

# Consumers Buy Into 'Buy Local'

## More groups are forming to send shoppers to home-grown independent businesses. But their impact on jobs is hard to quantify

By [Kimberly Weisul](#)

By now, residents of Seattle's Capitol Hill neighborhood have figured out that their trendy new coffee shop, 15th Ave. Coffee & Tea, is actually owned by Starbucks ([SBUX](#)). With fresh flowers, beans ground to order, and a "help yourself" policy regarding used coffee grounds—for composting, of course—the store could pass for a locally owned café.

Starbucks' "unbranding" initiative is just one sign of the growing influence of the "buy local" movement—a longtime New Urbanist dream that has finally started to become a reality in the past two years. Shoppers such as Lauren and Skip Schumann of Charleston, S.C., have taken to heart the movement's pleas to buy within their town, or at least within their state, before searching elsewhere. The couple bought their wedding rings at Croghan's Jewel Box, a fixture on Charleston's King Street. They won't eat at chain restaurants. Lauren is shopping for a home security system, and only locally owned companies need apply. Charleston is still a small town, she says: "If one store closes, everybody knows it. It's kind of a doomsday feel."

Michael Shuman (no relation), director of research and economic development for the nonprofit Business Alliance for Local Living Economies, says boarded-up downtowns, the recession, and news about tainted goods from China have all made an impact. Two other factors have also been decisive: "If there had been no oil crisis and no financial crisis," he says, "we'd be whistling in the wind."

### SAVING JOBS

Advocates say that locally owned stores spend proportionately more on payroll than chains and that buying local will save jobs. Plus, for every \$100 spent at a locally owned store, \$45 remains in the local economy, compared with about \$13 per \$100 spent at a big box, according to research by the nonprofit Institute for Local Self-Reliance and Austin (Tex.) consulting firm Civic Economics. That's because independents tend to do their purchasing locally, while chains usually centralize it from a head office.

About 130 cities or regions now host "buy local" groups, representing about 30,000 businesses, up from 41 in 2006. The membership of South Carolina's Lowcountry Local First has doubled in the past year, to 325 businesses. Local First in Grand Rapids, Mich., has almost 600 members, up from 150 three years ago. Even as chain stores promote themselves as "local," a wave of new national groups is backing independents. The 10% Shift asks shoppers to shift 10% of their purchases to local stores; Move Your Money wants you to move your bank account from a national outfit to a local bank or credit union. The rationale: Smaller banks usually are more supportive of small businesses, don't pay huge bonuses, and didn't get taxpayer-funded bailouts.

In March 2009, when retailing blogger Cinda Baxter asked readers to choose three local businesses and to spend \$50 at each, she received more than 350 e-mails that first weekend. Her 3/50 Project now has about 42,300 Facebook fans, and more than 265,000 people have visited its site.

Advocates admit it's tough to quantify the impact of local purchases. But in 2007 booksellers in San Francisco asked Civic Economics to calculate what would happen if Bay Area consumers shifted 10% of their spending from chains. The forecast: \$192 million in increased economic activity for the region and almost 1,300 new jobs. "If any single business promised that, the governor would be downtown handing out checks," says Dan Houston, co-founder of Civic Economics. That study, plus a similarly positive one in 2008 in Grand Rapids, helped reframe the buy-local argument. "It's no longer absolutist," says Houston. "It's not that you're wrong to go to Target ([TGT](#)). We're saying: 'Here's the value you could create in your community if you made some changes.'"

## **CITY FUNDING**

Not everyone is convinced. "Productivity creates wealth," says Russ Roberts, an economics professor at George Mason University. "It doesn't matter if you keep the money in your [local] economy." In fact, he says, while it's simple to count the jobs gained by promoting local purchases, it's impossible to measure accurately the jobs lost because of a change in buying habits.

People tired of boarded-up downtowns reject that view. Tacoma, Wash., Santa Fe, N.M., and Bozeman, Mont., have all provided five-figure grants to help start independent business associations. Utah Local First, with 2,500 members, gets funding from both Salt Lake City and the county. Grand Rapids Local First helped persuade its town to give a 1% bid preference to local businesses. And on Feb. 8, New Mexico's House of Representatives voted unanimously to allow the state to move up to \$5 billion of its money into local banks or credit unions.

In Grand Rapids, Chris Lampen-Crowell's Gazelle Sports sells sporting gear and shoes at full retail price. That's a tough gig, with Foot Locker ([FL](#)), Finish Line ([FINL](#)), Dix Sports, and MC Sports—never mind the Internet—all within easy reach of his shop.

Growth "has been steadier since we joined" Local First, he says, and his 2009 sales rose 7%, thanks in part to contacts he's made through the group.

Art Johnson, chief executive of United Bank of Michigan, with 11 branches within 30 miles of Grand Rapids, says customers like the fact that he's not a Wall Streeter. "People ask if we are really local," he says. "We have to prove it to them." His response: Ask other bankers what their stock symbol is. "If they have an answer, they're not locally owned."

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To read Katovich's blog, go to <http://bx.businessweek.com/social-entrepreneurship/reference/>

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