



SOUTH CAROLINA FAMILY AND COMMUNITY LEADERS

Affiliated with National Volunteer Outreach Network, Country Women's Council, U.S.A., Associated Country Women of the World and in partnership with Clemson University Cooperative Extension Service
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Leader Training Guide

Buying Local: How to React to Big Box Competition

Objective:

Increase consumer awareness of the market and non-market impacts of buying from locally owned businesses thereby encouraging more informed spending decisions.

Lesson Overview/Introduction:

"Should I drive five more minutes to the downtown hardware store or stop in Wal-Mart..after all, we need milk too." Those big corporations don't care about the little guy. No Starbucks for me!" What are the benefits and drawbacks to spending our dollars at locally owned businesses? Do the "big-box" retailers really force local shops to close? Am I helping the environment by shopping locally? Is it really cheaper to shop at big-box stores?

From farmers markets to local auto parts stores, "Buy local" is popular. According to a 2010 nationwide survey¹ of independent businesses, 80% of respondents saw greater public awareness in the value of shopping at locally owned businesses. Still, numerous places celebrate the opening of "big-box" retailers and the resulting convenience and jobs. With both types of retailers vying for our dollars, how do we know where to spend; who is best for our paycheck and community? Unfortunately there are no easy answers as data shows that non-local retail brings benefits and costs to communities and residents.

Lesson:

Economic Impacts:

An analysis² of eight locally owned businesses in Midcoast Maine found that such businesses to spent 44.6% of their revenue within the surrounding two counties while a national big-box retailer was estimated to return only 14.1% of its revenue back to the local economy.

Tax Revenues and Local Government Spending:

Locally owned stores may benefit the local tax base if they attract new, outside shoppers. The benefits (primary tax revenues) versus the costs (primarily from providing governmental services such as schools) for locally owned retail versus externally owned retail can vary. But, one study³ found that the costs of extending government services plus the cost of incentives exceeded the property and sales tax revenues of a new retail development.

Local Employment and Business Impacts:

Basker⁴ found the average effects of a new Wal-Mart were an increase of 100 retail jobs, but after 5 years only 50 net jobs were generated with displacement of 4 small (< 20 employees) retailers. One study⁵ found that Wal-Mart entry displaced 180 retail workers (1.5 workers for every Wal-Mart worker). Discount stores located on the edges of town usually harm downtown shopping districts, but may attract business to stores and restaurants in nearby developments⁶. Smaller communities near larger towns with new big box stores usually suffer a loss in retail activity.

Wages and Benefits:

Larger businesses usually provide better pay and benefits, and have better job retention but smaller ones often provide more flexible work schedules⁷. Yet, an average full-time Wal-Mart

employee earns an annual salary equal to the poverty line for a family of four⁶. One Wal-Mart executive reported that “46% of Associates’ children are either on Medicaid or are uninsured⁸.”

Prices:

Larger, externally owned stores often expand choice and drive down prices. Discount store food prices were 5-48% less than prices in conventional supermarkets⁹ generating estimated savings of 20.2% in food spending for an average household. Price drops of 7-13% were estimated for increased competition from new Wal-Marts⁶. Still, consumers need to consider other costs (especially travel) in seeking lower prices particularly when shopping in other towns.

Poverty:

Big Box retail may be associated with higher rates of poverty. One study¹⁰ found that counties with more Wal-Mart stores in 1987 had higher poverty rates in 1999 than those with fewer stores; counties with new Wal-Marts from 1987-1999 experienced slightly higher poverty rates in 1999.

Non-Market Community Impacts:

The disappearance of local businesses leaves empty, physical, economic, and social spaces.

Limits Choice: Independent specialty stores offer unique collections of non-mainstream, local, or hard to find material not found in large retail. Independent retailers of the arts (bookstores and music) provide a market for new artists.

Maintains Character: In thinking of our favorite shops locally owned businesses likely come to mind. When we show visitors “our town” we usually don’t select a chain restaurant for dinner. Local places preserve the character of our home towns.

Local Leadership and social cohesion: Loss of local retail often means fewer local entrepreneurs thereby diminishing local leadership capacity¹⁰. The increasing concentration of nonlocal bank ownership and the branch plant economy has the same effect. The loss of locally owned businesses may also reduce local social capital (civic capacity). The ability of local leaders, groups, and citizens to work together determines whether small towns and cities are nice places to live. Social capital is also a key factor in economic growth and poverty reduction¹¹.

Local Foods:

Possible benefits are economic, individual and community nutrition, and environmental.

Economic Impacts of Local Foods:

One study¹² estimates that \$1 of spending at farmers’ markets generates 58 cents in additional sales. But, farmers’ market purchases may reduce grocery store spending. Despite this, one West Virginia study¹³ estimates net positive impacts from farmers’ market purchases of \$1.1 million in sales. Farmers’ markets in community centers draw customers who spend at local stores¹⁴.

Health and Nutrition Benefits of Local Foods:

Several studies¹⁴ suggest diets may improve because consumers have access to fresher, less processed, and more nutritious food (due to less travel time and peak ripeness).

Environmental Benefits of Local Foods:

Local foods help preserve local farms and hence local farmland. Genetic diversity is retained through their use of heirloom varieties. For organic local foods, eliminating pesticides may reduce environmental harm¹⁴. The limited evidence concerning energy conservation (and greenhouse gases emissions) is mixed. One study¹⁵ found that imported produce results in greater CO2 emissions than domestic produce, but efficiency in conventional food systems offset energy savings from the shorter travel distance of local food systems.

Buy Local Strategies:

Community members can consider various strategies to maintain and grow local businesses.

What can your community do to maintain and grow local businesses?

Start or support an organization devoted to YOUR local retail sector, either informal or structured (e.g. Chamber of Commerce). Such groups provide a forum for innovative ideas, and allow businesses interaction with citizens, charities and other local organizations.

Support all local business finance sources (local banks, credit unions, etc). These are also local businesses and essential for starting and expanding local retail. They know their clients, communities, and likely have a better idea of what works.

Encourage local retailers to conduct organized promotional campaigns. Rather than each store spending scarce dollars on advertising, why not market the whole downtown? This also encourages collaboration between businesses and other local events such as street fairs. Local stores may also choose a particular evening where local stores can all have extended hours.

What can community development practitioners do to maintain and grow local businesses?

Work to strengthen other economic sectors¹⁶. Retail is supported by the paychecks earned in other local industries. When a community's economic base disappears so do local retailers.

Provide technical assistance and educational programs to local retailers and future entrepreneurs. Where these programs already exist, practitioners should ensure they are well advertised and that local businesses are aware of available services.

Secure financing for growing businesses and businesses in transition. This funding may come from local banks, grants or other sources. Businesses need to be informed of such programs.

Plan for the future: Economic forces are constantly at work; to control their destiny, communities need a strong vision of who they are, where they are going, & where they want to be.

What can local businesses do to maintain and grow their business and other local businesses? Local businesses can **plan for the future**¹⁷. Your business plan not only describes how you will pay the bills, it articulates what makes your business unique and provides a roadmap to success.

Don't forget the basics: cost management, customer service, visibility in the marketplace, reducing employee turnover, retaining and building a loyal customer base are all keys to success¹⁷.

New marketing strategies: Local businesses should consider partnering with local charities and community events to increase visibility and promote image.

Social Media!! Blogs, Facebook, Twitter ... all are free products that connect you to individuals and make you visible to all their connections¹⁷.

Lesson Summary:

Buying Local must be carefully considered as a strategy for maintaining a viable downtown and local retail base especially for smaller towns and cities. Many benefits of buying local are non-market in nature and need to be highlighted to citizens and leaders. Locally owned businesses must organize, strategize, and implement in meeting competition from big box stores. Local businesses can also be successful by planning for the future, remembering business basics, and considering new marketing strategies including social networking.

Suggested Activities:

1. You are hosting a meeting of local, downtown businesses for a small town or city. Discuss the various strategies for increasing sales for these businesses.

2. Businesses need to work together in planning and then implementing that plan. What are possible roadblocks to planning and implementing? How can they be overcome?
3. State government is considering subsidizing the construction of a big box retail operation near your town. Indicate why state government might think this is a good idea. Discuss how you can convince state government that such a strategy is not a good idea.
Extension practitioners continue to preach the benefits of farmers' market as a way to promote local foods.
4. How can you convince local government that the market warrants local support? What are some ways that you and others could promote a local farmers' market?

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Suggested Materials:

Deller¹⁶ and Swindall et al.¹⁷ provide information about ways to support and grow local businesses. Martinez et al.¹⁴ provide a comprehensive review of the literature on local foods.

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