Some Ways in to Research on Locally Owned, Independent Businesses
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Twelve Central Findings

I. Local Impact Studies
Roughly three times more money recirculates in a community when spent at a local store in comparison with a chain.
The effect is smaller for restaurants and larger for services.
Even a small diversion of spending (5-10%) back to locally owned retail would generate major benefits (e.g., restaurants, about 75 new jobs in SF and $4 million in new wages).
The benefits of buy local campaigns may be greater for business-to-business import substitution.
Cities tend to have a net tax revenue deficit from chain stores and big boxes in comparison with local stores.

II. Big Box Studies
A new Wal Mart store will depress the number of small retailers, especially those with similar product lines.
A new Wal Mart store will depress county retail wages by .5 to .9%.
New Wal Mart stores are associated with lower social capital and higher poverty rates.
A new Wal Mart or big box complex may increase local restaurant sales.
A new Wal Mart store will generate few net jobs and may even cause a job loss (controversy).

III. General Effects of Local Retail
Local retail is positively correlated with associations (such as nonprofits), “third spaces” (gathering spots such as bars, pubs), the Putnam social capital index, and voter turnout.
Local retail is negatively correlated with poverty, infant mortality (a proxy for public health), and crime.
I. Local Impact Studies

A local multiplier is an estimate of the effect of a purchase at a locally owned, independent store in comparison with a non-local store, such as a big-box store or franchise restaurant. Studies consistently show that more money recirculates in a regional economy when spent at a locally owned, independent store. There are various reasons: profits retained in the community by owners, higher purchases of other locally owned businesses, higher taxes (in comparison with tax holidays often given to big box stores), and higher donations to the nonprofit sector.

Civic Economics. 2002. “Economic Impact Analysis: A Case Study.” Austin: Civic Economics. Of $100 spent at a Borders bookstore, there is a $13 “local economic impact,” compared with $45 at Bookpeople and $45 at Waterloo Records. Local economic impact includes direct impact (wages, local purchases, and local profit) and indirect & induced impact (based on an estimate of the multiplier effect calculated on a model of the Austin economy by a national firm).

Ajilore, Gbenga. 2004. “Toledo-Lucas County Merchant Study.” Toledo: Urban Affairs Center, University of Toledo. $100 spent at Thackery’s, a locally owned and independent bookstore, generates $44 that remains in the community, in comparison with $20 for a Barnes and Noble store.

Institute for Local Self-Reliance. 2003. “The Impact of Locally Owned Businesses v. Chains: A Case Study in Midcoast Maine.” Minneapolis: Institute for Local Self-Reliance. Locally owned retailers spent about 45% of their revenue in the two-county area, whereas big-box retailers spent only about 14%.

Civic Economics. 2004. “The Andersonville Study of Retail Economics.” Austin: Civic Economics. Local economic impact of $68 for a local firm versus $43 for a chain (A sample of stores was taken in each of the six categories—local/chain restaurants, local/chain retail, local/chain services—was used.) Parallel effect when measured by square foot ($179 for local versus $105 for the chain). Absolute impact of the chains is greater. Breakdown by sector (local v. chain, per $100 spent) is for restaurants $76/60, $44/27 retail, and $76/40 for services. The reason for differences across industries is that restaurants depend heavily on employee wages, whereas services depend more on owner wages.

Civic Economics. 2007. “The San Francisco Retail Diversity Study.” Austin: Civic Economics. Stores sampled were in four categories: books, toys, sporting goods, and restaurants. This study uses a slightly different terminology and set of figures, but it shows a higher local economic impact for local stores. It also estimates the effects of redirecting 10% of purchase to local stores, e.g., for books, 25 new jobs and over $1 million in new income for workers, and for restaurants, 73 new jobs and over $4 million in new income.

Swenson, Dave. 2004. “Buying Local in Union County and Creston, Iowa: An Economic Impact Analysis.” Department of Economics, Iowa State University. Of $286 million in industrial production inputs for the county, about 72% went to suppliers located outside Union County. Households and institutions also imported about $169 million. A 5% import substitution would generate about $8 million in new production and 144 jobs, using a multiplier estimate of 1.2 to 1.3 ($1 in import substitution generates $1.20 to $1.30 in additional output).

Swenson, Dave. 2006. “Buying Local in Marshall County and Marshallton, Iowa: An Economic Impact Analysis.” Department of Economics, Iowa State University. Similar study for another county. He has a very interesting point regarding “buy local” campaigns: “Much greater multipliers in a region accumulate when industries buy from one-another than if households buy from local retailers. This is especially true when industries are buying specialized commodity and service inputs from local suppliers, not just the marginalized wholesale goods.”

Tischler and Associates. “Fiscal Impact Analysis of Residential and Nonresidential Land Use Prototypes.” Barnstable, MA. Big box retail, shopping centers, and chain stores produce a
net deficit of tax revenue per thousand square feet (respectively, $468, $518, and $5,168), whereas specialty retail produces a surplus of $326 per 1,000 square feet.

III. Big Box Retail Studies
Goetz, Stephen, and Hema Swaminathan. 2006. “Wal-Mart and County-Wide Poverty.” *Social Science Quarterly* 87(2): 211-226. Studied a large sample of counties with Wal-Mart before 1987 and Wal-Mart added between 1987 and 1998. Poverty rate had higher increases in counties with more Wal-Marts than in those with fewer or none. Three hypotheses are put forward to explain the effect (but no data to support them given):
1. Retail owners forced into lower-paying jobs.
2. Contributions to nonprofits lower.
3. Loss of independent stores leads to loss of entrepreneurial leadership.
Goetz, Stephen, and Anil Rupasingha. 2006. “Wal-Mart and Social Capital.” *American Journal of Agricultural Economics* 88(5): 1304-1310. Again, studied a large sample of counties with Wal-Mart before 1987 and Wal-Mart added between 1987 and 1998. Social capital is defined here as a mix of variables, including the number of nonprofit organizations and voter turnout. Social capital is positively correlated with rural area, women in the workforce, ethnic homogeneity, level of education, non-movers, African Americans, professionals, middle age (not young or old), and agricultural employment. Existing Wal-Marts and additions of a Wal-Mart lower social capital.


Two studies that survey the Wal Mart literature:

Some other Studies on Wal-Mart and Small Businesses:
13. Net benefit to employment and wages, but the study is typical of the older studies, which was limited geographically and superceded by later work.


Stone, Kenneth. 1995. “Impact of Wal-Mart Stores and Other Mass Merchandisers in Iowa, 1983-1993.” Economic Development Review 13(2): 60-69. See also Stone, Kenneth. 1997. “Impact of the Wal-Mart Phenomenon on Rural Communities.” Pp. 189 – 200 in Increasing Understanding of Public Problems and Policies, Oak Brook, IL: Farm Foundation. Effects of Wal Mart in 34 Iowa towns over a ten-year period. People in towns without a Wal Mart appear to have shifted consumption to Wal Mart towns, resulting in lower sales of general merchandize overall in non-Wal Mart towns. However, for industries that have products lines that directly compete with Wal Mart, such as home furnishing, sales decline in both Wal Mart and non-Wal Mart towns. The paper has many practical tips for small businesses.

III. Correlational Studies

These studies look at general correlates of a strong local business sector.

Goldschmidt, Walter. 1978. As You Sow: Three Studies in the Social Consequences of Agribusiness. Allanheld, Osmun, and Co. Classic anthropological study of two rural towns in California’s central valley. The town dominated by agribusiness has lower general living conditions, more dilapidated buildings, more concentrated power in decision-making, lower community loyalty, greater social distance between social groups, lower retail trade, and fewer social services, parks, youth facilities, social service organizations, and business establishments.

Tolbert, Charles. 2005. “Minding Our Own Business: Local Retail Establishments and the Future of Southern Civic Community.” Social Forces 83(4): 1309-1328. This essay reviews the body of research by Tolbert, Irwin, Lyson, and others. The early studies focused on small manufacturing, and the later studies focused on local retail and services. He draws on the concept of the “independent middle-class” (people employed in the independent sector rather than in corporate jobs) based on Robert Johnston’s work (below). Local retail in the US has declined from 50-60% to 40-50% of retail employment from 1977 to 1997, with the decline greatest in the South. Strong local retail and small manufacturing are closely correlated. Local retail is also positively correlated with associations (such as nonprofits), “third spaces” (gathering spots such as bars, pubs), the Putnam social capital index, and voter turnout, and it is negatively correlated with poverty, infant mortality (a proxy for public health), and crime.

Here is the bibliography:


### IV. A Few Recent Books

Jill Bamburg *Getting to Scale: Growing Your Business Without Selling Out*

Bo Burlingham, *Small Giants: Companies that Choose to be Great Instead of Big*

Laury Hammel, *Growing Local Value: How to Build Business Partnerships that Strengthen Your Community.*


Bill McKibbon, *Deep Economy: The Wealth of Communities and the Durable Future.*


Michael Shuman, *The Small Mart Revolution: How Local Businesses are Beating the Global Competition.*

Williamson, Thad, David Imbrosco, and Gar Alperovitz. *Making a Place for Community: Local Democracy in a Global Era.*