



Laredo Chamber of Commerce

VISION 2006 Conference

Cross-Border Retail Commerce Panel

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Federal Reserve Bank of Dallas

Cross-Border Shopping Activity Conference

January 13, 2006
San Antonio, Texas

Presentations

- Using Personal Income and Retail Sales Data to Estimate Exported Retail Sales Along the Texas-Mexico Border (Roberto Coronado)
- A Profile of the Cross-Border Mexican Shopper and Shoppers' Impact on the Valley Economy (Suad Ghadder)
- Economic Impacts of Mexican Visitors to the Arizona Economy (Alberta Charney)
- Real Exchange Rate Fluctuations and the Dynamics of Border Retail Trade (Jeffrey Campell)
- Retail Trade on the U.S.-Mexico Border During the NAFTA Implementation Era (Richard Adkission)
- Retailing to Foreign National Consumers in the Border Zone: The Impact of Currency Devaluation and Cross-Border Competition (John Hadjimarcou)
- The Impacts of 9/11 and US-VISIT on Border Retailing (Michael Patrick)
- The Impacts of 9/11 on the Border Economy (Tom Fullerton)

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Questions Addressed

1. Is retailing important to U.S. border communities?
2. Do cross-border shoppers constitute an important part of border retailing?
3. Why do consumers cross the border to shop?
4. What affects the flow of cross-border shoppers?



Q & A

Q. Is retailing important to U.S. border communities?

A. Yes. Retailing accounts for the lion's share of total industry sales in most Texas border communities. It also is an important source of employment and local government revenue (via sales tax rebates).

Table 1

Texas Border MSA's
Total Sales & Wholesale/Retail Sales
2004 (Billions)

	Brownsville MSA	McAllen MSA	Laredo MSA	El Paso MSA	Border MSA's	Texas
Total Sales	5.9	10.6	4.5	18.6	39.6	1,154.3
W/R Sales	4.3	7.7	3.6	11.7	27.3	636.3
W/R Sales (Pct. of Total)	72.9	72.6	80.0	62.9	68.9	55.1

Source: Texas Comptroller of Public Accounts

Table 2

Texas Border MSA's
 Total Employment & Wholesale/Retail Employment
 2004 (Thousands)

	Brownsville MSA	McAllen MSA	Laredo MSA	El Paso MSA	Border MSA's	Texas
Total Employment	116.4	184.5	77.6	256.8	635.3	9,478.3
W/R Employment	18.6	33.3	13.5	43.4	108.8	1,546.4
W/R Employment (Pct. of Total)	16.0	18.0	17.4	17.0	17.1	16.3

Source: Texas Workforce Commission

Table 3

Texas Border MSA's
Retail Sales Tax Rebates
2004 (Millions)

	Brownsville MSA	McAllen MSA	Laredo MSA	El Paso MSA	Border MSA's
Retail Sales Tax Rebates	25.5	46.1	24.6	51.5	147.7

Source: Texas Comptroller of Public Accounts



Q & A

- Q. Do cross-border shoppers constitute an important part of border retailing?
- A. Yes. Cross-border shoppers account for roughly 31 percent of total retail sales in Texas Border MSA's. In addition, local bridge fees paid by cross-border shoppers are an important source of local government revenue.

Table 4

Texas Border MSA's
Percentage Sales to Cross-Border Shoppers
(Average 1978 - 2001)

	Brownsville MSA	McAllen MSA	Laredo MSA	El Paso MSA	Border MSA's
Sales to Cross-Border Shoppers (Percent)	25.7	35.6	51.1	11.3	30.9

**Source: Keith Phillips and Roberto Coronado, Federal Reserve Bank of
Dallas, April 2005**

Table 5

Texas Border MSA's
Local Bridge Revenues
2004 (Millions)

	Brownsville MSA	McAllen MSA	Laredo MSA	El Paso MSA	Border MSA's
Local Bridge Revenues	14.2	10.2	33.2	13.4	71.0

Source: Texas Comptroller of Public Accounts



Q & A

Q. Why do consumers cross the border to shop?

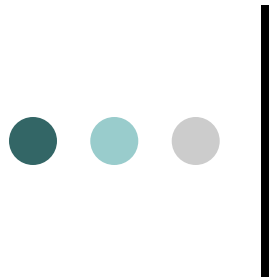
- A.
- Lower prices
 - Availability of merchandise
 - Variety
 - Assortment
 - Quality
 - Customer service
 - Retail ambiance



Q & A

Q. What affects the flow of cross-border shoppers?

- A.
- Foreign exchange fluctuations (value of the peso)
 - Regulations (visas, border crossing cards, duties)
 - Cross-border competition
 - Delays crossing the border



Q & A

Q. Can delays at the border discourage cross-border shopping?

A. At some point, yes. Some evidence:

1. A University of Texas-Pan American study of 1,000 cross-border shoppers (in 2004) found that 57 percent would not be willing to **wait for more than one hour** to cross the border. Instead, they said, they would shop more in often Mexico. Many, however, said, although they would make fewer shopping trips U.S., they would increase their expenditures per shopping trip.



Q & A

Some evidence (continued)

2. In a Texas A&M International University study of 800 cross-border shoppers (in 2004), 40 percent said **if wait times** to cross the border **exceeded one hour**, they would reduce their cross-border shopping trips and purchases by one-third (33 percent). That represents a 13.2 percent (40 percent x 33 percent) drop in purchases overall.



Q & A

- Q. Suppose the 800 cross-border shoppers were representative of all cross-border shoppers, shopping in Laredo stores in 2004. What impact would a 13.2 percent decline in cross-border purchases have on the Laredo economy?
- A. Let's do the math.

Table 6

Laredo 2004 Benchmark Data

Total Gross Sales	\$4.5 billion
Total Employment	77,600
Total Unemployed	5,700
Unemployment Rate	6.8 percent
Wholesale/Retail Sales	\$3.6 billion
Wholesale/Retail Employment	13,500
Wholesale/Retail Sales per Employee	\$266,667
Percentage of Wholesale/Retail Sales to Cross-Border Shoppers	51 percent

Table 7

Wholesale/Retail Sales Break-Out

	Local (49%)	Cross Border (51%)
Sales	\$1.76 billion	\$1.84 billion
Employment	6,615	6,885



Laredo 2004 Impact of a 13.2 Percent Decline in Cross-Border Sales (estimate)

- Wholesale/Retail Sales Fall by \$242.9 Million
(\$1.84 billion x .132 percent)
- 911 Wholesale/Retail Sector Jobs Lost
(\$242.9 million/\$266,667.00)
- Total Industry Sales Decline 5.4 Percent
- \$1.8 Million in Sales Tax Rebates Lost
- Total Employment Declines by 1.2 Percent
- Total Number of Unemployed Increases by 15.9 Percent
- Unemployment Rate Increases by 1.0 Percent
(6.8 percent to 7.8 percent)



Laredo

Retailing and Cross-Border Sales

Tentative Conclusions

- Retailing is an important part of the Laredo economy.
- Cross-border retail sales constitute a significant portion of total retail sales.
- The number of pedestrian and vehicles crossing at Laredo's port of entry has been declining since 2000. The same is true for other Texas MSA border ports of entry.
- Nevertheless, Laredo's retail sales (and those of the other Texas border MSA's) continue to grow.
- Several possible explanations —
 1. Although cross-border shoppers are crossing less frequently, they are purchasing more each trip.
 2. Local retail sales continue to increase as Laredo's population continues its strong growth.
 3. Both cross-border sales and local sales continue to grow.

Table 8

Percentage Change in Northbound
Pedestrian and Vehicle Border Crossings
At Major Border MSA Ports of Entry, 2000-2005

	<u>Pedestrians</u>	<u>Vehicles</u>
	(percentage change)	
Brownsville	(30.6)	(18.5)
McAllen	(6.9)	(11.0)
Laredo	(16.3)	(20.6)
El Paso	(16.9)	(11.0)

Source: Data Compiled by Texas Center for Border Economic and Enterprise Development, Texas A&M International University

Table 9

Major Border MSA's
Retail Sales and Population Growth, 2000-2005

	<u>Retail Sales</u>	<u>Population</u>
	(percentage change)	
Brownsville	26.9	12.2
McAllen	44.5	15.1
Laredo	23.9	16.3
El Paso	14.9	8.8
Texas	21.0	8.5

Source: Data Compiled by Texas Center for Border Economic and Enterprise Development, Texas A&M International University



Comments? Questions?

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