



Cities may mute effect of Wal-Mart

Study finds impact on retailers milder than in rural areas

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Wal-Mart Stores Inc. appears to have played a role in putting some retailers out of business since opening its first Chicago store in Austin more than 18 months ago, but the effect on its smaller rivals is likely milder than what occurs when the giant store arrives in a rural town, according to initial findings of a new study.

Researchers from Loyola University Chicago and the University of Illinois at Chicago tracked 191 stores within a three-mile radius of Wal-Mart from March 2006, six months before the store opened, through November 2007. The team found 23 stores, or 12 percent, of the businesses in the study group shut down last year.

Their preliminary conclusion is that a "small but statistically significant relationship" exists between local companies going out of business and Wal-Mart's arrival in the city. The researchers cautioned they are "hesitant to draw any strong conclusions" until a third phase of research is completed later this year.

For more than two decades, academics have studied Wal-Mart's effect on small-town America, but little is known about how Wal-Mart affects jobs, wages, property values and sales in an inner city.

The world's largest retailer has been moving into big cities and stirring controversy, especially in the union-dominated North. The researchers claim this is the first empirical study of the local economic impact of a Wal-Mart in a large city.



A study says Wal-Mart has not affected Austin neighborhood stores in the same way as those in rural areas

"People have their opinions on Wal-Mart," said *Phil Nyden*, director of the Center for Urban Research and Learning at Loyola in Chicago. "The idea is to get some actual data to inform the debate."

In a bid to win over critics worried about the giant retailer driving out mom-and-pop stores with larger selections and lower prices, Wal-Mart launched an unusual program last year in 10 inner cities, starting in Chicago, aimed at helping local retailers near its urban stores. It offered to pay for local newspaper advertising and to showcase the independent stores on Wal-Mart's in-store TV network and donate funds to the local chambers of commerce.

Called "Jobs and Opportunity Zones Program," it received mixed reviews. Wal-Mart detractors called it a publicity stunt. And some participants said the program didn't make much of a difference in their day-to-day business.



Lawrence LeBlanc, an owner of LDL Furniture & Appliance at 5255 W. North Ave., says sales at his secondhand-goods store just down the street from Wal-Mart have fallen dramatically since the discount chain came to town.

According to the Chicago study, there is some "limited" evidence stores located closer to Wal-Mart are more likely to go out of business than those farther away within the three-mile radius.

Many of the stores that closed last year sold clothing, beauty supplies and shoes, all items available at Wal-Mart.

Lawrence LeBlanc, owner of LDL Furniture and Appliance, said sales at his secondhand-goods store just down the street from Wal-Mart have fallen dramatically since the discount chain came to town. The little shop had been generating about \$130,000 to \$140,000 in sales a year before Wal-Mart. Last year it rang up \$35,000. The only reason LeBlanc has kept the store open, he said, is that he owns the building.

"I used to be able to sell 15 to 20 televisions a month," said LeBlanc. "Now I sell two or three."

On the other hand, Norman Delrahim, owner of B&S Hardware nearby, said that after an initial drop-off in sales, he thinks business is "a little better" as shoppers come to the neighborhood to visit Wal-Mart and notice

his store.

Wal-Mart said it is attracting new business to the area, such as the Menards home improvement store going up across the street.

"There is a lot of development that has come into the area," said Roderick Scott, senior manager of public affairs for Wal-Mart in Chicago. "We've been a positive agent in that change."

The Bentonville, Ark.-based retailer opened a 142,000-square-foot discount store in the Austin neighborhood on the West Side in September 2006. It planned to open as many as 20 stores in the city, most of them Supercenters that also sell groceries.



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Unions, angling to get non-union Wal-Mart to pay its workers more in wages and health benefits, fought to keep Wal-Mart from expanding in the city. Last month the city struck down a request to allow Wal-Mart to open a second store at Chatham Market on the South Side.

Researchers plan to learn more about Wal-Mart's effect on jobs and wages as they complete the final phase of the study. The last wave of data collection began in March 2008 and runs through November 2008. The study is financed by Woods Fund of Chicago, a foundation that helps the poor.