Boulder Independent Business Alliance™

Supporting locally owned independent businesses.™

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The Benefits of Doing Business Locally

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, VT & New Paltz, NY 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 more than 90 U.S. communities to reject new chain retailers in recent years.

Their scrutiny inevitably shows that most income of new chains comes directly from established businesses. For example, an extensive study of new Wal-Marts by Iowa State University found 84% of sales simply shifted dollars away from existing local 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 (though in most cases it is likely to be more modest).

Small manufacturers are also affected since they rely on local retailers to give their new products a chance. Local retailers are more free to take chances with the goods of a new manufacturer, 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 nationwide 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

In the larger picture, sales of the 500 largest corporations grew 700% in the past 20 years, yet they are now *net disemployers*, firing more people than they hire despite record profits. That our economy is still in decent health is testimony to the employment generated by small business during this time. We need to recognize the impact of our dollars and support institutions that benefit our common interests.

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 owner's 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 with 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 is also 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 home.

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The author, Jeff Milchen, founded the Boulder Independent Business Alliance, a cooperative effort by independent businesses to help community-based businesses thrive and reverse the trend of absentee-owned chains displacing local businesses in Boulder County. For more information, inquire at 720-565-3854 or biba@boulder-iba.org

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