



Right: Ina von Turow, Founder & CEO of FNDR Ltd. in the UK. FNDR is a platform that lets users see what nearby shops have to offer. The search radius is 15 kilometers. The participating shops will use the app to showcase their products and services. Credit: FNDR

FEATURE | RETAIL

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THE URGENCY OF GETTING «LOCALISM-ON-STERIODS»

Many on the European continent seem to think that we live in a free world, underpinned by free market economics, and that our comparative wealth is unassailable. But the market that we now operate in is anything but free. Retail is perhaps the sector in which this is most searingly obvious. It all boils down to this: Between which entities should money flow take place? The trick must surely be to ensure that the money flow stays here. But how do you compete with global e-commerce?

By Ina von Turow

The book «Why the West Rules (For Now)» trawls through a great many theories about what it was that gave the West its ascendancy. The book's overall conclusion was this: The reason the West, and not the more culturally advanced China, rose to its hegemonic status was the emergence of a big, wide and strong middle class. Perhaps not a surprising conclusion, when you think about it. The more people who can afford to think beyond subsistence, the more creativity has the ability to be unleashed. The more people have the ability to climb Maslow's hierarchy of needs, the more invested they are in improving their circumstances. The sum of such collective climbing is more advanced societies.

For the record, let me state what my definition of «advanced society» is: A society in which the highest possible percentage of a population has the ability to pursue a life they want. And yes, that does mean a certain degree of wealth; enough to escape scraping for subsistence, and enough freedom to tell an employer to get lost if one is mistreated, because there will always be another one. In the final analysis, it is about having a society in which most people do not feel powerless. That is why the dwindling of the middle class terrifies me. Because 10.000 years of history is not wrong: when the middle-class falls, so do societies. It is therefore absolutely imperative to fight for the preservation of Europe's middle class.

When factories started to leave the West for the East, the alarm bells did not ring for most of us. Now, post-Covid-19, we are starting to realize that perhaps outsourcing all that manufacturing was not such a great idea. But that in and of itself was not the only cause of the contraction of our relative standing on the economic world stage. Rather, it was the emergence of behemoths that competed on anything but «free» trade mechanisms, and their devouring (slow at first, and now accelerating with menacing speed) of our «Mittelschicht» (middle class). Did European elites fall asleep in class after the end of the Cold War?

The behemoth from the West

A Jeff Bezos would not have arisen in Europe. Why? Because our financial elites would not have given him a leash long enough to prove himself; nowhere near enough to out-compete an entire industry on price. We may have great seeds, i.e. business concepts, but in order to grow, they need fertilizer, i.e. investment; risk-willing, patient investors, who are willing to wait a long time for returns. Investors in Europe are nowhere near their American counterparts when it comes to risk-willingness and betting on people outside their social circles.

Amazon's patient investors apparently gave them a «leash» of 2 billion dollars before company numbers turned black. Many others would also have been able to outcompete entire sectors with that budget. But in Europe, who would stomp up that kind of money? Not a venture capital environment that is highly advanced, and certainly not state sponsored capitalism. Where has that left us? We have ended up with a retail situation whereby it is easier to buy something from a «fulfilment center» in the middle of nowhere in the USA, or from Guangzhou in China, than it is to buy something from your own town in Europe.

On the other side of the world, there is another retail behemoth, and the clash of the titans from the West and the East in the name of «free trade» will happen on European soil, as neither giant is likely to yield too much of their home turf to the other. Their politicians will see to that. Meanwhile, in Europe, let's just say that «free trade» becomes somewhat of a misnomer when you think about the backing that «the other guys» have had from their elites, be they private or public.

The behemoth from the East

There can be little doubt that most, if not all, of the commercial giants that hail from China have received their backing from the Chinese Communist Party. State controlled capitalism, although still called Communism, is as powerful a force as the hugely concentrated wealth of the US plutocracy. The end result of market dominance through vast, targeted backing is the same. Let's just say that none of them does the little guy in Europe any favors! It is a clearly stated state aim for China to become dominant in both the tech and the retail sectors. Having hundreds of millions of taxpayers helping to fund your proverbial war chest is undoubtedly a more stable way forward than private equity and hedge fund money, but my point is that the end result is the same: Powerful interest groups are powering gigantic retail powerhouses that individual players in Europe don't stand a chance against. I'm not talking about cavalry horses meeting tanks here; I'm talking about donkeys meeting spaceships. Amazon's market cap alone is now apparently bigger than all the companies on the British stock exchange. Even Europe's last homegrown retail giant, LVMH, is no longer safe, with Amazon now launching their luxury shopping service. Are we to simply yield our entire retail sector, with all those irreplaceable jobs, to a clash of these titans, as they battle it out for our consumer spend? Could we even beat them at their own game if we tried, at this point?

Democracy without economic sovereignty is hollow

Democracy can only be real if there is economic sovereignty. How big is your freedom if you don't have higher education and live near an Amazon «fulfilment center»? Perhaps it's a malicious rumor that these centers are so big that employees have to wear nappies to work, as they are not allowed toilet breaks, since it would take them too long to go to the loo. Perhaps the use of zero-hour contracts is exaggerated. Documentaries which suggest otherwise abound. And when automation becomes complete, what then? Europe is not there yet. But my main question is perhaps this: How much can we allow overseas behemoths to chip away at our middle classes before we lose agency?

The greatest trick that the retail behemoths have managed to pull is convincing us that they are «on our side», as consumers. «The world's most consumer-centric company.» How long will you, who are reading this, remain a consumer? Do you think that you will never be the one who runs out of options? The dynamics of it all are accelerating fast now! Every cent sent overseas, that does not get recycled where it is generated, is sent out of a country's circulation. Probably to end up in the Cayman Islands, or in state coffers that are governed by strategic aims at global dominance. Either way, it is not taxed here. And so, the tree of our wealth is being hollowed out, whilst our historical city streets increasingly follow a familiar path of dilapidation, becoming a visual representation of our historical decline.

I believe that the rise of both Amazon and Alibaba are path-dependent, i.e. that it cannot be replicated. They both had huge commercial forces on their side, and these coagulated into a size that is difficult to catch up with. They also had free search engines on their side, that guided consumers to their wares through algorithms that responded to ad budget size, and whatever else their masters wanted them to. These search engines and the e-commerce processes that they sustain are now so ingrained in people's habits that their very names have become verbs. Thus, huge global supply chains have been forged. And by now they also have consumer habits on their side. The good news, though, is that consumer habits can change. We just mustn't think that we can beat the behemoths at their own game. We must invent our own; one in which they don't have all the advantages! If we can't beat them in the globalization game, we must beat them in the localism game.

The ravages of Covid-19 have brought upon us the urgency of getting «localism-on-steroids» right. With the looming aftermath of the pandemic bringing forth political tensions between hegemonic powers, the need for greater commercial self-sufficiency in our part of the world must now initiate a swing of the commercial pendulum. Perhaps politicians will now see that backing domestic retail is, in fact, vastly cheaper than mass unemployment benefits and retraining a significant part of the population. Retail ties in with so much: not just the sheer volume of jobs involved, but also the vibrancy of our streets; our very cities; the ecosystems that give us such a high quality of life. It all boils down to this: Between which entities should money flow take place? The trick must surely be to ensure that the money flow stays here. But how do you compete with global e-commerce?

Apart from the fact that huge power players wished it so, three key things have made it more expedient to buy stuff from the other side of the world than nearby: 1. Convenience, 2. Diversity and 3. Price. We cannot compete with the Chinese on price; at least not yet (if we allow things to continue as now, we just might become impoverished enough to have to compete on price, but we're not there yet)! We «can», however, compete on the first two aspects. The first thing we need to do, is bypass the big search engines, and to free us from the ads-based economy and surveillance capitalism, with all the valuable consumer data ending up overseas. After that, it's all about superior business processes, with urban entities sticking together as one and earnings staying in town.

Europe simply must get «Localism-on-steroids» right. And by getting it right, I mean implementing it in such a way that the behemoths cannot co-opt, destroy or take over. Being operationally excellent will not be enough. Political clout will also be needed. And probably best exercised while we still have some left. Local patriotism is something that the behemoths really cannot beat us on, as long as our politicians are on our side. Nor can they beat us on physical proximity—yet! We must use the window of opportunity we still have left and capitalize on it, while we still can. And guess what: the technology to digitalize and optimize local trade already exists. European politicians and those who are—still—big players in European retail, should now bet on any viable horse that may run in this race. Because the alternative is considerably less beneficial; to our historical cities, to our labor market, and to our societies as a whole. If we wake up to the fact that the retail game in Europe can be played on our own terms, we may yet hold our own.