

# A Study of the Redistribution of Retail Sales in Minnesota from 1990 to 2007

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## Introduction

One common perception when discussing retail trade in rural areas is that large retail centers “steal” retail sales from nearby counties. For instance, that same perception might lead someone who lives in a county adjacent to Mankato to believe that Mankato has a negative effect on the retail environment of their county. This research seeks to investigate the validity of the perception that a retail center “steals” retail sales from nearby counties. We sought to understand the seventeen year trend in retail sales for several regional centers in Minnesota and their surrounding counties. We also worked to analyze the effect that the opening of large retail chain stores had on surrounding counties. To accomplish all of this, we utilized taxable retail sales data from the Minnesota Department of Revenue. The geographic scale of Wal-Mart’s impact is also analyzed in this project. We reviewed previous research from other universities and searched for similar findings specific to Minnesota.

## Objective

The purpose of this analysis was to better understand the relationship that regional centers such as Hutchinson, Mankato, and Marshall have on neighboring counties, in regard to taxable retail sales and number of firms.

## Hypothesis

We expect to see increases in the taxable retail sales of a regional center being accompanied by decreases in adjacent counties. If true, this would imply that sales were “stolen” from neighboring areas. We also expect to see an inverse relationship in the number of retail businesses for regional centers and their neighbors.

## Context

Figure 1: Retail Taxable Sales in Greater Minnesota (adjusted for inflation)

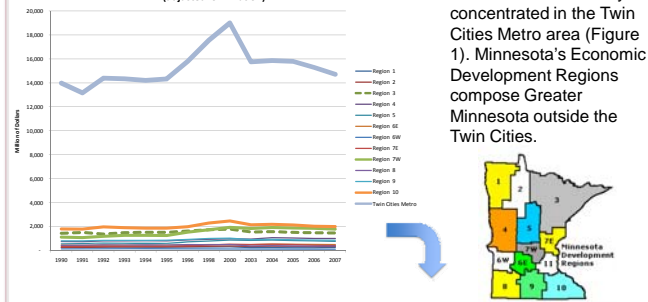
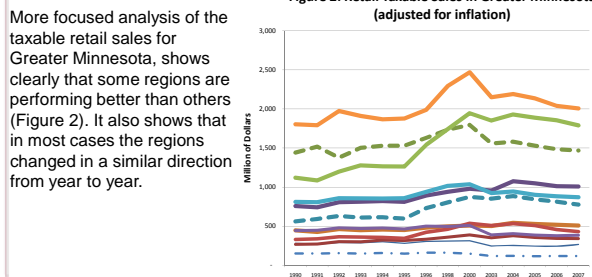


Figure 2: Retail Taxable Sales in Greater Minnesota (adjusted for inflation)



## Hutchinson

Figure 3: Taxable Retail Sales in Rural McLeod County & Hutchinson Constant \$

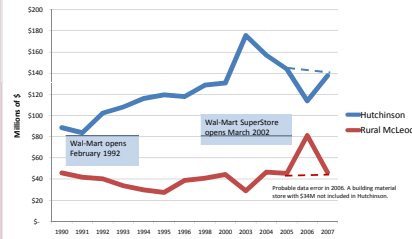


Figure 4: Taxable Retail Sales per Capita in Hutchinson and Remainder of McLeod County

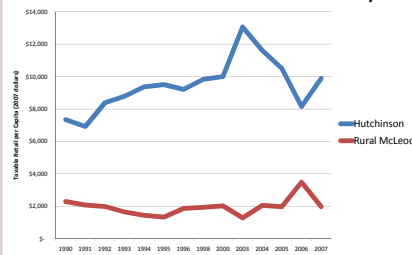
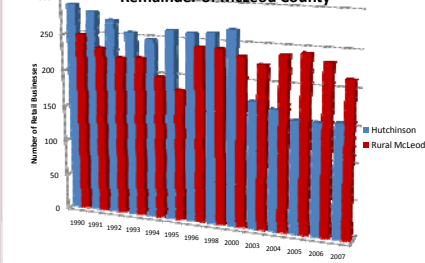


Figure 5: Retail Businesses in Hutchinson & Remainder of McLeod County



## Mankato

Figure 6: Mankato Area Taxable Retail Sales

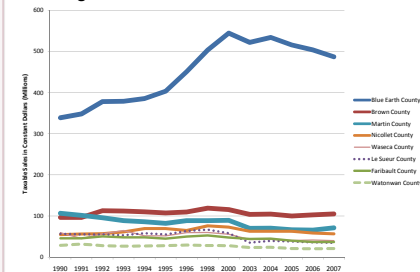


Figure 7: Mankato Area Taxable Sales Per Capita Constant \$

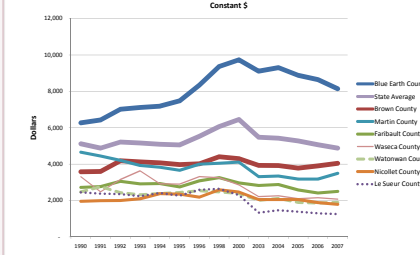
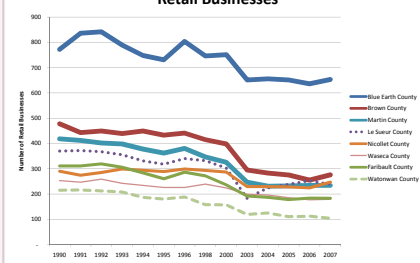


Figure 8: Number of Mankato Area Retail Businesses



## Marshall

Figure 9: Marshall Area Retail Taxable Sales

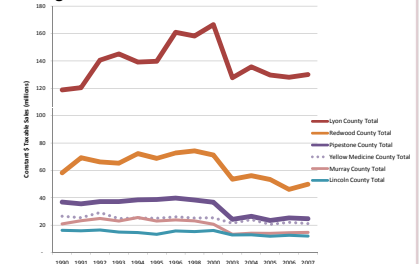


Figure 10: Retail Sales Per Capita

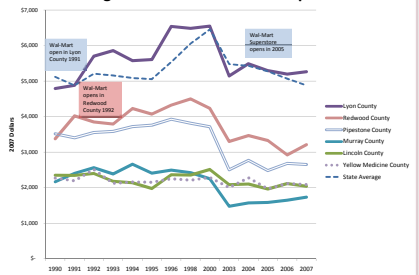
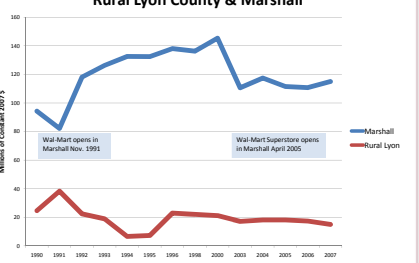


Figure 11: Taxable Retail Sales in Rural Lyon County & Marshall



## Conclusions

Our hypothesis that increases in taxable retail sales of a Regional Center (RC) will be accompanied by a similar decrease in sales of adjacent counties was not proven true. There doesn’t seem to be evidence that additional amounts of retail sales are being stolen by RCs from adjacent counties since 1990. However, when comparing between RCs and the remainder of the host county (Figure 4 & 11) the change in taxable retail sales fits with our hypothesis. It appears that a Wal-Mart opening won’t always effect adjacent county retail sales (Figure 10). A Wal-Mart opening in a RC does appear have an inverse effect on taxable retail sales for the rest of the RC host county (Figure 3 & 11). This suggests that a Wal-Mart opening has a localized effect on taxable retail sales that doesn’t extend much beyond the host county. Previous studies of the economic impact of Wal-Mart stores and Wal-Mart Supercenters by Al Myles and Ken Stone in Mississippi (2002) and David Darling and Manjula Boyina in Kansas (2003) had shown a much greater impact in adjacent counties than these examples.

## References

Myles, Albert E., Ken Stone, and Georgeanne Artz, "Economic Impact of WalMart Supercenters on Existing Businesses in Mississippi," Mississippi State University Extension Service, December 2002 (Publication M1283).

Boyina, M., "An Examination of Pull factor Change in Non-Metro Counties in Kansas: A Study of the Impact of Wal-Mart Construction" PowerPoint Presentation 2003 while a graduate student at Kansas State