

The Benefits of Doing Business Locally



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In the smallest towns, bustling cities, and everything in between, more citizens lament losing a sense of community and local character. Meanwhile, national chains continue displacing locally-owned businesses countrywide.

This trend is considered symptomatic of our loss of community orientation, but could it also be a primary cause? And what are the economic costs to our communities as absentee-owned chains displace locally-owned businesses?

Of course, we usually choose to do business where we perceive the best value for our time and money.

But in an age where we're bombarded with thousands of corporate advertisements daily, perceptions may differ widely from reality.

It's as easy to accept themes promoted in those corporate ads as it is to overlook the values independent businesses provide us, both personally and in our communities.

The disappearance of local businesses leaves a social and economic void that is palpable and real -- even when it goes unmeasured, and a community's quality of life changes in ways that macroeconomics is slow to measure (or ignores completely).

Local officials often fall for the seductions and political appeal of national

chains and may even use public funds or tax rebates to lure them. They're baited with promises of jobs and tax revenue, but they often fail to consider the greater losses that occur when the local business base is undermined.

A chain "superstore" may crowd of creating 300 new jobs, but numerous studies indicate they displace as many jobs as they create. And when communities like Barnstable, Mass. studied the local impact of chains, they concluded such development actually costs more taxpayer dollars to support in safety and services than the community would reap.

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In other words, when new big boxes come to town, expect to pay more taxes soon.

But what about all the new sales tax revenue

the big box chains claim they'll bring? That, too, is largely illusory. Unless an area is growing rapidly, retail spending (especially for mass-produced items found at the chains) is a relatively fixed pie. For example, the most thorough study of Wal-Mart's impact on existing retailers (by Dr. Kenneth Stone of Iowa State University) found that 84% of Wal-Mart's sales simply shifted dollars away from existing local (including some chains) retailers.

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Economic Value of Independent Businesses

It's time to consider the real costs to a community that loses its locally-owned business base. Independent local businesses employ an array of supporting services. They hire architects, designers, cabinet shops, sign makers and contractors for construction. Local accountants, insurance brokers, computer consultants, attorneys, advertising agencies help run it. Local retailers and distributors also carry a higher percentage of locally-produced goods than chains, meaning more jobs for local producers.

In contrast, a new chain store typically is a clone of other units, eliminates the need for local planning, and uses a minimum of local goods and services. A company-owned store's profits promptly are exported to corporate headquarters.

Dollars spent at community-based merchants create a multiplier effect in the local economy, meaning that from each dollar spent at a local independent merchant, three or more times as much typically goes back into the local economy compared to a dollar spent at chain-owned businesses. For example, a 2003 economic impact study in Austin, Texas by Civic Economics (commissioned by the Austin Independent Business Alliance), concluded for every \$100 spent at a chain, \$13 remained in the community while \$45 remained when spent with home town businesses.

Ensuring Choice and Diversity

Retailers sift through competing goods and services to find those appealing to their customers. Though a single local shop may carry a smaller selection than a big chain, a multiplicity of independent retailers creates great diversity. When thousands of independent book and music shops serve their local tastes and each owner's preferences, the result is demand for a wide variety of ideas and music. This makes accessible controversial books or music from new artists with the expectation that a market exists somewhere within a variety of stores.

As fewer giant corporations dominate production and sales, our options -- determined by a powerful few -- dwindle. Our freedom of choice is imperiled when a few buyers from national chains choose what reaches customers -- perhaps moderately disturbing for most goods, but truly frightening when you consider the impact on our choice of news sources, books, music

and other expression modes.

Maintaining Community Character

When asked to name our favorite restaurant, cafe, or shop, it's typically a unique local business. Your local paper's "Best of" poll is proof. Those businesses define our sense of place, but we often forget their survival depends on our patronage.

Local owners, typically having invested much of their life savings in their businesses, have a natural interest in the community's long-term health. Community-based businesses are essential to charitable endeavors; their owners frequently serve on local boards and support numerous causes.

Yes, some chains give back to towns in which they locate, and not all local businesses are exemplary models. However, the overall impacts are clear: locally-owned businesses play a key role in our community that chains rarely do, while chains often even undermine community interests.

Despite the dismal trends, a counterforce is building. In the past five years, more than two dozen communities have launched Independent Business Alliances -- coalitions of local businesses, non-profits and concerned citizens uniting to support local entrepreneurs and prevent chains from displacing local businesses. Working in multiple realms, including group purchasing, joint marketing, public education and political advocacy, these IBAs have succeeded in a wide range of communities nationwide.

IBA success bodes well for a growing localization movement that can help reverse the trend of corporate dominance, but for long-term progress, a conceptual change also is necessary. We must consciously plan that future with rules encouraging the values we want reflected in our communities. And each time we spend a dollar, we would do well to weigh the full value of our choices, not solely to ourselves immediately, but for the future we want for our home towns.

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