



Cha-ching — The Sound of Dollars Circulating

by Colin Read, Ph.D.

There was a time when what was made locally was consumed locally. As a matter of fact, the first markets were likely retail — farmers or artisans selling their produce, pots, and wares directly to consumers.

As markets became more sophisticated, transportation more efficient, and the supply chain more lengthy, a smaller portion of sales were in traditional retail markets for goods. Then with the creation of the Internet, the explosion of business-to-business marketing, and even markets created just for eBay resellers, some predicted that retailing would begin to play a less significant role. This de-emphasis of traditional retailing was even further eroded as consumers moved toward eBay and In-

ternet retailing in an effort to improve the scope of choices and the delivered price.

The free market system is built upon the premise that fully informed consumers should receive the best delivered price. The Internet has been a huge boon to our efficient markets by providing consumers with knowledge of the best price and the range of available products. And while this increased competitiveness has been blamed for the end of the Mom-and-Pop store, we should perhaps credit it as the beginning of truly sustainable Mom-and-Pops.

First, even local retail can now tap into the same supply chains that were once the sole purview of only the biggest stores. And with containerized shipping and dramatic improvements in trucking, even relatively small retailers can receive goods

that could once only be obtained by large integrated supermarkets. So, we now see local stores with a range of goods that was unheard-of a generation or two ago. Ironically enough, it is now the local store that can fill the niches and bring in the specialty goods that are a little too idiosyncratic for the large box stores to carry.

Second, the research and comparison shopping consumers may now do on the Internet creates a price benchmark — and the retailers know this. So local retailers recognize they can charge a price a bit above the delivered price from some far away Internet store, but they had better offer some other benefits to make the package more attractive. This is the Retailing Renaissance.

Third, while an anonymous Internet retailer may sell you a white box, you know they cannot give you the after-sale service or the returns policy that a local retailer can provide. And even if the Internet retailer could somehow make returns and warranty service more accessible, they will never have the same local reputation to uphold that a local retailer must nurture every day.

I'm not saying that there is no longer a role for Internet retailing. That genie is not going back in the bottle, which is a good thing because it ensures we will always maintain price competitiveness. It is also a tremendous service to allow the consumer to have their goods straight, or bundled with local service and customer support. Consumers can now benefit from both price competitiveness and product support. Never before could we enjoy the range of products sold locally at relatively competitive prices and with good product support.

The Retailing Renaissance also has some real economic benefits as well. While local profits expatriated to Bentonville, Arkansas are certainly great for that economy, the North Country economy benefits only from the relatively low paying clerk and shelf stocker jobs. While labor income may stay in the North Country, the profits do not. It is even better when a local retailer can generate a local payroll and also local profits, if these profits are reinvested in the local economy. Best yet is when a local producer sells to a local retailer who reinvests the profit into the local economy. Such exchanges maximize what

economists call the 'multiplier effect', allowing those dollars to circulate over and over in the local economy, with little leaking out of the region. This is the advantage of a sufficiently large community that can create the diversity of products to sell locally.

There are certain types of products that lend themselves well to local retailing. Everybody knows that the cost of manufactured goods has come down so much that now only a small share of our income is devoted to goods. Where does the rest of our income go? Housing costs (which are by definition local) now make up a smaller share of our income too. And food costs have continued to fall as we have moved from the majority of our labor force devoted to agriculture to only about one in fifty workers. What has grown dramatically is the Service Retailing sector. And fortunately for our North Country multiplier effect, this form of retailing is decidedly local and impossible to outsource.

The New Retailers in this Retail Renaissance are the restaurateurs, the hair stylists, the eye care specialists, the physical therapists, and the financial planners that are increasingly opening up shop in the North Country. Retail food services, personal services, medical services, and financial services are the new faces of retailing, and are necessarily local. Fortunately for our local multiplier, these sectors are the fast growing sectors, and this growth should accelerate as our population ages and has more disposable income for these luxuries we can finally afford.

So when someone grieves over the death of retailing, remind them that rumors of its death have been exaggerated. Perhaps we have to look a little bit differently, but when we do, we will discover many new retailers and young entrepreneurs who have made a choice to live here by providing you something that was never available – until now. ■

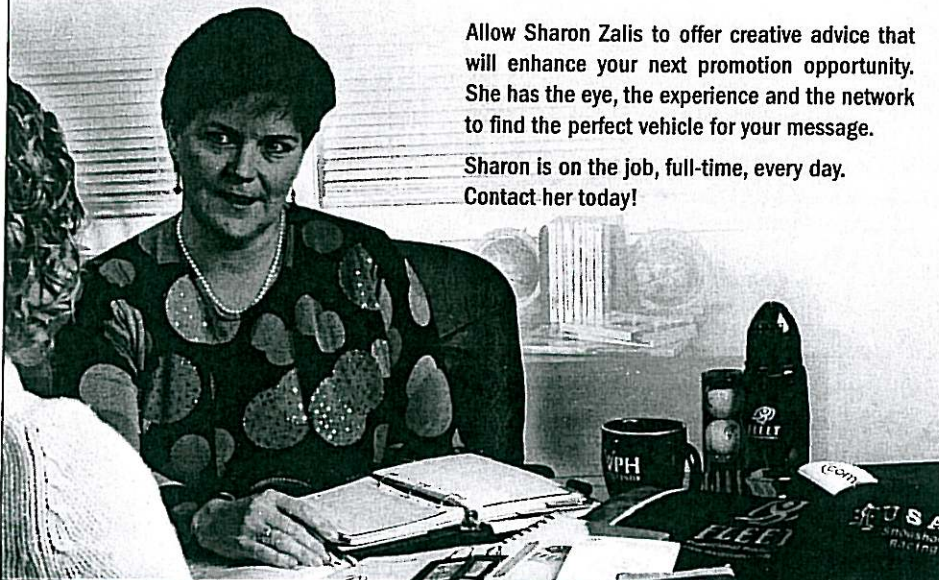


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