

Why Independent Businesses Are Important

Perspectives from the
Institute for Local Self-Reliance

As large retail chains have grown in number, consolidated, and expanded their market share, many locally owned independent businesses have closed their doors. This has resulted in the displacement of tens of thousands of locally owned and independent businesses. Although independent retail has declined in recent years, locally owned businesses still command a substantial share of economic activity and resources. There are reasons why they should not be forgotten.

According to Stacy Mitchell of the Institute for Local Self-Reliance, the following ten reasons explain why locally owned businesses are important. Detailed discussion of these reasons is available from the full publication (see source below). For more information and resources on strengthening locally owned business, see the ILSR's Hometown Advantage web site at:
www.hometownadvantage.org

1. Local Character and Prosperity

In an increasingly homogenized world, communities that preserve their one-of-a-kind businesses and distinctive character have an economic advantage. Just as an investment strategy where diversifying your interests makes a stronger portfolio, communities with more businesses are known to have a stronger, more stable economic base. A town with numerous small businesses is less susceptible to fluctuations in the global economy and decisions made in distant boardrooms. The loss of one small business is not as devastating to the community as the closure, bankruptcy or relocation of a giant Superstore.

2. Community Well-Being

Locally owned businesses build strong communities by sustaining vibrant town centers, linking neighbors in a web of economic and social relationships, and

contributing to local causes. There is much to be said for the civic value of doing business with our neighbors. One study found that small businesses give twice as much per employee to charitable causes as do large companies.

3. Local Decision-Making

Local ownership ensures that important decisions are made locally by people who live in the community and who will feel the impacts of those decisions.

4. Keeping Dollars in the Local Economy

Compared to chain stores, locally owned businesses recycle a much larger share of their revenue back into the local economy, enriching the whole community. Local retailers also support a variety of other local businesses including suppliers, advertising outlets such as local newspapers and radio and local financial institutions among others

5. Job and Wages

Locally owned businesses create more jobs locally and, in some sectors, provide better wages and benefits than chains do. Cities often forget that new big box stores will not only create, but also eliminate jobs.

6. Entrepreneurship

Entrepreneurship fuels America's economic innovation and prosperity, and serves as a key means for families to move out of low wage jobs and into the middle class.

7. Public Benefits and Costs

Local stores in town centers require comparatively little infrastructure and make more efficient use of public services relative to big box stores and strip shopping



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malls. Downtown businesses generate high property taxes while their compact arrangement ensures efficiency in the delivery of public services.

8. Environmental Sustainability

Local stores help to sustain vibrant, compact, walkable town centers—which in turn are essential to reducing sprawl, automobile use, habitat loss, and air and water pollution. Unlike centuries-old downtown buildings, chain stores and malls may last only a few years before being deemed obsolete as retailers move on to newer, bigger formats further out on the perimeter.

9. Competition

A marketplace of tens of thousands of small businesses is the best way to ensure innovation and low prices over the long-term.

10. Product Diversity

A multitude of small businesses, each selecting products based, not on a national sales plan, but on their own interests and the needs of their local customers, guarantees a much broader range of product choices.

Locally owned businesses yield significant dividends for communities. There are a number of economic, social, and environment benefits that result from strengthening and expanding homegrown businesses. Accordingly, locally owned and operated businesses should not be overlooked in planning for a community's economic future.

Source: 10 Reasons Why Vermont's Homegrown Economy Matters and 50 Proven Ways to Revive It, by Stacy Mitchell, Institute for Local Self-Reliance. Published by the Preservation Trust of Vermont, October 2003 www.ptvermont.org/publications/HomegrownEconomy/Homegrown%20Economy.pdf

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