2013

# Canadians Shopping in Northwest Washington

Border Policy Research Institute

BORDER POLICY RESEARCH INSTITUTE
WESTERN WASHINGTON UNIVERSITY

BORDER POLICY BRIEF | SPRING 2013

# Canadians Shopping in Northwest Washington

Volume 8, No. 2 Spring 2013 Web Address: www.wwu.edu/bpri

## *Methodology:*

** Visit the parking lots of 29 retail businesses situated along the 75 miles of Interstate 5 that are closest to Canada.*

** At each site, note the proportion of cars with Canadian license plates within a mapped high-traffic portion of the parking lot.*

** Visit every site (in the same order) on each day of a three-day span from Thursday through Saturday.*

** Repeat the three-day sequence several times per year to learn the range of behavior (e.g., summer vs. winter, holiday weekend vs. regular weekend).*

** Repeat the sequence several years to capture effects such as changes in duty-free exemptions and exchange rate.*

**Introduction.** In March 2013 the BPRI began a long-term study of the behavior of Canadian cross-border shoppers. The main goal of the study is to provide data with which to analyze the economic impacts of *changes* in factors that might influence cross-border shopping—changes such as a decline in the exchange rate, or a revision of sales taxes or duty-free limits. An outline of the study's methodology is provided in the left sidebar, and more detail can be found in the BPRI's Working Paper No. 6, titled "Canadian Shoppers in Northwest Washington State." As with any time-series study, this study's usefulness will increase over time, as an ever-larger set of samples is added to the database.

By coincidence, Easter Sunday fell at the end of the week-long spring break used to launch this project, so our first set of data was collected over a three-day span that included Good Friday, a holiday in B.C. It's likely that the data from that weekend will prove to be at the upper end of the range of spring shopping behavior. Also by coincidence, the I-5 bridge spanning the Skagit River collapsed in May, and our study region extends both north and south of the bridge. This event provided a perfect natural experiment, and we hastily assembled a team to collect a set of data during the period when the bridge was absent.

We would normally be hesitant about discussing a time-series study consisting of just two sampling events, but in this instance there are stark differences between the March and June data, supporting some general conclusions. This article thus is meant to provide notice that the study is underway, as well as a glimpse of the kind of analysis that the study will eventually support.

**Geography.** Figure 1 shows the geographic extent of the study area and also identifies the included retail sites. Aside from the red dots used to denote retail sites, two green dots are also shown—one in Custer and one in Bow. These are sites of I-5 overpasses at which an additional element of the study is undertaken. At each overpass a 10-minute sample of southbound cars is observed, again to discern the proportion of cars bearing Canadian license plates. With one site north of the Bellingham/Ferndale region and the other site south, the overpass data provides some insight into the extent to which Bellingham and Ferndale serve as trip endpoints. Finally, the distance in road miles from the Canadian border to each cluster of study sites is also shown in Figure 1.

# Figure 1: Study Sites, Percentage of Canadian Plates During Easter Weekend (Th, Fr, Sat), March 2013, and Distance from Border

| *A.* Stores that sell groceries | *B.* Major chain store | *C.* Malls (indoor, outlet, strip) | *D.* Casinos + downtowns | *E.* 3 days averaged at site | | |
|---|---|---|---|---|---|---|
| | | | | | **Blaine . . . . . 0 miles** | |
| 42% | | 42% | | 42% | Cost Cutter | |
| | | | 33% | 33% | Downtown core | |
| | | | | | **Lynden . . . . . 4 miles** | |
| | | | 13% | 13% | Downtown core | |
| 8% | | | | 8% | Safeway | |
| | | | | | **Custer . . . . . 6 miles** | |
| 24% | | | | 24% | The Market | |
| | | | | 73% | I-5 overpass, exit 270 | |
| | | | | | **Ferndale . . . . . 14 miles** | |
| | | | 1% | 1% | Downtown core | |
| | | 7% | | 7% | Ferndale Station | |
| 8% | | | | 8% | Haggen | |
| | | | 49% | 49% | Silver Reef Casino | |
| | | | | | **Bellingham . . . . . 21 miles** | |
| 27% | 27% | | | 27% | Fred Meyer (Bakerview Rd.) | |
| 48% | 48% | | | 48% | Walmart | |
| 72% | 72% | | | 72% | Costco | |
| | | 16% | | 16% | Best Buy/Bed Bath Beyond | |
| | | 53% | | 53% | Bellis Fair (Target) | |
| | | 36% | | 36% | Bellis Fair (Macy's, Kohl's) | |
| | | 47% | | 47% | Bellis Fair (food court) | |
| | | | | 68% | Ross | |
| 49% | | | | 49% | Trader Joe's | |
| 6% | 6% | | | 6% | Fred Meyer (Lakeway Dr.) | |
| 0% | | 0% | | 0% | The Market (Lakeway Dr.) | |
| | | | | | **Bow . . . . . 40 miles** | |
| | | | | 41% | I-5 overpass, exit 236 | |
| | | | 16% | 16% | Skagit Valley Casino | |
| | | | | | **Burlington . . . . . 47 miles** | |
| | | 10% | | 10% | Cascade Mall (east entrance) | |
| | | 7% | | 7% | Cascade Mall (Sears, Macy's) | |
| | | 51% | | 51% | Outlet Mall | |
| 21% | 21% | | | 21% | Costco | |
| | | 29% | | 29% | Ross/Best Buy/Bed Bath Beyond | |
| 12% | 12% | | | 12% | Walmart | |
| | | | | | **Marysville . . . . . 72 miles** | |
| 12% | 12% | | | 12% | Costco | |
| | | 15% | | 15% | Kohl's/Ross | |
| | | 44% | | 44% | Premium Outlet Mall | |
| | | | 11% | 11% | Tulalip Casino | |
| 19% | 19% | | | 19% | Walmart | |

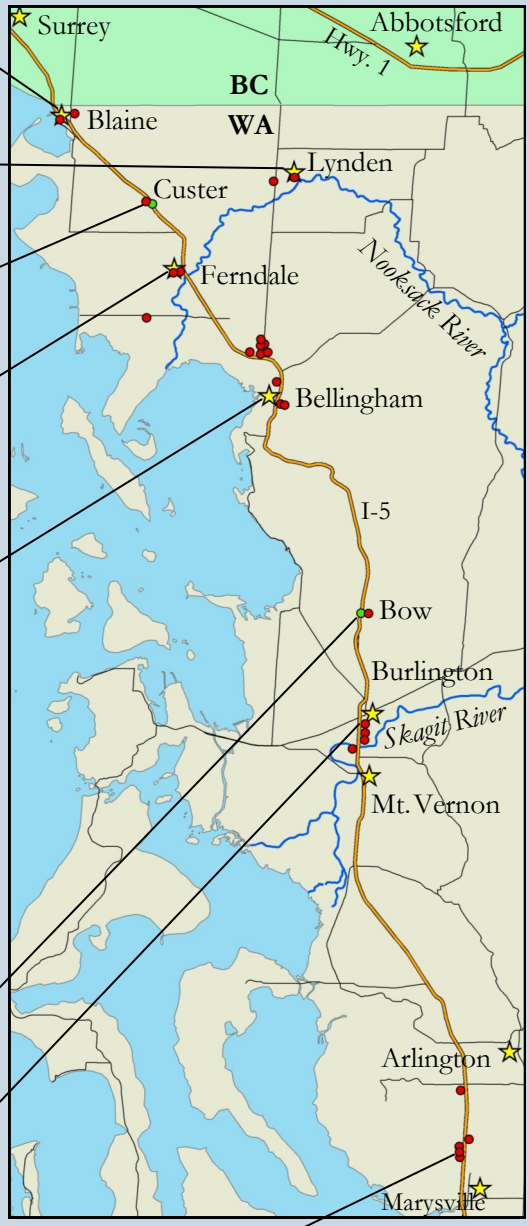
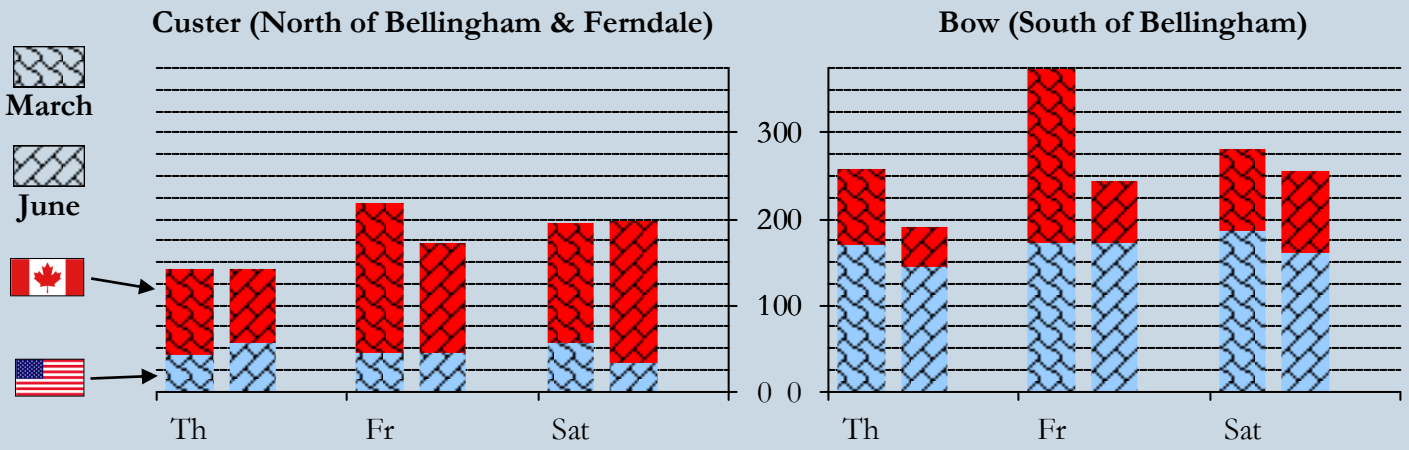


**Figure 2: Counts of Vehicles Southbound on I-5, March vs. June, by Day of Week**

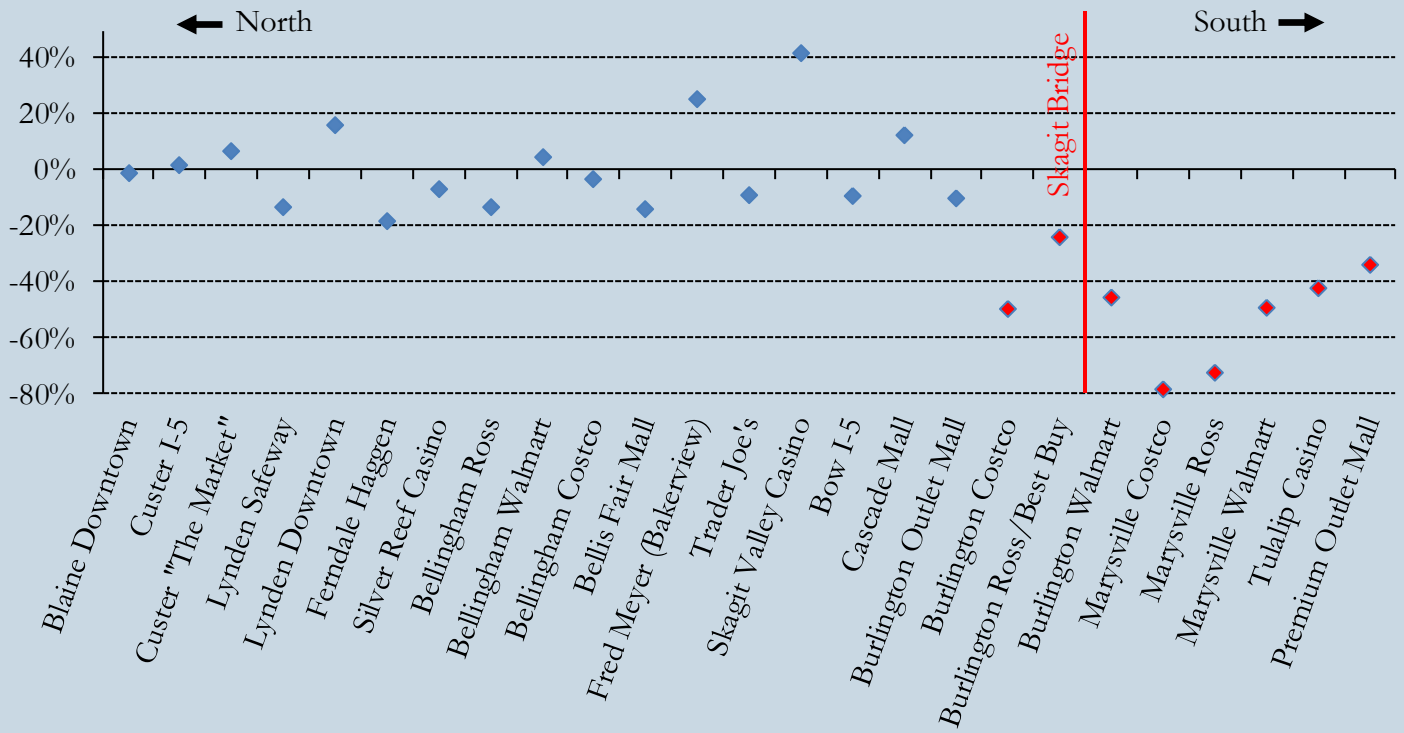



**I-5 Traffic.** Figure 2 shows the traffic counts gathered at the overpasses in Custer and Bow, with an identical vertical scale used for both to facilitate comparison of values. At Custer, the high proportion of Canadians is eye-catching. It's mostly Canadians using that stretch of I-5, which is logical given the small population of Washingtonians living north of Custer (fewer than 15,000) in comparison to the 3 million Canadians living just across the border. The pattern observed on the Thursday-Saturday sequence in June (the right-hand column in each pair) is what one would expect, with the volume of Canadian traffic increasing day-over-day into the weekend. March's three-day sequence reveals a surge of Canadians associated with the Good Friday holiday. At Bow, American traffic is the clear majority, which is again what one would expect. Compared to Custer, the volume of *American* traffic is *higher* because American population centers (Bellingham, Ferndale) are now contributing to the southbound flow. Additionally, the volume of *Canadian* traffic is *lower*, because some Canadians go no farther south than Bellingham. The exception to the pattern is again Good Friday, where the volume of Canadians observed at Bow is actually higher than that observed at Custer. Unsurprisingly, Canadians apparently travel farther afield on a three-day weekend.

**Easter Weekend Shoppers.** With just two sampling events completed, we have little ability to perform the time-series analyses that are this study's main goal. But even the data from a single sampling event is of interest for other reasons. Figure 1 shows the three-day average percentage of Canadian vehicles present at each study site, as observed over the Easter weekend. The entire set of values is presented in column E, and the same values are then displayed in four more columns that sort the sites by category. The data is suggestive of several things:

- Canadians are an important fraction of retail clientele throughout the length of the study corridor, as witnessed by the sizeable percentages observed even at Marysville. Extending the study area to include the Everett and Alderwood Malls would likely be of value.
- Other things being equal, the proportion of Canadians is likely to be lower at greater distances from the border, as one would expect. The data pertaining to downtown cores and casinos (column D) exemplifies this trend.
- Certain brands succeed in attracting Canadians better than others. Column B pertains to major chains that seek to be one-stop shops (Costco, Fred Meyer, Walmart). When competing stores are located in close proximity (e.g., in Bellingham and Burlington), Costco emerges the winner.
- A cluster of co-located "magnet" destinations is more attractive. As an example, Canadians by-pass destinations in Ferndale in preference to the larger set of choices available 7 miles to the south in Bellingham. Similarly, the Fred Meyer on Bakerview (situated near Bellis Fair Mall and other major chain stores) attracts more Canadian clientele than does the one on Lakeway.

**Figure 3: % Change from March to June of Canadian License-Plate Proportion at Given Site***




* Using Thursday and Saturday data only and omitting sites with raw Canadian vehicle counts of less than 10

**Skagit River Bridge.** As mentioned earlier, a special effort was made to conduct a sampling event during the period of time in which the I-5 bridge spanning the Skagit River was absent. At that time a detour to an alternate bridge was in effect, and congestion associated with the detour was well publicized in the media. In Figure 3 we venture to compare data between our two sampling events, even though neither of them is representative of a "normal" baseline—March 2013 was a holiday weekend, and June 2013 an infrastructure calamity. To control somewhat for the effects of the Good Friday surge, Figure 3 makes use of only the Thursday and Saturday data. The figure shows the percentage *change* in the proportion of Canadians observed at a number of the sites, when comparing the June data to the March. For example, the Skagit Valley Casino (the peak blue data point present at the +40% grid line) contained 15 percent Canadian-plated vehicles in March and 21 percent in June. Those six additional percentage points represent a 40 percent increase relative to March (i.e., 0.06 ÷ 0.15 = 40 percent). The sites are presented in north-to-south order, with the bridge's location highlighted. The figure provides evidence that Canadian visitation to destinations south of the bridge (red dots) was heavily impacted. Of the sites north of the bridge, the two closest to the bridge (also shown with red dots) front upon the congested detour route. The sites distant from the congestion (blue dots) exhibit a clearly different pattern. The combined average of all blue dots is +1 percent, while the combined average of all red dots is –50 percent.

**Conclusion.** This study is in its infancy, and we have hopes that once a larger series of sampling events is complete, the study will be of benefit within the region. Even at this stage, the study highlights the importance of Canadian visitation to the retail sector within northwest Washington. Also evident are the fact that reliable infrastructure is key to the regional economy, as well as the fact that usage of infrastructure at a particular locale (e.g., I-5 north of Bellingham) can consist of people not resident in that locale, raising issues of how to equitably fund the maintenance of such infrastructure. Aside from issues of public policy, the study may also provide insights into issues of interest to the private sector.