

A Survey of the Economic Impact of the Big M Supermarket Operating in the Downtown Business District of Little Falls, New York

Main Street First
Little Falls, New York

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The Economic Impact of the Big M Supermarket

Summary:

The presence of a supermarket located on Main Street in Little Falls has a profound impact on the viability of the downtown commercial district in our City. The current supermarket, an independently-owned Big M Supermarket, generates 727 daily trips to the downtown, or 265,198 annual shopping trips. In turn, these Big M shoppers generate a total of 483 daily trips or 176,329 annual trips to other businesses in downtown Little Falls for such purposes as shopping, dining, banking or seeking professional services. Altogether, the shoppers at the Big M spend an aggregate of \$25,462 per day or \$9,293,630 per year in the Little Falls downtown commercial district.

Viewed on both a daily and a yearly basis, the downtown supermarket injects the following economic stimulus into other downtown businesses of Little Falls:

- 228 grocery shoppers per day or 83,227 per year visit other downtown retail shops and stores
- 73 grocery shoppers per day or 26,802 per year use downtown banks or financial services
- 81 grocery shoppers per day or 29,623 per year dine in downtown restaurants or taverns
- 35 grocery shoppers per day or 12,696 per year utilize downtown professional services
- 66 grocery shoppers per day or 23,981 per year utilize other commercial services.

It should be clear to even the casual observer that if the downtown supermarket were to close, the loss of the collateral economic activity associated with the facility could have a potentially devastating economic impact on the downtown commercial district in Little Falls. Quite simply, a supermarket is one of the key economic anchors of commerce in downtown Little Falls.

The economic impact of the Big M Supermarket in downtown Little Falls does not end with the consumer-driven trade associated with the market. The Big M is a major employer in the Little Falls downtown, and it is the anchor store of the Shoppers Square shopping mall, which is itself home to other key businesses which generate a significant amount of trade and which employ a significant number of people. Finally, this shopping mall pays a substantial amount in ad valorem taxes. For these reasons, it is worth briefly reviewing these facts:

- Big M employs a total of 27 people, in 17 fulltime and 10 part-time positions
- Other stores in Shoppers Square employ 44 people, in 21 fulltime and 23 part-time positions
- Altogether, Shoppers Square employs 71 people, in 38 fulltime and 33 part-time positions
- Owing to its net lease agreement with TRB Associates, the owner of Shoppers Square, the Big M Supermarket pays \$16,000 annually in ad valorem taxes
- Shoppers Square pays \$68,000 annually in ad valorem taxes, with \$60,500 of that going to the Little Falls City and School District.

In our earlier study, *An Initial Assessment of the Potential Economic Impact of the Proposed Quarry Project: Little Falls, New York* (2010), we laid out the case, using industry-standard data, that the opening of a national chain supermarket at the quarry site would all but certainly lead to the rapid failure of the Big M Supermarket. The remainder of this study is devoted to helping citizens and policy makers reassess what that loss would entail for the economy of downtown Little Falls.

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Discussion:

In our recent discussions with developers and city planners, the question has been raised as to whether a supermarket complements the Little Falls downtown, or whether a supermarket would be better located on the outskirts of the City. In order to rationally answer such a question, we first need to establish a solid profile of who exactly utilizes the existing downtown supermarket. Thus the major goal of this survey is to provide citizens and policy makers alike with a statistically valid picture of the shoppers that patronize the Big M, and what else they do on their grocery shopping trips downtown.

To that end, we found that the average Big M Shopper is relatively young, between the ages of 21 and 49 years old, and lives within the confines of the City of Little Falls. While the average shopper drives to the Big M, we should note that a statistically significant number of shoppers also travel by foot to the market: a full 17.55% of shoppers, or 128 people per day, walk to the Big M Supermarket. The majority of trips to Big M are related to convenience needs, as indicated by the fact that nearly two-thirds (64.36%) of the Big M's customers visit the market more than once a week.

In our opinion, these data confirm that Big M primarily serves a convenience-oriented market niche. This makes it particularly vulnerable to a larger, better-capitalized competitor that might displace it in the retail trade area. We thus reiterate the finding in our *Economic Impact Assessment* (Van Meter 2010) that the Little Falls trade area is demographically unable to support two supermarkets, and that Big M would all but certainly close if a national chain supermarket were to open at the quarry site. But before we simply assume that competition is good and write off the Big M, we need to fully measure the impact that the Big M's shoppers currently have on the economy of the downtown commercial district, and whether the loss of the downtown supermarket would have any significantly detrimental effect on the rest of the downtown economy.

Thus, another major goal of this survey is to add some statistical color to our rather generalized discussion of the downtown retail multiplier effect associated with Big M that we mentioned in our *Economic Impact Assessment*. Nearly half (48.40%) of the 727 daily visitors to the Big M engage in other shopping or commercial activities in downtown Little Falls during their shopping outing. This translates to 352 people per day who plan to shop, bank, eat or do other business in downtown Little Falls during their visit to the Big M Supermarket. On average, the Big M shopper plans to spend \$35.04 on his or her trip to downtown Little Falls. This seemingly modest figure translates into \$25,462 per day spent in downtown Little Falls, or \$178,234 per week, and \$9,293,630 per year.

We cannot, of course, assert causality in this case. But the bottom line for citizens and policy makers alike to understand is that the presence of a downtown supermarket is associated with the generation of approximately 265,000 shopping visits per year in downtown Little Falls, and about half of these shoppers plan to do business in one or more other downtown establishments in conjunction with their grocery shopping trip. Altogether, those shoppers are responsible for spending well over \$9.2 million dollars per year in downtown Little Falls. Thus, when considering the potential wisdom of offering public financial support for the quarry mall project, we must confront the pressing question of what impact the potential loss of those shoppers and those dollars might have on the businesses of the Little Falls downtown commercial district. It is vital that policy makers fully understand the extent to which a supermarket serves as an anchor of the downtown business district, and that if the Big M fails as a result of the quarry project there will be a very real and all too predictable ripple effect of lost sales and thus closed businesses and lost jobs in the broader downtown area.

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Statistical Analysis of the Big M Shopper:

The Big M Supermarket generates 727 unique daily trips, or 5,086 unique weekly trips. To establish an initial statistical profile of the typical Big M Shopper and his or her impact on the Little Falls downtown economy, we surveyed five discrete samples totaling 188 visitors, and asked them some basic questions about their consumer habits, shopping plans, and demographic background. Our margin of error (adjusted for the finite population correction), at a 95% confidence level, is 6.19%.

Age:

A significant proportion of Big M shoppers are between the ages of 21 and 49 years old. Age distributions of respondents are shown in Table 1, below.

Table 1. Age Distribution of Big M Shoppers

Age Range:	Percent of Respondents:	Projected Daily Visitors:
Under Age 21	5.85%	43
Age 21 to 49	42.55%	309
Age 50 to 65	32.45%	236
Over Age 65	19.15%	139

Residency:

The vast majority of Big M Shoppers live within the City of Little Falls, followed distantly by various other nearby towns (except the Town of Little Falls) taken in the aggregate, and then by the Town of Little Falls. Of the other home towns of our respondents, Dolgeville, Herkimer, St. Johnsville, Danube, Fort Plain, and Salisbury are among the most frequently mentioned, but none are mentioned often enough to assume statistical significance.

Table 2. Residency of Big M Shoppers

Place of Residence:	Percent of Respondents:	Projected Daily Visitors:
City of Little Falls	60.10%	437
Town of Little Falls	15.96%	116
Other	23.94%	174

Mode of Transportation:

The majority of Big M Shoppers drove to the market. Still, a statistically significant number of shoppers walked to the store. On average, 128 people per day walk to Big M to do their grocery shopping. The scope of this statistic has important implications, both for creating a walkable local community, and for ensuring good access to food for the elderly and disadvantaged citizens of Little Falls.

Table 3. Mode of Transportation of Big M Shoppers

Mode of Transport:	Percent of Respondents:	Projected Daily Visitors:
Drove to the Store	82.45%	599
Walked to the Store	17.55%	128

Other Commercial Business Downtown:

We found that 48.40% of the shoppers at Big M planned to do other commercial business in downtown Little Falls during their shopping trip. That translates to 352 people patronizing other downtown businesses in

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conjunction with their grocery shopping trip each day, or 2,462 visits per week, or 128,367 total downtown visits per year. When adjusted for cases of where the shopper visits multiple other businesses on the same trip, the total of daily trips is significantly higher, at 176,329 total visits across the business categories.

Table 4. Big M Shoppers Planning Other Downtown Business

Other Business:	Percent:	Daily Trips:	Weekly Trips:	Annual Trips:
All Other Business	48.40%	352	2,462	128,367
Shopping	31.38%	228	1,596	83,227
Banking/Financial	10.11%	73	514	26,802
Professional	4.79%	35	243	12,696
Eating	11.17%	81	568	29,623
Other	9.04%	66	5460	23,981
Cross-Category	--	483	8,381	176,329

Money Circulated Downtown by Big M Shoppers:

We asked survey respondents to estimate how much total money they would spend on their trip to downtown Little Falls. Needless to say, such a figure must be taken with a grain of salt. While some shoppers are good at budgeting for a shopping trip, others have a natural tendency to underestimate how much they will spend, and still others will make unplanned impulse purchases. For these reasons, we suggest that the following self-estimates by Big M Shoppers are likely to significantly under-represent the actual amount of money spent on a shopping trip.

The average shopper self-estimated that he or she would spend a total of \$35.04 on that particular shopping trip, with a wide standard deviation of \$36.28. The median figure was \$22.50. Despite the obvious right-handed skew of these results, the 95% confidence level in these estimates remains quite acceptable, at 5.19%

Table 5. Average Estimates of Money Spent Downtown by Big M Shoppers

Daily Funds Spent:	Weekly Funds Spent:	Monthly Funds Spent:	Annual Funds Spent:
\$25,462	\$178,234	\$763,860	\$9,293,630

A Risk Assessment:

As we have seen, a full 75% of the Big M shoppers are of working age (21 to 65 years old), a vast majority (76%) live in the City of Little Falls, and most of them (65%) visit Big M more than once a week. These data confirm that the Big M Market clearly occupies a convenience niche in the trade region's supermarket value propositions, and the majority of its customers reside within the industry-standard 1-to-3 mile radius of the store.

What is the risk that opening a national chain supermarket at the proposed Quarry Mall site would cause the failure of the Big M Supermarket in the downtown of Little Falls? Using empirical industry-standard data (see Kramer 2006), we can readily determine that the trade area serviced by the Little Falls Big M supports a sales demand for 20,606 square feet of supermarket space, or 4.13 square feet per capita. The Little Falls Big M occupies approximately 16,000 square feet of sales space; upon the opening of the proposed supermarket at the quarry site, the supermarket sales capacity in the immediate Big M trade area would grow to 44,000 square feet, or 8.2 square feet per capita. Thus the supermarket at the quarry would cause an over-capacity of a staggering 214% of what the Big M's trade area can feasibly support. There is simply no conceivable way that both supermarkets could coexist in the Little Falls trade area.

Opening a better-capitalized national chain supermarket at the quarry will all but certainly cause the failure of the Little Falls Big M. In our *Economic Impact Assessment* of the proposed quarry mall (Van Meter 2010), we have sketched out the potentially dire results of this event, which include:

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- A 33%-to-35% probability of Shoppers Square failing within 1-to-5 years.
- A net loss in Little Falls (and Dolgeville) of between 10 and 13 FTE jobs if Shoppers Square manages to remain open and redevelop.
- A net loss in Little Falls (and Dolgeville) of between 40 and 51 FTE jobs if Shoppers Square fails and goes dark.
- A significant (33%-to-35%) probability that the concerned jurisdictions will suffer a net deficit in ad valorem taxes compared to current revenues of between \$49,000 and \$100,000 per year during the duration of the PILOT.

When our *Economic Impact Assessment* was first published, some people greeted these dire predictions with a measure of skepticism. How, they asked, could building a new mall in Little Falls have anything but a positive effect on the overall economy? Not only do we stand by our assessment of the potential negative consequences of the proposed quarry mall project, but we ask in return, how could withdrawing over 265,000 shoppers per year, spending a cumulative \$9.2 million dollars annually, from the downtown commercial district have anything but disastrous consequences for the businesses located in downtown Little Falls?

Methodological Note:

Our survey of Big M Shoppers was conducted over a three day period, beginning on Friday, April 16, 2010, and ending on Sunday, April 18, 2010. A copy of the survey used may be found in Annex A. Samples were taken from all time periods during the regular store hours and from all entrances to the store. We used two young adults to administer the survey, and proposed the project to them as a chance to further develop their statistical skills, largely because we felt that young pollsters with such neutral objectives might help to dampen the emotions surrounding the proposed quarry project.

Given that the field collection of data was constrained by the needs of busy shoppers who were eager to escape inclement (cold and rainy) weather by rushing indoors and thus out of the survey site, we decided to use categorical data types to the extent possible. We did use a continuous data field to assess the amount of money respondents projected spending during their shopping trip, in large part because we did not have a good sense for the norms we would see in Little Falls. Armed with the results of this survey, we might feel emboldened to use categorical range bands for self-estimates of spending in a future survey.

Our total sample size was 188 unique visitors to Big M. Our margin of error at the 95% confidence level, adjusted for a finite population correction based on the daily traffic count at Big M, is 6.19%.

References:

Kramer, Anita. 2006. The Dollars and Cents of Urban Shopping Centers / The SCORE. Urban Land Institute. Washington, DC.

Van Meter, David, and Christine Van Meter. 2010. "An Initial Assessment of the Potential Economic Impact of the Proposed Quarry Mall Project: Little Falls, New York." Main Street First. Little Falls, New York.

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Annex A – The Survey of Big M Customers:

Survey of Consumer Patterns in Little Falls

Date/Time: _____ Weather: _____

Question:	Interview 1	Interview 2	Interview 3	Interview 4	Interview 5
Did you walk or drive to shop today?	W / D	W / D	W / D	W / D	W / D
Are you doing any other business in Little Falls today, such as shopping, banking, eating, or seeing a doctor or a professional?	Y / N	Y / N	Y / N	Y / N	Y / N
If YES, what else will you do in Little Falls today? Circle all that apply.	Shop Financial Professional Eating Other	Shop Financial Professional Eating Other	Shop Financial Professional Eating Other	Shop Financial Professional Eating Other	Shop Financial Professional Eating Other
About how much money do you think you will spend total while shopping or doing your errands while you are in Little Falls today?					
Do you shop at Big M more than ONCE a week?	Y / N	Y / N	Y / N	Y / N	Y / N
What is your age?	Under 21 21 to 49 50 to 65 Over 65	Under 21 21 to 49 50 to 65 Over 65	Under 21 21 to 49 50 to 65 Over 65	Under 21 21 to 49 50 to 65 Over 65	Under 21 21 to 49 50 to 65 Over 65
Where do you live (if Little Falls, is it the City or the Town)?					

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About Main Street First:

Main Street First is an *ad hoc* organization of residents of Little Falls, as well as other stakeholders in the cultural and commercial life of our city. The mission of Main Street First is threefold:

- To encourage and promote economic growth that is both “smart growth” and fiscally-responsible growth, while preserving the unique character of Little Falls and diligently protecting our tax base,
- To oppose the development of a second commercial center on the outskirts of Little Falls, which would lead to the unintended consequence of economic devastation in the city center,
- To function as a citizen watchdog group that ensures that the City of Little Falls plans for the economic revitalization of Little Falls in a fully open and transparent manner.

About the Authors:

David C. Van Meter. David holds a BA in History from the University of Nevada, Las Vegas and a PhD from Boston University. David works as a financial advisor and registered securities representative with Choice Investments, LLC, of Little Falls, and he is the owner of Van Meter Tax Services, where he works as a business and tax consultant. David’s experience includes urban community advocacy and infrastructure development with Catholic Charities, VISTA and the Corporation for National Service.

Christine M. Van Meter. Christine holds BA in Economics from SUNY Potsdam, and a MBA from Boston University. Christine is a partner in Choice Investments, LLC, of Little Falls, where she works as a financial advisor, registered securities representative and registered principal. Christine’s experience includes over twenty years of retail and commercial banking and financial consulting.

About the Poll-Takers:

Luke L. Van Meter. Luke is a student at Little Falls Middle School, where he is an avid math and sciences student. He enjoys playing football, basketball and baseball. Luke currently hopes to attend the U.S. Naval Academy to major in electronic engineering, and then serve as a naval officer.

Nicole M. Van Meter. Nickie is a senior at Little Falls High School. She is a member of the National Honor Society, and plays on the Varsity Field Hockey team as goal-keeper and on the Varsity Softball team as pitcher. Nickie will be attending Colgate University in the Fall.