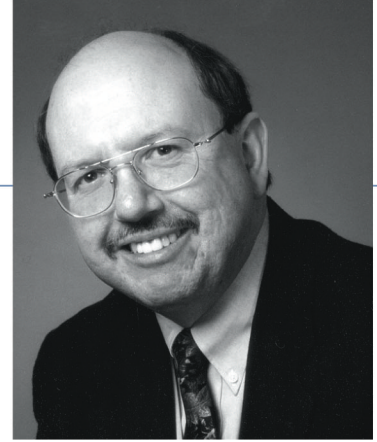


Study Points to Big Box Impact on Local Economies and It's Not Good!

by Simon De Groot, OD Editorial Director



If you're an independent dealer and you do nothing else after reading this issue, point your Web browser to www.AndersonvilleStudy.com, home of a remarkable study that confirms what most of us have known instinctively for years—big box operations aren't good for the economic well-being of local communities.

Andersonville is a long-established neighborhood on the north side of Chicago with a commercial district known for its quaint facades and greenery, its history as a Swedish settlement, its current diversity, and, for now at least, a notable absence of big box outlets. However, disposable income in the community has been increasing, and that has drawn growing interest from national chains that see a potentially attractive new market.

So far, nothing too much to get excited about. It's a pattern that's been seen in literally thousands of suburbs and small town communities across America. The big guys move in with a barrage of advertising and promotion that drowns out their local, small business competition. And that local competition, battered by the onslaught and the accompanying increase in commercial rental rates, either moves on or closes its doors entirely.

What makes Andersonville different is how the local business community reacted to this threat. A coalition of the local business groups banded together and retained Civic Economics, an economic analysis and strategic planning consulting firm, to conduct a study aimed at determining the impact of big box operations on the local economy compared to homegrown companies. The results were eye-opening to say the least:

- For every \$100 in consumer spending with a local firm, \$68 remains in the Chicago economy.
- For every \$100 in consumer spending with a chain firm, only \$4.3 remains in the Chicago economy.
- For every square foot occupied by a local firm, the local economic impact is \$179.

- For every square foot occupied by a chain firm, the local economic impact is only \$105.

The bottom line: Locally owned businesses generate a substantial local premium in terms of their value to the overall economic health of their communities—58 percent more in terms of raw dollar value and a whopping 70 percent more in terms of space occupied!

Another study in Austin, Texas, three years ago, found a similar pattern. For every \$100 in customer spending at Borders, the total local economic impact uncovered by the study was only \$13. The same amount spent with a local merchant yielded more than three times the local economic impact at \$45.

Given the financial and marketing muscle of the national chains and their expertise and experience in opening locations, it's not hard to figure out why they're so successful in penetrating new markets. But each time one of our customers spends a dollar, that represents a decision made about the future direction of his or her community.

Most of those decisions are made on the spur of the moment, with scant consideration to their long-term implications. Now, however, there's an opportunity to educate customers and prospects and show them that buying locally is about a whole lot more than just being nice to a neighbor.

Big box chains operate very efficient retail machines. But they also operate equally efficient export businesses, rapidly moving local dollars out of local communities and into the coffers of corporate giants literally thousands of miles away.

The folks in Andersonville and Austin deserve all the credit in the world for throwing the spotlight on the impact the big box presence has on the long-term health and viability of their communities.

It's happening in your market, too; but most of your customers and prospects are blissfully unaware. Now, you've got the chance to do something about it. **d**