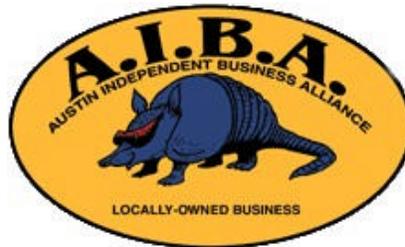




**AN ANALYSIS OF THE  
POTENTIAL ECONOMIC IMPACT OF  
AUSTIN UNCHAINED**  
NOVEMBER 15, 2003

PREPARED FOR



BY

**CIVIC ECONOMICS**  
CREATIVITY · OPPORTUNITY · PROSPERITY

OCTOBER 2003

# THE POTENTIAL IMPACT OF AUSTIN UNCHAINED

November 15, 2003

Civic Economics is pleased to present the Austin Independent Business Alliance with this analysis of the potential economic impact of the Austin Unchained event slated for November 15, 2003.

## BACKGROUND

In November of 2002, Civic Economics, the Austin Independent Business Alliance, Liveable City, BookPeople, and Waterloo Records collaborated on an innovative and influential study of the economic effect of competition between independent and chain merchants. That study, often called "the Liveable City Study," was conducted under near laboratory conditions, reviewing comparable lines of goods at comparable prices at a single location.

The methodology was deceptively simple. Civic Economics reviewed the revenue and expenditure structures at BookPeople and Waterloo to determine what portion of each merchant's revenue was spent locally. Then, we applied industry standard multipliers, procured from the Minnesota Implan Group, to determine the total economic impact of each store. For the chain store comparison, Civic Economics relied on a wide variety of published sources to estimate the revenue and expenditure structure of a typical Borders store. The local impacts were then reported relative to revenues.

The Liveable City study, available online at [www.Liveablecity.org](http://www.Liveablecity.org), included the following primary finding:

***For every \$100 in consumer spending at Borders, the total local economic impact is only \$13. The same amount spent with BookPeople or Waterloo yields more than three times the local economic impact.***

The study has received immense public attention and scrutiny, and we are proud to report that the findings have held up well. The study has been reported in media outlets from coast to coast and abroad, and has been cited in policy debates in countless communities.

A recent study in Maine, covering several lines of goods and services, validated our findings. There, local merchants were found to return to the local economy \$45 of every \$100 in consumer spending, compared to \$14 for chain stores. Given the difference in markets and goods, we believe these findings are remarkably consistent. (See [www.NewRules.org](http://www.NewRules.org) for a copy of this study).

For this study, Civic Economics was asked by the Austin Independent Business Alliance to evaluate the potential local impact of Austin Unchained, an event scheduled for November 15, 2003, in which Central Texas consumers will be asked to forego chain store shopping for one day in favor of local merchants.

From the Liveable City Study of 2002:



Source: Civic Economics

# THE POTENTIAL IMPACT OF AUSTIN UNCHAINED

November 15, 2003

---

## METHODOLOGY

Civic Economics has been asked to evaluate the potential local impact if all Central Texas consumers conducted all their business at locally owned, independent businesses for one day. The day selected is November 15, 2003.

### *Forecasting Total Sales for November 15, 2003*

The first step in the study was to forecast total taxable retail sales for that date, the Saturday in November falling two weeks before Thanksgiving weekend, which corresponds to November 16, 2002. No source provides a direct approach to determining taxable sales on any specific date. The Texas Comptroller does, however, make available a very near approximation of sales tax allocations by jurisdiction in any given month. Matching those allocations with sales tax rates in more than 40 jurisdictions, we determined that *total taxable sales for November 2002 in the five county Austin MSA totaled approximately \$1.2 Billion.*

To determine the total sales on November 16, 2002, required a further step. The members of the Austin Independent Business Alliance were asked to report that day's share of monthly receipts in November 2002. Responses ranged from 2% for a business-oriented shop to 6.7% for a leisure-oriented outlet, with an average of 3.8%. From these figures we have estimated that **total taxable sales on November 16, 2002 totaled approximately \$44 Million.**

Civic Economic has reviewed a variety of sources to forecast total sales on Austin Unchained day, including sales trends in the region and nationwide and the widely divergent expert forecasts for the holiday shopping season. We are forecasting that **total taxable sales in the Austin MSA on November 15, 2003 will total approximately \$45 Million.**

### *Impact of Changes in Consumer Behavior*

For this analysis, the underlying assumption is based on total success of the endeavor. That requires two assumptions: Central Texans will make no purchases in chain stores on that date, and they will not defer purchases to another day.

The goal of this analysis, in an ideal world, would be to estimate the value of retail activity shifted from chain stores to local merchants by the event. After extensive research, we have concluded that such an estimate will not be possible, for one simple reason: **We are unable to offer a reasonable estimate of the market share of chain stores.**

# THE POTENTIAL IMPACT OF AUSTIN UNCHAINED

November 15, 2003

## FINDINGS

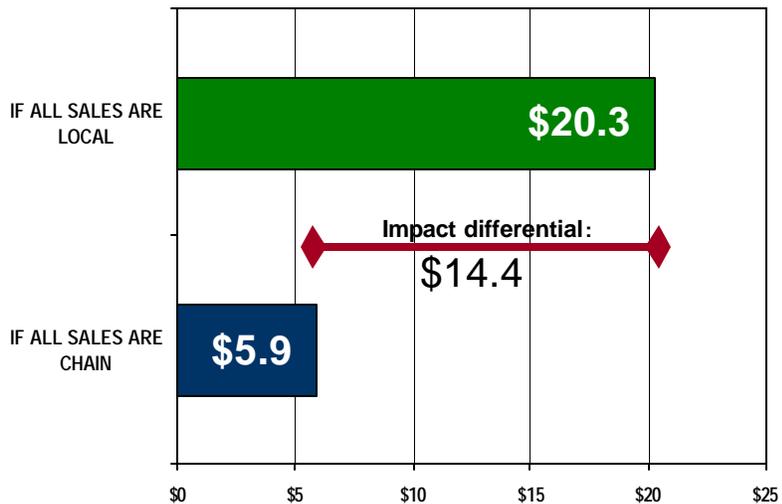
Without a credible estimate of chain store market share across a variety of goods and services, either nationally or locally, we cannot estimate the potential economic impact of Austin Unchained with any precision.

As an alternative, allowing us to put into perspective the potential economic impact of the event, we have calculated outcomes based on two scenarios:

### Scenario 1: Hypothetical Extreme

For this scenario, we calculated the outcomes based on the extremes of "all sales are in chain stores" versus "all sales are with local merchants."

LOCAL ECONOMIC IMPACT OF \$45 MILLION IN RETAIL SALES  
SCENARIO 1: HYPOTHETICAL EXTREMES  
All sales with local merchants versus all sales at chain stores  
(all figures in millions)

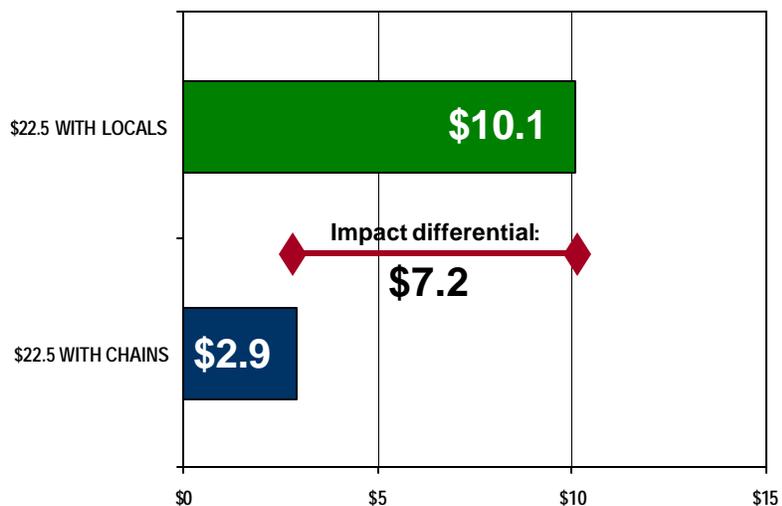


### Scenario 2: Equal Market Shares

For this scenario, we calculated the outcomes based on a hypothetically equal distribution of market share, across all goods and services, between chain stores and local merchants.

If the market were split evenly between chain stores and local merchants, the total impact of a successful Austin Unchained event would be \$7.2 Million.

LOCAL ECONOMIC IMPACT OF \$45 MILLION IN RETAIL SALES  
SCENARIO 2: EQUAL MARKET SHARES ASSUMED  
Local merchants and chain stores each at 50%  
(all figures in millions)



# THE POTENTIAL IMPACT OF AUSTIN UNCHAINED

November 15, 2003

---

## CONCLUSION

Since the release of our Liveable City Study in December 2002, we have followed closely the evolution of related research around the nation; indeed, we have been called upon to provide guidance in numerous communities. However, nearly one year later, this study highlights critical missing information that will be necessary if independent business associations and their advocacy groups hope to effect long-term policy changes. We look forward to playing a continuing role in this area of research.

**We can say with confidence that the economic impact of a successful Austin Unchained event will be measured in the millions of dollars. This is the equivalent of dozens of new jobs in our community from a single day of changed consumer behavior.**

In this time of economic uncertainty and challenges in Austin's core technology sectors, these millions of dollars are not inconsequential. Moreover, we have made no attempt, here or in previous studies, to quantify the economic benefit of maintaining Austin's unique character as personified by the diversity of its local business people. This we believe to be of greater importance to the long-term health of our community.

The partners of Civic Economics extend our thanks to the Austin Independent Business Alliance for its continuing efforts to "Keep Austin Weird." We are pleased to have provided this report without compensation.

## FOR MORE INFORMATION



Steve Bercu, President of the AIBA and  
CEO of BookPeople  
BookPeople  
603 North Lamar  
Austin, Texas 78703  
512.472.5050  
[www.BookPeople.com](http://www.BookPeople.com)



Dan Houston, Partner  
Civic Economics  
Post Office Box 49061  
Austin, Texas 78765  
512.853.9044  
[www.CivicEconomics.com](http://www.CivicEconomics.com)