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Communities Benefit From Black Friday When Shoppers Buy Local

By Finance New Mexico

The arguments for shopping at independent, locally owned New Mexico businesses before bargain hunting at national retail chains are many — and they're all good.

Local businesses are more than twice as generous to hometown nonprofits that fulfill community-specific needs, according to the American Independent Business Alliance (AMIBA), and they are more loyal and accountable to the people they employ and live among. Local businesses are typically small, and this sector of the economy employs 48 percent of the private sector workforce.



Shopping locally reduces environmental impacts associated with transportation. It supports businesses that offer products and services that reflect local tastes and a community's distinctive character.

But the best reason to spend money at a local business rather than an absentee-owned business — including during the critical holiday shopping season — is the financial recycling that results.

Follow the Money

Numerous studies by the Civic Economics strategic-planning group reinforce the concept of the "local multiplier effect." Simply put, a dollar spent at a locally owned business has a much greater likelihood of staying — and recirculating — in the local community than a dollar spent at a national chain store.

A 2013 Civic Economics survey conducted in Albuquerque for the Buy Local Business Alliance found that the local circulation of revenue from national retail chains was 13.6 percent compared to 39 percent for locally owned retailers. In the restaurant industry, national chains recirculated 30.4 percent of revenue earned and independents 77.3 percent.

Multiplier impacts are direct and indirect. A local business makes a direct impact by buying inventory, services and equipment from local suppliers and paying wages to area employees.

When employees and business owners spend revenue and wages in the local economy, that represents an indirect impact.

“While chain stores and restaurants extract locally generated revenues from the community with each nightly bank transaction, independents are creating a virtuous cycle of local spending,” Civic Economics asserts in *Indie Impact Study Series 2013-14: Survey*. “The extra dollars in the local economy produce more jobs for residents, extra tax revenues for local governments, more investment in commercial and residential districts and enhanced support for local nonprofits. In short, these businesses create better places.”

Better Use of Public Funds

A 2002 study of Barnstable, Mass., by Tischler and Associates tangibly demonstrates how small, local businesses make better use of tax revenue by placing less demand on infrastructure and public services.

The study compared land-use impacts on tax revenue and expenditures and found that big retailers and fast-food outlets leach more from public services than they generate in revenue: A big-box store actually creates an annual tax deficit of \$468 per 1,000 square feet versus the annual surplus of \$326 per 1,000 square feet generated by Barnstable’s small downtown stores.

Organizations like the New Mexico Green Chamber of Commerce and New Mexico’s MainStreet program cite studies such as this when urging New Mexicans to think beyond the short-term savings of a big-box bargain. Keeping local wealth closer to home, they say, pays social, environmental and economic dividends over a much longer term.

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