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To Beat Recession, Indies Launch Buy-Local Push

Small business owners are banding together to encourage consumers to shop nearby independents. Would such a campaign help your business?

By [John Tozzi](#)

The buy-local movement isn't new. For the past decade, independent businesses have banded together to urge local consumers to spend more of their dollars closer to home. Proponents say doing so helps build vibrant local economies by keeping money circulating in the area rather than elsewhere, while detractors say the economic benefits are negligible. Now, amid the sinking [national economy](#), some small-business owners are saying buy-local efforts have helped insulate them from the worst of the downturn.

That's the case for Chuck Robinson, owner of Village Books in Bellingham, Wash., who helped launch the city's buy-local effort in 2003. While sales have dropped 4% since Jan. 1 at his 40-employee, \$3.5 million bookshop and adjacent card store, he says that's less severe than other booksellers he's talked to in places that don't have buy-local efforts. According to a national survey by the nonprofit [Institute for Local Self-Reliance](#) in Minneapolis, independent retailers in cities with buy-local campaigns saw holiday sales fall 3.2% from the prior year, while those in cities with no such movements recorded a 5.6% drop. Nationwide, retail sales fell 9.8% in December 2008 vs. the prior year, according to the Commerce Dept.

KEYS TO SUCCESS

Most successful buy-local campaigns grow out of independent business networks that share three main elements, says Jeff Milchen, who in 1998 co-founded the first such group in Boulder, Colo. First, they educate consumers about the value of independent businesses in the community. Second, they jointly promote shopping at those businesses through advertising, coupon books, shop-local weeks, and other efforts. And third, they give independent owners a unified voice in government and media.

At least [130 such groups](#) have been founded since 1998, with the number roughly doubling since 2005, according to Stacy Mitchell, a senior researcher at the ILSR and author of [Big-Box Swindle](#). Mitchell says about 25,000 small firms now belong to a business alliance promoting local shopping. The trend has been bolstered by growing consumer interest in buying [locally grown food](#) and [reducing carbon emissions](#) associated with shipping goods long distances.

Two main organizations support buy local campaigns: the [American Independent Business Alliance](#) and the [Business Alliance for Local Living Economies](#). The first steps for new buy-local groups involve recruiting members, designing logos and marketing kits, and educating the public, says Mitchell. Often they will launch with a buy-local day or week to attract local press coverage. (For more on how to set one up, resources are available from [AMIBA](#), [BALLE](#), and the [ISLR](#).)

WHY BUY LOCAL?

The economic argument behind buy-local campaigns goes like this: Spending at local businesses, rather than at chain stores or online, helps local economies because those firms are more likely to buy from local suppliers and hire local service providers for needs such as accounting. The jobs that those dollars support stay in the community, rather than going to chains that consolidate their suppliers and back-office functions elsewhere. The profits, too, stay with local owners who spend in the community, rather than going to out-of-state owners or shareholders.

Does it work? While the direct effects are hard to measure, several studies point to real benefits for local economies. Dan Houston, an Austin (Tex.)-based economic development consultant, [projected in 2002](#) that spending at local Austin book and music stores returns 45 cents on the dollar to the Austin economy, compared with just 13 cents for each dollar spent at Borders. An analysis he did last year found that a [10% shift](#) in spending to local businesses in Grand Rapids, Mich., could create 1,600 jobs with a payroll of \$53 million.

Michelle Long, director of the business alliance in Bellingham, credits local businesses with preserving jobs through the downturn. Unemployment in Bellingham was 6.1% in December (the most recent month available), a point below state and national rates. Long attributes that difference to the fact that locally owned firms employ 69% of the community's workforce, about six percentage points above state and national averages.

Some question whether buy-local efforts really do help communities. "It's easy to show that the local businesses benefit. It's very hard to show the costs," says Russell Roberts, an economist at George Mason University and host of the [EconTalk podcast](#). The costs can include higher prices and a narrower selection for consumers. "The claim is it keeps the money in the community," he says. "The money in the community isn't the goal of economic life. The goal of economic life is to have the right access to the things we care about." While Roberts says there's nothing wrong with shopping locally, he says there's no inherent economic benefit.

But many consumers choose to buy local because the intangible benefits are precisely the things they care about: vibrant downtown areas, stores with local character, and business owners who know shoppers' names. "They find value beyond the economic value," says Village Books' Robinson. Now, with businesses of all sizes struggling, some independent stores are counting on buy-local campaigns to remind consumers of that value. "It gives people a reason to think about who they're spending their money with," says Marty Jelinski, owner of Bay City Supply, a cleaning-equipment store in Bellingham. "What do they like about Bellingham? Is it the big-box stores up on the north end of town, or some of the stores that are a little bit unique?"

For a look at successful buy-local campaigns across the country, flip through this [slide show](#).

[Tozzi](#) covers small business for *BusinessWeek.com*.

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