City Council Agenda Bill

Meeting Date: 11/9/2015 **Agenda Item**: WWU Final Report

Subject: WWU Retail Discussion Final Report

Staff Contact: Don Measamer

Approved for Submittal to Council by	
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Action Type	
	Ordinance No.
	Code Revision?
	Resolution No.
	Contract
	Public Hearing
	Staff Report

Summary Statement: The attached report represents the retail discussion facilitated by Mr. Hart Hodges and Mr. James McCafferty, WWU Center for Economic and Business Research, at the July 27, 2015 City Council meeting. As a result of that discussion the City Council Planning Committee, with Kirk Kennedy facilitating, is working on the Kepner Tregoe (KT) Analysis with an update on progress to City Council in the coming weeks.

Background:

Budget Impact	
Amount Budgeted	
Budget Account (BARS)	
Proposed Expenditure	
Budget Amendment Required?	
Revenue Source	

Proposed Contract	
Contractor	
Amount	
Start Date	
End Date	

Previous Council/Committee Action:

Competing Viewpoints Considered:

Recommended Motion:

Alternative Actions:

Attachments: City of Anacortes Retail Discussion Report

City of Anacortes
Retail Discussion Report

Created by

Center for Economic and Business Research

September 22, 2015

WESTERN
WASHINGTON UNIVERSITY
Center for Economic and Business Research

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Summary Report for Anacortes

The City of Anacortes asked Western Washington University's Center for Economic and Business Research (CEBR) to help improve discussions about the status of, and possible new, retail options in the City. The City has a substantial collection of reports and information, but City Council members and others continue to struggle with the implications of the data and the potential impacts of different and/or new retail options.

It is clear that the City sees "leakage" of retail dollars in the area of general merchandise stores. At the same time, the City captures retail dollars in other areas – and a goal of eliminating leakage can be problematic by itself. We think the City should explore options for improving retail options for residents and possibly reducing leakage, but the emphasis should be on improving the available options more than reducing leakage. By this we mean helping existing retail stores with marketing efforts and making it easier for certain retailers to expand their operations by opening a store in the City. The additional retail activity will help the City in a variety of ways and could reduce leakage. (As noted below, residents of the City do spend money on general merchandise items outside of the City. So there is leakage in that particular spending category. But the City enjoys net capture in retail spending overall. Improving the retail options available in the City could reduce leakage, but would also offer other benefits that may be just as or even more important than more local spending.)

A key challenge, of course, is determining what steps to take to improve the retail options in the City. Helping existing businesses with marketing is hardly controversial. A more difficult issue is deciding what new retailers, if any, to invite to or to allow into the City. Different retail options would have different implications for the City, depending on the brand, size of store, location of store, etc.

We think the central issue is prioritizing the problems to be solved. We stress that the City has very reasonable looking retail numbers for a community its size. Put another way, we think the City needs to prioritize the issues raised in different reports and forums – noting that the overall situation is relatively positive. As noted below, residents of the City do not buy significantly more products on line than do people in other locations and while there is leakage in some retail categories, there is net capture in others. These data make us think the City is doing the right thing in planning now for a more successful future. There is no crisis.

In other words, the City can be deliberate in dealing with topics raised by different groups, including the following:

- Ease of access for shopping
- Lower prices for groceries
- Having a community shopping experience
- Increasing traffic or activity with an eye towards helping existing businesses thrive
- Taking advantage of the visitor traffic that passes through the City

The easiest solution for one of these issues might be at odds with the easiest solution for another. As such, it is important for the City to decide what problem(s) it really wants to solve, or somehow to prioritize the issues people have identified.

Our research suggests that introducing a big box store that has groceries (e.g., a Fred Meyer) could reduce grocery prices by a few percent. A decrease in the order of 10 percent or more does not seem likely, and it isn't clear that a big box store would be in keeping with other efforts. For example, what the City decides to do to improve the retail options should be consistent with what it does in other areas – such as with the Destination Anacortes strategy.

It isn't obvious how ease of access or providing a community shopping experience compares to leveraging visitor traffic or helping existing businesses. There may not be a step that allows improvement in every direction or across all issues. Moreover, preconceived notions about what a big box store has to be or what is necessary for existing local businesses may cause problems of their own.

Negotiated Information

Different groups of people in the City hold a varying array of ideas about what is needed. They present different facts, if you will, in support of their positions. And some of the facts seem to be at odds with other facts. That is, information presented in one report or by one group is often challenged by another group. The other group might even offer alternative information. We note that when information is contested in this manner, it declines in value. If groups can negotiate the information to be used in a decision making process, the information increase in value and policy decisions become easier.

One way the City might move towards negotiated information is through a framework like the Kepner-Tregoe (K-T) Analysis. In short, a K-T Analysis requires decision makers to do the following:

a) Prepare a concise statement of what needs to be determined or decided
b) Specify the objectives of the decision
    a. Can also think of the objectives of the decision as the factors to be used in the weighting of the different options to be considered
    b. It can help to identify the objectives that are required versus those that are desired
c) Identify the alternatives to be considered
    a. May be able to limit the list by evaluating each alternative against the required outcomes
d) Give a weight for each objective or factors (e.g., give each factor a weight of 1-10)
    a. Pairwise comparisons can help with relative weighting
e) Score each alternative

Building on the conversation CEBR staff had with City Council on July 27, we offer the following illustrative details to the K-T framework:

a) The City seeks to determine what additional retail options, if any, would be a valuable addition to the community.
b) The objectives of the decision include the following items:
    a. Improve ease of access for shopping
    b. Potentially reduce the price of certain goods, such as groceries
    c. Provide additional gathering or meeting spaces (noting that shopping can be a social endeavor)
    d. Increase shopper traffic, with an eye towards helping existing businesses in the City and possibly reducing retail leakage
    e. Do not adversely impact the community
        i. Do not move shopping patterns away from existing retail areas
        ii. Do not have noticeable environmental impacts
        iii. Do not cause new conflicts – such as taking actions that are obviously inconsistent with other City initiatives (e.g., the Destination Anacortes campaign)
c) The following alternatives could be considered:
    a. Regional or Big Box retail near the existing downtown core
    b. Regional or Big Box retail near the intersection of SR 20 and the SR 20 spur (and/or other locations outside of the existing core retail district)
    c. No action
    d. Complimentary brand retailer near the existing downtown core
    e. Complimentary brand retailer near the intersection of SR 20 and the spur (and/or other locations outside of the existing core retail district)
    f. City Council needs to give a score of 1-10 for each of the items in (b) above
d) Score each alternative

We, for discussion purposes, have equated Regional with Big Box. We believe the current discussion has become polarized in part because of word choice. We see in other reports and have heard in conversation some people talk about regional retail or simply retail as meaning retail, but not big box. Others interpret regional retail to mean something like Fred Meyer, which we put in the big box category due to its size and homogenous aesthetics.

We have included "complimentary brand retailer" as an option to be considered using the framework. Our goal with this addition is to have council members and others think about the possibility of having a well-known retailer in the community, but one that is not as divisive as the most recognizable big box names. Without offering a recommendation of any sort, we think recognizable brands exist, which would not be so divisive. At the same time, we are skeptical if the City could attract a brand of its choosing. We think this option should be included in the K-T framework, but everyone should be realistic about what a city with 16,000 residents could really attract. The City should not set up the analysis to be big box or nothing; it should use the framework to explore meaningful options that might meet the stated objective.

We have included at least two locations for each type of retail that might be added. We have these options because we worry that additional recognizable retail options away from the City core could cause problems by making it look like there is more retail in the City – but in a way that hurts the development of the core areas. Having the different locations highlights the need to consider this possibility.

We did not include 'community character' in the list of factors to be considered in the analysis. As noted during the discussion on July 27, we do not know how to define and measure community character in a meaningful way. We turn now to the role of local ownership, community character, and economic impacts. This topic is mentioned in several of the existing reports and came up during the discussion on July 27.

Locally Owned Business and Community Character
Small, locally owned businesses can have a certain appeal and provide a unique shopping experience. Expenditures at locally owned businesses may also circulate in the local economy longer than similar expenditures at a national chain, resulting in a larger spending 'multiplier effect'. However, we caution against using local as an indicator of community character or value.

Reports that show how locally owned business generate a larger spending multiplier and suggest that those businesses are somehow more valuable to a community are not based on any qualified economic theory, do not have a strong empirical foundation, and have not been peer reviewed or published in the standard economics literature. They are marketing and advocacy pieces that offer a compelling narrative and warm image, but suffer from numerous weaknesses.

If a consumer spends $100 at a locally owned store rather than the same money at a regional or national chain, and the experience would otherwise be identical (but for the ownership type), then one could easily argue that the larger spending multiplier with the local option benefits the community. The community would enjoy the benefits of having the local business owner support other local businesses. However, shopping experiences typically differ. One store might be open limited hours, while another might be open later and on Sunday. Stores may have different inventory and/or different levels of customer service. Consumers receive different benefits shopping at different stores, even if they pay the same price for the goods purchased. In the jargon of economics – they would be getting different amounts of consumer surplus shopping at different stores.

It is quite possible that the consumer receives more consumer surplus shopping at a regional retailer than at a local store, and that additional consumer surplus can offset the spending multiplier associated with the local option.(Consumer surplus is defined as the difference between the price paid and the perceived value. If the perceived value is higher than the price paid, the consumer is said to receive consumer surplus. This surplus can be imagined as real and having a dollar value.) We'd like to think that the local business owner would offer a shopping experience that generates more consumer surplus, but we cannot simply assume that is true in general. Moreover, a local business owner may not support other local businesses any more than the regional retailer does and may or may not pay employees as well as the regional retailer. Again, we'd like to imagine that local businesses "do better", but there's no evidence to suggest that is true in general. The fact that people do shop and work at regional and national chains suggests there is value in those options. The fact that the larger chains may be able to pay higher wages and/or offer better benefit packages than small, local retailers further complicates the discussion. Moreover, the fact that some local business owners have questionable track records means we need to be skeptical when a report suggests we use local ownership as an indicator of value.

In short, the idea of a larger spending multiplier when shopping local is intriguing, but not nearly enough to suggest that local is on its face better than non-local. And where a business owner lives is a weak metric for community character, except maybe in the mythical Lake Wobegon where everyone is above average. (If a person who owns a business in Anacortes happens to live in Burlington, does that business add less to the character of the community? If a person owns 49% of a business in Anacortes and an investment firm in New York owns the remaining 51%, should that business be discounted somehow? Surely the issue is one of behavior and performance, not residency.) One could also ask if locally owned tattoo parlors and smoke shops should count the same as locally owned clothing stores or cafes when thinking about community character. (What is the desired feel or image?) Local is simply problematic in this context.

See Appendix A for additional text on this topic.

Summary of Retail Data

Reports already prepared for the City highlight retail leakage and the need to improve shopping opportunities. Our review of data from the Washington State Department of Revenue shows that the City does see leakage in the 'general merchandise' industry sector, defined as lower per capita revenue than if each resident of the City spend the same on general merchandise items in the City as the average Washingtonian spends in the state on general merchandise items. At the same time, the City sees more per capita spending on total retail than the state as a whole. Figures 1 and 2 show these two findings.

Figure 1. Per Capita Spending, General Merchandise

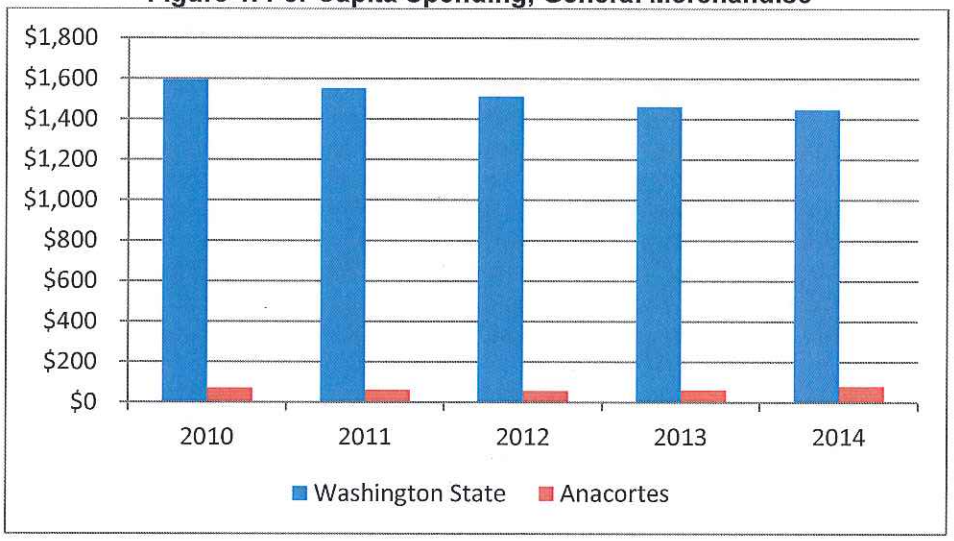
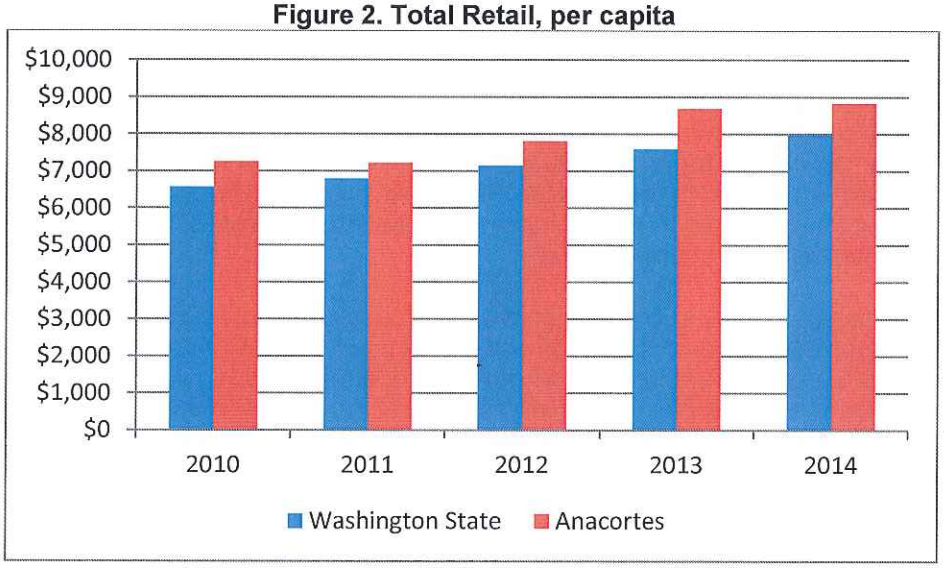


Figure 2. Total Retail, per capita



These findings arise because there are limited opportunities for residents to purchase general merchandise items (due to the way different stores are identified) in the City, but the City still has businesses in other categories (including boat building) where spending is much higher than the state average.

Two general items to note:

- All communities see leakage in some areas. Businesses are not spread evenly across all communities, so there is always going to be cases where a community sees leakage in some

sectors and capture in other sectors. Economic development strategies should include allowances for this sort of variation across sectors.

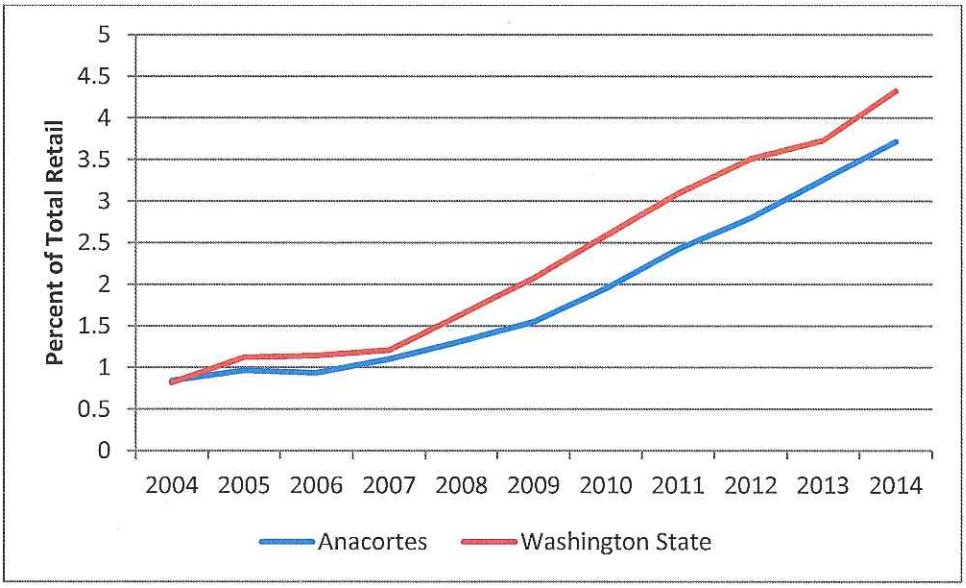
- It is important to think about where the residents of the City shop, but equally as important to think about residents of San Juan and Island Counties, and visitors travelling through the City to and from the ferry terminal, when thinking about leakage and capture. As the City debates whether to try to attract a new business or new businesses, the City has to think about what might be appealing to more than just the residents of the City. (To the degree that the City is a tourist destination on its own and a potential commercial hub for visitors from adjacent counties, the debate about what businesses to add grows more complex.)

E-Commerce:
People are buying more things on line. Sometimes they do so because it is more convenient; sometimes they do so because they can get a better price. Regardless, ecommerce is reshaping retail because customers are choosing to purchase more items online for a variety of reasons.

We believe the share of retail that occurs online will continue to increase. However, we do not think that trend means the end of 'brick and mortar' retail. People purchase goods and services. Buried in their buying decisions are a host of emotions and needs. Buying is an experience that expresses the value system of the consumer. Some shoppers value building a relationship with the store owner or staff; some want guidance and helpful service; some want the best price; some want to share the experience with friends; etc. In the end, businesses will have to take advantage of the way the internet reduces friction and improves the flow of information. Exactly how they do that will vary by business.

Figure 3 shows the trend in online purchases – noting that the City is able to capture the sales tax associated with a significant portion of these sales AND the data are a bit suspect given the chance for reporting errors.

Figure 3. Total Retail, per capita



One thing to consider is possibly providing assistance to existing businesses in the City to improve their use of online and social media tools. We heard people express concern during the discussion on July 27 about how small businesses could not compete against larger chains. We disagree. Please see the section below on Opportunities for Small Retail Businesses in Today's Retail Environment.

Groceries:

We found that prices at the Fred Meyer in Burlington are slightly lower than at the two grocery stores in the City. How much lower depends on how you calculate the difference. If you look at the total cost of the basket of goods we sampled, there is little difference – and prices at the stores in Anacortes were actually a bit lower due to lower prices on a few higher priced meat items. However, if you look at the average price difference, the Fred Meyer in Burlington had prices that tended to be a few percentage points lower than the prices in the City. Assuming that a big box in the City would have prices similar to the Fred Meyer in Burlington, we imagine that having the big box would result in slightly lower food prices overall, but only slightly (i.e, a few percent).

See Appendix B for our actual pricing data.

Other factors:
As discussed above, it is not clear to us how the City should rank the goal of capturing more outside dollars or visitor spending versus maintaining a particular image. A big box retailer would probably be the easiest way to capture spending from residents of San Juan County and help improve access to certain types of retail goods, but may be at odds with the goal of highlighting the unique feel of the City.

How would the City feel about a big box store that has a unique look – such as a green roof and specific architecture? We don't know that this outcome is readily available, but it is worth thinking about the big box option in creative ways. A big box store near the downtown could compliment or help existing businesses, but would have to be built in a way that does not undermine the feel of the City.

Opportunities for Small Businesses in Today's Retail Environment
We live in a state of constant change. The rate of change seems nearly exponential with business theories touting market disruption as keys to success. Businesses have always had to adapt to the whims and needs of customers. Customers drive the market requirements for a business to succeed despite the efforts of many businesses to force customers to behave a specific way.

Today's customer tends to see the marketplace with either commodity purchases or experience purchases. The customer decides how to define each item independently which means that a single product/service will be seen as both. With commodity purchases customers see the item as easily procured and are looking for a variety of attributes such as speed, cost, and convenience. There is no store loyalty but there may be brand loyalty – just not always.

Experience shoppers see the buying process almost as entertainment. Cost may still be important – in fact it may drive the voyage – but the overall desire by the customer is to have an experience while shopping.

A smaller retailer has to effectively embrace both aspects within its sales and marketing strategies to effectively compete. Large retailers are having to do the same thing. Establishments such as Target and Lowe's have on-line ordering for near immediate in-store shopping. Panera Bread allows for online ordering for pick-up anytime from ten minutes to next week. These companies also have created custom shopping experiences as well for the non-commodity shopper.

Within Anacortes this means that a community brand, such as Destination Anacortes, mixed with activities and storefronts that fulfill the promise of the brand are essential to securing the experience shopper whether from Burlington or Tacoma – and those in Anacortes too. The customer experience of shopping in the community must be somewhat consistent and positive.

Beyond the city developing this brand the business community must embrace it fully as well. The commodity shopper, who might have been a previous experience shopper, also needs a way to interact with the local stores as well. This will require an effort to educate business owners in effective strategies and tools to provide services like online sale or in store pickup.

Challenges for Small Local Businesses
The image of a retail district full of unique shops can be appealing. At the same time, the challenges to starting or growing a small unique retail business can be daunting.

In a community like Anacortes, the seasonality of demand can be difficult to navigate. Similarly, demand can be substantial for a limited number of items, but not for many others – making it difficult to manage inventory and to self-fund any type of expansion. Some businesses also report difficulties with access to capital (noting that whether the business owner wants to be personally responsible for the business loan is a factor) and space if they want to grow. For example, a successful business may want to expand, but the current location doesn't permit gradual expansion, and the cost of moving to a new location or having multiple locations can be prohibitive.

Challenges like learning how to use the internet to increase sales can be overcome. The main question is what does the business owner want to do with the business. And that question highlights what may be the biggest obstacle to driving retail growth with small unique (and perhaps locally owned) businesses. Many small business owners in communities like Anacortes are interesting in a work-life balance. They are not necessarily motivated to grow the business as much as possible, to expand the business in different ways, or to accept more risk with larger loans. So while the image of lots of unique stores can be appealing, it can be difficult to find a sufficient number of individuals in a smaller community who want to accept the risk and put the energy into being the owners of those businesses.

Our Reactions and Recommendations
There's obvious tension (and considerable emotion) behind the question of whether a big box store would help or harm the City. We think the 'big box or no big box' dichotomy should be set aside. The process of guiding a potential location of any business begins with zoning. Zoning begins with establishing what the long-term vision is for the community itself.

If a big box store is potentially interested in locating in the City, it is critical to know where they would consider locating a store, if their intentions would align with the city's vision AND whether they would do something unique with the store that reflects the community's image. A big box store that looks like every other store is one thing. The same brand in a building that has a green roof, innovative water systems, etc. and helps the City in various ways could be something different. Is that possible? Would the store be interested in making an environmental or architectural statement with the City's help? In short,

- We recommend the City describe what it needs before letting preconceived images of a particular big box brand or other issues dominate the conversation. (This recommendation relates to the note below on the need for a broad plan to help guide discussions about specific retail concepts.)

We've focused on big box so far in our recommendations because smaller, specialty retailers strike us as not being able to provide improved access to retail in some general sense nor a community shopping experience. We also do not know what specialty retailers would want to expand in the City without being able to collocate with other retailers. The City does not have the population or critical mass of other retail options to be attractive to most recognized brands. In comparison, a big box store might be able to be successful on its own, focusing on being a draw to residents of San Juan County and other outlying areas (not just the residents of Fidalgo Island).

- We recommend the City contact specific big box retailers to know what is really possible.
- We recommend the City Council work with Duane Knapp and others to learn what other retail alternatives might be truly viable.

We also recommend that the City have two things in place BEFORE making decisions about any new retail additions. <u>First, the City needs to have a broad plan</u> or know how to coordinate the goals related to the harbor, the downtown core, and other commercial centers on the island. It is quite possible that a uniquely designed big box store in the right location could be an asset to the harbor and increase activity in the downtown core. It could allow other commercial centers to develop specific identities in a vibrant community. At the same time, a poorly designed and located big box store could reduce activity in the downtown area, be of no benefit to the harbor, and indirectly hurt other commercial centers.

<u>Second, the City needs to find new ways to celebrate and market its downtown core</u>. It seems odd that the core is not more connected to the waterfront or harbor; that people in other parts of Skagit County know of Fairhaven in Bellingham and La Connor, but not the historic downtown area of Anacortes; and that people passing through the upper end of Commercial think they've "seen" Anacortes.

In the end, the business community and city government need to work together to ensure everyone has the best community experience possible. While our work focuses on helping to improve retail, we think discussions should include issues beyond retail. The Destination Anacortes strategy, for example, covers far more than retail. We also think everyone needs to work hard to ensure conversations about what is possible are as positive and creative as possible. (We emphasize creative, hoping people can look beyond preconceived notions and ideas.) We don't want the business community and the City to be their own worst enemy in this process.

KT spreadsheet

Anacortes Retail KT Analysis Proposal

Kepner Tregoe (KT) Analysis Overview

Kepner Tregoe decision making is a structured methodology for gathering information and prioritizing and evaluating it. Developed by Charles H. Kepner and Benjamin B. Tregoe in the 1960s.

The Kepner-Tregoe approach is based on the premise that the end goal of any decision is to make the "best possible" choice. This is a critical distinction: The goal is not to make the perfect choice, or the choice that has no defects. So the decision maker must accept some risk. And an important feature of the Kepner-Tregoe Matrix is to help evaluate and mitigate the risks of your decision.

The Kepner-Tregoe Matrix approach guides you through the process of setting objectives, exploring and prioritizing alternatives, exploring the strengths and weaknesses of the top alternatives, and of choosing the final "best" alternative. It then prompts you to generate ways to control the potential problems that will crop up as a consequence of your decision.

This type of detailed problem and risk analysis helps you to make an unbiased decision. By skipping this analysis and relying on gut instinct, your evaluation will be influenced by your preconceived beliefs and prior experience – it's simply human nature. The structure of the Kepner-Tregoe approach limits these conscious and unconscious biases as much as possible.

There are four basic steps when using the Kepner Tregoe decision matrix:

- **Situation appraisal** - is used to clarify the situation, outline concerns and choose a direction
- **Problem analysis** - here the problem is defined and it's root cause determined
- **Decision analysis** - alternatives are identified and a risk analysis done for each
- **Potential problem analysis** - the best of the alternatives is further scrutinized against potential problems and negative consequences and actions are proposed to minimize the risk.

Appendix A

The following text is a draft copy of a report published in the Journal of Applied Research in Economic Development. That journal was purchased and renamed by the Council for Community and Economic Research (C2ER).

DRAFT: FOR CLASS PURPOSES ONLY

GOING LOCAL AND E.D.: GAPS IN THE DISCUSSION

Hart Hodges
Director Center for Economic and Business Research, Western Washington University

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Executive Summary
Going local has been presented as a new form of E.D., where sensitivity to place and creation of social capital receive welcome recognition. But, questionable assumptions and overstatements create troubling gaps in the discussion. Assumptions about comparative advantage and the role of small businesses in job generation need to be revisited. Given the gaps, it is difficult to conclude that going local can invigorate local economies and/or make them more sensitive to place. More work is needed to understand the costs of going local and to identify the circumstances under which going local could be a good strategy in economic development.

The call for more localized economies is gaining strength as people grow more concerned about the outsourcing of jobs or the potential for energy and food shortages. Groups like the Business Alliance for Local, Living Economies (BALLE) and the American Independent Business Association (AMIBA) boast large and growing memberships, with cities all across the US and in other countries seeking to re-localize their economies. A central idea is that economies based on businesses owned by people who live in the community and where products are made closer to home will be more vibrant and resilient (see for example http://www.livingeconomies.org/).

One article covering this topic offers that if shoppers in San Francisco would shift 10 percent of their purchases to locally owned stores from chain stores and the internet, the city would realize a net gain of 1,295 jobs and $191 million in local economic activity (Debar, 2007). The article also states that jobs at locally owned businesses are more reliable compared to jobs at larger corporations. In addition, the Local Government Coalition offers a similar message when it says that true economic prosperity is achieved by "supporting existing businesses and increasing the number of times a dollar is spent in the community" (LGC.org).

The growing interest in going local invites several questions, such as:

- Do small, local businesses really create most jobs and/or more valuable jobs, as claimed?
- Is there an economic premium associated with purchases made at locally owned businesses as opposed to larger chain stores – and, if so, does that premium justify giving preferential treatment to local businesses?
- Does assisting locally owned businesses create a sort of social capital that benefits a community in the long run?
- Is comparative advantage still valid (noting claims that it is not)?
- Is the fact that a business is locally owned a proxy for environmental stewardship, higher wages, or some other social good?

Buy local and think local first campaigns can be viewed as marketing campaigns. As such, one should expect very positive comments about the benefits of supporting certain stores in a community rather than others. But many advocates of going local say it is more than marketing; they say it is a new and better form of E.D. One story on National Public Radio described the 'think local first' campaign promoted by BALLE as "...a new economic model for a post-consumerist economy..." where communities base their economies – as much as is practical – on locally produced goods and services (National Public Radio's Marketplace, November 11, 2007). New texts such as *Localist Movements in the Global Economy* (Hess, 2009) also portray localism as an alternative approach to E.D., where efforts are more thoughtful with respect to people and the environment. This paper urges a discussion about whether going local really is a new form of sustainable E.D.

Before starting that discussion, it is important to note that there is no obvious definition of local. For example, some would say a franchise owned by someone in a community is local while others would say it is not because it is a formula store connected to a larger entity. It is also important to note that little or no data are publicly available on business ownership. Datasets that include business addresses typically do not reveal whether a business is a wholly owned subsidiary, whether it is passively owned by people in other communities, etc. These problems make it very difficult to analyze empirically the benefits of supporting businesses with specific ownership characteristics. Such concerns notwithstanding, the questions presented above can help frame a discussion.

What is the real value of small businesses in terms of job creation?

In "The Job Generation Process", David Birch (1979) offered that small businesses were the engine of job growth. His findings helped create what many have called a myth. His general findings appear to hold – small businesses have been the primary source of net new employment in the US over the past few decades. However, researchers who have studied the topic offer a variety of caveats when sharing their findings. Even David Birch himself has offered something of a retraction., noting that the share of net new

jobs created by small businesses varies by time and industry (Birch, 1989) Davis, Haltiwanger and Schuh (1996) find that the "conventional wisdom about the job-creation prowess of small businesses rests on misleading interpretations of the data." (They focus on businesses in the manufacturing sector and, like Birch, find periods of time where larger firms create most net new jobs.) Dennis, Phillips, and Starr (1994) find support for Birch's original claim, but caution that such findings do not suggest "big is bad" or that "small businesses deserve special treatment."

Edmiston (2007) also finds that small firms account for a relatively large share of employment in the U.S., but says that fact needs to be kept in perspective. Small firms are also responsible for most dislocations, tend to pay lower wages, and offer fewer benefits. These latter points echo the literature on firm size wage differentials, which documents the tendency of large firms to pay higher wages; see for example, Brown and Medoff (1989), Gerlach and Schmidt (1990), and Hettler (2007).

In short, we know from the data that small businesses do – at times – create most net new jobs. But there are also times when larger firms generate most net new jobs. And larger businesses may produce higher paying and more stable jobs. Moreover, issues like innovation and spillovers with businesses locating together may be more important than firm size in terms of job creation (Birch, 1989, and Porter, 1990).

If buying local keeps more money in the local economy – does it follow logically that we should prioritize local businesses?

Advocates of going local suggest shopping at locally owned businesses results in an economic premium and point to a variety of studies as evidence. Civic Economics, a consulting group, prepared a study that highlights the economic premium of buying local. That report includes data from Andersonville, IL (a suburb of Chicago) and shows that for every $100 spent at locally owned businesses, $68 stays in the local economy – compared to $43 if the money had been spent at chain stores (Andersonville Study, 2008). The Institute for Local Self Reliance reached a similar conclusion for money spent at different stores in communities in the Midcoast region of Maine (NewRules.org). The reports also highlight other benefits of supporting smaller, locally owned businesses – such as greater job creation by small businesses and in many cases, higher wages and charitable contributions per $1,000 in sales revenues.

The idea of an economic premium, or larger multiplier effect, can be explained in either of two ways. First, the initial impact in the local economy is greater when $100 is spent at a locally owned business compared to a chain store – due to the immediate, extra 'leakage' with money from the chain store going to pay for services provided by the main office. The larger initial impact results in greater total impacts after all the ripple or indirect effects are considered. Alternatively, chain stores and locally owned stores can be seen as having different production functions. Economic impact models such as the BEA RIMS II system and IMPLAN assume firms in a given community will purchase goods and services from other local firms, so long as those firms are found in the local economy. That is, they assume the firms have similar productions. But chain stores and locally owned stores do not make the same purchasing decisions. As noted, chain stores may obtain goods and services from outside the local economy. As such, the multipliers derived from BEA and IMPLAN would seem to be appropriate for expenditures made at locally owned stores and likely overstate the local impact of transactions with chain stores. Civic Economics and the Institute for Self Reliance capture this fact when they show how money stays in a community longer when it starts at a locally owned store. At issue, however, is not whether the local multiplier effect is greater when you shop at one store versus another – but rather what happens in terms of net benefits.

Put another way, shopping at one store rather than another may mean that money stays in the local economy longer, but other factors have to be considered before any meaningful conclusions can be reached as to whether shopping at one store versus another is better for the community. Other factors might include the environmental impacts associated with different shopping decisions, differences in hours of operation, inventory or product availability, and product prices can affect the net benefits

associated with shopping at different stores. And an important point is that considering these factors requires a broader framework, such as a cost-benefit analysis. The work done to date to documents greater local impact when people shop at locally owned stores rather than chain stores relies on a narrow framework and simply does not show that a community benefits from the action. Benefits may go to a small constituency (i.e., small business owners) and may be offset by a variety of tradeoffs.

Does localizing an economy create social capital?
Part of the intuitive appeal of localizing an economy is that it highlights the value of businesses that are committed to the people and ecology of a particular place. That is, going local highlights the value of businesses that are sensitive to place and, as a result, is likely to create positive externalities and social capital. One could even imagine that nurturing small local businesses is a way of nurturing entrepreneurial activity and knowledge spillovers, thereby providing a foundation for economic growth.

This image of going local is strengthened by the work of Glaeser, Laibson, and Sacerdote (2002), who show how the value of a person's contribution to social capital can be strengthened by the work of others. The reinforcement of efforts creates a social multiplier, which would be enhanced by think local first and similar campaigns. Moreover, a concerted effort to create local social capital would also enhance the 'warm glow' effect of contributions to public goods (see for example, Videras and Owen, 2006).

But Westland (2006, page 135) raises a critical question – asking which actors in the economy should be prioritized in efforts to create local social capital? It is not clear a priori that promoting local businesses is the best way to build social capital. Local firms, for example, are not necessarily going to be the most innovative or generate the most spillovers. Westland explains how social capital in civil societies overlaps with the interests of the business world, but value systems and objectives can differ between the two. He concludes that tolerance, along with diverse norms, values, and networks are critically important for innovation and E.D. This conclusion has several implications for efforts to promote living, local economies. In particular, it suggests policies that favor decentralized business ownership should not impinge on norms, values, and networks that include centralized ownership. One implication of this conclusion is there may be value in promoting local businesses, but in conjunction with non-local businesses.

Westland's conclusion also invites consideration of factors such as economics of scale and comparative advantage when judging the value of different businesses, and begs questions about the effects of having many communities simultaneously promoting think local first campaigns. There may be gains in each community from going local, but there would also be losses with the reduction in exchange across communities. What the optimal balance of going local and encouraging openness might be is not clear.

Westlund and Bolton (2003) argue that social networks or social capital should be compared with other forms of capital in a community. And while some have argued that social capital is a public good (see for example the perspective offered by Putnam, summarized in both Westlund and Bolton, 2003, and Westlund, 2006), Westlund and Bolton suggest this capital should be viewed as a network that may function for good or bad depending on the circumstances. That is, one cannot merely assume that the creation of social capital is always good or that it is better than an alternative form of capital.

In addition to asking whether a particular network or stock of capital is productive, one could also ask whether capital in one location is inherently more valuable than similar capital in another location. Singer and Mason (2006) note that farmers in a developing country might benefit much more from a given amount of money than farmers in the U.S. Their work suggests that efforts (including subsidies to farmers) to enhance capital in one location could be used to enhance capital in another location, and the returns may differ.

In short, it does not follow that just because a firm is locally owned it will behave in a way that enhances productive networks or increases innovation. Nor does it follow that just because a firm is non-local it is somehow less valuable. More empirical work is needed in this area, notwithstanding concerns about defining what is local.

Comparative advantage

Michael Shuman (1998) offers in his book *Going Local* that comparative advantage is no longer a meaningful concept. Specifically, he offers that for the theory to work, capital must be immobile. Similarly, an op-ed piece by Thomas Palley that has received considerable attention asserts that, "The classical theory of comparative advantage has driven U.S. trade policy for the past fifty years. That policy, in combination with technical innovations that have lowered costs of transportation and communication, has opened the global economy. Yet paradoxically, this opening has rendered classical trade theory obsolete. That in turn has left the US economically vulnerable because its trade policy remains stuck in the past and based on ideas that no longer hold." Palley presents corporations as barges, floating around in search of the lowest costs possible and fueling concerns about a "race to the bottom" in terms of wage equalization or environmental quality (www.thomaspalley.com).

The attack on comparative advantage gained strength, and perhaps credibility, with an op-ed piece coauthored by the assistant secretary of the Treasury in the Reagan administration and a Democratic senator. In January 2004, the New York Times published "Exporting Jobs is not Free Trade," by Senator Charles Schumer and Paul Craig Roberts (former Reagan administration official). Like Shuman, Schumer and Roberts also state that comparative advantage is not meaningful today because capital and labor are so mobile. They imagine any advantages enjoyed by one region or country due to better technology, particular skills in labor, etc. would be fleeting since labor and capital move so readily and freely.

Such criticisms would appear to be an emotional response to certain costs associated with free trade rather than insights that cast doubt on the concept. Paul Krugman also notes that while the original description of comparative offered by David Ricardo 180 years ago assumes no capital mobility. That assumption, however, is not essential to the principle. He goes on to say that, "Both international borrowing and lending and international labor movement can be thought of as analogous in their causes and effects to the movements of goods ... So when we turn from trade in goods and services to factor movements, we do not make a radical shift in emphasis" (Pkarchive.org). Finding that an underlying assumption in a model is not meaningful merely suggests that the implications of the model can be questioned. The implications may or may not depend critically on the specific assumption that has been violated.

In "Ricardo's Difficult Idea" (undated), Krugman responds again to various critiques and misunderstandings of comparative advantage. He explains how the idea is still meaningful, despite changes to the initial assumptions made by Ricardo. Brakman et al (2006) also explain how comparative advantage remains relevant in discussions about the benefits of trade.

Hess (2009) offers a more interesting criticism of comparative advantage when he suggests the idea is good in theory, but lacking in practice. He identifies several countries that do not appear to have benefited from specialization and trade. He does not, however, show whether the problems in these countries arise because specialization and trade just does not offer many benefits in practice or if the problems are due to other factors. It is possible that the countries he mentions lack the institutions and infrastructure needed for the benefits of trade to be captured properly or to be widely enjoyed. Moreover, there is considerable evidence to suggest trade allows more efficient resource use, increases in incomes, and other benefits (see for example, Irwin 2002).

Looking Ahead

E.D. practitioners have to respond to a variety of concerns about economic change. Those concerns range from the outsourcing of jobs and possible environmental race to the bottom to every town become just like any other town. Localism offers the hope of something better – where local economies built on locally owned businesses include more local awareness and control, with more thoughtful investments in people and environmental stewardship. But that hope appears to be built on questionable assumptions, suggesting that more research and a better foundation is needed. The claim that comparative advantage is no longer meaningful lacks merit and the idea that smaller firms account for most employment gains, or that smaller firms provide higher quality jobs is problematic. In addition, the fact that shopping at local stores results in an economic premium is too incomplete to drive E.D. decisions.

Some of the suggested benefits of localism deserve further consideration. It is not clear, for example, what practitioners in E.D. should make of the claim local firms are more invested in their communities. It seems intuitive that local businesses would be active in and supportive of the local community, and that they may be more aware of particular environmental issues. Still, it is not obvious that being local is a proxy for better behavior or that small is inherently better than big. Nor is it clear that going local really addresses the causes of problems that have attracted attention.

Wal-Mart and other category killer stores provide a convenient example. Big box stores invite criticism if only because they appear to be insensitive to place. They can be threatening to labor groups and suggest a homogeneity many find unappealing. It is easy to embrace small locally owned businesses as a preferred alternative. But imagining a dichotomy of big versus small or local versus not local is problematic. Data on the impact of having Wal-Mart or K-Mart open a store in a community does not support the popular sentiment that big-box stores destroy communities. The data suggest something more complex. Jia (2008) suggests that Wal-Mart has a bigger impact on smaller discount stores, not small specialty stores or any retailer in general, and the arrival of Wal-Mart or K-Mart explains only a portion of the change in the number of smaller discount stores. Hausman and Liebtag (2007) add that consumers benefit from competition and product differentiation with the large retailers. So even though it is easy to show turmoil and tradeoffs with big-box retailers, the evidence does not show that the stores are clearly bad for communities. (It is not clear that communities would be better off with an economy based on small, locally owned businesses. A sufficient number of small stores to replace the big ones results in impacts as well...)

Born and Purcell (2006) also express concern about a 'local trap' and document problems with the assumption that local is inherently good. They offer a reminder that non-local firms may exhibit desired behaviors and offer benefits associated with scale and strategic networks. (Golden et. al. (2006) also note that E.D. efforts should not be so much small versus large or local versus not local as they should be figuring out how to help different businesses to thrive simultaneously.) Focusing more on environmental concerns, Nijkamp, Rossi, and Vindigni (2004) show that greater emphasis on localized modes of consumption and production can lead to increased environmental externalities.

Looking ahead, more work is needed to explain the objectives of going local and to show that localism might really provide some of the promised benefits. Shuman (1998) paints a picture of faceless corporations undermining the fabric of local economies. While the image of a vibrant economy based on small, locally owned businesses can be appealing – no one has shown how much more wealth (if any) would be available with this alternative; whether the environmental impacts could actually be lower; and whether local business owners really are more thoughtful. Less wealth and more environmental impacts are entirely possible. Even if local business owners are more concerned about their workers, Edmiston (2007) still finds that smaller businesses have more employer initiated separations. They may not have the capacity to offer job stability and other benefits. And even if they are more concerned about the environment, they may cause greater impacts due to a variety of inefficiencies. The challenge seems to be creating better incentives for everyone, not just imagining that small and local is a good alternative to big and not local.

Bellingham, WA – an illustrative case study

Anecdotal evidence from a comparison of locally owned and chain stores in Bellingham, WA (a city mentioned by the commentators on MarketPlace International – saying it was at the "epicenter" of a new economic movement) revealed serious problems with assumptions about local versus non-local. Shopping at local stores may result in a greater multiplier effect, but local stores typically have the same or higher prices for the same products, have shorter hours of operation, and offer fewer benefits to employees. More important, local and non-local stores had different inventories and offered different services. In many cases the differences were such that a direct comparison of stores just wasn't meaningful.

Table 1 and Table 2 provide a summary of prices and hours of operation at selected locally owned stores and national chain stores in the same industrial sector.

Table 1. Prices and Hours of Operations at Pharmacies

	Chain Stores		**Local Stores**	
	Walgreen	**Wal-Mart**	**Haggen**	**Fairhaven**
Lipitor (20mg, 30 tablets)	136.99	126.62	151.39	146.33
Advil (200mg, 50 tablets)*	5.99	NA[a]	6.99	6.39
Hours of operation	Open 24 hours	Open 24 hours	Varies by store, roughly 8:00 – 9:00 M-F; 9:00 – 7:00 Sat & Sun	9:30 – 6:00 M-F; 9:30-4:00 Sat; closed Sun.

*a Wal-Mart did not offer a 50 tablet package when we did our price checks; their 100 tablets packet was priced similar to the 50 tablet packages at the local stores. Prices checked July 10-12, 2008

Table 2. Prices at Grocery Stores (July 2008)

Comparison between Haggen (local) and Fred Meyer (regional chain)		Comparison between Cost Cutter (local) and Fred Meyer (regional chain)	
Number of items cheaper at **local** store: 11	Number of items cheaper at **chain** store: 13	Number of items cheaper at **local** store: 6	Number of items cheaper at **chain** store: 20
Savings associated with cheaper items: $1.35	Savings associated with cheaper items: $12.35	Savings associated with cheaper items: $1.35	Savings associated with cheaper items: $15.72

Note: Both chain and local stores are open 24 hours.

The information in Table 1 and Table 2 suggest that the chain pharmacies tend to offer lower prices and are open more hours. In addition, they tend to have a larger selection of non-prescription medicines, supplements, and other items. At the same time, local pharmacies were more likely to custom order products and offered specialty items not found in the larger chain stores. Prices were also lower overall at chain grocery stores, with different service levels and product options at the different stores. Again, these factors have to be considered in any effort to determine whether shopping at one store offers greater net benefits to a community. It is quite possible that customers value the lower prices and being able to get pharmaceuticals and other products late at night enough to offset any premium that results from buying local.

One claim about chain stores is that they are often built on the edge of town and result in more traffic. A small survey of grocery shoppers in Bellingham in spring 2008 found that shoppers willing to go to a big-box grocer were more likely to make one to three trips per week for groceries, while shoppers who preferred to shop at a locally owned store had a greater tendency to make four or more trips per week. The survey effort also found the locally store had significantly more deliveries each month than the larger stores. Such evidence does not show that one store results in more traffic than the other. No data are available on the length of the trips or whether they were multi-purpose trips. But the survey results are a poignant reminder that some of the claims about the benefits of buying local are overly simplistic.[i] The movement of locally owned stores from the downtown core and other neighborhood areas to the periphery of town (for more parking, larger retail showrooms, and other factors) also draws into question whether one can assume locally owned firm will behave in particular ways.

A quick review of hazardous waste sites in Bellingham also reveals that most of the impacts can be traced to locally owned companies. Georgia Pacific had a pulp mill on the waterfront for much of the 20th century. The waterway adjacent to the mill and the waste lagoon are two sites that now need remediation. Those sites represent to some the damage done by a large corporation based in a different community. But the pulp mill that was purchased by Georgia Pacific was at one time a locally owned business. In addition, other sites that require remediation including two wood treatment lots, municipal dumps, and several smaller sites can be attributed to locals. Many problems related to water quality and water temperature that need to be addressed for salmon restoration can be attributed to local farms and small businesses. Many of the problems seem to be more a matter of awareness and incentives in general, not whether someone or some business is local.

In addition, a local apple farmer who has been active in the think local first campaign in Bellingham reported recently that he sells less than one percent of his crop in the county where his farm is located. Staff at Farm Friends, a local agriculture industry organization, confirmed that most berry and dairy enterprises (ignoring small "truck farms" that rely on farmer's markets) in the county sell less than one percent of their products in the local county. They depend critically on exports. These findings suggest that each community can talk a lot about import substitution, but the opportunities are either very limited or the tradeoffs potentially large. If each community wants to have its own apple farm, berry farm, etc., then the unit cost for the product will be extremely high. Moreover, early research on "food miles" suggests that efforts to make people aware of how far their food has traveled and to build more localized food networks may not result in reduced environmental impacts as advertised. Weber and Matthews (2008) show that the environmental impacts of food production are much greater than the impacts associated with transportation. In other words, going local can result in greater environmental impacts if proper attention is not given to efficiencies in production, processing, and storage.

The Bellingham case study also offers interesting insights into the connection between local businesses and the creation of local social capital. Like many communities, Bellingham has itinerant surgeons come to town to provide certain services. Local surgeons complain, noting that the itinerant surgeons are not available for emergency, on-call service at the local hospital. That is, they note being local results in a form of social capital. In this case, the local surgeons generate positive externalities by supporting all aspects of the local health care network – such as being available for on-call service at night and on the weekends. The non-local surgeons do not take emergency call, placing an extra burden on the local surgeons. But a closer look at the situation reveals local ownership has no direct link with the creation of productive local social capital. A variety of local health care providers network with the itinerant surgeons. In some cases the network of local providers and itinerant surgeons is unproductive capital. Patients receive inaccurate or incomplete information about the availability of different options and health care costs are higher than they need to be. In other cases the itinerant surgeons increase access to care and improve quality through competition. In such cases it may be the network of local surgeons that is being unproductive, by trying to restrict competition and innovation. While a full discussion of this situation is beyond the scope of the current paper – the example illustrates why it is difficult or impossible to say a

priori that going local creates productive social capital. Local firms may or may not perform in ways that benefit a community. And the same is true for non-local firms. Performance is the critical issue, not residency.

Finally, anecdotal data from Bellingham raises questions about the linkages between local ownership and charitable giving (something highlighted by Civic Economics in several of their studies and by BALLE in their top ten reasons to buy local). The largest contributors by any measure to the United Way campaigns in Bellingham are routinely companies such as BP, Wal-Mart, CH2MHill, Alcoa, and several other non-local companies. Local firms are active and critically important in the annual campaigns, but they are not more generous or more important.

Conclusions

Many people find comfort in the idea that communities can have more stable and prosperous economies simply by focusing more on locally owned businesses and the local production of goods and services. As noted above, however, advocates of going local have erroneously dismissed comparative advantage and glossed over other factors. If multiple communities pursue a strategy of increased self-reliance, ignoring concepts like comparative advantage and scale efficiencies, the end result may be increased community control, but also higher product costs and greater environmental impacts. Moreover, the literature on firm size wage differentials casts doubt on claims about the value of jobs created by smaller, locally owned firms. And there is no evidence to show that locally owned businesses are more charitable or that local is a proxy for other preferred behavior.

One can argue that giving preferential treatment to local businesses and promoting the local production of goods and services is a reasonable form of market intervention. In the case of Bellingham, the intervention is financial support from the city and county for the buy local (or think local first) campaign and related efforts such a farm incubator program. In other communities it may take other forms. Part of the idea is that local businesses are exactly the businesses that generate positive externalities and provide valuable public services. It is also possible to imagine that small, local businesses need assistance to survive because they lack a competitive advantage or sufficient scale – but are desirable nonetheless because they are community minded and help give identity to the community. (Unique local businesses keep a community from looking like "Anywhere, U.S.A.")

Unfortunately, it isn't obvious that supporting local businesses and promoting the local production of goods and services is the best way to protect against unwanted market outcomes or to enhance productive social capital. Local businesses are not always the ones that deserve recognition due to particular behaviors – and increasing the local production of goods and services may not increase wealth, increase community resiliency, or reduce environmental impacts. Moreover, going local is not necessarily a good way for a community to create or enhance its identity. Investments in education and parks, or architectural and planning standards that keep a community from looking like so many other communities might be more cost effective ways of giving a community an identity. A community might also fund innovation awards and other efforts that could enhance identify or E.D rather than using the money to market a particular type of business, where the benefits go primarily to a particular constituency.

In the end, E.D. practitioners need to be very clear about their objectives and very careful about when going local is a good strategy to achieve a given objective. (It is important to remember that going local is a strategy or a tool – not an ends in itself.) In some cases investments in local business and import substitution will increase welfare and could be described as E.D. But the idea that going local is a new form of E.D. or that going local can be viewed as a good way to make E.D. sensitive to place seems doubtful. Too many of the underlying assumptions are flawed and there does not appear to be much evidence to suggest an economy based on small, locally owned firms would function as hoped or result in the promised benefits. If going local is to be viewed as the first step towards something new – the additional (seemingly critical) steps need to be explained.

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Appendix B

CEBR participates in a quarterly pricing survey sponsored by the Council for Community and Economic Research (C2ER). Each quarter we price specific items, with instructions for the brand and size. We used the same pricing sheet to compare prices at the Burlington Fred Meyer and the two most recognized grocery stores in Anacortes. For a copy of the instructions, with brands, sizes, and other information, please contact CEBR at Western Washington University.

Item	Burlington	Anacortes	
	Fred Meyer	Safeway	The Markets
T-Bone steak	12.99	12.99	6.98
Ground beef or hamburger meat	4.99	3.99	3.98
Pork sausage	4.39	4.99	5.48
Frying chicken	1.29	1.49	2.78
Chunk light tuna	1.59	0.99	0.99
Whole milk	1.89	1.89	2.79
Eggs	3.19	2.99	2.99
Margarine	N/A	0.99	1.39
Parmesan cheese, grated	4.59	4.99	5.99
Potatoes	1.29	2.99	2.99
Bananas	0.59	0.79	0.79
Iceberg lettuce	0.99	1.49	1.99
White bread	2.99	0.99	1.39
Fresh orange juice	3.19	4.29	3.99
Coffee, vacuum-packed	5.69	5.99	5.49
Sugar, white	3.49	2.99	2.99
Corn flakes	2.27	3.99	4.19
Sweet peas	1.19	1.5	1.75
Peaches	1.89	2.49	3.99
Facial tissue	2.29	2.19	2.45
Dishwashing powder	4.79	6.29	6.99
Canola oil	2.29	3.79	3.99
Frozen prepared food	2.77	3	3.79
Frozen corn	1.19	2.5	3.39
Potato chips	2.99	3	2.5
Soft-drink	1.67	1.25	2
Advil tablet	9.19	9.99	11.55
Lipitor	298.78	N/A	N/A
Toothpaste	2.99	3	3.99
Shampoo	2.19	N/A	1.33
Tennis balls	3.99	N/A	N/A
Beer	8.99	8.99	9.99
Wine	9.99	3.6	5.99
Test Items:			
Ribeye steak	12.99	12.99	12.98

Whole wheat bread	N/A	N/A	N/A
Coffee, vacuum-packed	9.69	9.99	11.97
Extra virgin olive oil	6.57	5.99	6.49
Lantus solostar	465.29	N/A	N/A

The test items at the bottom of the list are new items C2ER is thinking of adding to the list.

[i] The survey was conducted by a student in an economics class in spring 2008. Findings should be viewed as anecdotal given the very small sample size. Out of 62 respondents at the Community Food Co-op, 43 said they shopped 1-3 times per week and 19 (31%) said they shopped 4+ times per week. Out of 68 respondents at larger stores, 53 said they shopped 1-3 times per week and 15 (22%) said they shopped 4+ times per week.

Addendum to 'Retail Discussion Report'

Issue: Is it misleading to say there are no sales in Anacortes under the category of general merchandise, when general merchandise items are available at various stores in the city?

Reports from the Washington State Department of Revenue show no retail sales in the 'general merchandise' sector in Anacortes. We rely on these data in our report and repeat that finding. We also recognize that general merchandise items might be sold in stores in Anacortes that are not in the general merchandise category. For example, customers can buy books, light bulbs, and many other general items at grocery stores. But a grocery store's revenues will be reported in the grocery category. (The sales are typically not divided into different categories or sectors, but rather are recorded under the main sector for the business.)

We report $0.00 in sales in general merchandise in part to stimulate discussion about what businesses are found in Anacortes and what is required of consumers to find what they want. Some customers do not like larger, general merchandise stores. They prefer to shop at a collection of different specialty stores. And they may be able to find much of what they want by going to various stores in Anacortes. But other customers may have different preferences. In short, we are hoping to stimulate discussion about consumer behavior. The retail figures underscore the fact that some people leave the city to find the stores they want; some people do not. The discussion should be about why, not whether the figures in the general merchandise category are totally accurate.

We also report $0.00 in sales in general merchandise to highlight the fact that Anacortes sees fewer sales in some sectors than would by typical (there is leakage, so to speak), but also more sales than would be typical in other sectors. The lack of sales in general merchandise is supposed to be viewed in context, not as an important figure by itself. In fact, most data need context and some understanding of the data collection process can be helpful when interpreting the data.