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Buying local: Does it work?



The Wenatchee Valley has a wide selection of locally-grown businesses, but some experts say the national chain stores have an important role to play in the economy as well. Graphic by NANNETTE VAUGHN/WBJ

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I Love Local
Get it Local
Think Local First
Shop Local
Buy Local

No matter the campaign wording, the message is the same: buying local supports local farmers, small business owners and the community.

On the surface, it sounds like a no brainer. But as one economist told the Wenatchee Business Journal – it's not that simple. The first complication is defining the word "local."

"It's an ambiguous term," said Tony Freytag, director of sales and marketing for Crunch Pak in Cashmere. "Is it 10 miles? 100 miles? Within the state?"

Freytag said the Crunch Pak facility in Cashmere buys local apples, with 50 to 60 percent of them coming from the Wenatchee Valley and Yakima, and 100 percent being grown in Washington. A purist might not consider apples outside of the valley to be "local," but Freytag said the company considers the 800,000 pounds of apples packaged every week to be locally-sourced.

There are "buy local" hardliners, who could take the position that they wouldn't eat anything that isn't grown in their own area. Someone taking that position in the Wenatchee Valley would not be able to enjoy chocolate, coffee or bananas, because cocoa and coffee beans and bananas cannot grow in this area.

There are others who define local as independent, locally-owned businesses, which means national businesses such as U.S. Bank, Walmart and Olive Garden wouldn't be considered "local."

But Allison Williams, Wenatchee's executive services director, said that from the city's perspective, those businesses are local because they are located in the community.

"They contribute through sales taxes and paying property taxes," she said. "They employ people who in turn buy goods and services, so the national companies that are here are a huge contributor to the local economy."

Williams did say, however, that studies have shown that more money spent at a local business stays and recirculates in the community versus money spent at a national chain.

One study, conducted by Civic Economics called the 2004 Andersonville Study of Retail Economics, found that for every \$100 spent at a locally owned business, \$68 of it stays in the local economy. On the flip side, for every \$100 spent at a non-locally owned business, only \$43 stays in the local economy.

Regardless of what type of business the money was spent, Mark Calhoun, Wenatchee's finance director, said there is a benefit when buying within the community.

“Buying local is a way to support the life blood of a local economy,” he said. “If a person is shopping local, then it keeps local people employed. If they shop outside of the community, then they are supporting and benefitting that community.”

Does buying local really help?

Waterville Mayor Royal DeVaney thinks so. Things have gotten so dire in that community, the mayor announced the town didn't have enough money to open the municipal pool in 2012.

DeVaney called for a Feb. 16 community meeting to brainstorm ideas to save the little town of 1,100 people, indicating that the pool closure is just a glimpse of the hardship the town is facing.

At the meeting, the mayor told the crowd of 60 that packed the Town Hall, “Sales tax is down. Property tax is down ... We are seeing businesses fail at a fairly good speed, and that is not good ... there are no new businesses coming in and there are a lot of empty buildings here.”

DeVaney attributed a lot of the economic downturn in the town to Waterville people going to Wenatchee to eat at its restaurants and buy goods at its stores.

From a farmer's perspective

Jim Baird, a Royal City farmer, has been selling organic vegetables to the Wenatchee School District for nearly two years and he would encourage other local farmers to try and forge relationships with schools or other businesses.

He said farmers benefit from selling locally because they are not subject to the variations of foreign and faraway export markets. But Baird also sees a benefit to local consumers and the environment as well.

“Purchasing locally increases the awareness of where your food is coming from,” he said. “It's a healthier product because it's fresher and handled by fewer hands. It reduces food miles and helps support local farmers.”

The partnership between Baird's Cloudview Farm and the school district also opened up more opportunities for selling food in the community. Zack Zink, an employee at Cloudview, said making a delivery once a week to the school district would not have been sustainable. So his route now includes deliveries to Farmhouse Table, Wenatchee Natural Foods and Sleeping Lady in Leavenworth.

“I also put an ad on Craigslist, so now we deliver to individuals as well,” he said.

From a business owner's perspective

Steve Baldock, owner of Cascade Auto Center in Wenatchee, has been a strong supporter of "buying local" for years, not only because he's in the business of selling cars, but because he thinks it's important for the entire community.

The car dealership owner also has a window into the buying habits of people in Chelan and Douglas counties. He is able to track where people bought their new vehicles because everyone has to get a title.

"I see that 30 percent of all new vehicles are purchased outside of our counties," he said. "If someone buys a new pair of pants at Nordstrom's, nobody knows. If someone buys a TV at Best Buy, nobody knows. But I think they (other business owners) would be surprised at the magnitude of the problem."

Baldock said that if even just a small percentage of those car sales being made outside of the area were happening in the valley, he'd have to hire more people.

The campaigns

Wenatchee Valley doesn't have a formal "Buy Local" campaign like about 160 communities throughout the U.S. But Bellingham has what many tout as a very successful "Think Local First" campaign with thriving small businesses.

According to Michelle Grandy, communications and Think Local First program manager for Sustainable Connections in Bellingham, the program has made a big difference in the community since it began in 2004.

She said there are strong connections between local consumers and local business owners, and that in a recent poll, 68 percent of the public said they were aware of the importance of shopping local.

The poll also showed that 57 percent of the Whatcom County residents said they "often or always consider whether or not a store or restaurant is locally owned" before patronizing it.

In fact, a new study done by Civic Economics, ranked 363 metropolitan areas in the U.S. according to the vitality of their independent retail sectors. Bellingham ranked number two in vitality, second only to Ocean City, N.J. Wenatchee ranked number 58.

But Hart Hodges, associate professor and director of Center for Economic and Business Research at Western Washington University in Bellingham, said he wanted to "urge caution" about simple and romantic ideas about buying local.

He said he understands the appeal of buying local and often practices it himself. But Hodges said buy local campaigns aren't encouraging people to be thoughtful (about whom they are purchasing goods from).

"They overstate the benefits of buying local and present a marketing scheme as economic development."

Hodges said, "Determining that a particular purchase or action has greater economic impacts than another is, by itself, not helpful and is potentially misleading."

As an example, he said maybe a purchase at a locally owned business does have more of an economic impact than a similar purchase at a chain store, but the purchase at the chain store might result in greater net benefits to the shopper and community.

Those benefits might include the chain store providing health insurance benefits to employees while the local store might not. Or the chain store may stay open longer than the independently owned business, Hodges said.

John Carter, director of the finance department for Bellingham, said the city does have a robust buy local program and that the large percentage of smaller businesses do seem to be thriving. But he said there was no way of telling if the program had a hand in that because there are other factors to consider.

Hodges said Bellingham has relatively high per capita tax revenues because so many people from outside of Bellingham shop in Bellingham - including Canadians and people from the smaller cities in the area.

"If more people shopped in their own towns (as suggested by the campaign), tax revenues would fall in Bellingham," he said. "Moreover, the tax rate is the same at all stores in the city - so there would not be a change in tax revenues if people started buying more at local stores and less at chain stores."

So does shopping locally really benefit a community?

Grandy thinks so.

"It keeps money here and that creates jobs," she said. "But there's also the social aspect. It feels good to know you're supporting your friends and neighbors who live here."