

THE ECONOMIC IMPACT OF LOCAL BUSINESSES

A STUDY ON THE LOCAL RECIRCULATION OF REVENUE
BY B.C. RETAILERS AND RESTAURANTS

LOCO BC
DECEMBER 2019

**LO
CO**

www.locobc.com
info@locobc.com



HIGHLIGHTS

- Independent businesses recirculate up to 4.6 times more revenue in the local economy than multinationals
 - Independent businesses recirculate up to \$63 of every \$100 in revenue in the local economy, compared to \$14 for multinationals
 - Independent businesses produce up to 8.4 times more jobs/ft² & up to 8.1 times more revenue/ft² than multinationals
 - Independent businesses spend up to 31.4% of their revenue on B.C. products & services
-
- Independent businesses donate up to 24 times more per dollar of revenue to local charities than multinationals
 - A 10% shift in B.C. consumer spending towards independent businesses would create 14,150 jobs & keep \$4.3 billion in the B.C. economy

BACKGROUND

in 2019 LOCO commissioned the U.S research firm Civic Economics to conduct a study on the impact of consumer spending at locally owned businesses. We launched this research to update and verify data produced by independent studies on the impact of B.C. businesses from Civic Economics and LOCO BC in 2013.

For the purposes of this study, we define "locally owned" as an independent, privately-owned business, a location of a small, privately-owned independent chain of businesses, a locally-owned location of certain types of franchise stores (e.g. the dealer owned co-operative Home Hardware), or a non-profit-owned social enterprise business.

SCOPE

The scope of this study included brick and mortar retail stores and restaurants. We could not include purely online locations of any business due to the methodology of the Civic Economics "Indie Impact Series".

LOCO BC identified three communities in the B.C.'s lower mainland to calculate the recirculation impact of local businesses located there, and compare it to the recirculation of similar multinational corporations. The study focuses on businesses in the Newton, Langley and Downtown Eastside area of Vancouver, as far west as the Gastown area. We chose the areas based on study sponsorship by organizations in each area, and our ability to conduct outreach to businesses through those organizations and other business groups in those areas.



METHODOLOGY

LOCO BC conducted outreach to potential study sponsor organizations. We looked for partners across the province, attempting to represent both urban and rural B.C. We secured funding from four groups to cover three areas in the Metro Vancouver area. Our study sponsor organizations and partner groups helped us compile lists of local businesses. Civic Economics set up a business survey to collect data, and communicated with LOCO BC about participation rates in each community without sharing the confidential data from each business. LOCO BC followed up with businesses to ensure a minimum of 10 businesses completed the survey, at least 3 each in the retailer and restaurant categories. LOCO BC either encouraged businesses to fill out the survey online, or collected the data and sent it directly to Civic Economics. Civic Economics assessed the data, and in some cases eliminated businesses reporting data that seemed unrealistically high in

the amount of revenue recirculated locally through profits, jobs, purchasing and donations. Civic economics aggregated the data, provided comparisons to multinationals and produced a report. LOCO BC commissioned the development of infographics based on the data. The graphics depict the highest achievable recirculation impacts from the report, whether from the retail or restaurant category. It was not possible to create a weighted average between both categories.

PARTNERS

We owe a debt of gratitude to many organizations who helped bring this project to fruition, from our research partner Civic Economics, to our study sponsors, and the business groups who helped with outreach. The research analysis was conducted by Civic Economics as part of their "Indie Impact Series". We chose Civic Economics because of their extensive experience in this area: they have 20 years experience comparing the economic impact of independent business to multinationals, their work has been cited in print and media articles including The Economist and The New York Times, and they produced a report on the impact of B.C. retailers and restaurants for CUPE BC in 2013. A full company overview is amended to this report. Our study sponsors were the Township of Langley, Buy Social Canada, the Community Impact Real Estate Society (CIRES), and the Newton Business Improvement Area (BIA). Several groups assisted with business outreach, including the Greater Langley Chamber of Commerce, Downtown Langley Business Association, Tourism Langley, and the Strathcona and Gastown BIAs.

Most importantly, a **HUGE THANK YOU** you to *all the businesses who participated*, taking time out of their busy schedules to provide detailed information about their operations.

Township of
Langley



Est. 1873



RESULTS

INDEPENDENT BUSINESSES:

- Recirculate up to 63% of their revenue back into the local economy compared to 14% for multinational corporations
- Produce up to 8.4 times more jobs/ft² & up to 8.1 times more revenue/ft² than multinationals
- Spend up to 31.4% of their revenue on B.C. products & services
- Donate up to 24 times more per dollar of revenue to local charities than multinationals



CONSUMER SPENDING:

- With independent businesses produces up to 4.6 times the economic benefit for the B.C. economy
- With independent businesses recirculates up to \$63 of every \$100 in spending in the local economy, compared to \$14 for multinationals
- If shifted 10% towards independent businesses would create 14,150 jobs & keeps \$4.3 billion in the B.C. economy

RESULTS

LOCAL RETAILERS:

- Recirculate 63% of revenue locally compared to 14% for multinationals (4.6 times)
- Employ 13.4 staff/ft2 compared to 1.6 staff/ft2 for multinationals (8.4 times)
- Earn \$413 revenue/ft2 compared to \$51 revenue/ft2 for multinationals (8.1 times)
- Spend 18.1% of revenue on B.C. products
- Spend 7.5% of revenue on services from B.C.-owned businesses
- Donate 5% to charity compared to 0.2% for multinationals (25 times)



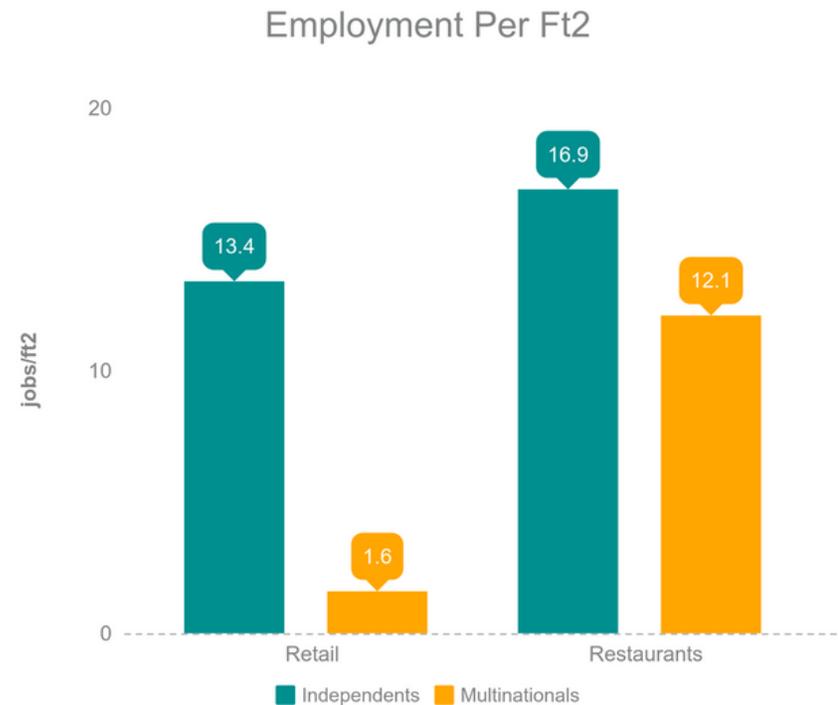
LOCAL RESTAURANTS

- Recirculate 67.9% compared to 30.4% for multinationals (2.2 times)
- Employ 16.9 staff/ft2 compared to 12.1 staff/ft2 for multinationals (1.4 times)
- Earn \$739 revenue/ft2 compared to \$199 per ft2 for multinationals (3.7 times)
- Spend 23.1% of revenue on B.C. products
- Spend 8.3% of revenue on services from B.C.-owned businesses
- Donate 1.5% to charity compared to 0.2% for multinationals (7.5 times)

DISCUSSION

This research found that local retailers recirculate 4.6 times more revenue in the local economy than multinationals, and that local restaurants recirculate 2.2 times more revenue in the local economy than multinationals. The difference between them is due mainly to higher employment per square foot in independent retailers compared to multinationals than in restaurants compared to multinationals (8.4 times compared to 1.4 times). This research found a higher recirculation in both sectors than in the Civic Economics' 2013 report. It found that local retailers circulated 2.7 times the revenue as multinationals and restaurants circulated 2.1 times the revenue as multinationals, with a weighted average of 2.6. The scope and budget of this project did not allow Civic Economics to create a weighted average for the two sectors.

In this research, where no direct comparison data is provided (e.g. purchasing, charitable giving), no data was available from corporate public reports. Civic Economics provided an estimate of multinational charitable giving between 0.1% to 0.2% based on previous research. We assumed a higher percentage of giving by multinationals (0.2%), and compared it to local restaurants and retailers who were found to give between 1.5% and 5%.

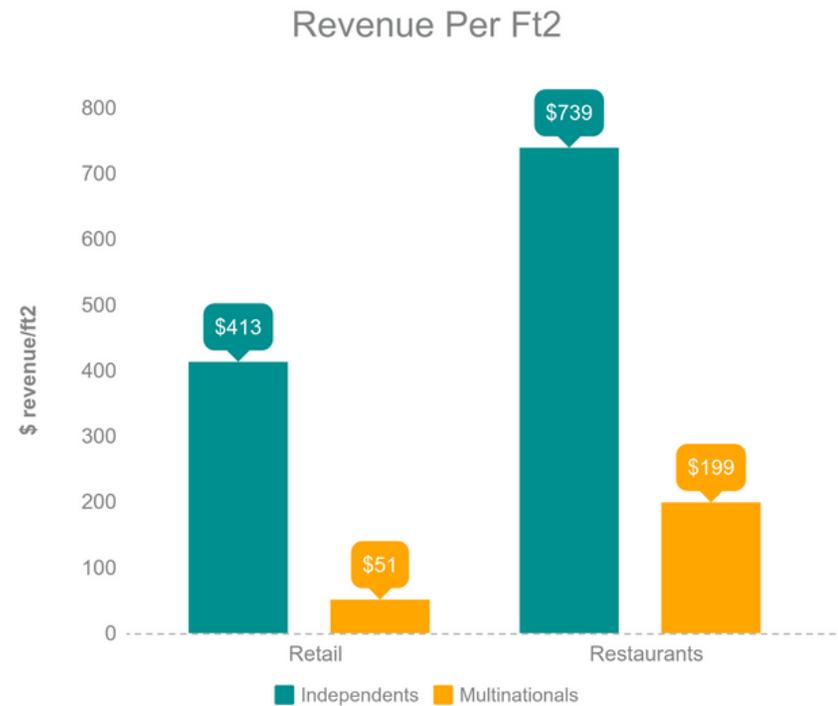


DISCUSSION

Businesses reported data on the recirculation of revenue in the B.C. economy through profits, jobs, purchases and donations. We received completed surveys from 32 businesses. Civic Economics eliminated 13 results for potentially unrealistic responses, for a final set of data from 19 businesses - 11 retailers and 8 restaurants.

Civic Economics required a minimum of 10 business surveys to complete the research, with at least 3 retailers and 3 restaurants among the 10 businesses. For the purposes of comparison, Civic Economics' 2013 B.C. research was based on responses from 12 businesses.

Civic Economics used Statistics Canada 2018 data to determine the impact of a 10% shift in consumer spending to local businesses. The estimate that shifting \$4.3 billion to local businesses (10% of total retail sales) could create 14,150 jobs is based on the assumption that approximately one job is created for every \$300,000 in retail sales. This is 2.2 times less than the projected job creation from a 10% shift in the 2013 report (31,000 jobs) because a line by line analysis of spending in each retail category was not possible for this project. Civic Economics reports that more jobs may be induced by a 10% shift in spending, but this was the best high-level estimate that could be made for the purposes of this project.



ABOUT CIVIC ECONOMICS

Civic Economics provides a data-driven approach to business and community initiatives with a wide range of goals. We are noted for the innovative application of industry-standard tools and the development of proprietary methodologies that provide credible guidance and evidence to our clients.

Our practice is broad, but we have developed substantial depth in the economics of local and regional retail, land use planning, and gaming. From offices in Chicago and Tulsa, Civic Economics serves all of North America, from Florida to Alaska and California to Maine, with occasional forays across the border. We have served some of the wealthiest enclaves in America and some of the poorest, and our clients run from small non-profits to large corporations and state governments.

Civic Economics provides our clients with credible analyses of current issues, expressed in a clear and concise fashion to the public and to policymakers.

Civic Economics has developed a unique and unquestioned authority for the study of local and regional retail and service businesses. We apply that knowledge in a variety of contexts, from land development planning to public relations. Our ground-breaking work studying the economics of local retail and service provision has earned feature stories in countless media outlets, including the Economist and the New York Times, and has influenced business organizations around the world.

Starting with a small study in Austin in 2002, we have documented the economic benefits of a strong independent business community. We are proud that the value of independent businesses has gone from a new idea in 2002 to conventional wisdom today; our studies have much to do with the change.

Contact: Matt Cunningham (Chicago, USA)
mattc@civiceconomics.com (773) 251-5926