

The Impact of Walmart on Community Outlook: A Study of Two Communities in Texas

Matthew R. Haney
Nutrition, Hospitality & Retailing
Texas Tech University

And

Jingxue (Jessica) Yuan, Ph.D.
Nutrition, Hospitality & Retailing
Texas Tech University

ABSTRACT

“The sages who track consumer behavior say that shoppers for four out of every five American households are focusing on price more than ever before” (Olszeski, 2004). On a weekly basis, one-third of American household shoppers visit a Wal-Mart store (Facenda, 2005). Wal-Mart has been described as the largest owner and manager of retail space in the country, and some say the world. (Maestri, 2007).

There is significant information that the entrance of Wal-Mart into a small community has a considerable impact whether it is positive or negative. This study will assess the impact of Wal-Mart on community outlook by comparing two small Texas communities one of which has a Wal-Mart location and one without. This study sought to: (1) explore Wal-Mart’s impact on a small community, (2) investigate local residents opinions on Wal-Mart and (3) compare the conditions in a town with a Wal-Mart to a town without a Wal-Mart.

Keywords: Walmart, Retail, Superstore, Money, Texas, Save

INTRODUCTION

“The sages who track consumer behavior say that shoppers for four out of every five American households are focusing on price more than ever before” (Olszeski, 2004). On a weekly basis, one-third of American household shoppers visit a Walmart store (Facenda, 2005). Walmart has been described as the largest owner and manager of retail space in the country, and some say the world. This statement includes not only stores in operation, but also smaller locations, which have been abandoned for larger Supercenters usually built within a half mile of the original location. Walmart’s Supercenters pair full-scale grocery stores with its traditional discount store format. Thanks to its Supercenters, Walmart is the largest U.S. seller of food (Maestri, 2007).

LOCATIONS AND GROWTH

Walmart initially built all their stores in small southern towns. When opening a large store in a small town, Walmart was able to quickly become the dominant retailer (Stone, 1997). Walmart has been very successful in utilizing the discount store format in the extremely competitive retail environment. Growing from one location in 1962 to later becoming an international chain, competitors have not been able to challenge Walmart in the small towns of its base area (Graff, 1997).

NEW BUSINESS VENTURES

Walmart's biggest growth opportunities remain outside of the U.S., where it still accounts for less than 1% of global retail sales (Garbato, 2005). As of 2005 in China, Walmart has yet to become a top 10 retailer. In the first half of the 2005 Walmart turnover was \$785 million compared to Carrefour, one of the nation's top retailers, with first half sales of \$1.5 billion. Walmart believes as long as China is still good for business development, they would not rule out additional expansion ("Financial Times," 2008).

STRATEGIES

Many different people have developed several strategies on ways small businesses are able to successfully compete with Walmart. This section addresses some of the strategies proven to be effective. The October 2004 issue of the *Progressive Grocer* stated consumers believe they are able to get a good value at limited assortment stores and are able to get in and out quickly, as opposed to Supercenters, which are often viewed as a major time commitment. But no single retail format is insulated from Walmart. However, a locally owned business operating in an area where the shoppers tend to be very price conscious, and the likelihood that Walmart will be enter the market's limited assortment stores, have proven to be a strong alternative to conventional formatted stores (Troy, 2005).

CUSTOMER RETENTION

During economic hardships, Walmart is often a thriving retailer. Eduardo Castro-Wright, Vice Chairman of Walmart Stores, Inc. states even when the economy improves, people will recognize returning to other retailers is probably not a good idea. He also believes Walmart will be able to retain those customers. Stores serving areas with higher-income households, with incomes of \$65,000 per year or more, show the greatest increase in foot traffic during economic slumps (Hamstra, 2008).

NEW SUPERCENTER GROWTH

In 2007, Walmart selected ten communities for a new program titled the "Jobs and Opportunity Zone." Richmond, CA, was one of the communities where the new program was first used. Walmart converted a vacant three story, 205,700 square foot space located in the Richmond Mall. The new concept focuses on products more relevant to its shopping community. As a part of the program, in collaboration with local business organizations, Walmart selects five small businesses in the area, per quarter, to promote through advertisements in the store as well as in certain local newspapers ("Progressive Grocer," April 2007).

POSITIVE IMPACT

Walmart has long battled public assertions that when they build in a location, the economy in the community they build declines. In 2007, Walmart embarked on a public

relations campaign in order to counter attacks in the press from politicians wanting to keep Walmart out of their community to protect local businesses. Walmart normally ignores issues such as these, but the company needs the goodwill of the community to enable them to open stores (Won, 2007). With the current economic conditions, Walmart is able to thrive where other businesses cannot. With price being a driving factor when people are shopping, Walmart has been able to offer consumers quality products at affordable prices more so than any other retailer (Maestri, 2008).

IMPACT ON SMALL COMMUNITIES

Walmart has found a very profitable niche market within rural communities where people have to travel a significant distance to find items not available locally. In the community of Kilmarnock, WA, many community residents had to travel over 30 miles to get items needed on a daily basis. Therefore, when Walmart opened they were welcomed with open arms by these residents while small business owners and other localities had a different perception (Haberkorn, 2007).

METHODS AND PROCEDURES

The purpose of this study is to assist city officials, small communities, business owners and other townspeople in the decision making process in regard to permitting Walmart to enter their community. Small communities approached by Walmart will be able to refer to this study and recognize the progression of events and timeline of how Walmart may impact their community, should they enter. This study will also be of help to communities currently hosting a Walmart location. City officials, small communities and business owners will be able to understand ways of competing with Walmart so they may remain relevant and thriving. This study will offer foreseeable outcomes Walmart will bring to their community, and therefore the communities can make any necessary adjustments or changes to current plans in order to ensure a successful outcome and working relationship with Walmart.

RESEARCH OBJECTIVES

There are three research objectives with this study:

1. To explore Walmart's impact on a small community.
2. To investigate local residents' opinions on Walmart.
3. To compare the conditions in a town with a Walmart to a town without a Walmart.

Research Questions

FINDINGS AND RESULTS

Four researchers collected 144 surveys, of which 139 were usable, over a total of six-day period at various locations within the towns of Andrews, TX, and Lakeway, TX. Informants were given a two-page survey designed to determine the frequency of shopping at Walmart, shopping habits therein, knowledge and reasons for shopping at Walmart, perceptions of how Walmart has affected their community and demographic information. Data was collected for

seven hours on each of the six collection days. No one under the age of 18 was asked to participate.

Table 1a: Frequency of Shopping at Walmart, Community of Andrews, TX

Category	Frequency	Percent
Very Frequently	2	1.9
Frequently	15	14.6
Regularly	42	40.8
Occasionally	25	24.3
Infrequently	16	15.5
Never	3	2.9

Table 1b: Frequency of Shopping at Walmart, Community of Lakeway, TX

Category	Frequency	Percent
Very Frequently	0	0
Frequently	0	0
Regularly	5	14.3
Occasionally	6	17.1
Infrequently	16	45.7
Never	8	22.9

Table 2a: Products Primarily Shopped at Walmart, Community of Andrews, TX

Category	Frequency	Percent
Groceries	66	64.1
Toiletries	69	67.0
Home Items	77	74.8
Clothing	50	48.5
Electronics/Music	60	58.3
Automotive	35	34.0
Prescriptions	32	31.1
Toys	48	46.6

Table 2b: Products Primarily Shopped at Walmart, Community of Lakeway, TX

Category	Frequency	Percent
Groceries	13	36.1
Toiletries	8	22.2
Home Items	11	30.6
Clothing	5	13.9
Electronics/Music	6	16.7
Automotive	4	11.1
Prescriptions	2	5.6
Toys	5	13.9

Table 3a: Influences of Walmart on Shopping Habits, Community of Andrews, TX

	Mean	Std. Dev.
--	-------------	------------------

Decision Influenced by Variety	3.91	1.40
Change of Shopping Habits	2.92	1.56

Table 3b: Influences of Walmart on Shopping Habits, Community of Lakeway, TX

	Mean	Std. Dev.
Decision Influenced by Variety	2.28	1.80
Change of Shopping Habits	2.00	1.68

SUMMARY

This study showed that the two communities differed in their perceptions of how Walmart would affect the community. The community of Andrews believes Walmart would benefit the community. The majority of people from Andrews prefer to shop at Walmart, although they have to travel 45 minutes to get there, while the majority of people from Lakeway prefer to shop at local businesses while there is a Walmart readily available. Both communities agreed if local businesses offered newer products, additional services and a frequent shopper program, returning to shop at local businesses would be easier.

REFERENCES

- Facenda, V. (2005, May 1). Beyond the basics. *Retail Merchandiser*, 45, 5
- Garbato, D. (2005, July). Walmart continues geographic expansion. *Retail Merchandiser*, 45, 7.
- Graff, T. O. (1997). The locations of Walmart and Kmart supercenters: contrasting corporate strategies. *Professional Geographer*, 50, 46-57.
- Hamstra, M. (2008, June 16) . Walmart looks to retain cost-conscious shoppers. *Supermarket News*, 56, 3.
- Haberkorn, J. (2007, October 25). A blast for Walmart; small town businesses bridle enthusiasm for debut of store. *The Washington Times*, p. A1.
- Maestri, N. (2007, June 2). Walmart to cut number of new supercenters by 30%. *National Post*, p. FP8.
- Olszeski, J. (2004, October 1). Dollar Wise. *Progressive Grocer*, 83, 16-17.
- Progressive Grocer*. (2007, April 12). Walmart opens multilevel store in revitalization zone. Retrieved August 14, 2008, from http://www.progressivegrocer.com/progressivegrocer/eseach/article_display.jsp?vnu_content_id=1003570864.
- Stone, K. (1997). Impact of the Walmart phenomenon on rural communities. *Increasing Understanding of Public Problems and Policies*. 1997, 1-21.
- Troy, M. (2005, November 21). Walmart economic impact positive. *Drug Store News*, p. 3.
- Won, S. (2007, March 28). Bargain to be Had in Walmart Shares; Retailers aggressive strategy, struggling stock price strike analysts as potential buy. *Investor's Edge*, p. B11.