

# Shopping, Near and Far

Local Commerce in the Digital age

Executive Summary



# About the Institute

The global economy has never been more complex, more interconnected, or faster moving. Yet, economists, businesses, nonprofit leaders, and policymakers have lacked access to real-time data and the analytic tools to provide a comprehensive perspective. The results—made painfully clear by the Global Financial Crisis and its aftermath—have been unrealized potential, inequitable growth, and preventable market failures.

The JPMorgan Chase Institute is harnessing the scale and scope of one of the world's leading firms to explain the global economy as it truly exists. Its mission is to help decision-makers—policymakers, businesses, and nonprofit leaders—appreciate the scale, granularity, diversity, and interconnectedness of the global economic system and use better facts, timely data, and thoughtful analysis to make smarter decisions to advance global prosperity. Drawing on JPMorgan Chase's unique proprietary data, expertise, and market access, the Institute develops analyses and insights on the inner workings of the global economy, frames critical problems, and convenes stakeholders and leading thinkers.

The JPMorgan Chase Institute is a global think tank dedicated to delivering data-rich analyses and expert insights for the public good.

## Acknowledgments

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## Contact

For more information about the JPMorgan Chase Institute or this report, please see our website [www.jpmorganchaseinstitute.com](http://www.jpmorganchaseinstitute.com) or e-mail [institute@jpmchase.com](mailto:institute@jpmchase.com).

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In 2016, the metropolitan share of US Gross Domestic Product was nearly 90 percent. Given the large share of economic output from metropolitan areas it is critical for stakeholders, researchers, and policy-makers to have granular, high-frequency economic measurement and analyses at the metropolitan level to complement existing local economic research.

In this report, the JPMorgan Chase Institute expands the scope of our Local Commerce (LC) analyses through the introduction of our consumer view—namely, the transactions executed by consumers that reside within a given area (e.g., a LC metro area). This view complements the merchant view leveraged in our existing [Local Commerce Index \(LCI\)](#)<sup>1</sup> which examines the transactions executed at merchants located within a given area (specifically our LC metro areas). The consumer view enables exploration of the extent to which online commerce has affected growth, who has driven that growth, and how it has impacted the offline marketplace.

## Data

To perform our analysis of the LC-Consumer View, we leveraged transaction-level data that is administratively collected by the bank during the course of normal operations. Each record carries attributes of the consumer, merchant, and the transaction itself.



## What are the Dimensions of Local Commerce?

The LC view categorizes transactions along three primary dimensions:

- Customer Residence,
- Merchant Location, and
- Transaction Channel (online/offline)

Customer and merchant locations allow us to understand the extent to which customers are shopping at local merchants versus merchants that are located in different metro areas. The transaction channel allows us to understand whether or not the purchase was made at distance.

### Inclusion criteria for transactions

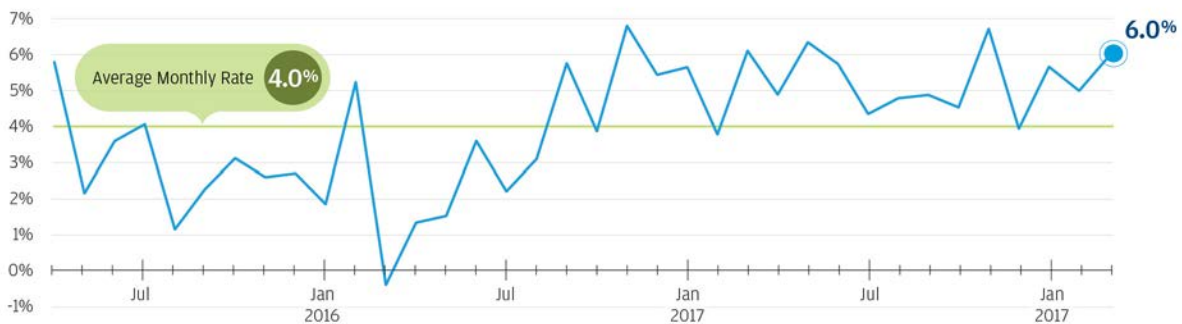
		MERCHANT	
		Local	Non-Local
CONSUMER	Resident	Residents spend in CBSA	Residents spend remotely
	Non-Resident	Non-Residents spend in CBSA	

## Finding One

Between April 2015 and March 2018, the LC-Consumer Index averaged 4 percent in year-over-year growth.

- Resident spending growth increased substantively throughout 2016. Growth through September 2016 averaged 2.9 percent, while growth after averaged 5.2 percent.
- Growth levels remained elevated throughout 2016 and 2017.
- Growth in spending captured by the US Census Bureau's Monthly Retail Trade Survey increases more gradually in comparison to the LC-Consumer Index.

The LC-Consumer Index grew 6 percent between March 2017 and March 2018

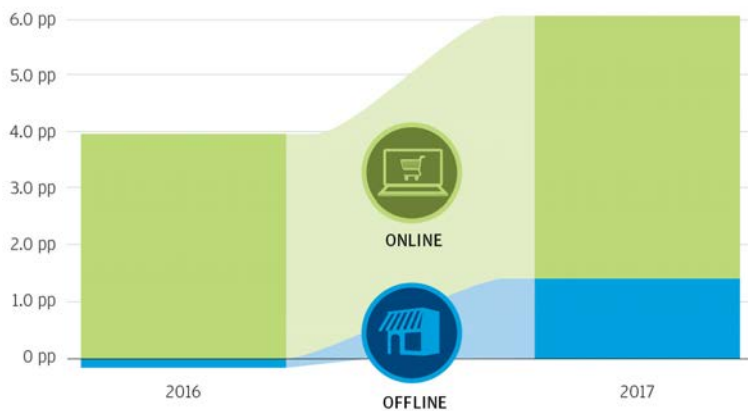


Source: JPMorgan Chase Institute

## Finding Two

Online spending has driven overall growth in the LC-Consumer Index, at times almost exclusively.

The online contribution to growth has been increasing, and accounted for 77 percent of total spending growth in 2017

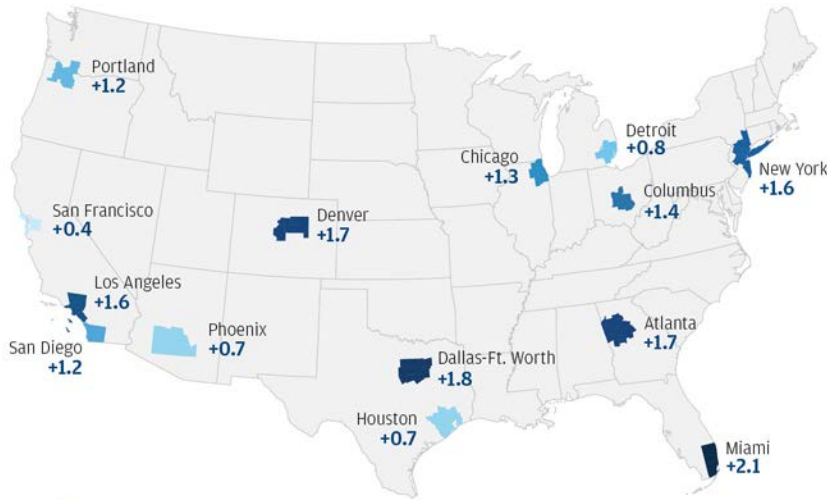


Source: JPMorgan Chase Institute

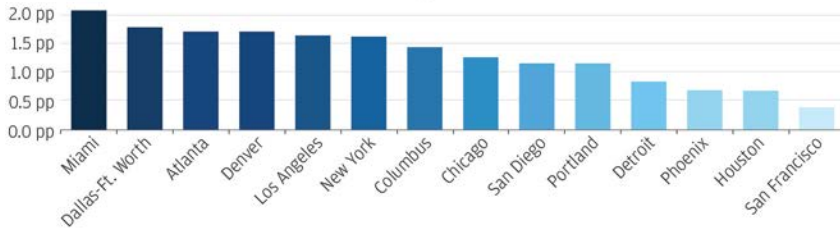
- The relatively high, sustained growth in resident spending has largely been driven by online commerce, which has contributed a monthly average of 4.0 and 4.7 percentage points (pp) in 2016 and 2017, respectively.
- The quarterly year-over-year growth of online spending in the LC-Consumer Index over the 2015 Q2 to 2018 2Q time period was 3.1 pp lower in the LC-C (11.7 percent) than in the US Census Bureau's E-Commerce Series (14.8 percent).

**Finding Three**

**Non-local shares of LC-Consumer spending are increasing in every metro we track.**



- San Francisco saw the smallest increase at 0.4 pp, while Miami saw the largest at 2.1 pp.
- Between April 2015 and March 2018, the share of LC-Consumer spending that took place at non-local merchants increased from 45.5 percent to 48.9 percent.



**Finding Four**

**Online commerce growth is driven by contributions from non-local merchants.**

- Overall spending growth is dominated by contributions from online spending at non-local merchants, contributing 3.2 and 4.1 pp in 2016 and 2017, respectively. This is in comparison to the smaller 1.5 and 1.1 pp contributions from online spending at local merchants in 2016 and 2017, respectively.

- For offline transactions, spending at local merchants is the dominant driver of growth.

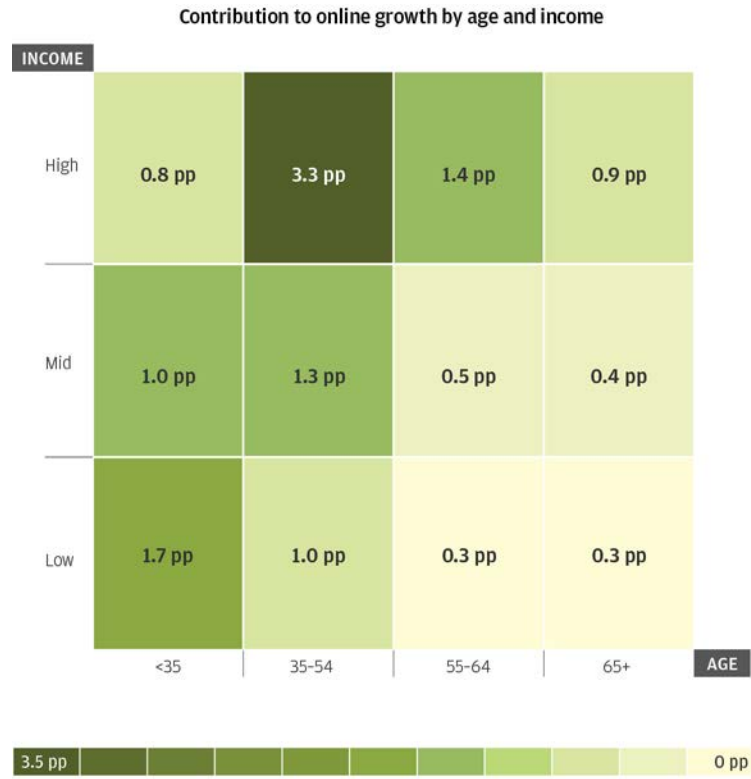


Source: JPMorgan Chase Institute

**Finding Five**

**Online spending growth is driven by high-income consumers between the ages of 35 and 54.**

- Consumers under 35 across all income brackets tend to contribute strongly to online growth, but high-income 35-54 year olds are the dominant contributors to growth in the online market. This group contributed 3.3 pp to overall growth in 2017.
- The growth contributions from high-income 35-54 year olds were 94 percent higher than the next closest group (low-income consumers under 35) in 2017.
- This dominance by high-income 35-54 year olds is largely driven by the fact they hold the largest market share in online spending.



Source: JPMorgan Chase Institute

## Conclusion

The consumer view of Local Commerce provides a granular view of online spending and its implications for local economies that is difficult to capture via other data sources. Our initial analyses revealed that the growth rate for online spending is highest for lower income customers under 35, but the largest contributions to growth come from the high-income 35-54 year olds. High and growing shares of LC-Consumer spending take place online and this is true across all metro areas we tracked. This growth in online spending has been accompanied by an increase in spending at merchants that are located outside the metro area of the consumer. The implications of these changes for local economies are not yet clear, but the LC-Consumer Index can provide unprecedented insight into an evolving commerce landscape.

## Suggested Citation

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