

Bronx Multiplayer Effect: Negative Economic Impact of BJ's Ripples Throughout the Bronx

What we have just touched upon, the ancillary business generation stimulated by neighborhood supermarkets, cannot be overstated. It is estimated that the local stores account for over 80,000 customer trips every week. It goes without saying that these customers are vital to the stability of scores of commercial strips within this market area. Even when a supermarket closing is replaced by a different retail use, there is a significant diminution of retail activity since food shopping generates the most frequent amount of customer trips.

This emphasis on neighborhood business does, however, have another crucial dimension. Locally-owned stores tend to spend a greater percentage of their revenue within a local jurisdiction. As the Institute for Local Self-Reliance found in its analysis of big box store impact in a region in Maine, locally owned businesses spent 44.6 percent of their revenues within the two surrounding counties with 8.7 spent elsewhere in the state: “Based on our estimate, a typical big box store spends 14.1 percent of its revenue with the local and state economy. The rest leaves the state, flowing to out-of-state suppliers or back to corporate headquarters” (The Economic Impact of Locally Owned Business vs. Chains: A Case-Study in Midcoast Maine, 2).

The conclusion of the Institute’s study is that the encouraged growth of locally-owned business has a multilayer effect on Maine’s economy. As it points out, with strong implications for the Bronx and the rest of New York City, “From an economic development perspective, the ramifications of this are substantial. Based on current growth rates, annual retail sales in Rockland, Camden and Belfast will expand by \$74 million over the next four years. If all of this additional spending were captured by new

and expanding locally owned businesses, it would add \$23 million more to the local economy each year than if all the new spending were captured by chains. That's the equivalent of more than 500 jobs" (Ibid, 4).

While the Bronx is certainly worlds apart from the bucolic Maine atmosphere, the economic variables are not as disparate as the environments of the two areas. What we can't be certain of, without a more rigorous analysis, is just how much other local business opportunity is sacrificed when a box store comes into the Bronx. It is, however, the kind of analysis that should be required – of the developer – before any special permit is approved.

BJ's Threatens Profitability of Wholesale Food Business in the Bronx

In the Institute of Local Self-Reliance Study of in-state spending by local businesses a large percentage of this spending was determined to be inventory supplied by local distributors. In the case of the food industry this factor is of the utmost significance for the Bronx precisely because the borough is the hub of New York City's wholesale food business. According to the New York Industrial Retention Network (NYIRN), 40% of all the city's meat and 80% of its produce originates in the Hunts Point Wholesale Market ("Food From New York City: An Analysis of New York City's Food Manufacturing Industry"). The wholesale market accounts for 2,415 union jobs, complete with family wages and benefits.

The wholesale food industry in the Bronx is in a symbiosis with the borough's food retailers. Independent supermarkets, green grocers and bodegas all rely on the proximity of the Hunts Point Market for the purchase of their meat and produce. Our initial estimate for supermarkets in the impacted BJ's market area is that wholesale food

purchases are greater than \$600,000 per week and exceed \$33 million in annual sales. Inevitably, then, the potential loss of retail business to BJ's entry into the Bronx must be multiplied considerably when considering the concomitant loss of wholesale business.

The over \$2 billion a year in wholesale food purchases, a major economic engine for the Bronx, is built on a foundation of local retailers. A more comprehensive economic impact analysis would further calculate the retail-wholesale interconnection. What should be added here is that many of the wholesale businesses have also begun to change hands, with minority entrepreneurs moving in to take over wholesale firms that supply retail businesses that are also minority-owned.

This is a key point. The success of local stores has been built on their adaptability to the changing needs of a diverse customer base. Independent supermarkets are able to compete because of their keen awareness of the needs of the various ethnic groups that are part of the Bronx's rich cultural diversity. What this means is that the symbiosis referred to earlier involves distributors, manufacturers, retailers and consumers. As the NYIRN points out, "New York City's diverse ethnic and immigrant populations are very important to both the demand and the supply side of the food industry. Networks throughout the different ethnic and immigrant communities recruit the workforce for the industry, form the market for new ethnic food products and create opportunities for new entrepreneurs" (Ibid, 2).

The importance of this wholesale market has been recognized by the public sector. Just recently the Bronx Borough President, Adolfo Carrion, was instrumental in providing a \$2 million loan to Nebraskaland, a meat wholesaler in Hunts Point. In

addition, the Bronx Assembly delegation recently came up with \$7 million to aid in the continued expansion and improvement of the market.

The level of public investment is a recognition of the important of the wholesale food business to the borough and to the city as a whole. A fuller analysis of this importance, along with an evaluation of the relationship between local retailers and the wholesale markets, should be done before box stores are permitted to site themselves in the borough.

It does seem clear, however, that a BJ's store, supplied from an out-of-state warehouse, can only diminish the level of Bronx wholesale food business. This point is emphasized, with unintentional irony, by the BJ's Wholesale Club Inc. in its most recently filed 10-K form with the Securities and Exchange Commission: "Our ability to achieve profitable operations depends upon high sales volumes and the efficient operation of our warehouse clubs. We buy most of our merchandise from manufacturers for shipment either to a BJ's cross-dock facility or directly to our clubs. This eliminates most of the costs associated with traditional multi-step distribution channels" (4, January, 31, 2004).

Conclusion

The opening of a BJ's warehouse club in the Bronx has serious economic implications for the entire borough. The analysis in this report is from a perspective that is both skeptical and critical of the entire box store phenomenon. The existing research, however, indicates that a box store proliferation will have a profound impact on retailing in any region. There will be both costs and benefits from the entry of these stores.

Up until this time, the entry of box stores into New York City has not been subject to rigorous review. A number of Costco developments have been defeated in Manhattan and Brooklyn on an ad hoc basis while other box stores have successfully navigated the land use review process.

It is time to stop this site-by-site review, step back, and demand an independent review of the potential of big box stores for the future economic development of New York City. In this review we need to recognize that this city has unique characteristics and qualities that are worth preserving. This is not Boston, Arkansas or even Los Angeles. Until this kind of review is conducted, however, caution dictates that the current proposal to put a BJ's on Brush Avenue in the Bronx be emphatically turned down.