoma residents, sorted by category of good. This data provides a measurement of economic leakage, tracking whether the local retail market is successfully capturing demand for retail goods. Tacoma shows a surplus for most types of retail goods, indicating a strong retail market that draws consumers from outside of the area. The most prominently underserved goods category is meals and snacks. Lawn and garden supplies shows a significant deficit as well.

Table 2: Retail Economic Leakage by Type of Good			
	Sales (Supply)	Expenditures (Demand)	Surplus/Deficit
Groceries & Other Foods	\$613,807,684	\$554,842,085	\$58,965,599
Meals & Snacks	\$247,580,623	\$271,201,842	(\$23,621,219)
Alcoholic Drinks	\$15,109,456	\$12,612,780	\$2,496,676
Packaged Liquor/Wine/Beer	\$89,087,546	\$75,486,170	\$13,601,376
Cigars, Cigarettes, Tobacco, Accessories	\$104,527,962	\$79,302,386	\$25,225,576
Drugs, Health Aids & Beauty Aids	\$337,768,063	\$252,516,822	\$85,251,241
Soaps, Detergents & Household Cleaners	\$8,231,592	\$7,120,193	\$1,111,399
Paper & Related Products	\$37,598,776	\$26,366,110	\$11,232,666
Men's Wear	\$79,740,950	\$70,901,176	\$8,839,774
Women's, Juniors' & Misses' Wear	\$124,181,563	\$107,046,143	\$17,135,420
Children's Wear	\$64,373,651	\$52,169,699	\$12,203,952
Footwear	\$44,522,889	\$44,644,398	(\$121,509)
Sewing, Knitting & Needlework Goods	\$8,808,182	\$6,744,425	\$2,063,757
Curtains, Draperies, Blinds, Slipcovers Etc	\$39,186,796	\$34,843,243	\$4,343,553
Major Household Appliances	\$24,721,624	\$18,291,017	\$6,430,607
Small Electric Appliances	\$5,111,393	\$5,689,808	(\$578,415)
Televisions, Video Recorders, Video Cameras	\$27,814,099	\$23,312,398	\$4,501,701
Audio Equipment, Musical Instruments	\$43,068,604	\$27,810,975	\$15,257,629
Furniture & Sleep Equipment	\$64,103,976	\$51,365,484	\$12,738,492
Flooring & Floor Coverings	\$14,685,538	\$10,499,679	\$4,185,859
Computer Hardware, Software & Supplies	\$71,905,332	\$51,487,988	\$20,417,344
Kitchenware & Home Furnishings	\$60,438,667	\$56,405,382	\$4,033,285
Jewelry	\$43,087,610	\$40,959,991	\$2,127,619
Books	\$48,619,221	\$40,125,192	\$8,494,029
Photographic Equipment & Supplies	\$5,562,858	\$6,362,186	(\$799,328)
Toys, Hobby Goods & Games	\$68,097,349	\$41,069,779	\$27,027,570
Optical Goods	\$13,666,023	\$11,057,347	\$2,608,676
Sporting Goods	\$41,597,230	\$29,115,549	\$12,481,681
Hardware, Tools, Plumbing, Electrical	\$21,237,766	\$15,693,197	\$5,544,569
Lawn, Garden, and Farm Equipment & Supplies	\$23,838,030	\$29,146,757	(\$5,308,727)
Lumber & Building Materials	\$14,477,444	\$10,145,076	\$4,332,368
Paint & Sundries	\$7,613,862	\$4,422,962	\$3,190,900
Pets, Pet Foods & Pet Supplies	\$50,328,122	\$26,342,079	\$23,986,043
All Other Merchandise	\$220,390,727	\$153,775,605	\$66,615,122

Source: Nielsen Claritas

<b>Table 3: Total Retail Economic Leakage by ZIP</b>			
	<b>Sales (Supply)</b>	<b>Expenditures (Demand)</b>	<b>Surplus/Deficit</b>
98354	\$115,964,452	\$99,654,808	\$16,309,644
98371	\$541,860,652	\$320,758,939	\$221,101,713
98402	\$181,735,576	\$55,636,900	\$126,098,676
98403	\$47,274,856	\$121,079,336	(\$73,804,480)
98404	\$174,110,931	\$340,133,321	(\$166,022,390)
98405	\$222,492,484	\$259,826,372	(\$37,333,888)
98406	\$265,865,955	\$327,076,481	(\$61,210,526)
98407	\$91,568,765	\$315,761,662	(\$224,192,897)
98408	\$145,447,635	\$248,046,826	(\$102,599,191)
98409	\$1,860,371,442	\$267,573,852	\$1,592,797,590
98418	\$108,926,609	\$125,233,959	(\$16,307,350)
98421	\$340,668,285	\$3,820,863	\$336,847,422
98422	\$61,631,808	\$361,769,696	(\$300,137,888)
98424	\$729,402,050	\$132,059,633	\$597,342,417
98444	\$406,136,613	\$387,707,526	\$18,429,087
98445	\$93,429,679	\$383,923,444	(\$290,493,765)
98446	\$37,850,906	\$155,969,041	(\$118,118,135)
98465	\$19,106,654	\$97,259,159	(\$78,152,505)
98466	\$239,601,139	\$387,310,195	(\$147,709,056)
98467	\$25,348,536	\$225,991,005	(\$200,642,469)
98499	\$723,257,242	\$352,918,959	\$370,338,283

Source: Nielsen Claritas

<b>Table 4: Retail Economic Leakage at General Merchandise Stores</b>			
	<b>Sales (Supply)</b>	<b>Expenditures (Demand)</b>	<b>Surplus/Deficit</b>
98354	\$14,786,499	\$14,551,078	\$235,421
98371	\$21,565,809	\$46,714,620	(\$25,148,811)
98402	\$13,786,984	\$8,472,710	\$5,314,274
98403	\$4,549,695	\$17,759,210	(\$13,209,515)
98404	\$61,196,928	\$52,804,864	\$8,392,064
98405	\$31,322,607	\$40,580,463	(\$9,257,856)
98406	\$65,430,581	\$47,452,375	\$17,978,206
98407	\$7,811,767	\$46,016,473	(\$38,204,706)
98408	\$30,663,546	\$36,922,687	(\$6,259,141)
98409	\$470,391,831	\$41,138,553	\$429,253,278
98418	\$2,274,848	\$19,108,612	(\$16,833,764)
98421	\$6,143,827	\$541,838	\$5,601,989
98422	\$1,535,796	\$52,401,996	(\$50,866,200)
98424	\$3,507,609	\$19,824,028	(\$16,316,419)
98444	\$34,587,278	\$58,755,801	(\$24,168,523)
98445	\$4,010,486	\$55,748,384	(\$51,737,898)
98446	\$7,788,187	\$22,057,010	(\$14,268,823)
98465	\$1,800,485	\$14,565,254	(\$12,764,769)
98466	\$58,456,577	\$56,869,220	\$1,587,357
98467	\$3,845,060	\$33,189,015	(\$29,343,955)
98499	\$149,428,395	\$53,721,255	\$95,707,140

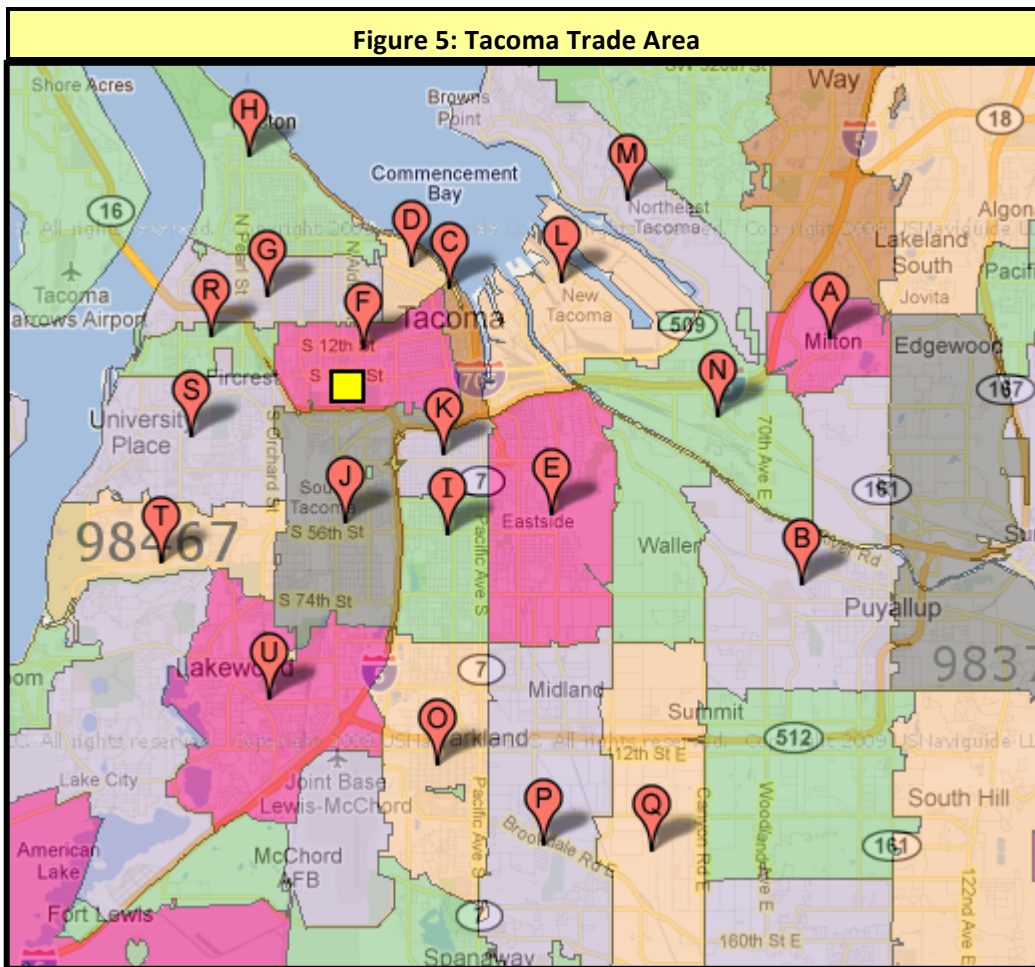
Source: Nielsen Claritas

Table 3 shows current-year retail sales and expenditures for Tacoma and the surrounding trade area, sorted by ZIP code. Table 4 displays current-year sales and expenditures specifically at general merchandise stores. The trade area is mapped in Figure 5 on the following page.

The area as a whole shows a massive amount of variation, with most regions having a surplus or deficit in the hundreds of millions, with little middle ground. The two most powerful centers of retail activity are ZIP code 98409, the area of South Tacoma that includes Tacoma Mall, and ZIP code 98424, representing the City of Fife, which contains a number of motor vehicle dealerships and the Emerald Queen Casino. The area containing the proposed new Walmart, ZIP code 98405, has a relatively balanced retail economy.

When the analysis is restricted exclusively to general merchandise stores, ZIP code 98409 (the Tacoma Mall) remains the most prominent hub of retail activity, with sales that outpace most other local ZIP codes by orders of magnitude. Another area with a significant retail surplus is ZIP code 98499, representing the city of Lakewood, South of Tacoma. The combination of these two areas indicates that Walmart will face heavy competition for customers from the south. That said, in the most important region, the direct local market of ZIP 98405, consumer need for general merchandise products is underserved, with demand exceeding supply by \$9.3 million per year.

Tacoma's trade area is segmented by ZIP code. ZIP codes included in the leakage analysis are marked with a red pin, and the proposed Walmart location is marked with a yellow square. Because the region is home to a diverse economic demographic, the trade area cannot simply be defined by distance from a central location. ZIP codes are selected based both on proximity and factors of urbanization and transportation access. The Walmart's central location within Tacoma and alignment with major transportation corridors will allow it to draw from a diverse customer base. While the area south of Tacoma contains a number of communities likely to be enticed by a Walmart, the existence of the Tacoma Mall limits the extent to which the trade area can be drawn in that direction.



A	98354	F	98405	K	98418	P	98445	U	98499
B	98371	G	98406	L	98421	Q	98446		
C	98402	H	98407	M	98422	R	98465		
D	98403	I	98408	N	98424	S	98466		
E	98404	J	98409	O	98444	T	98467		

<b>Table 6: Total Employment Earnings</b>	
Average Hourly Wage	\$ 12.79
Hours per Week	40
Weeks per Year	52
Workforce	180
<b>Total Employment Earnings</b>	<b>\$ 4,788,576</b>

## Economic Impact of Walmart

Walmart projects that its Tacoma site will employ approximately 300 total people (full-time, part-time and management). In addition to the 300 jobs that this will directly create, the wages earned by these Walmart employees will be spent in the local economy, creating an effect beyond the raw value of the wages paid.

<b>Table 7: Impact of Earnings Spent</b>	
Direct Earnings Spent	\$ 3,987,949
Indirect Effect	\$ 1,120,295
Induced Effect	\$ 1,216,352
<b>Total Impact on Output</b>	<b>\$ 6,324,596</b>

By employing approximately 60% of its workforce at full-time (about 180\* associates working on average at \$12.79 per hour), an analysis\* using IMPLAN economic modeling projects that, of the \$4,788,576 that will be paid annually to these Walmart employees, an average of \$3,987,949 of that money will be spent in the local economy each year. Indirect effects, reflecting changes in inter-industry purchases caused by increased consumer demand, amount to an additional \$1,120,295 per year. Induced effects, which represent additional changes in household spending caused by the increase in money flowing through the economy, add a further \$1,216,352 per year. In total, the jobs created by the Tacoma Walmart will add

<b>Table 8: Employment Effect</b>	
Direct Employment	180
Indirect Effect	9
Induced Effect	10
<b>Total Added Employment</b>	<b>199</b>

approximately \$6,324,596 to the local economy per year.

The Tacoma Walmart will also impact the labor force beyond just the people it employs. Indirect effects will result in the employment of an additional 9 people, and induced effects will create jobs for another 10 Tacoma workers. The overall effect will be to add 199 jobs to the local economy, a significant boon for a job market in desperate need of stimulation.

In addition to its impact on the local economy in general, Walmart will also increase tax revenue for the local government. Based on data from other Walmart Supercenters around Washington State, the Tacoma store is projected to generate approximately \$35 in tax revenue per square foot every year. At a size of 150,000 square feet, this projects to an expected tax production of \$5.3 million per year. Much of this money will go to the state government – state sales tax is 6.5%, while Tacoma sales tax is 2.8%. However, the City of Tacoma will also collect revenue in the form of property taxes and business taxes. Even if only half of this money goes to the city of Tacoma, that two-year total of \$5.3 million would make up one-fifth of the city’s projected budget deficit all by itself. Allowing Walmart to build its store in Tacoma would provide needed relief to the city’s budget, taking a chunk out of the deficit that otherwise would need to be addressed by cutting services or slashing the pay of public employees. If those are the options on the table, then bringing in Walmart is manifestly the preferable solution.

*\*As of October 31, 2011 (End of Q3), according to Walmart, the average wage for regular, full-time hourly associates in Washington is \$12.79 per hour (Walmart Discount Stores, Supercenters, and Neighborhood Markets). Additionally, eligible associates receive an annual incentive based on the company performance. The 180 associates figure (Workforce) is an estimate, based on Walmart employing approximately 60% full-time hourly associates at its stores. In addition the Total Employment Earnings figure does not include part-time and management-level associates’ wages.*