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SUMMARY This article poses the question as to why planners should be concerned about the declining health of the small retail sector. It looks at the contributions that this sector makes to the health and vibrancy of local communities, the reasons for the sector’s decline, and what jurisdictions in other countries have done to try to stem the tide. It attempts to show, from a full-cost accounting perspective, how the loss of a viable small retail sector should be anything but a matter of indifference to planners and other civic leaders.

RESUME Cet article s’interroge sur l’indifference actuelle des urbanistes à l’égard de la santé déclinante du secteur de la vente au détail à petite échelle. Il se penche sur l’apport de ce secteur à la santé et la vitalité des communautés locales, les raisons de ce déclin et les démarches entreprises ailleurs pour tenter d’endiguer le problème. Il tente également de démontrer, par le biais d’une perspective de comptabilisation du coût complet, que les urbanistes et autres dirigeants municipaux devraient se préoccuper avant tout de sa prospérité.

Should We Care?
BY DON ALEXANDER AND PAMELA SHAW
We were motivated to write this article in part because small retail outlets are a meaningful part of our lives. Both of us have lost services that we valued—independent grocers, booksellers, video emporiums, and movie theatres—and both of us treasure the contribution that funky, individualized retail districts have made and continue to make to the quality of our lives.

In this article, we consider four things—the social and economic significance of small businesses, the reasons for their decline, the issue of why we should care, and a survey of some of the measures that municipalities have taken to support this sector.

**THE ECONOMIC AND SOCIAL SIGNIFICANCE OF SMALL BUSINESSES**

Small retail businesses contribute to the economy and to the social fabric of places as employers in local communities and as place identifiers on the landscape. For instance, there is evidence that they retain more dollars spent in the community and employ more people per dollar spent. And while it certainly would be unique to each business, ownership and personal investment in a business usually means personable and conscientious service. Small business owners are also more likely to be part of the social fabric of a community by donating to local causes and volunteering their time.

**Economic:** Economic impact is determined by measuring three components: the direct, indirect, and induced impacts of a business. **Direct impact** is the spending done by the business to operate, including acquiring inventory, paying for utilities, rent, and employee salaries. According to BC Stats, in 2009 businesses with 0-4 employees comprised 82% of the total number of businesses in operation, while those with 20 or more were only 3% of the total. While it is difficult to separate out the number of retail businesses from the total number of small businesses—these could be consulting companies, tradespersons, or other operations which would not be considered small retail—the data does show that small businesses make up a substantial portion of the economy. Moreover, the number of small businesses increased by 3.0% from 2008 to 2009, while the number of large businesses in B.C. declined slightly.

It is likely that larger economic forces shape this trend: it may be that individuals laid off from large businesses decided to start their own small firms. Moreover, existing entrepreneurs may have developed new small businesses to attract income, and larger businesses may have divided into smaller corporate units. Whatever the reason, in 2009 small businesses employed almost half of all British Columbians in the workforce. So why should we care about small businesses, including those in the retail sector? Because small businesses, and retailing, have substantial direct positive impacts on local economies.

**Induced impacts** are the additional benefits that accrue as the business owner and employees spend money at other businesses in the same locale and by using other local services. Small business purchases goods and services from other businesses and a portion of employee salaries are also re-invested in the community; keeping this sector of the economy healthy and operating makes good economic sense.

The Institute for Local Self Reliance looked at the economic impact of eight small retail businesses on the local economy in mid-coast Maine, and found that on average these businesses spent approximately 44% of their revenue in the surrounding two counties; this compared with an analysis of one big box retailer which returned about 14% of its revenue to the local economy, largely in wages paid to employees. This study concurred with the findings of other similar reviews: the contribution of small businesses to local economies is about three times that of large format retail stores.

This figure differs depending on the category of the business—restaurants are labour-intensive and may also rely on local sources for produce and foodstuffs,
so a high proportion of their revenues may be reinvested in the local economy. Pharmacies, on the other hand, have few employees and their goods sold are generally created elsewhere, so the funds reinvested back into the community are more limited. Ownership of the small business may also be a factor: by definition, an absentee-owned business or corporate chain takes profits out of the community, instead focusing spending in some place other than the local community. While this may benefit the head-office location, the re-investment of profit elsewhere does not contribute to the local economy. A supporting study by Civic Economics found that a dollar spent in a local, non-chain or franchise restaurant had a 25% greater local economic impact than one spent in a chain/franchise establishment and that local retail had 63% greater impact than chain/franchise retailing.

The flip side of relative multiplier effects and recirculation of dollars spent is the fact that large-format retailers are often subsidized by municipalities seeking jobs or additional taxes, and by states and the federal government in the U.S. which subsidize their employees’ wages through welfare payments and other social services. As noted by Muske, Woods, Swinney, and Khoo, “As communities focus on local economic development efforts, one common response is to key on business and industry attraction or ‘smokestack chasing’. Every community wants the next big employer.” This means attracting mega-retailers, by providing fast-tracked zoning amendments, tax concessions or reduced development charges. As previously noted, these mega-retailers tend to invest a lesser percentage of profits back into the local community, generally through wages paid to employees (with minimal benefits, anti-union tactics, and ‘full time’ defined as 32 hours a week). It could be argued that this lesser percentage could potentially be larger in actual dollar value than the percentage invested by the local business, but the evidence outlined in the studies considered above indicates that small businesses, in fact, have a greater localized economic impact.

Social: Moving beyond economics, from a social perspective the key question is: can a chain, franchise, or mega-retailer be equally as good as a small independent retailer in making a positive impact on a locale? John Freie tackles this question in his book, *Counterfeit Community: the exploitation of our longings for connectedness*. Freie examines the manipulation of the concept of ‘community’ and notes that people search for a sense of belonging to a place. Critical to this are the real relationships that one has with others in that community. According to Freie, citizens want to be part of the community fabric, to be recognized and seen as integral to the place and space, typified by the enjoyment one feels when one is able to go to a restaurant and order the ‘usual’. A counterfeit community attempts to satisfy these longings without building the necessary relationships: chain and franchise operations have recognized and accommodated this need. We accept proxies. We go to the chain restaurant with various familiar farm implements and bric-a-brac nailed to the walls...the one that advertises itself as a “neighbourhood bar and grill”. We patronize the chain store coffee shop, lulled into complacency because every outlet has the same drink menu, served by staff reading from the same script. We accept spectacle over substance and equate familiarity with product uniformity.

Large retailers are successful because they seek to maximize profit and corporate agendas: these are laudable goals within a certain sphere, but not necessarily ones that contribute to a sturdy community fabric. We acquiesce to a new social contract: we do not have to build a relationship with a store owner—the owners are shareholders in a corporation headquartered far away. We do not have to get to know the server in the restaurant—each works from a script that requires a focus on up-selling and moving people quickly through their dining experience. The server is taught to write their names upside down on the paper table cloth to give the patron a false sense of relationship, although this connection is fostered to encourage the diner to buy the onion ring tower. We will struggle with an oversized menu where no...
substitutions are possible, knowing that at least the food will be predictable in quality and quantity. That is, chains, franchises, and large retailers serve other objectives—promoting a counterfeit sense of community, lulling us to believe that the social aspects of a community are being achieved. Unfortunately, we fall for the charade all too often.

Contrast this with the story told by Charles Demers about his experiences in the Commercial Drive neighbourhood of Vancouver:

When my wife and I got married, one of the nicest parts was the absolute integration of our neighbourhood into the wedding...my suit was tailored on the Drive by Angelo...the flowers came from a shop kitty-corner to Grandview Park; the coffee was gifted by Nick at Continental Coffee...the dinner was cooked for us at cost by the head chef of Rime...the ceremony and reception both took place at the WISE Hall, the Welsh-Irish-Scottish-English bar/auditorium on Adanac Street just past Venables.13

It is the small businesses that define our sense of community and local character. Marshall notes that

Moreover, as Laura Jones has noted, 99% of small businesses in B.C. reported being involved in their communities in some way. Seventy-seven per cent donated goods and services, 76% contributed financially, 55% sponsored sports teams, 50% donated their own time, 47% promoted local non-profits, and 24% donated the time of their employees. Thus, in contrast with chains and big boxes, small independent retailers not only serve as the focus of community building, but also actively participate in the fabric of community life.15,16

THE REASONS FOR THEIR DECLINE

What has led to the decline of small businesses? As is true for most phenomena, there is more than one causal factor. The first is consumer choice. If we believe that humans will weigh all options and make a rational decision based on sound logic, it makes good sense to select an option that we perceive as the best value for our time and money. If economic value is ranked as the most important, and value equated with the lowest possible price (especially in tough economic times), then what is the likely outcome for a small business that cannot compete in terms of product line or price point?

The second reason is local regulation and the legal requirements of operating a small business. This requires a working knowledge of the labour code, tax laws, import duties, employee benefits, and local zoning regulations. Retailers must also grapple with changes in provincial legislation, local government by-laws, parking, signage, street furniture, landscaping, building finishes, and mixed use concerns. In BC they also bore the expense of changing taxation structures (GST and PST to the HST and back again). Annual fees for licensing and inspections also add to overhead. As planners, we need to pay attention to the impact of decisions and recommendations on small existing retailers; often the lure of the new franchise or big box store, with the promises of employment and an increase to the tax base, seems more interesting than protecting the mom-and-pop operations on Main Street.

Consumer manipulation is a third factor. The power of chains and franchises to shape consumer preferences through advertising cannot be discounted, Even if one were never to open a magazine or watch television, we are bombarded with advertising on billboards, bus signs, and on web pages. While we are still some ways away from the tailored advertising imposed on citizens in the movie Minority Report, advertising is nonetheless ubiquitous and inescapable.

WHY SHOULD WE CARE?

The disappearance of small businesses leaves a social and economic void in communities. From a social perspective, empty storefronts contribute to what Edward
Relph referred to as a loss of insideness—the degree of attachment or involvement that one has with a particular place. Relph contends that strong feelings of insideness equate with high rankings for perceptions of safety and identity. This is the opposite of Relph’s concept of placelessness—“the casual eradication of distinctive places and the making of standardized landscapes that results from insensitivity to the significance of place.” That is, when one place looks much the same as the next, when retail spaces are populated by the same array of shops and services, one loses a sense of insideness or of belonging to a particular place.

Why else should we care? Because small businesses form a vital part of our economy. As previously stated, almost half of all British Columbians are employed in firms of four or less people. The indirect and induced benefits from small businesses shape local economies and reach far beyond the doors of the business itself.

A third category of “why should we care” could also be added: the impact that the loss of small businesses has on the environment. However, additional research is needed on this topic given the myriad factors that must be considered, and the measurements needed to make any definitive statements on this topic. Sourcing, or the distance travelled by the goods sold, needs to be considered along with the propensity of small vs. large businesses to recycle or use local goods and services in the production of their sale items.

The mode and costs of transportation (think malls and drive-thrus) incurred by the owner/employees and customers to reach these businesses should also be measured, as should power usage. Small retailers are often in pedestrian and transit-friendly districts. If impact is simply a measure of scale, it could be that a small business would have a lighter footprint than a large business, but this remains a topic for a future paper.

WHAT MUNICIPALITIES CAN AND ARE DOING TO MAKE A DIFFERENCE

In cities across Canada, small retail stores are failing for a variety of reasons. This decline may be amplified by the growing gentrification in some cities. Vancouver is a good example, where older, less affluent sections of the city are being redeveloped to make way for expensive condos catering to a much different demographic. As buildings along major arteries are torn down and rebuilt as higher-density condos, long-established small businesses are forced out and replaced with chains and franchises that can afford the upscale rents, along with the general rent inflation.

In one gentrified area in Vancouver’s Kitsilano neighbourhood, an independent bookstore was paying $14,000 a month in rent prior to its recent demise. Small retailers’ continued viability—and, indeed, the continued viability of other small organizations, such as grassroots artists’ organizations and non-profits—is premised on older buildings with cheaper rents, as Jane Jacobs pointed out over 50 years ago. The loss of reasonably low cost rental space for retailing changes the retail landscape, leading to greater uniformity.

All is not bleak: many cities are taking positive steps to protect the small retail sector. The categories of action being undertaken include:

- grants, subsidies, and low-interest loans
- preferential treatment in development applications or procurement decisions
- amenity improvements to attract shoppers
- ‘Shop Local’ and business certification programs,
- creative planning and zoning measures.

To take one example, between 2000 and 2010, Paris lost nearly a half of all its independent bookstores. Many were being priced out of the Latin Quarter by boutique clothing stores. To address the problem, the City set up an independent agency with a total budget of €34 million to buy vacant properties and lease them at below market rates to independent bookstores, publishing houses, and other small businesses. This effort has been supplemented by the French state-sponsored National Book Centre which offers subsidies and loans to independent bookstores and publishers.

Modena, Italy is another city that offers subsidies of up to €7,500 to small businesses, awarding them through competitions. It also facilitates small business collaboration by creating “artisan villages.” Berkeley,
California offers low-interest loans through a revolving loan fund,\textsuperscript{26} and Burlington, Vermont provided a city-owned parcel on a leased basis and project financing to help enable a food co-op (the Burlington City Market) to significantly expand its operations because of its policy of selling 'Made in Vermont' products.\textsuperscript{24,27}

Berkeley does not subsidize small businesses or retail outlets directly. However, it does offer preferential treatment for businesses in its municipal procurement decisions, with an emphasis on those that augment quality of life, are environmentally focused, or that boost employment.\textsuperscript{28} The City also works with the Business Improvement Association to enhance the vitality of streetscapes, which assists in attracting shoppers to districts populated by small retail outlets, and has a "Shop Berkeley: Buy Local" program where it works in tandem with the business community to encourage consumers to patronize local businesses.\textsuperscript{26}

Finally, Berkeley seeks to discourage chain and big box development through design standards, limits the number of restaurants in any given district,\textsuperscript{29} and offers training to assist small businesses to 'green' themselves, with Alameda County certifying them when they have completed the process.\textsuperscript{26}

Berkeley's position is that it cannot overtly discriminate against big box stores and chains, but other cities have found a way to do so. Taos, New Mexico and Chestertown, Maryland have both resisted Wal-Mart successfully, as have other communities,\textsuperscript{20} and Carmel, California and Cannon Beach, Oregon have banned "formula" (fast food) restaurants outright. As the Institute for Local Self-Reliance notes, Carmel-by-the-Sea in the 1980s:

\begin{quote}
...became the first town in the country to enact a formula restaurant ban, which prohibits fast food, drive-in and formula food establishments. In Carmel a business is considered a formula restaurant if it is "required by contractual or other arrangements to offer standardized menus, ingredients, food preparation, employee uniforms, interior decor, signage or exterior design," or "adopts a name, appearance or food presentation format which causes it to be substantially identical to another restaurant regardless of ownership or location."\textsuperscript{31}
\end{quote}

Other cities have limited the size of commercial establishments to discourage big box stores.

Some cities have taken the approach of employing creative forms of zoning. For instance, Santa Monica, California has limited the frontage widths of stores, and Fort Collins, Colorado has developed detailed design guidelines intended to avoid 'big box' architecture. Façades and exterior walls must be articulated (awnings, windows, arcades), with roofline variations and limits on colour variations and building materials, such as setbacks, etc.\textsuperscript{8,24}
Our main arguments, then, are that small businesses offer numerous positive externalities:

> more money stays in the community;
> more jobs are created per dollar invested;
> they provide unique, sometimes local, products and services;
> they often offer friendly, going-the-distance, service;
> they are usually more involved in supporting community initiatives;
> provide a stronger sense of place and community; and
> there are possibly some environmental benefits associated with them.

Thus, if we take a full cost-accounting approach, what small retail establishments provide goes beyond the dollar or two that can be saved by shopping at the mega-store. If we accept that small businesses and retail establishments have all these positive externalities, then it demands that municipalities ask: what are we going to do to protect them?

ACKNOWLEDGEMENTS This paper evolved out of a panel we organized on the same theme for the 2011 Planning Institute of BC's Annual Conference in Nanaimo, BC. The other presenters were Justin McGrail of Vancouver Island University and Lise Garden, a former employee of The Thirsty Camel Café, an organization that was profiled in the session. While they did not contribute directly to this paper, their inspiration is acknowledged.

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