

IMPACT OF THE WAL-MART PHENOMENON ON RURAL COMMUNITIES

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ABSTRACT

Rural communities have been suffering retail sales losses at least since the late 1880s when Wards and Sears initiated their mail order operations, but the losses inflicted by the discount mass merchandiser stores in the last two decades are probably the severest of all. A 1997 study of Iowa towns with Wal-Mart stores at least 10 years old found that non Wal-Mart towns fare poorly compared to Wal-Mart towns. Towns under 2,500 population suffer the most, since they do not have a critical mass of stores and have little influence over the location decision. There is a need for the education of public officials in the economics of mass merchandiser stores.

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There is strong evidence that rural communities in the United States have been more adversely impacted by the discount mass merchandisers (sometimes referred to as the Wal-Mart phenomenon) than by any other factors in recent times. Studies in Iowa have shown that some small towns lose up to 47 percent of their retail trade after 10 years of Wal-Mart stores nearby (Stone 1997).

Overview

The discount mass merchandisers are not the only threats that small town retailers have faced. In the more distant past, mail order catalogs distributed by Montgomery Ward and Sears Roebuck in the late 1800s caused quite a stir at the time (Mahoney). The mail order catalogs offered large selections at competitive prices. Coincidentally, a well established railroad system provided nation-wide delivery of mail order goods within a few to several weeks. At its peak, Sears Roebuck offered over 100,000 items through its catalog and captured some sales from local merchants.

The next major threat to rural retailers was the automobile. In the 1920s and 1930s automobiles and roads developed to the point where rural residents gained considerable mobility and could more easily leave their small home towns and travel to shop at larger towns and cities. However, this trend was slowed in the 1930s because of the Great Depression and in the early 1940s because of World War II and its resultant shortage of goods. The late 1940s was a boom time for retailers in both rural areas and

