

The Benefits of Doing Business Locally



American Independent

Business Alliance

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About AMIBA

In 1998, the Boulder (Colorado) Independent Business Alliance was created to help locally-owned independent businesses to succeed, ensure continued opportunities for entrepreneurs, and reverse the trend of chains or other absentee-owned operations displacing community-based businesses.

After substantial success in its first three years, BIBA's model is spreading nationwide. BIBA's directors established AMIBA in 2001 to address community demand for establishing IBAs and to share resources among them while ceating a stronger voice nationally for community-based business.

AMIBA offers a wealth of resources, including a detailed information packet (\$14) that includes sample materials and provides a sense for what IBAs do and how one might benefit your community.

From rural to urban areas, an ever-growing chorus of citizens laments losing a sense of community. 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 how is our economic well-being impacted?

Before developing shopping habits, we typically choose to do business where we perceive the best value for our time and money. But perceptions only are as sound as the scope of information creating them, and we humans like short-cuts. Thus, it's as easy to accept as truth the omnipresent corporate chain ads bombard-ing us daily as to information about the values independent businesses provide us, both personally and in community.

The disappearance of local businesses leaves a social and economic void that is palpable and real -- even when it goes unmeasured. 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 luring new national chains. They may even

provide public funds or sales tax rebates for development. 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 may crow of creating 300 new jobs for a new big box store, but numerous studies indicate they displace more than one job for each (mostly part-time and lower-wage) job created.

And when communities like Barnstable, Massachusetts performed studies to assess the local impact of chains, they concluded such development actually costs more taxpayer dollars to support in safety and services than would return to the community.

Scrutiny consistently demonstrates that most income of new chains comes directly from established businesses. A 1995 landmark study of new Wal-Mart stores by Iowa State University professor Kenneth Stone found that 84% of Wal-Mart's sales simply shifted dollars away from existing local (including chains) merchants. Stone's 2001 study of the local effect of new home improvement center developments concluded, "Is it fair to give taxpayers' money to big corporations that will then use it to help put existing firms out of business?"

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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 that, by most findings, typically amounts to three times that of a chain. This is well-evidenced by a 2003 economic impact study by our IBA in Austin, Texas that 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. Just look at the results in any community's "Best of" polls as 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, and their owners frequently serve on local boards and support numerous causes.

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

For long-term progress, a conceptual change also is necessary. We must 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 for our home towns.

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



RESOURCES

The New Rules Project

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

A project of the Institute for Local Self-Reliance, New Rules is a great resource and clearing-house for research and proactive policy measures designed with healthy communities in mind. Their bi-monthly email bulletin is a pertinent and worthwhile read. Subscribe at NewRules.org

Rocky Mountain Institute's Economic Renewal Program

1739 Snowmass Creek Rd.
Snowmass, CO 81654
970-927-3851

The Economic Renewal Program promotes community development without rampant growth or corporate dependence. rmi.org

We highly recommend (and distribute--\$14) **The Home Town Advantage** by Stacy Mitchell of the New Rules Project.

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

Visit AMIBA.net for a more complete list of our recommended books, periodicals, important studies and websites.