

Toledo-Lucas County Merchant Study



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The Urban Affairs Center is a partner in the Ohio Urban University Program. The Urban University Program is a unique network linking the resources of Ohio's urban universities with the communities and students they serve. The UUP partners work in a cooperative effort to improve Ohio's urban regions.

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Introduction

This study analyzes the impact that Thackeray's Books has on the economy of Lucas County. Local economic development is an important issue in America today because of the financial stress put upon local governments and businesses. Current economic development is driven by giving tax breaks to firms either to stay within the city or to attract firms to the city in the hopes of bringing jobs and revenue to the city. Lost within this agenda is the disappearance of locally owned and operated stores, i.e. the Mom and Pop operations.

Lucas County is located in Northwest Ohio and it borders Michigan to the north and Lake Erie to the east. Toledo is the largest city within Lucas County and also includes Maumee, Sylvania, and Oregon. Population of Lucas County is 453,348, the number of households is 182,847, and median income is \$38,004. Retail sales are nearly \$5 billion.²

Thackeray's Books

The purpose of this study is to focus on one such locally owned store in the city of Toledo. It is important to understand that the information contained in this study is particular to only one store and should not be generalized to all types of establishments. This is a case study to show the impact one locally owned store could have on the local economy.

Thackeray's Books is a bookstore founded in 1983 by some professors affiliated with the University of Toledo. The store is located in Central Toledo at the Westgate Village Center. The decision to locate at Westgate was driven by the fact that it is located near the expressway and it is close to the university. There are numerous shops in Westgate, including a Rite-Aid, Radio Shack, the Toledo Museum of Art store, and local music store Boogie Records.³

Thackeray's makes a concerted effort to use local firms. Many of the firms that they employ are hired through word of mouth. For example, the electricians used by Thackeray's, Schneider & Sons, was recommended to them by an employee who had used them some time earlier. In addition to using local firms, Thackeray's sees their role within the Toledo community as a cultural center and a place for people to come and learn. They also support local artists and authors. They hold a number of special events, not focusing on a particular book, but more on a general topic. For example, in November of 2003, Thackeray's had Mitch Albom come in for a book signing, *The Five People You Meet in Heaven*, which attracted over 400 people for a Sunday evening.

² Demographic and business information is taken from the Census Bureau website (<http://quickfacts.census.gov/qfd/states/39000.html>).

³ However, Boogie Records has just recently decided to close shop after 30 years at the end of February.

Economic Impact

The economic impact that a store has on an economy has a number of different components. The first component is the direct effect of spending by the store on the local economy. This would include spending by the firm on wages and benefits to its employees, spending on advertising and bookkeeping done by local firms, and finally profit to the owners if they live locally.

The second component is the indirect effect of spending by the store, which accounts for changes in spending across industries. Included is also the induced effect that accounts for the increased spending by the local recipients of the store's spending. For example, the employees will spend a portion of their wages locally and this will add to the local economy.

The calculation of this component gives a value, which is referred to as the multiplier. The multiplier tells us how a fixed amount of spending circulates throughout an economy. When one dollar is spent on a good produced, a portion of this dollar is spent by the storeowners elsewhere (wages, advertising, other inputs). This portion is again spent and the process continues. Therefore, the impact of this dollar spent will be of greater value than one dollar. The multiplier is a value that gives us the total amount added to the economy from the original dollar spent.

The multiplier calculated in this study is particular to a number of factors. First, this value is estimated for Lucas County. The program used to calculate the multiplier uses information specific to Lucas County. The second factor is that the multiplier is specific to retail stores. Calculation of the multiplier depends on inputs in the production process and inputs to retail stores are going to differ from other industries, like grocery stores. For example the multiplier for The Anderson's will differ from Thackeray's Books because The Anderson's sells a variety of products and services like auto care, home improvement, pet care, as well as groceries. Depending on the spending patterns of a typical Andersons' consumer, the multiplier will vary.

Taking all of the components into account, the economic impact of a store on the local economy can be estimated. This calculation involves the use of an input-output model that gives a complete accounting of all the transactions between firms and households within an economy.

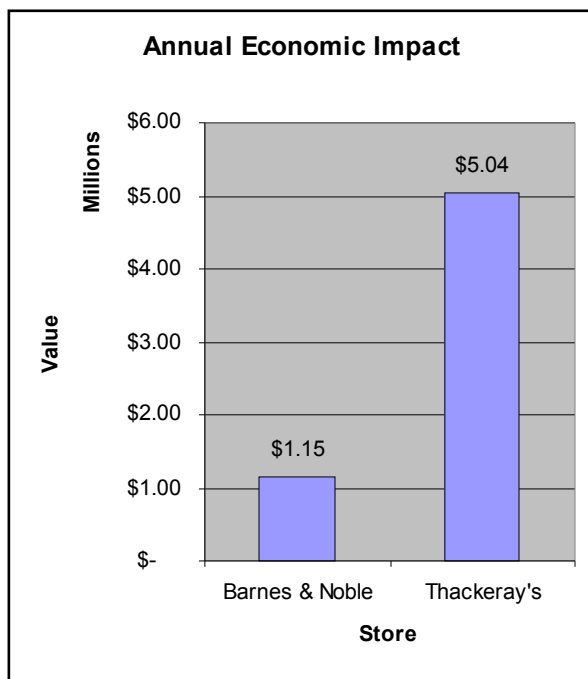
Using the input-output model along with financial information gathered from Thackeray's Books, the annual economic impact of Thackeray's Books is \$5 million dollars.⁴ What this tells us is that annually, Thackeray's adds \$5 million

⁴ Due to the proprietary nature of the data, details about the calculations cannot be given.

per year to the economy of Lucas County. This is important because, as opposed to a nationally owned chain, more of Thackeray’s revenues stay within the local economy through their use of local labor, local suppliers, and profit. In the case with a national chain, revenues stay within the community usually only through wages to employees.

Table 1 provides a comparison of the annual economic impact between Thackeray’s and a typical national bookstore chain, Barnes & Noble.⁵ For Barnes & Noble, the estimated economic impact to the local economy is only one million dollars because the local impact only includes spending by employees.

Table 1. Annual Economic Impact



Another comparison that can be made is the local economic impact of \$100 spent at Thackeray’s Books versus Barnes & Noble. Applying industry standard multipliers, \$100 spent at Thackeray’s leads to a local economic return of \$44. This return includes revenue kept local through wages, local suppliers, and profits. Using these same multipliers for Barnes & Noble, \$100 spent here leads to a local economic return of \$20.⁶ This is shown in Table 2.

⁵ Calculations for Barnes & Noble was made through information gathered from the 2002 annual report and articles about labor costs of the bookstore. It is important to understand that since detailed financial information from Barnes & Noble was not available, the values in the tables are estimates of the economic impact.

⁶ Again, the value of the return from spending at Barnes & Noble is an estimate using information from the 2002 annual report.

Table 2. Local Economic Impact



Conclusion

The Westgate Village Center has been going through difficulties and several stores have had to leave the area, both national retail stores and local stores. The economic climate in Toledo does not give rise to optimism within the community. While long-term planning and both public and private investment is needed for the continued success of Westgate, cuts at all levels of government are not helping.

There has also been a drop in consumer spending within the region. However, people are still going to spend their money and it is important for consumers to understand the impact of their expenditures. Spending at a locally owned store can add a significant amount of money into the local economy. To help these local stores, a local government could encourage firms to organize a "Buy Local" campaign that could highlight a firm's role in Toledo. Not only would a "Buy Local" campaign increase awareness of the recent plight of local stores here in Toledo, but also help increase the awareness of the benefits of shopping locally.⁷

As shown in Table 2, spending \$100 at Thackeray's Books gives an economic return of \$44 to Lucas County, as opposed to the \$20 from Barnes & Noble. In fact, if each household in Lucas County re-directed \$100 of spending to a locally owned store, this could add up to \$8 million in revenue to the local economy.

⁷ A number of cities have organized these campaigns, with Bellingham, WA having recently started one in early December 2003.