



Buying Locally Pays Big Dividends for Maine's Economy

A recent MECEP survey of 28 locally owned businesses in the Greater Portland area revealed that every \$100 spent at a local business contributes an additional \$58 to the local economy. By comparison, \$100 spent at a representative national chain store yields just \$33 in local economic impact. Money spent at locally owned businesses generates 76% more economic activity in Greater Portland than money spent at national chains.¹

The analysis finds that changes in consumer spending choices can add up to sizeable economic benefits for the region. Based on 2007 retail sales figures, shifting just 10% of consumer spending from national chains to locally owned businesses would result in an additional \$127 million in economic activity with 874 new jobs generating over \$35 million in wages.

LOCALLY OWNED BUSINESSES PUT THEIR MONEY TO WORK LOCALLY...

The key components of business economic impact are wages, profits, cost of goods and services, and charitable contributions. These 28 locally owned businesses account for over \$57 million in revenues in Greater Portland, with 65% of their expenses paid to producers of local goods and local service providers.²

Business Expenditures by Locally Owned Businesses in Greater Portland

Expense	Paid to individual or business located in...		
	Greater Portland	Elsewhere in Maine	Out of State
Goods	27.6%	13.7%	58.8%
Salary and Wages	69.6%	27.3%	3.1%
Repairs and Maintenance	88.9%	7.7%	3.4%
Advertising	60.1%	30.1%	9.9%
Vehicle Costs	77.0%	20.0%	3.0%
Equipment and Supplies	41.6%	33.9%	24.5%
Professional Services	81.1%	16.5%	2.5%
Charitable Contributions	48.0%	51.5%	0.6%

Source: MECEP analysis of business surveys. Note percentages may not equal 100% due to rounding.

By contrast, the typical national chain remits its profits out-of-state and relies more heavily on professional services from out-of-state producers, thus keeping fewer dollars working in Maine's economy, compared to locally owned businesses.

\$58

Additional economic impact for every \$100 spent at a locally owned business in Greater Portland.

\$33

Additional economic impact for every \$100 spent at a representative national chain in Portland.

\$127 million

Additional economic activity in Cumberland County associated with a 10% shift in consumer retail spending from national chains to locally owned businesses.

874

Number of jobs associated with additional economic activity created by a 10% shift in consumer retail spending from national chains to locally owned businesses in Cumberland County.

\$35.5 million

Wages associated with additional economic activity created by a 10% shift in consumer retail spending from national chains to locally owned businesses in Cumberland County.

... AND THEIR MONEY PROMOTES THE GROWTH OF OTHER LOCAL BUSINESSES

Because locally owned businesses keep their profits in the local community and are more likely to purchase goods and services from local sources, their local spending has a multiplier effect on the local economy. MECEP relied on survey data and information obtained from corporate filings for a representative national chain to model local economic impact in Greater Portland. MECEP then used IMPLAN software to model the three core components of economic impact – direct effects, indirect effects, and induced effects.

Additional Impact on Portland's Economy per \$100 in Consumer Spending by Business Ownership



Source: MECEP analysis of business surveys, IMPLAN, Dollar Tree 10-K for 2010.

MECEP's analysis indicates that on a dollar-for-dollar basis the local economic impact of national chain retailers is significantly less than that of locally owned businesses.

Previous studies of the economic impacts of local businesses in other locales by Civic Economics have produced similar

findings. Their 2004 study of retail economics in Andersonville, Illinois, examined the economic impacts of ten local firms, compared to ten competing national chains, on a neighborhood's economy.³ Their analysis of revenue and expense information provided by the ten firms concluded that spending \$100 at locally owned businesses generates an additional \$68 in local economic activity. By comparison, spending \$100 at national chains generates an additional \$43.

A similar 2008 study in Grand Rapids, Michigan, examined revenue and expense data from four lines of goods and services: pharmacies, grocery stores, full-service restaurants, and banks. On average, there was a local economic advantage of 50% from consumer spending at locally owned businesses versus national chains.⁴ Although slightly less than the advantage in Andersonville, the two reports offer similar conclusions: buying from local firms provides significant benefits for a local economy.

CONSUMER SPENDING AT LOCALLY OWNED BUSINESSES FUELS THE LOCAL ECONOMY

Portland area consumers can choose to spend their money online, at national chains or at locally owned businesses. While consumers will likely continue to purchase goods and services from a variety of places for a variety of reasons, increasing their spending at locally owned businesses can create greater local economic activity. In the case of Greater Portland, every \$100 a consumer spends at locally owned businesses can generate as much as \$58 in additional local economic impact, \$25 more than comparable spending at a national chain. Based on 2007 retail sales figures, shifting 10% of consumer spending to locally owned businesses would result in an additional \$127 million in economic activity in Greater Portland with 874 new jobs generating over \$35 million in wages. Buying locally is a good deal for local consumers, local businesses, and local economies.

Sources: ¹Unless otherwise noted, all figures are from MECEP analysis of business surveys and Dollar Tree 10-K for 2010 using IMPLAN software. A more detailed review of survey methodology is available in the study "Going Local: Quantifying the Economic Impacts of Buying from Locally Owned Businesses in Portland, Maine" available on MECEP's website. ²Based on 2007 retail sales figures from U.S. Census and MECEP analysis using IMPLAN software. ³See "The Andersonville Study of Retail Economics" available at <http://www.civiceconomics.com/AndersonvilleStudy.pdf>. ⁴See "Local Works! Examining the Impact of Local Business on the West Michigan Economy" available at http://www.civiceconomics.com/localworks/GR_Local_Works_Summary.pdf.