Laredo Chamber of Commerce

VISION 2006 Conference

Cross-Border Retail Commerce Panel

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Regents Professor and Director
Texas Center for Border Economic and Enterprise Development
Texas A&M International University

March 2, 2006
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)
Federal Reserve Bank of Dallas

Cross-Border Shopping Activity Conference

January 13, 2006
San Antonio, Texas

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. 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).
### Texas Border MSA’s
**Total Sales & Wholesale/Retail Sales**
**2004 (Billions)**

<table>
<thead>
<tr>
<th></th>
<th>Brownsville MSA</th>
<th>McAllen MSA</th>
<th>Laredo MSA</th>
<th>El Paso MSA</th>
<th>Border MSA’s</th>
<th>Texas</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Sales</strong></td>
<td>5.9</td>
<td>10.6</td>
<td>4.5</td>
<td>18.6</td>
<td>39.6</td>
<td>1,154.3</td>
</tr>
<tr>
<td><strong>W/R Sales</strong></td>
<td>4.3</td>
<td>7.7</td>
<td>3.6</td>
<td>11.7</td>
<td>27.3</td>
<td>636.3</td>
</tr>
<tr>
<td><strong>W/R Sales (Pct. of Total)</strong></td>
<td>72.9</td>
<td>72.6</td>
<td><strong>80.0</strong></td>
<td>62.9</td>
<td>68.9</td>
<td>55.1</td>
</tr>
</tbody>
</table>

**Source:** Texas Comptroller of Public Accounts

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## Table 2

### Texas Border MSA’s
**Total Employment & Wholesale/Retail Employment 2004 (Thousands)**

<table>
<thead>
<tr>
<th></th>
<th>Brownsville MSA</th>
<th>McAllen MSA</th>
<th>Laredo MSA</th>
<th>El Paso MSA</th>
<th>Border MSA’s</th>
<th>Texas</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Employment</strong></td>
<td>116.4</td>
<td>184.5</td>
<td><strong>77.6</strong></td>
<td>256.8</td>
<td>635.3</td>
<td>9,478.3</td>
</tr>
<tr>
<td><strong>W/R Employment</strong></td>
<td>18.6</td>
<td>33.3</td>
<td><strong>13.5</strong></td>
<td>43.4</td>
<td>108.8</td>
<td>1,546.4</td>
</tr>
<tr>
<td><strong>W/R Employment</strong></td>
<td>16.0</td>
<td>18.0</td>
<td><strong>17.4</strong></td>
<td>17.0</td>
<td>17.1</td>
<td>16.3</td>
</tr>
</tbody>
</table>

**Source:** Texas Workforce Commission

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<table>
<thead>
<tr>
<th></th>
<th>Brownsville MSA</th>
<th>McAllen MSA</th>
<th>Laredo MSA</th>
<th>El Paso MSA</th>
<th>Border MSA’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Sales Tax Rebates</td>
<td>25.5</td>
<td>46.1</td>
<td>24.6</td>
<td>51.5</td>
<td>147.7</td>
</tr>
</tbody>
</table>

Source: Texas Comptroller of Public Accounts
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.
### Texas Border MSA’s Percentage Sales to Cross-Border Shoppers (Average 1978 – 2001)

<table>
<thead>
<tr>
<th></th>
<th>Brownsville MSA</th>
<th>McAllen MSA</th>
<th>Laredo MSA</th>
<th>El Paso MSA</th>
<th>Border MSA’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales to Cross-Border Shoppers (Percent)</td>
<td>25.7</td>
<td>35.6</td>
<td><strong>51.1</strong></td>
<td>11.3</td>
<td><strong>30.9</strong></td>
</tr>
</tbody>
</table>

**Source:** Keith Phillips and Roberto Coronado, Federal Reserve Bank of Dallas, April 2005
Table 5

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

<table>
<thead>
<tr>
<th>Local Bridge Revenues</th>
<th>Brownsville MSA</th>
<th>McAllen MSA</th>
<th>Laredo MSA</th>
<th>El Paso MSA</th>
<th>Border MSA’s</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14.2</td>
<td>10.2</td>
<td>33.2</td>
<td>13.4</td>
<td>71.0</td>
</tr>
</tbody>
</table>

Source: Texas Comptroller of Public Accounts

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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. 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.
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. 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**

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Gross Sales</td>
<td>$4.5 billion</td>
</tr>
<tr>
<td>Total Employment</td>
<td>77,600</td>
</tr>
<tr>
<td>Total Unemployed</td>
<td>5,700</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>6.8 percent</td>
</tr>
<tr>
<td>Wholesale/Retail Sales</td>
<td>$3.6 billion</td>
</tr>
<tr>
<td>Wholesale/Retail Employment</td>
<td>13,500</td>
</tr>
<tr>
<td>Wholesale/Retail Sales per Employee</td>
<td>$266,667</td>
</tr>
<tr>
<td>Percentage of Wholesale/Retail Sales to Cross-Border Shoppers</td>
<td>51 percent</td>
</tr>
</tbody>
</table>

### Table 7

**Wholesale/Retail Sales Break-Out**

<table>
<thead>
<tr>
<th>Category</th>
<th>Local (49%)</th>
<th>Cross Border (51%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$1.76 billion</td>
<td>$1.84 billion</td>
</tr>
<tr>
<td>Employment</td>
<td>6,615</td>
<td>6,885</td>
</tr>
</tbody>
</table>

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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)

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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

<table>
<thead>
<tr>
<th>City</th>
<th>Pedestrians</th>
<th>Vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brownsville</td>
<td>(30.6)</td>
<td>(18.5)</td>
</tr>
<tr>
<td>McAllen</td>
<td>(6.9)</td>
<td>(11.0)</td>
</tr>
<tr>
<td>Laredo</td>
<td>(16.3)</td>
<td>(20.6)</td>
</tr>
<tr>
<td>El Paso</td>
<td>(16.9)</td>
<td>(11.0)</td>
</tr>
</tbody>
</table>

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

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### Table 9

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

<table>
<thead>
<tr>
<th>Location</th>
<th>Retail Sales</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brownsville</td>
<td>26.9</td>
<td>12.2</td>
</tr>
<tr>
<td>McAllen</td>
<td>44.5</td>
<td>15.1</td>
</tr>
<tr>
<td>Laredo</td>
<td>23.9</td>
<td>16.3</td>
</tr>
<tr>
<td>El Paso</td>
<td>14.9</td>
<td>8.8</td>
</tr>
<tr>
<td>Texas</td>
<td>21.0</td>
<td>8.5</td>
</tr>
</tbody>
</table>

*(percentage change)*

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

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