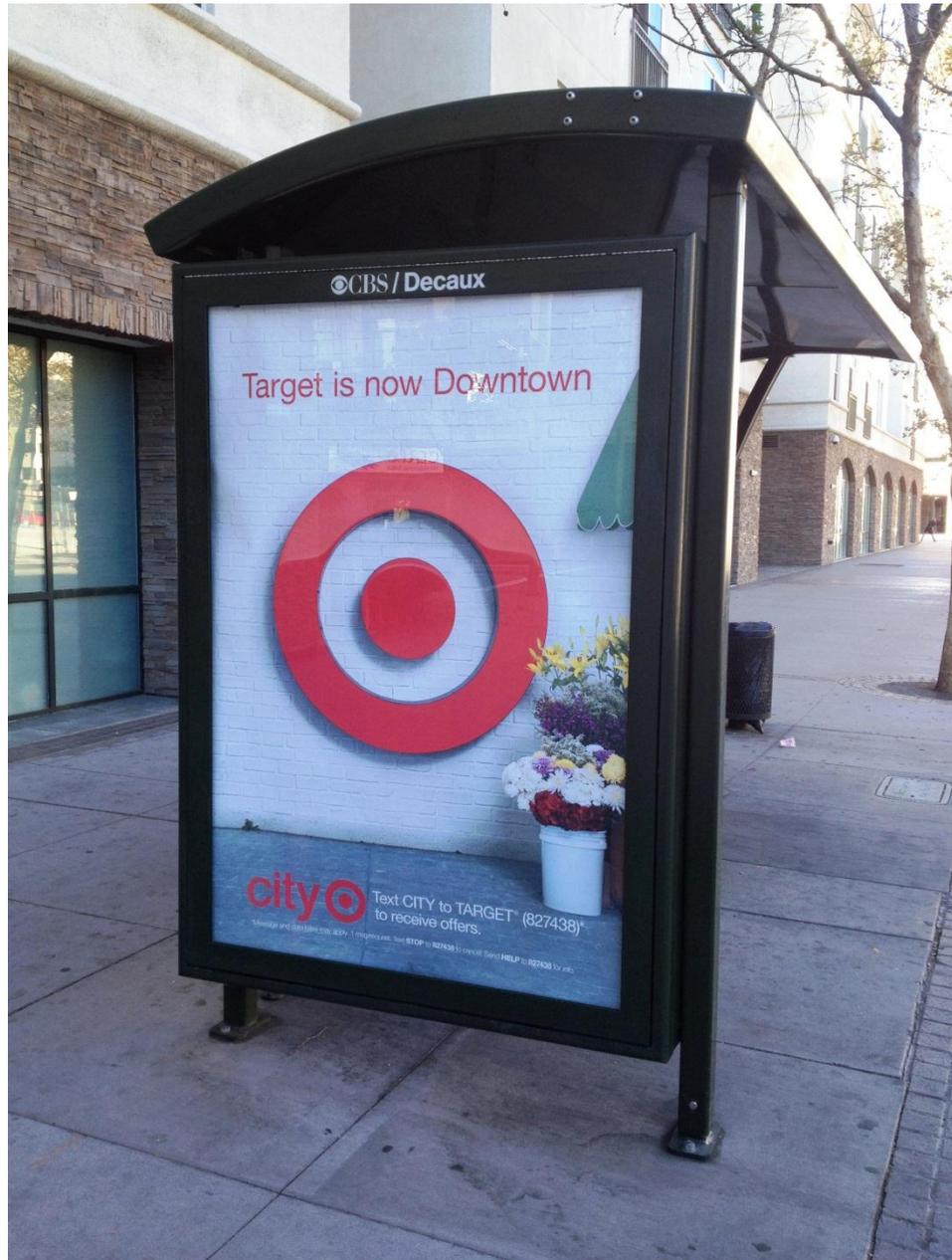


Why Are Big Box Stores Moving Downtown?

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Motivation

- Most discussion of Big Box store entry into urban neighborhoods emphasizes potential negative impacts.
 - Competition with existing mom-and-pop stores
 - Wages, benefits and job quality
 - Store aesthetics & community character
 - Traffic congestion, parking, noise
- Less attention is given to potential benefits of Big Box stores, especially to low-income consumers.
 - Retail deserts are a widely recognized problem in low-income urban neighborhoods.
 - Big Box stores are one potential solution to retail deserts.
 - Their scale allows Big Box stores to provide a wide variety of basic goods at relatively low prices.

Research questions

- This study seeks to explain how Big Box firms choose locations for new stores.
 - How do economic and demographic characteristics influence Big Box locations?
 - Are existing stores seen as competitors or complements?
 - Do political or institutional factors constrain Big Box location choices?
 - Is Big Box location model different for urban and suburban stores?
- Boundaries of current research:
 - This study does not address impact of Big Box stores on labor markets or mom-and-pop stores.

Developing urban Big Box stores

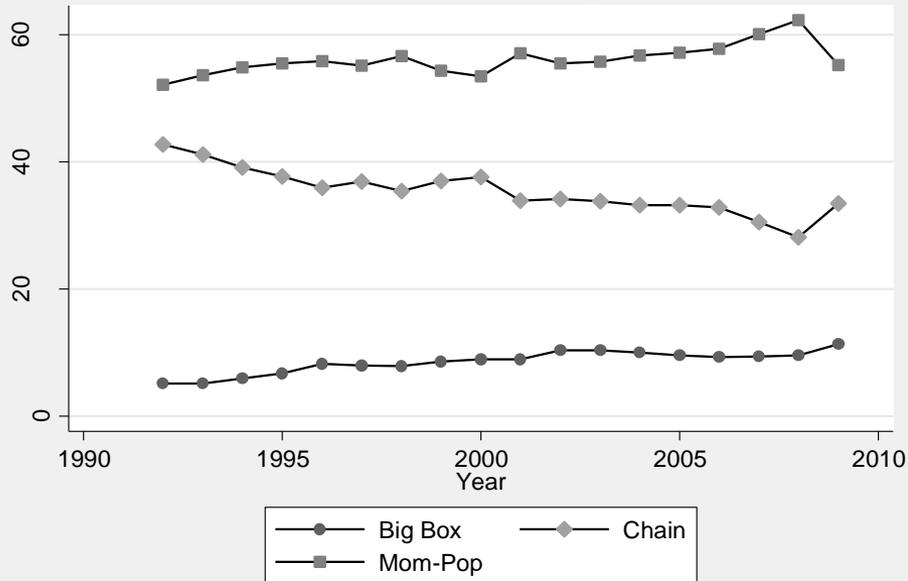
- Urban locations offer different challenges – and payoffs – than traditional suburban sites.
- Development costs
 - Long, costly, uncertain entitlement process
 - Fragmented land ownership & high per-unit land costs
 - New physical model: multi-story, structured parking
- Operations costs
 - Labor costs: market & political pressures
 - Access for suppliers & consumers, business taxes, insurance
- Revenues
 - Can urban stores reach more consumers, different types of consumers, sell higher-margin items?
 - Do downtown “retail deserts” offer less competition?

Empirical strategy & data

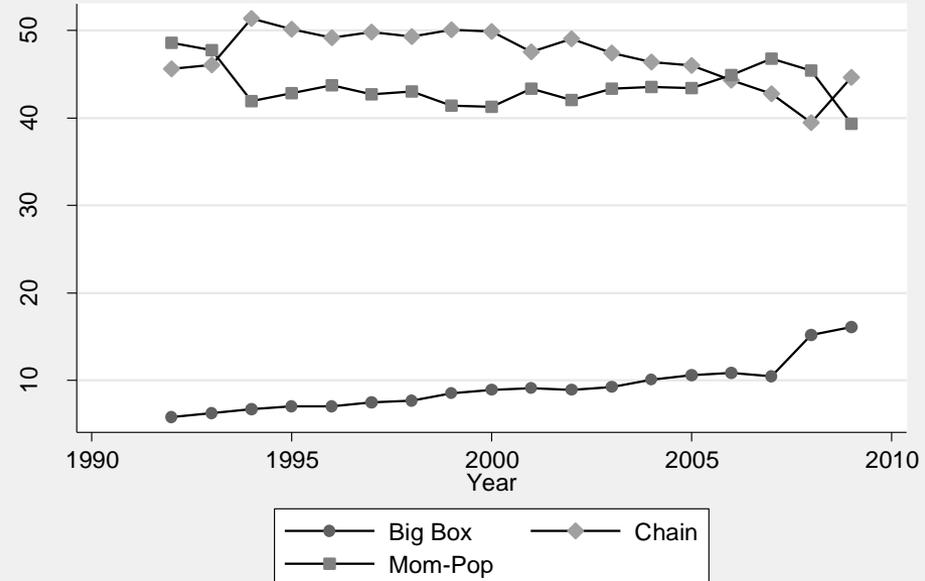
- Empirical strategy
 - Study focuses on California metro areas, 1992-2009
 - Estimate tract-level regressions of new Big Box location choice as function of baseline neighborhood characteristics
- Data sources
 - Name, location and firm type of retail establishments from National Establishment Time Series database (NETS 1992-2009)
 - Demographic & economic data (NCDB 1990 & 2000, ACS 2005-2009)
- Key definitions:
 - Big Box stores: all establishments belonging to designated Big Box parent companies
 - Chain: 2+ establishments belonging to same parent company
 - Mom-and-pop: Single-establishment firms
 - Downtown: Census tracts < 2 miles from Central Business District

Downtown Big Box growing over time

LA downtown retail shares, 1992-2009



San Fran MSA downtown retail shares, 1992-2009



Big Box concentration by sector

Retail segment	Big Box employment share (%)
General merchandise	22.61
Sporting goods, hobbies, books and music	3.72
Miscellaneous store retailers (office supplies)	2.26
Motor vehicles and parts	2.20
Furniture & home furnishings	2.06
Building material & garden equipment	1.21
Electronics & appliances	1.00
Clothing, shoes and accessories	0.13
All retail segments	4.44

Averages across all downtown census tracts.

What downtown neighborhoods do new Big Box stores choose?

	New Big Box stores
Baseline retail employees/sq mi	0.159 ***
Population/sq mi	-0.026 ***
Non-retail employees/sq mi	0.028 ***
Distance (mi) to CBD	0.063 ***
Median household income	0.0002

Numbers are correlation coefficients for downtown census tracts.

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Summary of statistical results

- Big Box stores form small but growing share of downtown retail market
 - Substantial variation across metropolitan areas
- Big Box employment shares vary by retail segment
 - Largest presence in general merchandise, books & hobbies, office supplies
- New Big Box stores locate near existing retail centers
 - Prior density of Big Box and chain retail employment are strongest predictors of new store locations
 - Higher non-retail employment increases probability of new Big Box location

Questions for future research

- Why do new Big Box stores cluster near old ones?
 - Are these the most productive sites for retail?
 - Agglomeration benefits to locating in existing retail centers?
 - Political or physical constraints on Big Box locations?
 - Is there a first-mover disadvantage?
- How do Big Box stores change downtown retail composition?
 - Do they increase total retail employment?
 - Are they complements or substitutes for mom-and-pop retailers?

Policy & practice implications

- What can policymakers do to address retail deserts?
- Some challenges affect all types of retailers, others particularly difficult for large developments.
 - Land assembly, zoning, building codes, development process, coordination across agencies
- Do regulations strike right balance between curbing negative spillovers and allowing desired growth?
- Should local economic development policy give preference to small, locally owned businesses?
 - Different implications for consumers, store owners and potential workers