

Buying Local Is All That It's Cracked Up To Be, And More

I haven't been paying too much attention to the people fighting to keep Wal-Mart from locating (or expanding) in their towns. I had always assumed they were folks that were skimping on their Thorazine dosages and had too much spare time and energy.

I did a little research, and it turns out that Wal-Mart is the world's largest retailer and America's largest employer, with more than 1.4 million employees and over \$10 billion in profits. It is very good at what it does, which is offering low prices by driving as many costs out of the distribution process as possible.

I have a lot of respect for the free market system, but it is by no means perfect. It's easy to argue that Wal-Mart is *too* good at driving out distribution costs, at the expense of communities, employees and manufacturers.

I can hear some of you saying that if I don't like the way Wal-Mart operates, I don't have to shop there. I don't, but that argument has never seemed to me to be very logical or compelling.

It's like telling the moth that it can choose to avoid the flame. As long as there are people on budgets, pocketbooks will override semantics, meaning Wal-Mart's future is safe. And I'm not sure that its big-box competitors are significantly better.

I'm most interested in the effects that the mass-merchandisers in general have on local economies. The most evenhanded study I have seen didn't target (so to speak) Wal-Mart at all. It was conducted in 2004 in Andersonville - a suburb of Chicago - in cooperation with the Andersonville Chamber of Commerce.

It compared the economic impact of ten Andersonville businesses and their national chain competitors (www.andersonvillestudy.com). This study was

replicated in Toledo, Ohio and on the mid-coast of Maine, with very similar results.

It was determined that out of every \$100 in consumer spending with a locally-owned business, \$68 remains in the local economy (that's 58% more than with the national chains). For every square foot occupied by a local firm, the economic impact is \$179 (70% greater than with the chains).

Customers were surveyed on the streets of Andersonville. Over 70% of them said they prefer to patronize locally-owned businesses. Over 80% of them said they prefer traditional urban business districts.

The four policy implications listed in the study's executive summary are:

- > Local Merchants generate substantially greater economic impact than chain firms.
- > Replacement of local businesses with chains will reduce the overall vigor of the local economy.
- > Changes in consumer spending habits can generate substantial local economic impact.
- > Great care must be taken to ensure that public policy decisions do not inadvertently disadvantage locally-owned businesses. Indeed, it may be in the best interests of communities to institute policies that directly protect them.

What does this tell you? All other things being equal, you should be patronizing locally-owned businesses. They use local accountants, attorneys, and a lot of other local services that the chains do not. According to the study, money you spend locally circulates an average of seven times.

I'm here to tell you that locally- owned merchants deserve your business, even if their prices are somewhat higher (which is by no means always – or even usually – the case).

A lot of people are oblivious to all of this. I affectionately refer to them as "bottom-feeders." If your price is a penny less, you get their business, no matter who or where you are. They will buy a box of clay pigeons from

Osama's Online Ammo Dump rather than Fin and Feather, if Osama has a lower price.

Many cities and several states have legislated a designated percentage price advantage for local firms bidding on municipal projects. Bids do not have to go to an out-of-city or out-of-state firm just because it has the lowest price. Whoever wrote and enacted these laws and ordinances understood the economics of buying locally.

Many Chambers of Commerce have Buy Local committees that do nothing but beat the drum about the realities of national chains and mail-order houses. Any profits the big-boxes make are wire-transferred out of state faster than you can say "Guaranteed Low Prices."

I may choose to avoid chain stores, but at least they employ local labor. If you prefer to order your merchandise online or from an 800 number, your money never touched your community on its way out of town.

As the study concluded, "consumer spending habits can generate substantial local economic impact." I can go out of my way to support locally-owned businesses, and so can you.

My name is Dave Parsons, and I've been Wal-Mart free for two years, three months and 17 days.