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Understanding the Big Box: Negotiating with a Large Scale National Retailer to Protect Main Street

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UNDERSTANDING THE BIG BOX: NEGOTIATING WITH A LARGE SCALE NATIONAL
RETAILER TO PROTECT MAIN STREET

Lenette Michele Curtis

A THESIS

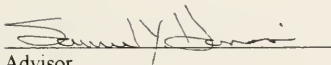
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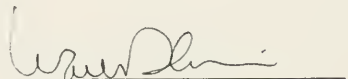
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MASTER OF SCIENCE

1997



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To Harris Stone,
for starting my journey

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Background

The question of the effect a big box retailer like Wal-Mart has on a small town's central business district is typically answered easily by any preservationist. Being universally opposed to the big box retailer, preservationists have referred to these large national retailers as the destroyer of American Main Street business. "Wal-Mart has substantially revolutionized the way rural and small town America shop, undermining the viability of many small town centers in the process."¹ Preservationists, along with city officials and other citizens, have opposed the introduction of the big box retailer into a small community "because of its penchant for building on open land far from their existing downtown and weakening if not destroying the local retail businesses by siphoning off their traffic."² Because of the economic and physical damage a big box potentially causes by taking business from Main Street, eating up rural farmland and encouraging sprawl development, communities have resisted the introduction of the big box retailer.

This resistance to the big box however, has not stopped the retailer from continuing to develop in small communities. In an effort to combat the economic and physical damage inflicted by a retail giant, small communities have attempted to control development through negotiations with the retailer. To either directly combat the negative effects of the big box retailer or successfully mitigate these effects by reaching an agreement, a clear understanding of the motivations and interests of the retail giant is required. As Roger Fisher and William Ury assert in *Getting to Yes: Negotiating Agreement Without Giving In*, an understanding of another party's interests and motivations is important in reaching a successful conclusion. "When you do look

¹ Dean Schwanke, "Navigating the Value Retail Marketplace," *Urban Land* 52 (1993): 5, p. 41.

² Linda Burnett, "Friends at Last?" *Contract Design* (1996): 9, p. 61.

behind opposed positions for motivating interests, you can often find an alternative position which meets not only your interests but theirs as well.”³

In the article “Outmaneuvering the Big Box”, author Randy Blankenstein notes the importance of knowing as much about an enemy as possible to gain protection or outmaneuver them. “In any war, the keeper of information often outmaneuvers the enemy. The retail real estate game is not different.”⁴ In an effort to find a successful solution to mitigate the negative effects of a big box development⁵, this thesis asserts that an understanding of the retailer’s development process as well as the effects of the big box on a community are required. The retailer’s development process includes market and demographic studies, location analysis, public policy considerations and overall cost analysis. Many changes in the economic and physical environment of that community do occur once a retailer develops in a community. While these changes can be both positive and negative, “[i]t is important for citizens of a community to understand the impact that a DRC [discount retail chain] will have once it has entered the market.”⁶

Coupled with this understanding of the retailer’s development process and the effects of a big box development, the small community must understand the available tools which can influence changes in the big box retailer’s development. By identify and understanding these public policy tools, a small community can attempt to mitigate the negative impacts of a big box development through negotiations with the retailer.

Finally, after reviewing the retailer’s development process, the potential impact of the big box development and the tools available to negotiate changes to this development, this thesis examines the typical alternatives reached through negotiations with the big box retailer. While none

³ Ury and Fisher, p. 42.

⁴ Randy Blankenstein, “Outmaneuvering the Big Box,” *The Real Estate Finance Journal* 11(Spring 1996): p. 89.

⁵ A small community in this thesis refers to a rural community having a population of 50,000 or less.

of the alternatives mitigate all unwanted effects the big box retailer has on a community, each attempts to mitigate some negative impact. Before examining the four outlined issues related to the big box development, it is necessary to define and describe the types of big box retailers which threaten small town America.

Definitions

The big box is defined by its retailing strategy and physical characteristics. The retailing strategy utilized by the big box is value retailing which is applied either on a regional or national scale. Value refers to a high volume, low markup approach to the buying and selling of products. Value retailers, unlike department stores, buy products in large quantities and markup or add a minimum amount over their purchase price to create the sale price. Thus, profits result from the accumulation of a small amount of profit on a large volume of a product versus a large amount of profit on a small amount of a product.

Integral with the high volume, low markup strategy is the utilization of strong advertising campaigns. Value retailers rely on drawing a large number of customers to purchase their large volumes of products to bring in profits. “[T]hey are all big-box ‘power’ retailers with strong advertising and promotional programs, and they are oriented toward high volume rather than markup as the way to make money.”⁷

This value retailing strategy originated with and is physically manifested in the industrial warehouse. “After all, Big Boxes are the direct descendants of a particular kind of building. The warehouse. There have always been warehouse districts- slightly seedy, vaguely dangerous areas where few dared to venture, except maybe for Uncle Arthur, who never paid full price for

⁶ John Ozment and Greg Martin, “Changes in the Competitive Environments of Rural Trade Areas,” *Journal of Business Research* 21(1990): p.278.

anything.”⁸ The minimum warehouse structure with little or no decoration, was adapted by the value retailer to create the physical characteristics which presently define the big box.

The adaptation of the warehouse structure conjures up the typical image of a large boxy cheaply built store in the middle of a large expanse of asphalt on the edge of a small town or in a suburban area. Typically 110,000 to 190,000 square feet in area⁹, the big box has a simple exterior which is oriented to easy automobile access. Resembling its warehouse predecessor with an industrial structure and little or no decoration on the exterior, these buildings serve two purposes: To save on the capital investment and to create an image of no frills. While retailers pay a minimum to construct the shells of their stores, the plain exteriors reinforce the value retail image that consumers are not paying for unnecessary decoration.

Although the plain exteriors of a big box structure leave no lasting impression on a consumer, the interior components and layout are carefully planned within the vast open space to create strong memorable images. “Big Box interiors tend to have strong ‘signature components,’ as they are called by designers, so the store-and its layout- is instantly recognizable, whether it is in Deptford, Des Moines or Denver”¹⁰ The big box retailer has successfully utilized their signature components to draw all types of consumers. “These value retailers have succeeded in part by creating a more positive image for the value segment of the market. Moreover, many value retailers have created attractive store concepts that make value highly fashionable, appealing not only to the middle and lower ends of the market, but to the upper end as well.”¹¹ In addition to the

⁷ Schwanke, p. 38.

⁸ Thomas Ferrick Jr., “The Big Box Boom in Retailing,” *The Philadelphia Inquirer* (January 12, 1997), Section A, p. 6.

⁹This is the average store size quoted in Ferrick’s article in *The Philadelphia Inquirer*. According to Dean Schwanke in “Navigating the Value Retail Marketplace,” big box sizes can range from 10,000 to 200,000 square feet. He cites the value retail bookstores such as Borders and Crown Books as the smaller big box retailers.

¹⁰Ferrick, A6.

¹¹ Schwanke, p. 38.

defining exterior and interior characteristics utilized by value retailers to appeal to all consumers, the placement of the structure in the landscape is also important.

The image created by the simple exterior and signature interior is strategically located and designed for a maximum number of consumers to reach by automobile. Value retailers look for high visibility and accessible sites. These sites are typically along a highway or preferably near the intersection of two highways. To accommodate the shopper arriving by car, the store is surrounded by a large parking lot. Thus the big box defining landscape includes the stores proximity to a highway and its vast parking area.

The combination of the value retailing strategy with the resulting physical exterior, interior and landscape characteristics serve to define the big box retailer. Although all big box retailers have a consistent retailing strategy with strong promotional programs and similar physical characteristics, value retailers can be broken down into several categories according to their target markets and the type and amount of merchandise they offer their target markets.

Types

The types of big box retailers are off-price apparel and soft-goods retailers, deep-discount drugstores, department store outlets, discount department stores, "category killers", and warehouse clubs. While all these types can affect a local and/or regional retail market, off price apparel stores, deep discount drugstores and department store outlets have not been accused by preservationists of damaging small towns like the discount department stores, category killers and in some cases, the warehouse clubs. In most examples, the individual discount department store is believed to be the enemy of the small towns central business district, yet any of these types of value retailers can have an influence on a Main Street retail area depending on its proximity to a larger

city or suburban area.

Off price apparel stores such as Marshall's, TJ MAXX, Ross Dress for Less, and Filene's Basement target a higher end market with discounted brand name apparel and accessories. For example, Ross Dress for Less defines its target customers as "value-conscious men and women between the ages of 25 and 54 with middle to upper-middle income levels."¹² As a result, the off-price apparel stores typically locate in suburban neighborhood shopping strips or in affluent inner city areas. Averaging around 30,000 square feet per store, these retailers appeal to their target market consumers by offering products at prices lower than traditional department stores. "As an off-price retailer, Ross offers first-quality, in-season, name-brand apparel, accessories and footwear for the entire family at savings of 20% to 60% from regular department and specialty store prices, as well as similar savings on fragrances, gift items and linens for the home."¹³

PayLess Drugs, Drug Emporium and Phar-Mor are all examples of the deep discount drugstore which locate in all types of market areas. As described in Drug Emporium literature, typical customers are middle- to upper-income women aged 25-54 and store sizes average about 25,000 square feet.¹⁴ While offering merchandise at a 25 to 40 % discount, value retail drugstores not only compete with each other, but also with other mass merchandisers as Kmart, Costco, Wal-Mart and Woolworth. The deep discount drugstores can offer up to 40,000 different products including prescription and nonprescription pharmaceuticals, cleaning supplies, cosmetics, film, groceries, packaged foods, video sales and rentals, magazines, cards, tapes and compact discs.¹⁵

¹² Ross Dress For Less, "Corporate Profile," available on internet @ <http://www.rossstores.com/profile.html> [cited February 20, 1997].

¹³ Ibid.

¹⁴ Drug Emporium, "At a Glance," available on internet @ <http://www.drugemporium.com/a-an-ab.htm> [cited February 20, 1997].

¹⁵ Phar-Mor Inc., "Company Summary," available on internet/Yahoo Services @ <http://biz.yahoo.com/profiles/pmor.html> [cited February 20, 1997].

Department store outlet such as Nordstrom Rack and MCO (Macy's) are only a part of the entire phenomena of outlet centers or malls. The outlet mall includes a mix of manufacturer's outlets, off price apparel and services. Marketing to vacationers and other high end markets, the outlet center is strategically at least 18 to 20 miles away from the manufacturer's major wholesale accounts along major highways between metropolitan markets or a metropolitan market and a tourist destination.¹⁶ In several examples, outlet malls are located near large metropolitan markets if no traditional regional mall exists nearby as competition. Potomac Mills mall located in Woodbridge, Virginia, outside of Washington D.C., is an example of the large outlet mall. Potomac Mills encompasses 152 acres with a total of 1.7 million square feet of indoor shopping area, and 9,000 parking spaces covering a total of 52 acres.¹⁷

"Value retailing is led by the discount department store segment, which is dominated by some of the largest retailers in the United States: Wal-Mart, Kmart, and Target."¹⁸ Besides the national chains, discount department stores include regional retailers such as Pamida, Ames, Bill's Dollar Stores, Duckwall-ALCO and Family Dollar Stores. The majority of these value retailers market to and locate in small rural communities. Since Sam Walton opened the first Wal-Mart in 1962, retailers "have enjoyed considerable growth by locating in small towns. Other large DRC's (Discount Retail Chains) such as K-Mart, Target, and Zayer have traditionally focused their efforts on large metropolitan markets, but now these firms also are opening stores in small towns."¹⁹ These national and regional discount department stores carefully place themselves within the retail markets while competing with each other. For example, "Duckwall-ALCO targets

¹⁶ Ira Apfel, "What is an Outlet Center?", reprint from *American Demographics* (July 1996), available on internet @ http://www.demographics.com/publications/AD/96_AD/9607AB02.HTM[Cited March 10, 1997].

¹⁷ Potomac Mills, "Fact Sheet," available on internet @ http://www.pwcweb.com/comm/shop/potomac_mills/facts.html [cited March 10, 1997].

¹⁸Schwanke, p. 38.

¹⁹ Ozment and Martin, p. 277.

smaller markets not served by other regional and national retail discount chains, with over 140 stores in Arkansas, Iowa, Illinois, Kansas and Texas."²⁰ Pamida carefully chooses locations free from competition of other retailers by placing stores at least 15 to 20 miles from other discount department stores. "Pamida's new prototype stores are relatively small: 42,500 square feet. The chain's target markets are also on the small side-rural towns with populations of 10,000 to 15,000."²¹

The discount department store offers a wide variety of merchandise in up to thirty-six different departments such as family apparel, health and beauty aids, household needs, electronics, toys, fabrics and crafts, lawn and garden, jewelry, shoes and a pharmacy. Among all these departments, a single store can carry as much as 60,000 items. While the general merchandise offered remains constant, other services can be added or certain departments tailored to its location in order to create different store formats. Wal-Mart for example is opening several of its new supercenter stores as well as concentrating on its "hometown" stores.²² The supercenter is a diversification of their traditional store which adds other services for convenient one-stop shopping for the customer. Averaging 100,000 to 210,000 square feet, the supercenter offers groceries, eye care, a photo center, an automotive center and fast food restaurants. The "hometown" store strategy focuses on a small format stores which is tailored to the needs of local residents. For example, a Wal-Mart located near a lake carries more fishing, boating and other outdoor equipment.

Beyond adjusting the format of the general merchandise discount stores to fit particular markets, the national discount retailers also make investments in other discount formats. The

²⁰ Duckwall-ALCO, "Company Summary," available on internet/Yahoo Services @ <http://biz.yahoo.com/profiles/duck.html> [cited February 20, 1997].

²¹ Jay L. Johnson, "Pamida's Focus: Small Towns in a Big Way," *Discount Merchandiser* (December 1995): p. 20.

²² Wal-Mart Stores, Inc., *Annual Report*, 1996, p. 7-8.

discount department store companies have also expanded into other types of value retailing, including the category killer formats and warehouse clubs. For example, the Wal-Mart corporation not only operates 1,995 Wal-Mart stores in the United States, but it also operates a total of 433 Sam's Clubs. Kmart corporation also owns and operates other types of value retail stores. "Kmart has assembled a specialty group of large-format retailers that includes Builders Square (do-it-yourself home improvements), OfficeMax, Borders Books, PayLess Drugs, Sports Authority, and Pace (warehouse club)."²³ By expanding into other formats, the discount department store corporations can increase revenues and have more influence on a retail market.

Category killers are large format stores that offer tremendous selection in a special retail category at low prices. Examples of category killers include Toys "R" Us, Sports Authority, Home Depot, Bed Bath and Beyond, Borders Bookstore or Office Depot. Since the category killer can vary in size from 10,000 to 200,000 square feet and focus on such a wide variety of markets, the category killer locates in all types of settings including power centers (a shopping center having two or more big box retailers), value malls, freestanding locations, downtown and regional malls. Some category killers are developing derivative stores which focus even more closely on a special retail category. Toys "R" Us, for example, is developing a new concept store called Babies "R" Us. Babies "R" US, according to Toys "R" Us literature, "provides one-stop shopping for all your infant needs, in approximately 40,000 square feet."²⁴

Opposing the category killer in the depth of merchandise selection is the warehouse club. "Clubs sell a wide range of goods-including groceries, electronics, tires, office supplies, clothing,

²³ Schwanke, p. 39. Borders Inc., "Who We Are," available on internet @ <http://www.borders.com/corporate/index.html> [cited March 10, 1997], was bought in 1992 by Kmart Corporation. In 1995 however, Borders bought back its stock from the Kmart Corporation. It is now an independently, publicly owned corporation.

²⁴ Toys "R" Us, "Corporate Information" available on internet @ http://www.toysrus.com/about_us/corpinfo.html [cited March 10, 1997].

beer and wine, hardware, and jewelry-at wholesale or near-wholesale prices.”²⁵ Carrying approximately three to five thousand items, the warehouse club operate on very low margins as the key to success in this segment is developing a strong membership base and selling items in bulk quantities. In locating stores, companies typically look for a trade area of 250,000 people within 20-30 minutes. “Rather than orient to traditional residential and commercial trade areas, the warehouse clubs seek access via freeways. They find that customers will drive forty minutes to shop. Thus they can purchase cheaper, less visible land and attract customers from a wider area.”²⁶

The Future of the Big Box

While all types of big box value retailers are generally prospering, retail economics changes over time. As markets change, the type of value retailer and its influence will change the physical and economic conditions of small communities. The three important changes to consider in the future of the big box are the reuse of abandoned big box structures, the development of the value power center and the expansion of other non-traditional retailer.

As retail markets slow down or expand, the value retailer adapts quickly. As a result, the big box structures in the middle of their asphalt parking lots become outdated either in their location or in their facilities and are abandoned. The value retailer will leave their present structure either to locate in another community or simply move within the community. For example in the town of Bryan, Texas, Wal-Mart left its original location for a larger structure within Bryan. “Last fall, the firm closed up its original 84,000-square foot store and opened a superstore

²⁵ Schwankc, p. 39.

²⁶ Neil G.Carn, Joseph Rabianski, and James D. Vernor, “Structural Trends Impacting Retail Businesses.” *Economic Development Review* (Spring 1995): p. 10.

(202,000 square feet) two miles away.²⁷ Although Joel Garreau jokes that in the future, abandoned Kmart stores will become bohemian districts²⁸, he raises the serious question as to the reuse of abandoned big box structure. In some cases, another big box retailer can take over the space, but in the majority of cases, the structure simply remains empty.

On the opposing side, the combination of several big box retailers into a power center raises questions about changing regional retail markets and its effect on other retailers including Main Street business. "Power center development has become the major form of new retail space in the marketplace."²⁹ Typically located in suburban areas where they are replacing the regional mall as the shopping center major draw, power centers are defined as 250,000 to 750,000 square foot or larger strip centers. Large big box tenants occupy 60-100% of the space available in a power center which can have up to twelve value retailer anchor tenants.³⁰ The tenants offer variety and convenience to a consumer as they typically offer clothing, electronics, and home goods. An example of a power center is Price Plaza in Fairfax, Virginia. With a total square footage of 323,262 feet on a thirty-seven acres site, the tenants of this power center include Price Club, The Home Depot, Computer City, The Sports Authority, Myer-Emco and a California Pizza Kitchen.³¹

As the number of power centers quickly increases, some experts fear that power centers are becoming over built. "However, the danger of overbuilding is reduced by this segment's foundation of big-box retailers generally made up of solid credit tenants and its reliance on preleasing space, preselling land, or build-to-suit development."³² As in the example of the

²⁷ Sylvia Lewis, "When Wal-Mart Says 'Uncle,'" *Planning* (August 1994): p. 19.

²⁸ Joel Garreau, "Edgier Cities," *Wired* (December 1995), p. 163.

²⁹ Carn, p. 11.

³⁰ Schwanke p. 40.

³¹ PriceREIT, "Price Plaza-Fairfax, VA," available on internet @ <http://www.pricereit.com/property/pi-fair.htm> [cited February 22, 1997].

³² Schwanke, p. 40.

abandonment single big box structure, the reuse of the structures of power centers in the future is also to be considered.

The final consideration of the future of the big box is the expansion of other types of retailers. These retailers include mail order, electronic shopping and the home shopping network.³³ These new and expanding retailers are predicted to change the structure of retailing in the future and thus could pose as threat to the not only the big box retailer, but also the small businesses along Main streets. While the various types of big box retailers have different characteristics, it is crucial for a small community to not only understand these types, but also how the value retailer develops a site. For all types of big box retailers however, the process of developing a new site is similar. This process is examined in the following section.

³³ Kennedy Lawson Smith, *The Discount Jitters: Surviving the Competition from Retail Giants*, Washington D.C.: The National Trust for Historic Preservation, no. 99, April 1994, p. 1. The mail order, on-line electronic malls, and home shopping networks are cited by Smith as expanding retailers who like the discount department stores must be considered when trying to revitalize a Main Street. These retailers are also cited by Carn as expanding markets that are having an impact on retailing.

The Retailer's Development Process

Understanding the types of value retailers and their different retailing strategies is important to any community faced with the introduction of a big box retailer. For small communities, the most common type of big box retailer to develop stores are the deep-discount drugstore, the discount department stores, category killers, and some warehouse clubs. These big box retailers carefully analyze a community before making a choice to locate a store in that community. Communities can also make choices about the big box retailers. Richard Moe, president of the National Trust for Historic Preservation, asserts that communities can be empowered to control value retail development. "They can encourage or discourage certain types of development. If a community doesn't want superstore sprawl, it can take steps to prevent it. If a community wants a superstore, it faces a whole host of other questions relating to whether the store comes in on the community's terms."³⁴ Yet, to simply differentiate between the types of big box retailers in their products, choice of location and physical characteristics is not enough information for a community to negotiate with the big box retailer. An understanding of how the retailer developer reaches decisions about the location and the physical characteristics of its store is also required. Thus, a small community must understand the retailer's development process.

As in most types of development, the retailer looks to reduce any risk involved in developing a store. Retail risk can be defined as the relationship between the amount the development will cost compared to the amount of potential profit. Retailers try accurately to predict and compare the cost of developing a project versus the amount of sales revenue the retailer can collect. Like any other business, the retailer wants the revenues to far exceed the costs. For the big box retailer, reducing the risk of developing a store is closely tied to choosing an ideal location

³⁴ Richard Moe in Preface to *How Superstore Sprawl Harms Communities* by Constance E. Beaumont, p. iii.

which will attract customers and boost revenues: "Simply stated, location can make or break the success of any retail business."³⁵

Reducing the risk of a retail development by choosing an ideal location entails a careful analysis of a whole range of considerations. An ideal retail location takes into account the regional retail market including local demographic trends, site specific requirements and the type of structure to be built. The risk related to the any of these factors can be reduced by comparing previous development results with a potential development site. Data gathered about all the factors taken into consideration are translated into financial terms where the bottom line-the difference between the expenses and the revenues (profit)-is the most influential deciding factor in developing a store.

Determining the bottom line of a value retail development results from a retailing strategy of comparing the internal corporate environment with the external market environment.

Such a strategy reflects information from two major areas.

1. The company itself, reflecting its goals, objectives, operating and merchandising policies and capital resources.
2. The external environment in which the retailer must perform, including population characteristics, consumer expenditures, and the competitive setting.³⁶

For example, while the collection and analysis of internal factors may be relatively easy, collection of external data is not so simple. Data is collected for several regional and/or local sites as well as other development options. Several financial feasibility studies can then produced to compare the various location and site options for a retail development. Within the various options, smaller

³⁵ Dorothy Sarantopoulos, "Successful Retail Site Selection," *The Real Estate Finance Journal* (Winter 1989): p. 44.

³⁶ R.L. Davies and D.S. Rogers, eds., *Store Location and Store Assessment Research*. Chichester: John Wiley & Sons, 1984, p. 238.

changes can also be made. The comparison of many options allows the retailer to attempt to evaluate the risk of potential retail development versus the potential profits.

The collection of accurate timely data is essential to reducing risk in a value retail development. Data is not only utilized to predict the near future development costs and revenues, but is also essential in predicting the future growth and revenues. Again, all data collected influences the final decision through its translation into financial terms. Two major areas of data essential to analyzing external factors are market and location data. The retailer looks at market and location data to predict its revenues and expenses. The following describes the process by which the retailer performs market, location and financial analysis.

Market Analysis

Determining how a new value retailer fits into any community entails a market analysis. Value retailers want to know what type of merchandise, how much merchandise and to whom merchandise will be sold, in order to predict how much of the total sale revenue they can capture in a given area. A market analysis predicts the retailer's captured revenues by collecting data about existing demographics, the surrounding retail competition and other significant local factors for a given location.

The market data gathered around a small community is not based however, on a predefined geographic area such as the city limits or county boundaries. Rather, market data is gathered on the area the retailer believes it can draw customers or its retail trade area. A retail trade area is defined as the geographic area that surrounds a specific site or sites from which the retail operation will draw its primary business. "The establishment of an accurate retail trade area is one of the

most difficult tasks facing the person who is to locate the successful retail operation”³⁷ Value retailers do not expect to create new sales revenues by opening a store. Instead, they expect to capture or take sales from existing retailers in the trade area. While in a growing economy, the amount of total revenue can increase over time, the total amount of sales revenue in an area is divided among all the retailers within the trade area according to the type of merchandise sold. “A new retail store does not create demand, but rather it attracts customers from existing stores or captures new buying power created by a growing area’s economy.”³⁸

While there are many ways to determine a retail trade area, there are several common factors which must be taken into account. Trade area boundaries depend on the product and service offered, location of competition, shoppers’ habits, and access to highways and public transportation. Travel time is generally more important than geographic distance in determining an accurate retail trade area.³⁹ Trade area boundaries are thus, drawn at the furthest distance someone will travel to reach the a big box retailer according to the maximum amount of time the retailer believes a customer will spend traveling to its store. For example, Dorothy Sarantopoulos in her article “Successful Retail Site Selection”, describes the establishment of a trade area by simply starting at the retailer’s possible site and driving in all directions to the furthest point from which it is believed a customer will drive. These four points are then connected on a map to determine the retail trade area.⁴⁰ While the trade area is mostly determined by the travel time, data on demographics, competition and any other local factors must be taken into consideration not only in defining the retail trade area, but also in determining captured sales revenues.

³⁷ Sarantopoulos, p. 44.

³⁸ Jack Friedman, Waldo Born, and Arthur Wright, “Freestanding Retail Store Development,” *The Journal of Real Estate Development* 42, no. 2 (Fall 1988): p. 36.

³⁹ Friedman, Born, and Wright, p. 36.

⁴⁰ Sarantopoulos, p.44.

Demographic Data

Demographic data is analyzed within the trade area to determine what type of merchandise people will buy and how much they will spend on that merchandise. Again, Dorothy Sarantopoulos points out: "It is crucial to any business to know the source of its sales. . . ."⁴¹ Knowing the source of sales entails, not only looking at the demographic data of a potential location, but also tracking the demographic data of existing locations. Comparing the demographics of a successful existing site with a potential site is highly valuable in making decisions about new store locations. "The monitoring of demographic change is a major responsibility of the site evaluation and market research groups. To do this it is necessary to establish a base of demographic profiles for the present retail operations."⁴² And as a set of data may indicate a location is presently an optimal site for a retail establishment, consideration must also be given to future sales revenues. Thus, demographic data is not only utilized to predict near future sales revenues, but it is also utilized to predict future growth in an area, as well as other future changes in an economic market.

Generally, the retailer looks for demographic data which broadly describes the population. "Within the trade area, the population, income, and social characteristic should be evaluated. The primary considerations are size and future growth prospects of the population, its composition by age and household income level, the employment base, family and household size, and social/economic classes"⁴³ In some cases however, it is crucial to a retailer to find more specific data on which its specific industry is based. For example, bookstores have a more highly educated clientele and consequently look for specific data on a population's education.

Whether the data is of a general or specific, retailers look to federal, state and local resources to obtain demographic information. For example, *U.S. Census index and Metropolitan*

⁴¹ Sarantopoulos, p.45.

⁴² Davies and Rogers, p. 176.

⁴³Friedman, Born, and Wright, p. 36.

Statistical Indexes provide vital information on population characteristics and estimated sizes. Other sources include other regional and local census reports, and data from local planning commissions. Private companies also produce published reports on markets and their related demographics. Although there are a multitude of sources retailers utilize to gather pertinent demographic data, they also carefully consider the reliability of the sources. While a source may be accurate at one time, the same source may not be accurate later due to changes in procedures or personnel.

The collection of accurate, timely demographic data is crucial to the location of a successful retail location. Value retailers utilize their experience from other locations to find and expand into new locations. "Wal-Mart Stores, Inc., of Bentonville, Arkansas, has actively pursued a small-town strategy, locating a majority of its stores in county-seat towns with populations of 5,000-25,000."⁴⁴ Wal-Mart does not randomly choose its new locations, but rather compares data from established locations to potential locations.

Competition in the Trade Area

Having the ideal demographic profile of a location is not enough to decide to expand into a certain area. Competition within the trade area must also be considered. For value retailers who rely on selling merchandise in large quantities, consideration of competitors within or near the trade area is extremely important. As competitors capture their market share, it is crucial to analyze the competitors' captured revenues, as well as their overall position in the trade area.

⁴⁴ Ozment and Martin, p. 277.

The analyst must thoroughly look at each individual competitor and try to ascertain the following information:

- What are estimated sales at each location?
- What type of facility does it have-does it enjoy an advantage of access, site layout, frontage versus the subject site?
- How modern are its facilities?
- What are its hours and days of operation?
- What types of services and/or products does it sell?
- How long has it been in operation?
- Can it meet the demands of its customers as far as convenience and service?⁴⁵

Beyond this list of questions to answer about the competitors present situation, the future plans of the competitors must be taken into account, particularly expansion plans. For instance, the directors of the regional discount department store Pamida try to isolate their stores from competitors like Wal-Mart: "For example, in 1992 we competed with Wal-Mart in 28 percent of our markets. Today, we're in direct competition with Wal-Mart in only 16 percent of our markets, and we will continue to compete in fewer and fewer markets in the future."⁴⁶ In conclusion, the position of competitor in a regional or local market is extremely important to the prospective new value retailer. The value retailer carefully figures the competitor into its evaluation of the risk of entering an area.

Other Factors

In conjunction with pertinent demographic data and information on competitors, other local factors are evaluated in evaluating the risk of a value locating in a trade area. These factors can include such things as expanding or closing of industry. For example, if a particular community is dependent on any industry, a study of that industry should be done. "Projected sales from such

⁴⁵ Sarantopoulos, p. 45.

⁴⁶ Jay L. Johnson, "Pamida's Focus: Small Towns in a Big Way," *Discount Merchandiser* 35, no. 12 (December 1995): p. 21.

employees should include a thorough analysis of the particular industry, its vulnerability to layoffs, projected plans within the community, number of employees past, present and future (if available), and the physical plant (any expansion or relocation plans in the future?).⁴⁷ Other elements, referred to as generators, are also be considered. These supporting activities which can contribute to some portion to the sites sales volume include community or regional shopping centers, hotels and motels, employment centers, office/industrial parks, medical complexes or offices and other non competitive big box retailers. The consideration of any surrounding activities contributes to the retailers ability to accurately project its sales revenues for any site.

The major factors of a market analysis serve to allow the value retailer to position himself within an area and predict its sales volume. Demographic, competition and other data help to eliminate the odds of failure at the site by giving a clear picture of how much the retailer can capture of the market share and in turn translate the market share into sale revenues. In deciding to develop in any location however, the financial feasibility equation is not complete without an analysis of the expenses of any development project. "The developer having used a market study to establish there is a need for a particular type of development and that a location will support a development of a particular size, next tests the project's financial feasibility."⁴⁸ The expenses of any development project include the costs of the development of the location and the actual structure.

⁴⁷ Sarantopoulos, p. 46.

⁴⁸ Wayne E. Etter, "Financial Feasibility Analysis for Real Estate Development," *The Journal of Real Estate Development* 4, no. 1 (Summer 1988): p. 44.

Location Analysis

While the choice of a site influences the trade area and resulting predicted sales revenues, the choice of a specific site and actual structure influences both the expenses and revenues. Once the retailer decides to develop in a given area, a specific site must be located for the proposed store. Generally, big box retailers look for undeveloped sites with certain characteristics on which to build a structure to suit its specific requirements. The big box retailer will employ a local developer or utilize an internal real estate department to find a specific site. The site is not necessarily developed by the value retailer. Rather, a site can be developed by a local developer. A developer will purchase a site and build a structure specific to the needs of a value retailer, referred to as a build-to-suit project. The site is then leased to the retailer. Wal-Mart for example, in its 1996 annual report, reveals the financial status of its long-term lease obligations and makes the following statement. “The Company has entered into lease commitments for land and buildings for 34 future locations. These lease commitments with real estate developers or through sale/leaseback arrangements provide for minimum rentals for 20 to 25 years, excluding renewal options, which if consummated based on current cost estimates, will approximate \$32 million annually over the lease terms.”⁴⁹ Build-to-suit project are advantageous to the big box retailer because it lowers their capital investment in the purchasing the land and the constructing the building.

Irregardless of who develops the proposed retail site, sites must meet certain criteria. All potential store locations are specifically evaluated on physical attributes, transportation and accessibility issues, public policy issues and other factors which influence the overall expenses of developing a site and the potential revenues.

⁴⁹ Wal-Mart Stores, Inc. *Annual Report*, 1996, p. 31.

Physical Factors

While big box retailers are typically situated at least a mile from downtown and surrounded by acres of parking, the value retailer looks for specific physical characteristics to accommodate its business.⁵⁰ Big box retailers look at the physical factors of a proposed site in terms of the time it takes to build on the property and the actual expense of acquiring the property and building a structure. "The most desirable site is generally a flat, unobstructed, vacant parcel of land."⁵¹ These characteristics make a property desirable because the retailer can easily build or have built a structure to suit their needs and in general, these sites tend to be less expensive than already developed sites.

An ideal big box site is rectangular and relatively flat. Rectangular sites are preferred because they make the most efficient layout for building, parking, and access.⁵² While the contour of the land is important, a level or gently sloping land (less than 3 percent) grade is also preferred.⁵³ Site sizes vary depending on factors such as availability of property and parking requirements. Price Clubs, for example, are generally 104,000 to 170,000 square feet on 12 to 15 acres sites with 700 to 1,000 parking spaces.⁵⁴

In addition to the shape, slope and size of a property, other physical characteristics of a site such as soil properties, drainage, and the availability of utilities are also important for a value retailer to consider. As correcting any deficiency of this type simply adds to the expense of

⁵⁰ Lewis, p. 15

⁵¹ Davies, p. 215.

⁵² Jack Friedman, Born, and Wright, p. 36.

⁵³ *Ibid.*, p. 36

⁵⁴ Todd Bressi, "The Big Box's Final Frontier," *Planning* 62, no. 2 (February 1996): p. 10. Surface parking is figured at approximately 3 to 5 parking spaces per 1000 sq ft of floor space.

developing the land, a retailer may avoid a site on which the construction of storm sewers, or retention ponds are required to provide adequate drainage for poor soil.

Beyond considering the physical attributes of the land, the value retailer looks for vacant ground as opposed to a property with an existing structure. Retailers avoid existing buildings for two reasons. First, they do not want to incur the cost of tearing down a structure which does not meet their needs. Second, if an existing space does meet their need in size, they typically find it easier to start from scratch as opposed to fitting their needs into a structure. Having carefully developed standard designs for its buildings, the big box retailer prefers to follow its standard design than to try to adjust the design to fit into an existing space.

Although most big box retailers avoid renovation projects, some structures are being renovated to meet the big box's needs. Most renovation projects however, are being done by developers on strip or mall shopping center in urban areas. These older shopping centers or strip centers are outdated and losing money. For example, in northern Virginia a 1950's shopping center was renovated to meet the large scale value retailer needs. "The mall was redone as a two-sided outdoor strip for 'big box' users. The exterior walls were left standing and the roofing system remained, but the interiors were completely gutted."⁵⁵ Another example of a retail renovation project comes from Bennington, Vermont where Wal-Mart agreed to locate in an abandoned Woolworth's store. The retailer's decision to reuse the structure resulted not from their own initiative, but rather from public pressure.

Whether the retailer builds on a vacant parcel or renovates an existing structure, the analysis of the physical characteristics of a potential big box development site is essential in evaluating the appropriateness of a site for a big box store and for estimating the expense of

⁵⁵ Jane Adler, "Good Things in Big Boxes," *Journal of Property Management* 61, no. 2 (March/April 1996): p. 47.

developing the site. "All sites should be analyzed independently based on the following list of physical factors: grade of the land, size of the proposed site, configuration of the available land, topography of the site, soil consistency, present use of the site, utilities available at the site, visibility of the site."⁵⁶

Transportation and Accessibility

"There are several factors which affect the accessibility of a location, including road patterns, road conditions, ingress/egress, traffic flow, visibility and barrier. These factors tend to be interrelated and are not easily measured."⁵⁷ Even though transportation and accessibility issues cannot easily be translated into dollar and cent amounts, they exert a significant influence on the success of any retail development. Retailers first look at roadway conditions and characteristics around a potential site because poor conditions can deter customers by increasing the time it takes to get to the store. Since driving time is important in determining a retail trade area, having well maintained and adequate roads around a potential site are essential. Any future street improvements or highway expansion plans must also be considered.

In conjunction to the road conditions and characteristics, the retailer studies the traffic amount, flow, and condition around a proposed site. Statistics obtained from departments of transportation or public works departments, aid the retailer in predicting the highest and lowest traffic volumes, as well as the peak hours of the volumes. Retailers thus, can estimate how much its development will increase adjacent traffic. Studying the volume and flow of traffic also allows the retailer to estimate the percent of traffic diverted from existing traffic by their proposed development. Any diverted traffic equals some amount of revenues for the big box retailer.

⁵⁶ Davies, p. 215.

⁵⁷ Ibid., p. 218.

In addition to transportation routes and adjacent traffic conditions, the retailer considers the visibility of the potential site. "Poor visibility of a site is related to accessibility: a site that is difficult to see is also difficult to enter."⁵⁸ Corner lots are ideal as they not only have higher traffic counts, they also have better visibility and access. Thus to allow for quick access and high visibility, many big box retailers locate stores at state highway intersections or at interstate highway interchanges.

Again, the transportation and accessibility issues assessed by the value retailer may not be translated into highly quantifiable revenues, but they are extremely important to the success of the retail establishment. Since revenues depend on customers getting to the store to purchase products, good road conditions, high traffic flow and high visibility are essential in choosing a new location. If potential customers are restricted by poor roads or cannot find the store due to poor accessibility or poor location, they simply will not shop at the store.

Public Policy

As local governments can regulate and control land development within its jurisdiction, the public policy controlling commercial development must be considered in the retailer's development process. Although usually imposed by the local government, policy requirement may also be imposed at other levels of government. "While planning is usually a local function (city, county, or township), regional bodies such as Councils of Government (COG) or state agencies (such as the EPA) may have authority over specific issues."⁵⁹ Most value retailers however, do not deal directly with these planning agencies. "The general approach for big box retailers is to use local

⁵⁸ Friedman, Born, and Wright, p. 36.

⁵⁹ John Benjamin, ed., *Megatrends in Retail Real Estate*, Boston: Kluwer Academic Publishers, 1996, p. 278.

consultants to deal with the planning approval process.”⁶⁰ Whether planning issues are handled by a corporate representative or a local consultant, the big box retailer typically has to consider four policy issues. The policy issues are approvals, zoning, impact statements and building permits for its commercial development.

Commercial developments usually are reviewed for preliminary and final approval by the local planning commission. Preliminary approval entails consideration of initial plans such as the overall building square footage, project phasing, and the confirmation of available utilities. Final approval entails finalizing all concerns raised from the time of preliminary approval. Examples of issues considered for final approval are final project phasing, the resolution of impact fees, utility issues, and exterior design issues. During the approval process, the planning commission reviews the development proposal to see if it is in keeping with the goals and objectives of the city’s comprehensive plan. Public meetings and hearings can also be a part of the approval process. The planning commission can deny the retailer approval if a proposed development does not meet the city’s goals and objectives. If the project meets city objectives yet does bring some negative impacts, the planning commission can also negotiate for changes in the development in order to mitigate these negative effects. Author John Benjamin in *Megatrends in Retail Real Estate*, suggests retailers discuss proposed mitigation impact during the preliminary approval process.

⁶⁰Ibid., p. 289.

Concurrent with gaining approvals, the value retailer considers the zoning of the potential site. Developed from the comprehensive plan, zoning ordinances control development by regulating and restricting land use. Typically, the big box retailer looks for property for which the zoning fits their type of development. In some cases however, the proposed site is not zoned for the big box commercial use. The retailer can then apply for a rezoning of the land for its commercial use. If a commercial project wants to develop a piece of property for which the regulations of the use are not in accordance with their development, the retailer can apply for a zoning variance.

“The variance is an administratively-authorized departure from the terms of the zoning ordinance, granted in cases of unique or individual hardship, in which a strict application of the terms of the ordinance would be unconstitutional.”⁶¹ In either case, rezoning or a variance, public meetings and hearings may be involved in the process.

In regards to approval and zoning issues, it is important to note that the process is not only administrative, but also political. Aware of the public's influence on the governing bodies as well as their potential participation in the approval and zoning process, retailers try to gauge both the government's and the public's attitude toward their development. They also want to address what they can do to gain community support for their commercial development.

Besides planning approval and zoning issues, the big box retailer takes into consideration any requirements for impact studies. The city can also require that impact studies be provided by the retailer. These studies can be a deterrent for big box development because approvals for development can be denied or cause local authorities to ask the big box to mitigate any negative impacts they will have on an area. ⁶² Taking time and money, an impact statement can simply further complicate the approval and zoning process.

⁶¹ Daniel R. Mandelker, Roger A. Cunningham, and John M. Payne. *Planning and Control of Land Development*. Charlottesville, Virginia: Michie Law Publishers. 1995. p. 448.

⁶² Bressi. p. 11.

Once approvals and zoning are resolved, the retailer must obtain building permits. Building permits are strictly an administrative task which the local government insures the development meets building codes. In most cases, the permitting process is straightforward and having very little bearing on the risk and feasibility of the proposed project.

The gaining of approvals and zoning, producing impact statements and obtaining permitting, can have a significant impact on the risk to the retailer of the commercial development. The big box retailer wants to gauge how long these processes will take as well as the direct financial implications they can have on a project. Beyond changes to the design of the development or impact fees, the amount of time required can be detrimental to a project. Benjamin thus, recommends meeting the following project requirements in order to gain quick approval for a project and avoid conflict with the government agencies and citizens.

To satisfy a current planner, a retail project should generally

- Be in conformance with existing zoning, land use, or comprehensive plans,
- Serve residents' needs for local goods and services,
- Retain urban form,
- Improve blighted or underutilized lands,
- Be popular with voters and residential neighbors living near the proposed project,
- Have a positive fiscal impact, or minimize additional cost, and
- Promote activity in the area, which would create positive externalities including appreciation of nearby property, new jobs, greater shopping opportunities, and additional activity.⁶³

Other Factors

The expenses to developing the site irregardless of the construction of the store should also be evaluated in the risk assessment of opening a new store. Other considerations which can affect the cost of a proposed big box development include the establishment of warehouses, distribution networks, and advertising campaigns.⁶⁴ Other costs relate directly to the land development are

⁶³ Benjamin, p. 283.

⁶⁴ Bressi, p. 10-11.

acquisition fees, interest, utility hook-ups, legal and accounting fees, and builder's and developer's profit.⁶⁵ One of the most important cost however, is the carrying cost for the land. The carrying cost for the land refers to the amount of interest on loans or a return on equity invested in the land. Without a revenue generating development on the land to cover these costs, the retail developer loses money on the land. Therefore, the time factor involved in developing and building a new retail development is important to the retailer.

The Structure

While the cost and consequences of a particular site must be considered, the expense of building a structure must also be taken into account. Retailers keep their capital development costs down by utilizing standard designs for their structures. Ranging from 50,000 to 200,000 square feet, their standard designs are typically industrial bare bones buildings on one floor. They have high ceilings for stacking merchandise as well as the loading docks, display areas and signage carefully detailed for the simple box building. "Buildings are industrial quality with less administrative and storage space, passing cost saving on to customers."⁶⁶

The advantage of utilizing standard designs is a reduction in expenses when construction the structure. Retailers can more accurately predict the cost of building and furnishing a building they have already built in another location. Also, standardized designs reduce the expenses of architects and engineers. An architect and engineer will charge much less to make small changes to a design than to design a structure from scratch. Another advantage of these repetitive designs is the image it maintains for the value retailer.

⁶⁵Friedman, Born, and Wright, p. 37. The type and cost of financing should also be considered and figured into the feasibility analysis. Due to the length and complexity of the material however, financing will not be covered in this thesis.

⁶⁶ Carn, Rabianski, and Vernor, p. 11.

Feasibility Analysis

Finally after the value retailer analyzes all aspects of the market and the site, the retailer makes a guess to all the revenues and expenses the project involves. These amounts are compared to the estimate of the amount of profit the company potentially can gain from a particular development. Revenues are calculated on the amount, type and price of merchandise the market population will buy in the big box store. Retailers try to predict the potential profits over many years.

The revenues are then compared to expenses which are also predicted over the same period of time. Although the analysis discussed to this point has only addressed the expenses specific to the development of a new store, feasibility analysis also takes into account the operating costs over time. Total project costs are related to all expenses necessary to bring the development to operation. Typical costs include land, site development, utilities, building shell, building finish, mechanical equipment, landscaping, architecture and engineering fees, legal and closing fees, taxes and insurance during construction, interim interest, permanent loan fee, development fee, permits, and impact fees.⁶⁷ Operating costs include such things as accounting and legal fees, advertising, property insurance, personal property tax, real estate tax, personnel, maintenance, and utilities. Retailers can determine operating expenses by either comparing its establishment to a similar operation in the area or to a similar operation of their own. Again, the revenues are compared to the project costs and operating expenses over time to determine potential profits.

⁶⁷ Etter, p. 45. Most items from the above list come from the authors list of typical costs. It should be noted that the financing costs such as the permanent loan fee and interest are dependent on the assumption that the retailer is building the project. If the retailer is only leasing the project, feasibility analysis entails the cost of leasing the project instead of the development costs.

By looking at the development and operations of the project over a period of time, the retailer can evaluate the risk of the project. The time required to get a project to operations is important in evaluating the feasibility of a project. Delays in the construction of a project can be detrimental to the feasibility of the project. For example, the time it takes to obtain approvals can prohibit the development of a project as evidenced by this statement from author John Benjamin: "Because public accountability is extremely important to those serving the public interest, the planning approval process in its thoroughness may appear to be slow, potentially depriving the developer of passing through the development process quickly enough to have a feasible project."⁶⁸

⁶⁸ Benjamin, p. 290.

Effects of the Big Box

Beyond understanding the big box development process, a community must understand the effects the introduction of a big box store can have on it. Although not frequently discussed by preservationists, the value retailer does offer some benefits to a community. These benefits can include job creation, and increased sales and property tax revenues. Typically however, preservationists focus on the negative impacts. Constance Beaumont in *How Superstore Sprawl Harms Communities*, defines the scope of the negative impacts a big box can have on a small town. "The problem is that in providing these benefits, superstores can also do a lot of damage. This damage falls into five major categories: economic, fiscal, environmental, social and cultural."⁶⁹ To thoroughly discuss all these effects the value retailer has on a community, a separate more comprehensive study should be undertaken. Instead, this thesis focuses only on the impacts which the small community can attempt to influence during the development process. In attempting to influence big box development, small communities must be aware of both the positive and negative impacts the new retail establishment can have on the physical attributes of a community as well as on the local economy. Thus, the physical and economic impacts of the big box establishment in a small community are discussed.

⁶⁹Constance E. Beaumont, *How Superstore Sprawl can Harm Communities*, The National Trust for Historic Preservation, p. 7.

Physical Effects

The obvious physical effect of the common big box development is the resulting standardized structure in the middle of the asphalt parking lot on the edge of a small town. While the structure itself has no more impact than any other structure, big box developments have been attacked by planners and preservations as contributors to or even instigators of sprawl development. While sprawl is not clearly defined by any single source, Richard Moe, President of the National Trust for Historic Preservation, defines sprawl as a low-density development on the edges of cities and towns. These developments are described by Moe as poorly planned, land consumptive, automobile dependent developments that ignore other surrounding features. He identifies the two types of sprawl as retail sprawl and residential sprawl. The retail sprawl or "sellscape", according to Moe, is frequently "spurred by major discount chains like Wal-Mart or Kmart which occur along major arteries and at highway interchanges."⁷⁰

Sprawl development is criticized for its negative impacts on the environment and surrounding landscape. Richard Moe outlines these negative effects in by asking the following question: "But can the consumer benefits provided by the superstores be achieved only through the creation of more urban sprawl and all that sprawl brings: traffic congestion, automobile dependence, air pollution, dispirited or dead downtowns, despoiled countrysides and weakened community ties?"⁷¹ Although sprawl development has no statistical data, or preferred alternatives these outcomes have not been measured in a consistent methodological approach. For example, in Lancaster, Pennsylvania, a Wal-Mart proposal spurred opposition which claims Wal-Mart will destroy the countryside. "Wal-Mart to them will be a magnet for more land hungry stores.

⁷⁰ Lincoln Institute of Land Policy, *Alternatives to Sprawl* Washing ton D.C., 1995, p. 4.

⁷¹Richard Moe, p. iii.

subdivisions, and roads-paving over the area's extraordinary productive farmland, strangling its town center, and generally making a mess of the county known as the 'garden spot of America.'⁷²

Economic Effects

The big box development impacts not only the physical attributes of a community, it also has a significant impact on the economy. The most common economic impact associated with the big box development by preservationists is the siphoning of traffic and sales from the downtown area to the big box development. Downtown businesses fear competition of the big box. "Such a fear is certainly justifiable: The introduction of 100,000 square feet or more of new commercial space--roughly the equivalent of 50 typical downtown commercial buildings--is bound to displace more than a few local retailers."⁷³ Magnifying this fear, preservationists associate the loss of downtown business with the destruction of the community.

If local retailers are forced out of business because of their inability to compete effectively or to find a profitable niche, it could lead to serious problems for the community as a whole. These problems may include reduced population, increased unemployment, an eroding local tax base, depressed property values, and loss of community leadership furnished by local business people. Adverse economic impact may extend to local banks, accountants, wholesale distributors, and others who supply goods and services to the area. Many of the merchants who could be affected are located in the downtown central business districts of small communities.⁷⁴

While these types of statements have only speculated as to the impacts of a big box development, several studies have been performed to measure the economic impacts of the value. Three major studies, along with several smaller more specific studies⁷⁵, have been conducted to measure the

⁷² Arnold Berke, "Striking Back at Sprawl" *Historic Preservation* (September/October 1995): p. 55.

⁷³ Smith, p. 1.

⁷⁴ Ozment and Martin, p. 278.

⁷⁵ John Knotwell, "Adapting to the Entrance of Discount Retail Chains: The Case of the North Platte, Nebraska Area" *Economic Development Review* (Spring 1995): p. 70-74. This study first allocates a hierarchy of towns then measure retailing in relation to changes in population.

economic impacts a big box retailer has on small communities. While each study has its own criteria, geographic area and method of comparison, all studies cite impacts which are both negative and positive. The impacts cited include the following: increases and decreases in retail sales depending on the product, changes in types and number of businesses in a community, and the loss of business in surrounding areas without a discount chain.

The first study done by Kenneth Stone, examined the impact of Wal-Mart stores on Iowa communities from 1983-1993.⁷⁶ Stone utilized *Iowa Retail Sales and Use Tax Reports* to document sale levels in town before and after the arrival of Wal-Mart. He measured and compared data according to three types of towns: towns with a population between 5,000 and 30,000 in which a Wal-Mart opened a store, towns of the same size which did not have a Wal-Mart store and towns larger than 30,000 people which also had a Wal-Mart store.

Stone reported changes in overall increase in retail sales in Wal-Mart towns. This increase was most significant in the first year after the opening of the Wal-Mart. While sales did increase in years after, the increase was not as significant. Stone attributes the increase in retail sales to Wal-Mart, not to an overall increase in business. On the other hand, towns without a Wal-Mart within a twenty mile radius of a Wal-Mart town suffered from a decrease in retail sales. "Retail sales for non-Wal-Mart towns declined in all categories except food stores after the opening of Wal-Mart stores."⁷⁷ Stone attributed this loss of sales to the draw of Wal-Mart. Thus, while the Wal-Mart town gained sales, surrounding areas lost.

Stone not only measured overall retail sales for each town, he also measured changes in sales according to different categories of merchandise. Home furnishing stores as well as restaurants, did better in Wal-mart towns than in the non-Wal-Mart towns. Apparel stores along

⁷⁶ Kenneth E. Stone, "Impact of Wal-Mart Stores On Iowa Communities: 1983-1993," *Economic Development Review* 13, no. 2 (Spring 1995): p. 60-69.

⁷⁷ *Ibid.*, p. 61.

with specialty stores, such as drug stores, sporting goods stores, books and stationary stores, jewelry stores, gift and novelty shops were severely impacted in both types of towns. Stone reported that building material stores also suffered from the introduction of a discount retail store. He attributes this loss however, partially to the impact of Wal-mart, but also to the introduction of category killer stores such as Home Depot, Builders Square and Lowes. Finally, grocery stores showed a loss in all towns. Again, Stone attributes the change to another source. In this case, a change in supermarket industry caused loss in sales, not necessarily to the discount department store. Stone concluded that although there was an overall increase in sales, the introduction of a big box retailer results in a loss of local business unless the existing stores could adapt.

A second study was done at the University of Missouri by Thomas Keon, Edvard Robb and Lori Franz.⁷⁸ Spanning the years of 1979 to 1988, the study examined the effect of Wal-Mart stores on fourteen counties in Missouri by comparing their economic condition a least three years prior to the arrival of Wal-Mart with their economic condition following Wal-Mart's arrival.

This report cited only positive results from the introduction of the big box. According to the study, the introduction of a Wal-Mart store improved the economy of the counties of which were in decline prior to the discount retailer. Findings include an increase in personal and per capita incomes. Even if Wal-Mart statistics were not included in calculations, retail employment and salaries also increased in the counties with a Wal-Mart. Sales tax revenues increased even though the overall number of businesses decreased over the study period. The authors however assert that the remaining businesses were larger and had more employees than before the big box retailer. Again, the Missouri study concluded that Wal-mart was responsible for a marked economic improvement in the counties studied.

⁷⁸Sandra S. Vance and Roy V. Scott, *Wal-Mart: A History of Sam Walton's Retail Phenomenon*, New York: Twayne Publishers, 1994, p. 140. It is important to note that this study was directly funded by Wal-Mart which gave the University of Missouri \$10,000 for the report.

The third study by John Ozment and Greg Martin⁷⁹, focuses on counties in Arkansas, Missouri, and Oklahoma with a population between 8,000 and 50,000. As opposed to the other studies which focused on a particular retailer (Wal-Mart), Ozment and Martin “attempt to determine how DRCs (discount retail chains) impact the competitive environments of small-rural-trade areas.”⁸⁰ Utilizing retailing data reported in 1983 and 1988 county and city data book from the Bureau of Census, a sample of 164 counties were divided into those that had a large discount chain as of 1977 and those that did not. The researchers compared the economic factors of the counties such as changes in population, the number and value of new houses, per capital income, number of bank deposits, level of employment, and local tax revenues. Additionally, Ozment and Martin also looked at business indicators such as the number of retail establishments, the number of employees, and the level of retail sales.

The study reported that economies with a discount retail chain fared slightly better than those without a discount retail chain. “While negative impact was not observed, the presence of a DRC (discount retail chain) appears to alter the competitive structure of small economies in significant ways.”⁸¹ Ozment and Martin also assert that employment was higher in the discount retail chain counties and that wages were higher.

Like the communities Stone studied, counties with a discount retail chain had higher overall retail sales than those counties without a discount retail chain. The researchers attribute this effect to the fact that the value retailers draw on a larger market than the the local businesses. Not only were the sales higher for general merchandise, but counties with a discount retailer had higher sales for auto repair facilities and restaurants. The authors thus conclude the discount retailer are

⁷⁹ Ozment and Martin , p. 277-287.

⁸⁰ Ibid., p. 277.

⁸¹ Ibid., p. 277.

“generating additional business for service organizations.”⁸² While Ozment and Martin found that there were no significant changes in the number of retail businesses in a county with or without a discount retail chain, the number of service establishments was significantly larger in the counties with the large discounter.

Ozment and Martin concluded the effects of the big box retailer were not negative. They stated instead that positive impacts were seen in employment and businesses which complement the value retailer. The retail environment changes with the introduction of the of the big box retailer. The study concludes that some competing businesses close as others complementary businesses open.

In summary, while many preservationists have accused the big box with the destruction of Main Street business, the studies of the economic impacts of the of a discount retail chain prove their affect to be much less negative than believed. “Off-site retail impact is a fiercely contested issue in many markets, especially in smaller towns with stable or growing economies where there is a strong likelihood (or perception) that the traditional downtown retail area could be adversely affected and lose critical mass.”⁸³ Instead studies indicate the big box retailer brings both an increases and decreases in retail sales depending on the product, higher employment, higher salaries, changes in types and number of businesses in a community, and the changes to surrounding areas without a discount chain. As some businesses cannot compete with the retail giants, most researchers agree that local business must learn to adapt in order to survive.

Authors maintained, however, that a discount chain would create new business opportunities through its ability to draw customers from surrounding towns, and they suggested that as a result of this altered retail environment, some local merchants driven out of business by the discount chain could make a successful transition to types of businesses that provided services or products that complemented, rather than competed with, the discount chain.⁸⁴

⁸² Ozment and Martin, p. 283.

⁸³ Benjamin, p. 288.

⁸⁴ Vance, p. 143-4.

Local business not only must adapt itself to survive, but it can take advantage of the value retailer's positive effect, the ability to draw customer from a larger region than local business.

Influencing Development

Once a small community understands the retailers development process and the effects a big box store can have it, the town must look inward to determine its objectives and evaluate how it can achieve those objectives. This thesis assumes the small community has the objective to protect, maintain, or revitalize its historic central business district. As the historic center of commercial and social activity, Main Street represents a significant portion of the cultural and physical history of a community. As business moves out of the downtown, Main Street is left to deterioration and decay. "In allowing unlimited development of the retail strip that exists on the perimeter of almost every small town, local governments have virtually decreed the decay of the downtown."⁸⁵ Again, the rhetoric of the preservationist blaming the destruction of Main Street on the big box retailer comes into play.

It is important to note however that the deterioration of Main Street is not the direct result of the introduction of a value retailer. Instead, many decisions and changes have occurred over time which have lead to the present situation. In a typical scenario, as outlined by Robert Craycroft in his chapter "Small town Public Policy: Strategies for Downtown Revitalization", Main Street deterioration began after the increase in the use of the automobile just after World War II. The automobile clogged streets causing citizens to push for the construction of by-passes around small town to relieve congestion. Other retail establishments such as chain food restaurants and gas stations grow along the new roads. Gradually, the retail center moves from the downtown to the strip area along a highway as other retailers move to the strip because they want to update their image, capture sales from traffic, and find it easier and cheaper to build on the strip than

⁸⁵ Robert Craycroft, "Small Town Public Policy: Strategies for Downtown Revitalization," Michael W. Fazio and Peggy Whitman Prnshaw, *Order and Image in the American Small Town*. Jackson: University Press of Mississippi, 1981,p. 17.

remodel their downtown store. "This growth culminated with the construction of a chain discount store."⁸⁶

While these changes to a small communities cannot be completely reversed, certain steps can be taken to protect Main Street from further damage. One step toward protecting Main Street entails exerting influence over future development, including the big box development. In order to influence the big box retail development, communities must rely on local public policy.

Small communities can utilize their planning and zoning tools to control development, including big box development. "Most often, however, local governments seeking to control commercial development must rely on planning and zoning codes."⁸⁷ Before planning and zoning can be effective or legal, a comprehensive plan must be in place. Developed typically by the local government's planning staff and approved by a community vote, a comprehensive plan provides the goals and objectives for the future development of a community. These objectives are translated into a map which then designates land use. It specifies where certain types of development can be located. The plan also describes the procedures and process of planning approvals, as well as plans for public improvement projects. "The planning policies and plan map together provide a basis for decisions on land use in the land use regulation process. The plan also provides policies and locations for the public facilities, such as highways, which are required to serve future land uses."⁸⁸ When related to the control of the big box retailer, the comprehensive plan is extremely important in influencing their development.

Looking to quickly develop a site, value retailers want expedite the approvals process. The retailer therefore, looks to the comprehensive plan to understand the procedures necessary to gain quick approval of their project. In addition to procedural issues, the value retailer looks to the

⁸⁶ Croycroft, p. 17.

⁸⁷ Lewis, p. 15.

⁸⁸ Mandelker, Cunningham and Payne, p. 20.

plan for insight on physical, economic, and transportation issues. Again, the big box developer wants to find an ideal location which meets their transportation and accessibility needs as well as reduce any expenses related to the development of the land. Thus, the developer examines the comprehensive plan to find a site fitting both the city's plan and the retailer's needs. John Benjamin, offering advice to retailer developers gives the following example, demonstrating the retailer's attitude toward quick approvals and development. "If the comprehensive plan calls for a given site to be a shopping center, a proposed retail project is likely to be well received because the transportation and utility infrastructure is most certainly in place."⁸⁹

While the comprehensive plan does guide the retailer's development when initially choosing a site, the comprehensive plan can only provide the basis for controlling development. The enforcement of the comprehensive plan is the important step communities take in controlling value retail development. Enforcement of the comprehensive plan is performed mainly by the planning commission. As the front line to enforcing the plan, members should be chosen carefully. Appointed by the governing body, members usually number between seven and fifteen people and should be "reflect the composition of the planning area".⁹⁰ More importantly however, these members then have the power to exert some control over development through their approval or denial of an application. As noted previously, the retailer wants to gain approval of their project as quickly as possible. Having control over approvals gives the planning commission some leverage to negotiate with the big box retailer for changes to a proposal. The planning commission can ask for changes to the retailer's proposal if they believe it does not exactly fit within the goals of the comprehensive plan.

⁸⁹ Benjamin, p. 278.

⁹⁰ Thomas L. Daniels, John W. Keller and Mark B. Lapping. *The Small Town Planning Handbook*. Washington D.C.: Planner Press, 1988, p. 21.

Beyond the control over approvals and the ability to ask for some changes in proposals, the planning commission can additionally impose other types of controls over development. “The planning commission, with the approval of the elected governing body, adopts zoning ordinances, subdivision regulations, building codes, and other ordinances which determine the location, density, and style of development throughout the town.”⁹¹ Zoning is the first example of the planning commissions control over development. “Zoning regulations are a set of rules about how land and buildings are used. The purpose of the zoning ordinance is to describe the different land use zones, to explain the regulations that apply in each district, and to set up procedures for administering and changing the zoning ordinance.”⁹² Typically, the zoning ordinance calls for a zoning board or commission to be appointed to enforce the zoning ordinance. The zoning board’s ability to rewrite zoning, like the planning commissions power to make approvals, gives a town leverage to negotiate with the big box retailer.⁹³ As in some cases, the type of zoning of a site may be appropriate for the big box development, or the restrictions upon the type of development under the zoning code may not be fitting. By asking for a change in zoning or a variance to the zoning code, the value retailer opens the doors for the town to ask for changes to the proposed development.

Planning commissions as well as other agencies, can also require impact studies to be performed. Impact studies give an advantage to a planning commission when considering proposed commercial developments. By documenting any negative impacts, a agency has more evidence to either ask for changes to a big box project or deny the project completely. For example, in Greenfield, Massachusetts, the local planning commission required Wal-Mart to pay for an independent economic impact report which later influenced its negotiation with the company.

⁹¹ Daniels, Keller and Lapping, p. 21.

⁹²Ibid., p. 103. It should also be noted the zoning ordinance must be in accordance with the comprehensive plan to be legally upheld. The legal complexities of zoning cannot be covered in this thesis, but any town should consider the legal issues of planning procedures when adopting ordinances.

Also in Massachusetts, the Cape Cod Commission rejected a Price Costco application to build by "citing heavy traffic impacts, water usage, the degradation of community character."⁹⁴

In most cases the, the local planning and zoning policies can influence a big box retailer to negotiate with a community for changes in its development. Small communities however, should consider how they can exert some control over big box development which is outside their immediate jurisdiction. For example, a big box retailer can locate a store outside the city limits of a small community on property under a county jurisdiction. Under these circumstance, the community cannot effect the big box development. There are however, options for communities to exercise some control regionally. Options for small communities faced with the regional impacts of a value retail development include the establishment of a joint or regional planning commission. "Joint or regional planning commissions are created by ordinance for each city involved and by resolution of the county or counties."⁹⁵ The regional planning commission must be established along with its plan and procedures before a big box wants to develop in an area.

Outside of the public policy control over commercial development, small communities have little influence over the big box retailer. However, citizens of small communities can form activist community groups which can sway the opinion of planning commissioners and other citizens. When analyzing a community for development, big box retailers do consider the public opinion of the community. Again, a value retailer wants to gain approvals and permits quickly. Active opposition from citizens can indirectly influence the big box proposal, as well as directly change a communities public policy. For example, in the case of Greenfield, Massachusetts, even though the planning commission had reached an agreement with the Wal-Mart for changes in it development, a citizens group obtained enough signatures to call for a referendum which repealed

⁹³ Lewis, p. 14. Lewis quotes John Mullin of the Department of Landscape Architecture and Regional Planning at the University of Massachusetts in Amherst as making this assertion.

⁹⁴ Lewis, p. 15. The author further notes that Price Costco challenged the decision in court.

the approvals for the Wal-Mart development. Therefore, the strength of activist groups cannot be underestimated, yet unless strong enough, they usually have no direct influence on the final retail development.

In conclusion, many towns presently have large undeveloped acres of land zoned for commercial use along a highway. Big box retailers will gravitate to these areas, perpetuating the unwanted traditional value retail development. Small communities must utilize their public policy to change this pattern of development. Instead, local governments should update their comprehensive plans and adjust their zoning to promote changes in large commercial developments. By utilizing these tools, a community can gain leverage to negotiate for changes with the retailer. Asking for changes can mitigate some of the negative physical and economic effects the big box retailer has on a Main Street. “The response of communities, even in the face of economic hard times, has been to take developers through a rigorous entitlement process. All this seems to indicate a growing political/cultural rejection of the standard formats and the need for a better dialogue between the players to find acceptable alternatives.”⁹⁶ The negotiation process has led to several different alternatives. Discussed in the following section, each of these alternative mitigates some negative aspects of the big box retailer’s development.

⁹⁵ Daniels, Keller, and Lapping, p. 13.

⁹⁶ Alex Achimore, “Putting the Community Back into Community Retail,” *Urban Land* (August 1993): p. 34.

Negotiated Alternatives

Once a community understands how it fits into the retailer's process and how it can exert some control over the process to change big box developments, it can utilize its control to negotiate with the big box retailer for changes. The community should ask for changes to mitigate the negative impacts and even try to take advantage of the positive impacts a big box retailer can have on a community. Many communities are standing up to the value retailers and taking steps to controlling the big box developments. "Talking to local officials throughout the country, you hear a lot of bravado about communities facing down Wal-Mart and the other 'big box' chain stores and winning a variety of concessions. Some towns have taken the even more extreme step of turning the big retailers away in an effort to protect existing businesses."⁹⁷ Although communities can negotiate on a local level for concessions from the big box to protect Main Street, these negotiations tend to fall within certain categories. Small communities either deny the big box retailer approval, or propose changes in location, changes in building design, building reuse or levy monetary concessions to mitigate the negative impacts the retailer has on a Main Street.

The first alternative for small communities faced with a big box proposal, is to simply deny the big box retailer approvals for its development. Many communities see this approach as a viable solution to preventing the negative economic impacts a big box retailer poses on a downtown area. If a big box retailer does not build in a community, local businesses do not have to worry about losing sales to that value retail competition. Albert Norman, who coordinated a successful fight against Wal-Mart (successful in that Wal-Mart was denied the approvals for its store) in Greenfield, Massachusetts, advises community groups to employ the following tactics to fight the big box: quote scripture, learn Wal-math, exploit their errors, fight capital with capital, beat them at the grass roots, get out your vote, appeal to the heart as well as the head and hire a

⁹⁷ Lewis, p. 14.

professional.⁹⁸ Albert Norman, expanding on his success at Greenfield, formed a group called sprawl-busters which helps other towns fight off the big box retailer. The group advertises over fifty-one victories in towns across the United States. "Many small-town groups across the nation-- from Cleveland Heights, Ohio to North Elba, N.Y.-have been encouraged by the success of Greenfield and other New England towns now blocking Wal-Mart's expansion plans. They're networking, developing the media savvy and political sophistication to do the same."⁹⁹

There is one significant problem with the "sprawl-buster" tactic. "Even if one community rejects a big chain store, the chances are good that it will try to locate nearby, possibly draining away business and sales taxes from the first town."¹⁰⁰ While a community wants to protect itself from the negative economic impacts of a value retailer, that community should evaluate itself not only on a local level, but also on a regional level. A community may suffer more damage by having the big box store outside its city limits than inside. Thus, a community should carefully weigh the advantages of rejection versus the disadvantages of having the big box locate near the town and cause the same damage.

Instead of rejecting a big box retailer, some small communities have tried to take advantage of the value retailer draw by not only accepting a big box proposal, but also negotiating for the retailer to locate the big box in or close to its downtown. Big box retailers are not opposed to locating downtown if it fits their needs. David Clark Scott, in "Ready or Not, Here Comes Wal-Mart" confirms this assertion by citing the example of St. Johnsbury, Vermont. In this Vermont community, Wal-Mart agreed to locate in the downtown of the community. Scott quotes a Wal-Mart spokesman as to the company's position on locating in downtown: "We have no aversion to

⁹⁸ Albert Norman, "Eight Ways to Beat Wal-Mart" reprinted from *The Nation* (March 28, 1994), available on internet @ <http://www.hookup.net/~claytons/walmart.html> [cited March 11, 1997].

⁹⁹ David Clark Scott, "Ready or Not, Here Comes Wal-Mart", reprinted from *the Christian Science Monitor* (September 29, 1994), available on internet @ <http://www.hookup.net/~claytons/walmart2.html> [cited March 11, 1997].

downtown locations,' say Mr. Shinkle (Wal-Mart spokesman), 'if there is enough vehicle access, acreage, and parking.'¹⁰¹ The National Trust for Historic Preservation also promotes the downtown alternative for big box development while also qualifying the big box design. "The trust hopes to persuade the chains to build downtown or in established commercial centers-if they fit into their context."¹⁰²

Locating a big box store downtown does not mitigate all the negative impacts a value retail development brings. Local businesses can suffer some loss of business if they sell similar items to the big box. The downtown alternative however, acknowledges the negative consequences of the big box and instead forces business to adapt. By acknowledging these consequences, the community can take advantage of the big box's draw, an increase in service businesses, and an increase in sales tax revenues. Thus, it is important for small towns to evaluate if they can meet the size, transportation, and location needs of the big box. If a town can closely meet the value retailer's needs, they can propose a downtown location for a big box development.

If a downtown location simply cannot meet the needs of a value retailer, another proposed alternative is the reuse of an existing structure within the community. Although most building reuse projects of big box retailers are located in larger cities, several examples have been cited in smaller towns. "... target, the discount-store chain, has recycled an old department store in Pasadena, California. Caldor is building a three-level store that promises to fit into the urban fabric in Silver Spring, Maryland. Even Wal-mart is planning to open a small store by reusing a former Woolworth's building in Bennington, Vermont, demonstrating that the company can break away from its rigid formula."¹⁰³ In Rutland, Vermont, Wal-Mart again agreed to reuse an existing structure by moving into an empty Kmart store. In some cases, the big box retailer agreed not only

¹⁰⁰ Lewis, p. 15.

¹⁰¹ Clark Scott, p. 2.

¹⁰² Lewis, p. 18.

to reuse a building, but an historic building. Called model projects by preservationists, examples of historic building reuse by a big box retailer include value retail stores in Tulsa, Oklahoma and Pasadena, California. “Among them are Home Depot’s Tulsa store, which preserved the facade of the city’s historic Warehouse Market, and a 175,000-square-foot Target store located in a converted department store in downtown Pasadena.”¹⁰⁴

Preservationists have hailed the building reuse alternative as successful. Having a big box retailer reuse a structure mitigates the sprawl effects traditional big box developments bring to a community. Although the reuse project does mitigate negative physical impacts, they do not diminish all the potential negative economic impacts of traditional development. However, some ideal reuse projects do attempt to mitigate economic effects by reusing buildings in downtown areas. In these cases, local business can take advantage of the big box customer draw, while still controlling sprawl development. Although usually more typical in larger communities which have more numerous and larger structures, a few examples exist of downtown building reuse in small communities.

Unique and ideal examples in small communities, the stores in Bennington and Rutland, Vermont are located within walking distance of downtown. Here a more symbiotic relationship, rather than adversarial relationship, exist between the value retailer and the small town downtown. The downtown area can provide the retail giant with customers, while the big box can draw more customers within the region. “In fact, customer spill-over is a compelling argument for placing Wal-Marts in pre-existing commercial districts and downtown. If customers are what Wal-Marts wants, the historic centers of small towns can deliver them, albeit with adjustments to roads and parking where necessary.”¹⁰⁵

¹⁰³ Berke, p. 59.

¹⁰⁴ Lewis, p. 18.

¹⁰⁵ Linda Burnett, “Friends at Last?” *Contract Design* (September 1996): p. 62.

If a big box cannot find a downtown location or a suitable existing structure, the planning commission can ask for changes in the proposed development. Many towns have asked for changes in designs to protect the character of the community. Greenfield, Massachusetts again serves as an example of this alternative. The city imposed sign controls, ridge and slope protection and design guidelines on the Wal-Mart proposal. In Steamboat Springs, Colorado, Wal-Mart conceded to several changes in building, sign and landscaping design. "This store doesn't look like most other Wal-Marts. Besides being small for its type, it shares a shopping center with other stores instead of being a stand-alone. Its design and landscaping conform to the rest of the plaza, and its sign is half the size the company requested."¹⁰⁶

In conjunction with requests to changes in big box proposals, small communities can request other concessions from the big box retailer. In the Greenfield example, Wal-Mart, conceding to design changes, also agreed to pay for an archeological dig on its proposed site, and to create a mobile exhibit of its findings for the local school system. In many cases, these negotiations lead to monetary concessions by the retailer to mitigate some of its negative impact. The Greenfield city commission negotiated an impact fee to with Wal-Mart to help maintain downtown structures. "The firm also agreed to donate \$50,000 to the town for downtown enhancement."¹⁰⁷ Value retailers also agreed to donate \$100,000 over four years for downtown improvements in Steamboat Springs, Colorado. While monetary concessions do not mitigate any direct negative impacts or take advantage of the positive impacts, they can give direct help to the downtown area in protecting its resources.

Communities must be aware of the alternatives can reach with a big box retailer. While none of the potential negotiated alternatives mitigate all the negative physical and economic effects of the big box, each lessens some impacts of the traditional value retail development. Outright

¹⁰⁶ Lewis, p. 16.

rejection of a proposed development is an options for small communities fearful of the loss of local business due to the competition from the retail giant. Communities should however, carefully evaluate its retail regional position before making the decision to deny approvals to the big box. Resulting in many cases, the value retailer will simply locate in another adjacent community. Communities surrounding the value retailer tend to suffer a loss of business. Ideally, instead of losing business, a community will negotiate will a big box retailer to locate in it downtown area, preferably reusing an historic downtown structure. This alternative takes advantage of the retail giants draw, mitigating the sprawl effects of the traditional strip development by preserving an historic building.

¹⁰⁷ Lewis, p. 15. The negotiated agreement was repealed by voters later.

Conclusion

Preservationists have perceived big box developments as a destructive force on America's small towns. The decay and deterioration of the Main Streets across this country is not the direct result of the discount retail chain. The decline of Main Street has resulted from many decision taking place over the last sixty years. The proliferation of automobile use, and the expansion of rural and interstate highways changed the retailing industry. The new automobile-oriented culture brought about uncontrolled sprawl development in addition to changes in economic conditions. The big box retailer serves only an example of these changes.

Preservationists, along with small community leaders, must look at alternatives to control the unwanted physical development and influence economic impacts. Although these changes to communities cannot be reversed, they can be anticipated and controlled. Communities must take an active stand to control development. Ignoring or not planning for retail development is not an acceptable alternative, as the value retail phenomena is not going to disappear. "Coming up with appropriate solutions may be in the best interests of the nation's small towns, because Wal-Mart isn't about to fade into retail history."¹⁰⁸ To find these alternatives, small communities must understand the retail development process, the effects of the retail development and the tools available to negotiate for changes in the development of a big box store.

Communities must first understand how a big box retail chooses its sites and what items are considered when developing a site. Retailers look for a market and population to support their establishment. While the market must meet certain criteria, the retailer also examines specific sites which meet their criteria. Value retailers desire accessible, highly visible, central sites which can be developed at a minimum to low cost. Profit is the motivating factor to a big box retailer, thus

¹⁰⁸ Burnett, p. 62.

the potential revenues are weighed against the project and operating expenses. The successful retail development or the highly profitable development depends on the choice of location.

Communities should evaluate how their area meets the retailers criteria for location.

In addition to understanding the retailer process of development, a community must understand the impacts the retail development has on its physical attributes and economy. The retailer affects the physical aspects of a community by contributing to the sprawl development along the edges of a town. Sprawl developments are criticized for its negative environmental impacts. Traditional sprawl development uses up open land, contributes to an increase in pollution and detracts aesthetically from the a small community. While the “sellscape” according to Richard Moe, is now part of the landscape, it is not an acceptable form of development to preservationists. “Sprawl itself is historic. For at least a half century American cities have run riot over the countryside. And sprawl has been dissected and deplored for almost as long.”¹⁰⁹ As the big box can contribute to sprawl development, its impacts are not restricted to its physical impacts.

Big box retail development also have economic impacts. These economic impacts can be both positive and negative. “Big box retailers, or large discount retailers such as Wal-Mart, have been very successful in many communities. They have a big draw, and new stores may therefore siphon demand away from existing weaker centers.”¹¹⁰ The positive results include an increase in jobs, tax base and additional shopper traffic to the small town area. Negative results include the decrease in business activity in local and surrounding areas. Local competing business usually loses business to the retail giant. Communities do not have to allow the discount development impact its community in these negative ways. They can instead take steps to mitigate these negative effects and even try to take advantage of the positive impacts.

¹⁰⁹ Berke, p. 60.

¹¹⁰ Benjamin, p. 288.

Before requesting changes in the traditional big box development, small communities must understand how it can influence or control these developments. Small towns must rely on their local public planning tools to gain leverage for negotiation with a big box retailer. These policy tools include an up-to-date comprehensive plan, planning approval procedures and processes, and zoning ordinances. Using the comprehensive plan to guide future development in a community, a community, through its planning commission, can ask for changes in a proposed development with leverage gained by the approval process or a change in the zoning of site.

Once a community has prepared itself through the effective use of its planning policy, the small town can negotiate for changes a big box proposal to mitigate any potential negative impacts. A popular choice for small communities is the denial of approval for a proposed development. While keeping a big box out of a community does mitigate the negative physical effects, in many case the town suffers from the same negative economic impacts due to the retailer simply locating in a nearby town. Many communities instead accept the loss of some local business in exchange for the increase in sales revenues and service establishments brought on by the introduction of a discount retail chain. Small towns negotiate with a value retailer for a downtown location, building reuse, changes in building design, and other concessions. While none of these potential alternatives mitigates all negative effects, they all attempt to come to some solution between the small town's and the big box retailer's interests.

Thus, it is recommended that preservationists and small communities not approach the big box as the enemy. Alternatively, small communities should consider both parties interests and look for solutions which satisfy both parties needs. These solutions, as indicated by the array of alternatives already reached between the retailer and a community, do not mitigate all the negative effects of the big box retailer. These solutions by themselves will not protect, maintain or rejuvenate a decaying downtown. Negotiations with a value retailer are only one step to taking

care of the historic cultural resources of the small towns in the United States. Other programs and solutions should also be considered in addition to the planning aspects of dealing with the big box retailer. These additional solutions can include implementing a Main Street program, economic development incentives, historic preservations incentives and infrastructure, such as road improvements and planning.

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