

**Mega marts don't enhance, only replace area business: US study**

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Will the coming up of a mega mart in the neighbourhood affect local stores? The jury's still out.

But, one study in US is skeptical about the economy-enhancing benefits of mega retailers on neighbourhoods in that country. The study found that large city Walmarts actually end up absorbing retail sales from other city stores, without significantly expanding the market.

The 2009 research study by the Centre for Urban Research and Learning, Loyola University, Chicago, surveyed the impact of a Walmart store on area business in West Side of Chicago.

It showed that after a Walmart store opened on the West Side of Chicago in September 2006, the area saw a loss of about 300 full-time equivalent jobs, and 82 of the 306 enterprises went out of business over the study period (summers of 2006-07 and 2008).

“Walmart's sales were replacing, but not enhancing, the retail activity in the community, as indicated by relatively steady sales tax revenues before and after the addition of the store. Similarly Walmart was replacing, but not enhancing, employment opportunities in the community,” the study said.

Most of the closed stores were in proximity to the Walmart outlet. “The relationship to distance was particularly strong for establishments in electronics, toys, office supplies, general merchandise, hardware, home furnishings, and drugs,” the study said.

The research team also obtained sales tax data from the Illinois Department of Revenue and found no evidence of an overall upturn in sales, rather a decline. “If the sample is limited to the six quarters (18 months) before and after Walmart opened, there is a significant decline in the trend of zip code sales,” it added.

Retail advocates in India, however, feel that two different economies and geographies cannot be compared.

“Developed economies have a flat market and shopping is done only on week-ends after driving a good distance in cars. We are more a daily-buying kind of market. Also, distance and logistics is a big issue here. So, overall FDI in retail definitely has front-end benefits here. In any case, organised retail has not really replaced kirana stores,” said Mr Paresh Parekh, Tax Partner (Retail & Consumer Products), Ernst & Young.