

\$\$\$ Spending - Leakage \$\$\$

3rd of a 5 Part Series

SERIES: • 1. Kahnawake's Economy • 2. Spending-Leakage • 3. Leakage Factors Part 1 • 4. Leakage Factors Part 2 • 5. Shop Kahnawake First

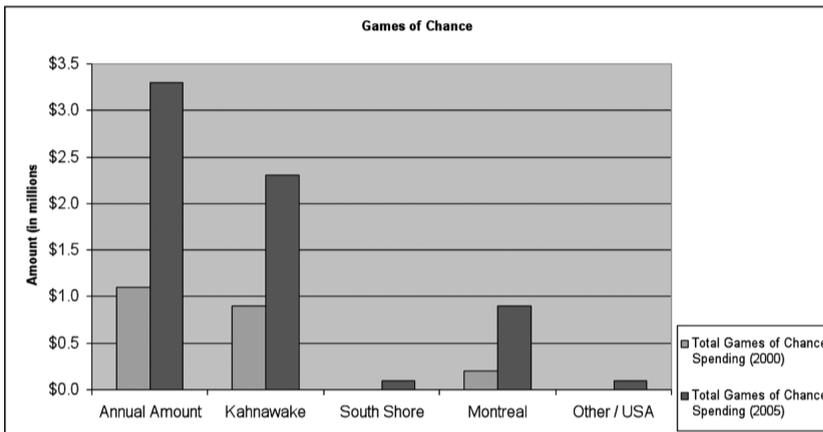
The information presented throughout this series is based on data collected through the Household Survey conducted in late 2005 and early 2006. This data represents a total of 968 completed surveys using a face-to-face interview; it was entered into a database, and analyzed by a Steering Committee organized by senior management at Tewatohnni'saktha. A full socio-economic report is available for viewing. This series was prepared by Ron Abaira and sponsored by Tewatohnni'saktha Small Business Services.

INTRODUCTION

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This is the third segment of the series on economic leakage and will continue the focus on specific sectors in the Kahnawake economy. As we will continue to see below, in some cases the leakage is extraordinary, up to 98% of purchases in the clothing sector is spent outside of Kahnawake.

Games of Chance - Comparison of Spending by Locations

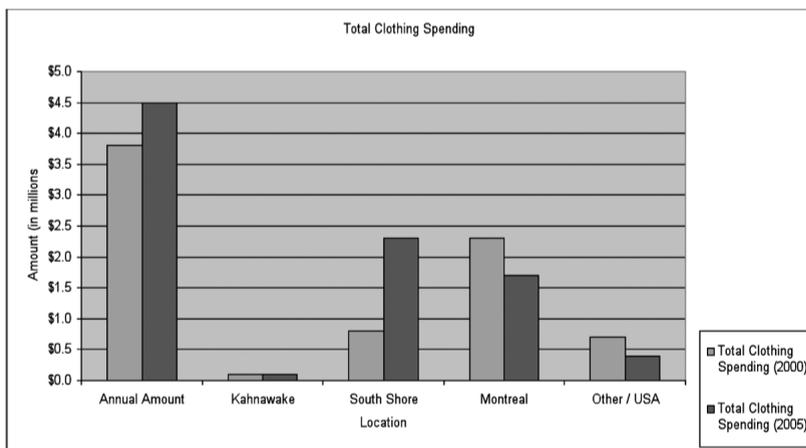


2005 - Games	Kahnawake	South Shore	Montreal	Other / USA
\$3.3	\$2.3	\$0.1	\$0.9	\$0.1
100.0%	69.7%	3.0%	27.3%	3.0%

2000 - Games	Kahnawake	South Shore	Montreal	Other / USA
\$1.1	\$0.9	\$0.0	\$0.2	\$0.0
100.0%	81.8%	0.0%	18.2%	0.0%

(all dollar amounts in millions)

Games of Chance were the only category where special sub-categories were measured. Bingo spending was estimated at about \$630,000, or roughly \$288 per household per year. Also, Raffles, Half-n-Half's, Nevada's, etc. spending was estimated to be close to \$1 million; almost all of the spending on these two sub-categories was done in the community.



2005 - Clothing	Kahnawake	South Shore	Montreal	Other / USA
\$4.5	\$0.1	\$2.3	\$1.7	\$0.4
100.0%	2.2%	51.1%	37.8%	8.9%

2000 - Clothing	Kahnawake	South Shore	Montreal	Other / USA
\$3.8	\$0.1	\$0.8	\$2.3	\$0.7
100.0%	1.4%	21.1%	59.6%	18.0%

(all dollar amounts in millions)

Spending on clothing remains one of the categories where the highest percentage of leakage occurs, about 98% of the spending takes place outside of the community.

WHY DOES LEAKAGE OCCUR?

"As far back as the 1995 Leakage Study to the most recent discussions on the subject, Tewatohnni'saktha has always been interested to know."



In this instance, we can think of the location of Kahnawake as a mixed blessing. In economic development terms the location of Kahnawake is seen as a place of opportunity because of our proximity to a large metropolitan (Montreal) market place of about 3 million potential customers. Add to this the road network and ease of access to pass through Kahnawake and we can see the potential.

The other side of this point is that Kahnawake'kehrón also enjoy this proximity and therefore have easy access to the many locations to shop that surround the community. And, the surrounding communities must love us as consumers, as we spend millions each year in these places.

MAIN REASONS FOR LEAKAGE

"Variety, Availability and Price can be considered as the top three reasons for leakage"

- **Variety:** Plain and simple, consumers want plenty of options and choices. Think of going to a mall in the area and having the option to look through dozens of stores for any article; and then driving a few minutes away and looking through a big box store with thousands of square feet of merchandise. No Kahnawake business can offer these same choices.
- **Availability:** Some products / services simply are not available in Kahnawake. It is very difficult to stock every item in inventory when a business cannot justify it. Therefore there may be a limited availability for big items in Kahnawake.
- **Price:** Prices tend to be lower outside of the community. This links to levels of inventory and purchasing power of major chains and big box stores. Large chains purchase inventory through major national based buyers can pass these lower prices down to their consumers. A smaller independent merchant cannot and therefore has to purchase at a higher price and must charge a higher one to the end consumer.

OTHER REASONS FOR LEAKAGE

"As people are different, so is our behaviour as consumers"

The other reasons for leakage begin to touch upon other aspects of consumer behavior and more complex points. These are:

- **Activity:** It is a natural feeling that consumers treat shopping as a social activity and simply enjoy getting out of town for the enjoyment of it. There are several major malls in the immediate vicinity of Kahnawake that offer the enjoyment of shopping, eating, taking in a movie; and this is a way to pass the time. Add to this downtown Montreal, and going down to points south for the day and we can see the reality of this activity.
- **Guarantees / warranties:** Big ticket items may involve guarantees / warranties, and repair support. Large chain stores offer these support functions; and provide a peace of mind to consumers.
- **Size of Store:** Consumers prefer to shop in a large modern store, this links to price, availability, and variety of items. For many purchases, consumers prefer this option.
- **Customer Service:** This is a difficult point to mention but in general customer service is seen as poor in Kahnawake. Consumers are people, and naturally appreciate good friendly service.

As noted earlier, recent developments of major shopping areas in the south shore area from St. Constant all the way to the new Dix/30 Center have significantly increased the shopping areas east of the community.

This only touches on a few areas of leakage, and some reasons behind it. More discussion will follow in the fourth part of the series.

DID YOU KNOW!!

The amount of household spending on clothing increased by approximately 19%. This category clearly illustrates the concepts in this series, people simply enjoy shopping as an activity and consider variety and price as important, they will shop outside of Kahnawake for these reasons. There is almost no spending on clothing in the community, with about 98% leakage. Spending on Games of Chance increased significantly, up by about 210% over 2000. It was up 500% in Montreal (likely the casino). At roughly \$3.3 million per year, the average household in Kahnawake is spending about \$1,525 per year on games of chance. Games of Chance is measured by Net Amount, meaning the amount lost.

