

The Benefits of Doing Business Locally



ReclaimDemocracy.org

222 South Black Ave.
Bozeman, MT 59715
(406) 582-1224

info@ReclaimDemocracy.org

RESOURCES

The New Rules Project

1313 5th St. SE
Minneapolis, MN 55414
612-379-3815
newrules.org

Community Environmental Legal Defense Fund

2859 Scotland Rd
Chambersburg, PA 17201
717-709-0457
celdf.org

People across the country decry losing the sense of community in their towns and cities. And each year brings more national chains displacing locally-owned businesses throughout the country. Most consider this trend a symptom of our loss of community orientation, but could it be a cause as well? Also, what are the impacts of this trend on our economic well-being?

It seems obvious that we do business where we perceive we receive the best value for our time and money. Perceptions, however, are not always accurate when we see and hear the omnipresent ads of corporate chains everyday, but are collectively under-informed about the values independent businesses provide us, both individually and collectively. With better information, we might more often choose to patronize local businesses because it benefits our communities, and ourselves.

The disappearance of local businesses leaves a social and economic void that is palpable and real - even when it is unmeasured. The quality of life of a community changes in ways that macroeconomics is slow to measure or ignores completely. The giant chains often win a town's consent to build new stores with promises of growth and tax revenues. But when communities such as St Albans, Vermont & New Paltz, New York performed thorough analyses, they concluded proposed new "big box" retailers would create economic costs exceeding benefits, (loss of existing jobs and increased infrastructure demands being the top two) and rejected them on those grounds. They are among hundreds of U.S. communities to reject new chain retailers in recent years.

Their scrutiny consistently shows that most income of new chains comes directly from established businesses. For example, an extensive study of new Wal-Marts by Iowa State U. professor Ken Stone found 84% of sales simply shifted dollars away from existing local (including chain) merchants.

Economic Value of Independent Businesses

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

In contrast, a new chain store typically puts in place a clone of other units, eliminates the need for local planning, and uses a minimum of local goods and services. In a company-owned store, the profits are promptly exported to corporate headquarters. These factors lead to dollars spent at local independent merchants creating a multiplier effect in the local economy up to five times that of a chain outlet.

Small manufacturers are also affected since they rely on local retailers to give their new products a chance. Local retailers are more likely to try goods of a small vendor or a product that is not part of a national sales plan. Therefore, small manufacturers and a wide variety of service industries have a

clear stake in the nationwide health of local retailers.

Local officials often fall for the seductions and political appeal of luring new national chains. They often look at promises of jobs and tax revenues, but fail to consider the greater losses that occur when the local business base is undermined. For example, the chains may boast of creating up to 300 new jobs for a new big box store, but they displace more than one job for each (mostly part-time and lower-wage) job created.

Ensuring Choice and Diversity

Retailers sift through competing goods and services to find those that appeal to their customers. Even though a single local shop may have a smaller selection than a big chain outlet, a multiplicity of independent retailers creates great diversity. For example, when 3,000 or so independent book and music shops serve their local customers' tastes and each owners preferences, the cumulative effect is demand for a wide variety of ideas and music.

This makes accessible controversial books or music from new artists with the expectation that there will be a market somewhere within a variety of stores. As fewer giant corporations dominate both production and sales, our options - determined by a powerful few - will be greatly reduced.

Our freedom of choice is imperiled when a few buyers from national chains choose what reaches consumers. This may be only moderately disturbing for most goods, but truly frightening when you consider the impact on our choice of news sources, books, music and other modes of expression.

Maintaining Community Character

When asked to name our favorite restaurant, cafe, or shop, we almost always cite a unique local business, just look at the results

in any town or city's "Best of _____" polls as proof. We embrace the idea of distinctive businesses with local character, but often forget their survival depends on our patronage. It is easy for us to get so consumed by bargain-hunting that we forget how much of our lives we spend eating out, shopping, and doing other business. We owe it to ourselves to consider the quality of our experience, and ask if we benefit when we choose a community-based business.

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

Yes, there are some corporate chains that give back to towns in which they do business, and not all local businesses are models to follow. However, the overall impacts are clear: local businesses play a vital role in our community that corporate chains rarely do, while chains often even undermine community interests.

For long-term progress, a conceptual change also is necessary. We need to consciously plan that future with rules that will encourage 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 in our own hometowns.

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The author is the co-founder of the Boulder Independent Business Alliance and AMIBA.



MORE RESOURCES

The New Rules Project of the Institute for Local Self Reliance, 1313 5th St. SE Minneapolis, MN 55414 612-379-3815 www.newrules.org

New Rules publishes a quarterly newsletter, e-mail bulletin and website full of useful information on issues of community, self-reliance, independent business and more.

We highly recommend (and distribute--\$14) [The Home Town Advantage](#) by Stacy Mitchell from ILSR.

Going Local by Michael Shuman is another excellent read on the values of local self-reliance.

AMIBA offers a free resource list with suggested books, periodicals and websites for anyone wishing to explore in-depth the issues raised here.

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