

THE NEW LOCALISM



Q: Haven't independent bookstores all gone out of business?

A: Not at all!

There has been a renaissance in indie bookselling over the past five years. While not every bookstore or community has seen this growth, the national trends are clear: New stores are opening. There has been a 35 percent increase in the number of independent bookstore locations since 2009, existing stores are opening in new locations, and established stores are being successfully sold to new owners, often younger owners as a new generation of booksellers enters the industry.

Importantly, too, book sales are up across the indie channel. There have been consistent, modest sales gains for four years, and sales were up approximately eight percent in 2015.

All of this is a result of the fact that indie booksellers are a resilient and entrepreneurial group, offering customers a unique opportunity to discover great new titles and a closer connection with authors, fellow readers, and their community.

Q: But what about other indie businesses?

A: Independent businesses of all kinds are seeing growth. Here are just a few examples of the health of independent businesses in the U.S.:

- Indie coffee shops are opening locations at one-and-a-half times the rate of Starbucks,
- Over the last 10-plus years, the number of farmers markets has grown from 3,000 to almost 8,000,
- More than 1,400 small grocery and speciality food stores have opened nationwide,
- More than 4,277 new restaurants have opened over the past four years,
- Locally owned inns and B&Bs have booked a recorded number of stays over the past five-plus years,
- And more than 300 new pet stores have opened!

Without a doubt, such mega-companies such as Walmart and Amazon have continued to grow, and competition remains fierce, but in contrast to the grim reports of the 1990s and early 2000s, the rise of the localism movement and other factors has resulted in gains for indie businesses.

Q: I hear a lot about localism, but is it all just hype?

A: Certainly not.

The localism movement has become a major influence in the decisions of consumers regarding where they will make their purchases and spend their dollars. Nationally, literally millions of consumers are deciding to shop in a locally owned business because it is locally owned.

Q: That sounds great, but do you have facts to back that up?

A: Absolutely.

Take a look at the growing success of Small Business Saturday, the Saturday after Black Friday. Sales have grown each year since the event started in 2012, and in 2015 total spending among U.S. consumers who were aware of Small Business Saturday increased by 14 percent, reaching \$16.2 billion spent at indie retailers and restaurants.

Another great indicator is the annual post-holiday survey of independent businesses conducted by the national group Advocates for Independent Business. The national survey has reported positive growth numbers for the last nine years. The most recent survey—which gathered data from more than 3,200 businesses—showed brisk sales in 2015, with revenue growing at an average of 6.6 percent. Among indie retailers, revenue increased 4.7 percent, including a 3.1 percent increase during the holiday season. These indie retailers beat the results of many national chain retailers as well as overall holiday retail sales, which rose only 1.6 percent.

Communities with an active Local First or “buy local” campaign saw revenue growth among indie businesses of 7.4 percent in 2015, compared to 4.2 percent for those in communities without such an initiative. Two-thirds of respondents in cities with active campaigns said they were having a noticeable positive effect on their businesses, with one-third reporting new customers and 40 percent reporting an increase in collaboration and mutual support among local businesses as a result of the initiative.

Q: Isn't Amazon.com's success just a result of a superior business strategy?

A: No.

Amazon has definitely pioneered online commerce and has excelled at providing a very engaging customer experience and executing the complex supply-chain steps of delivery purchases to consumers. But its success is not the result of that alone. Amazon has also greatly benefited from many years of resolute avoidance of sales tax collection on purchases, giving it an inequitable and potent strategic pricing advantage over bricks-and-mortar retailers that have complied with sales tax requirements. A recent study found that households in states where Amazon collects sales tax reduced their Amazon purchases by eight percent after sales taxes collection was implemented. The effect is more pronounced for large purchases, where the decline was 11 percent. This advantage is slowly coming to an end, but, over the years, it has cost states and cities billions of dollars in lost revenue, while forcing local retailers to compete with one hand tied behind their backs.

In addition, Amazon has demanded special tax rebates and subsidies to locate distribution centers in cities and towns across the nation. This despite the fact that Amazon destroys more jobs than it creates. Bricks-and-mortar retailers employ 47 people for every \$10 million in sales, according to an analysis by the Institute for Local Self Reliance of U.S. Census data. (If you exclude chains and look only at independent retailers, the figure is even higher — 57 jobs.) But Amazon employs only 14 people per \$10 million in revenue.

Q: I understand why Amazon's growth has been tough on bricks-and-mortar businesses, but why is it bad for local communities?

A: Local communities prosper and thrive on local business.

A recent study commissioned by ABA from the research group Civic Economics clearly shows that what's good for Amazon is not good for the overwhelming number of communities in the U.S. The study revealed that Amazon's total nationwide sales tax gap in 2015 is an estimated \$704 million, and the displacement of retail from local communities to the Internet exacts a large (and growing) cost of approximately \$528 million in property taxes annually. This results in a total of more than \$1.2 billion in revenue lost to state and local governments in just one year, a huge shortfall in the monies needed to support schools, libraries, first responders, and other key services.

Q: Are locally owned businesses better for my community?

A: Locally owned businesses are far better at creating long-lasting and healthy communities.

Several case studies have found that about \$52 of every \$100 you spend at locally owned stores stays in your community, supporting other businesses and jobs. (Local retailers buy many goods and services, like printing and accounting, from other local businesses; their employees spend most of their earnings locally; and so on.) That far outstrips the performance of Amazon.

Q: Isn't Amazon opening distribution centers and creating jobs?

A: Yes, but the overall net effects on job creation are not positive.

The Civic Economics study found that for the year 2015 alone Amazon sales produced a net national loss of 222,000 retail jobs, with only six states showing a net gain in jobs. And those numbers take into account all the jobs currently in Amazon distribution centers.

Q: Now that Amazon is opening up bricks-and-mortar stores, won't it be supporting Main Streets?

A: So far, Amazon has opened two physical locations, in Seattle and La Jolla, California, with stores announced for a few additional cities. But even assuming a sustained rollout of stores, within a year or two the sales of Amazon's stores would amount to about only 0.2 percent of its total U.S. retail sales revenue. The bulk of Amazon's sales continue to be online, sales that, in the long run, are far less supportive of the financial and social health of communities than is a diverse mix of locally owned businesses.

Q: Are you saying that I shouldn't make any online purchases?

A: Of course not. Indeed, most indie retailers have an online presence.

What we are saying is that your shopping decisions shape your community. Should Amazon achieve its goal of becoming "the everything store"—the dominant retailer across all categories—our hometowns will lose their diversity and vitality. Everyone appreciates low prices and convenience, but we also put a very high value on the local stores, restaurants, and businesses that make our communities unique, fun, and liveable.

In the end, where we spend does shape where we live.

See more at IndieBound.org/spotlightamazon

