



LOCAL WORKS!

EXAMINING THE
IMPACT OF LOCAL
BUSINESS ON THE
WEST MICHIGAN
ECONOMY

SEPTEMBER 2008

EXECUTIVE SUMMARY



INTRODUCTION

Civic Economics was retained by Local First of Grand Rapids, Michigan to analyze the performance and economic impact of independent businesses in Kent County and to identify opportunities for economic enhancement based on that analysis. Data was collected and analyzed for businesses in four lines of goods: **Pharmacies, Grocery Stores, Full-Service Restaurants, and Banks.**

Background to the Study

The underlying methodologies for this study have been developed in previous Civic Economics studies in Austin (2002), Chicago (2004), and San Francisco (2007).

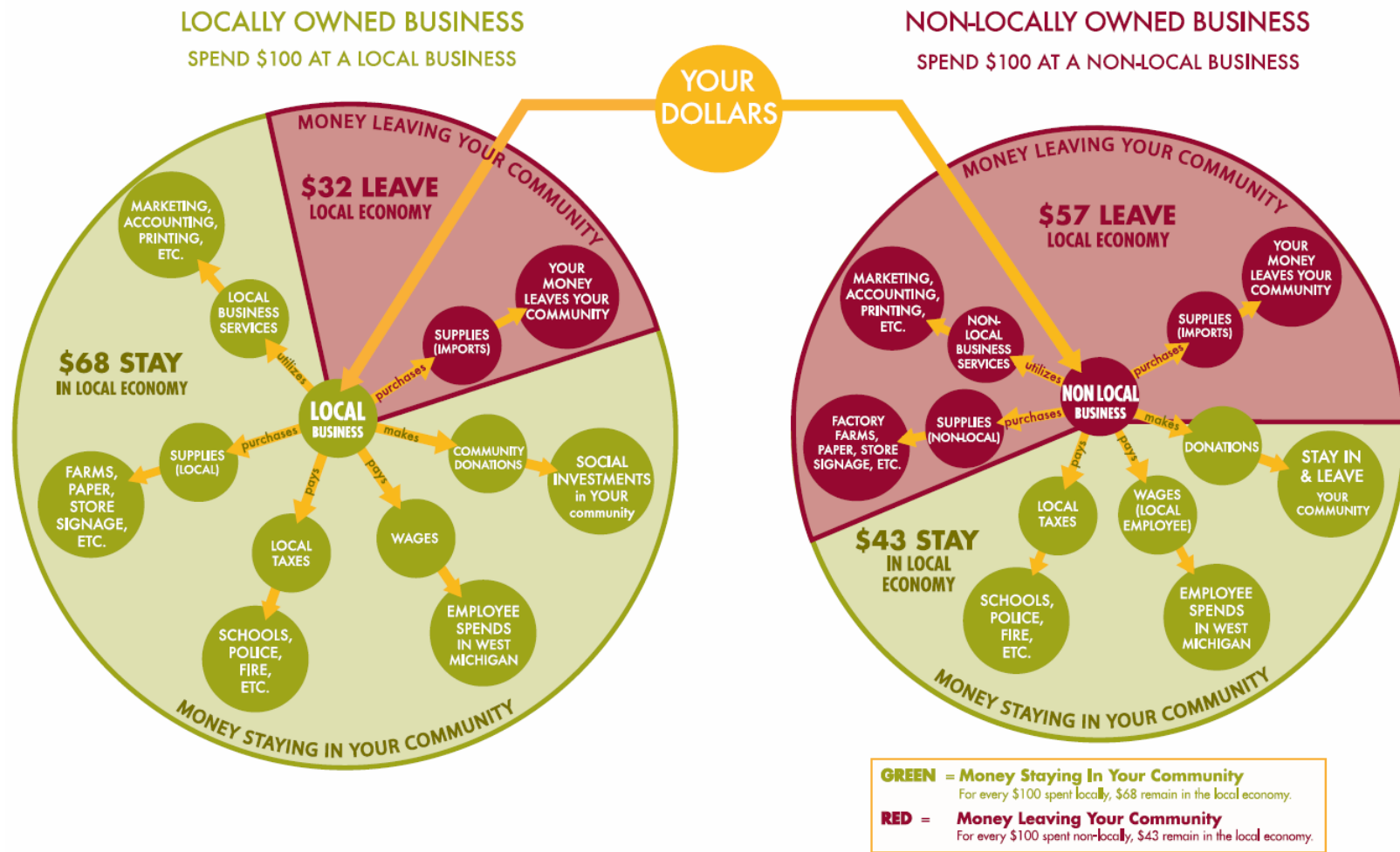
While these earlier studies have generated tremendous momentum for independent businesses and led to substantive policy changes in communities from coast to coast, they have been subject to dismissal based on the unsupported notion that Austin, Chicago, and San Francisco are atypical American communities. The opportunity provided by this study is thus very valuable. In Grand Rapids, the study will include a wide range of businesses in an American city more representative of our nation as a whole.

Civic Economics wishes to thank the following Grand Rapids businesses for their willingness to participate in this study by providing extensive information and time to assist us:

PARTICIPATING LOCAL BUSINESSES			
Art of the Table	Founders Bank & Trust	Kay Pharmacy	San Chez & Mezze
Bagel Beanery	Fulton Pharmacy	Keystone Pharmacy	Shuler Books & Music
Beltline Bar	Gilmore Collection	Kingma's Market	Sundance Grill
Bistro Bella Vita	Grand Central Market	The Omelette Shoppe	United Bank
Forest Hills Foods	The Green Well	Redux Books	

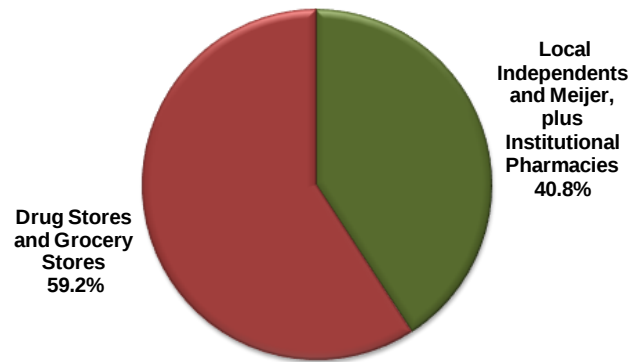
LOCAL WORKS! – EXECUTIVE SUMMARY

Local First in Grand Rapids has developed a widely replicated chart illustrating the economics of local and non-local business, mapping the sort of connections that Civic Economics seeks to quantify in studies such as this. The values in this chart are drawn from the retail portion of the Andersonville Study. The current study included only one pure retail segment, the low margin business of grocery sales, and provides us no reason to doubt the broader applicability of the Andersonville findings.



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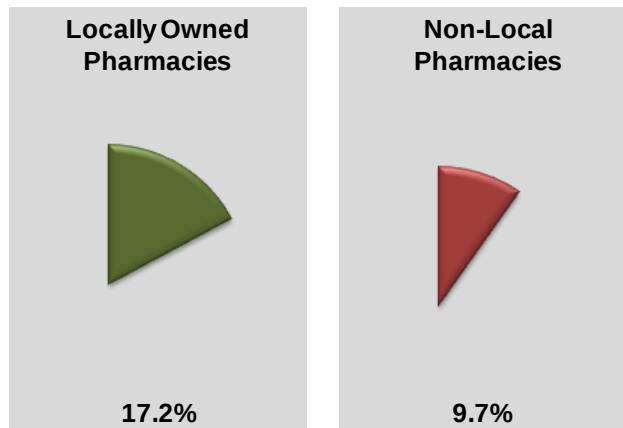
PHARMACIES: 2007 MARKET SHARES



Total Pharmacy Sales, Kent County, 2007: \$ \$503,805,057

SOURCE: Civic Economics, Claritas, Drug Store News

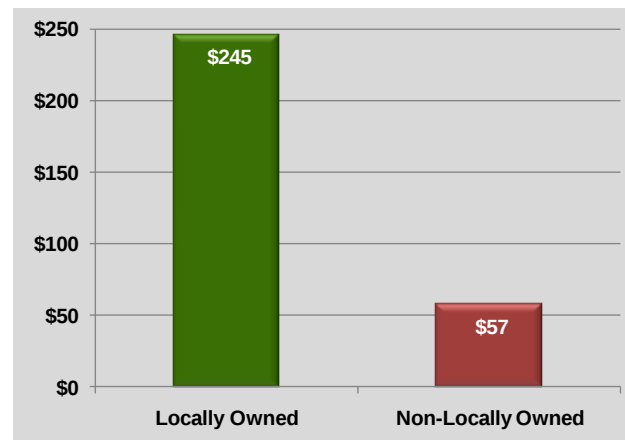
PHARMACIES: LOCAL CIRCULATION BY REVENUE



Local Economic Advantage: 77.0%

SOURCE: Surveys and interviews with Grand Rapids businesses, 2007 Annual Reports for Darden and Landry's restaurant groups

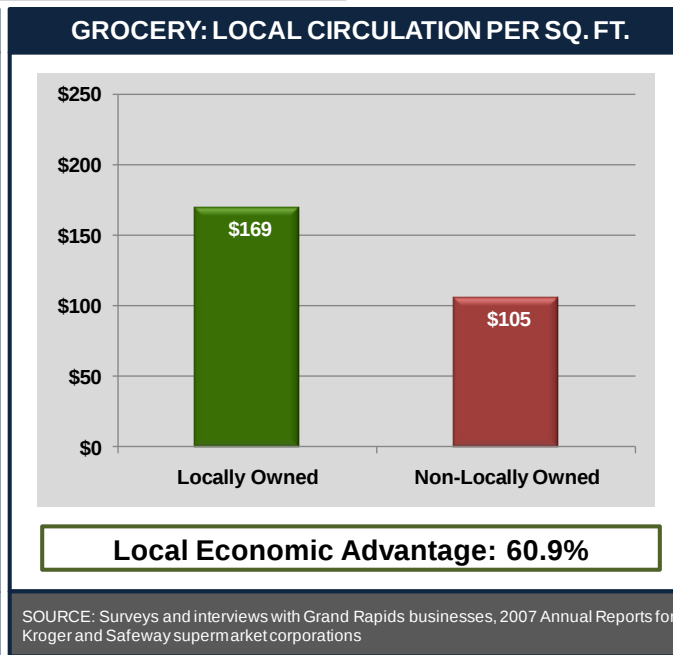
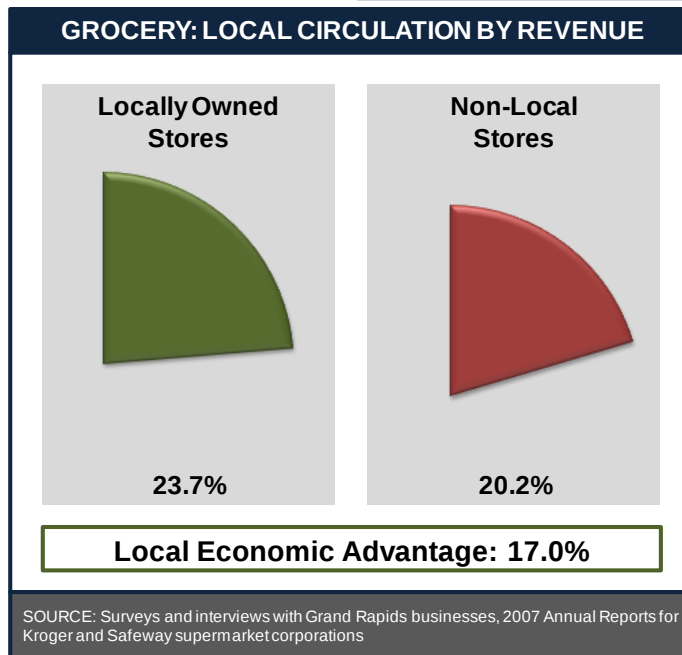
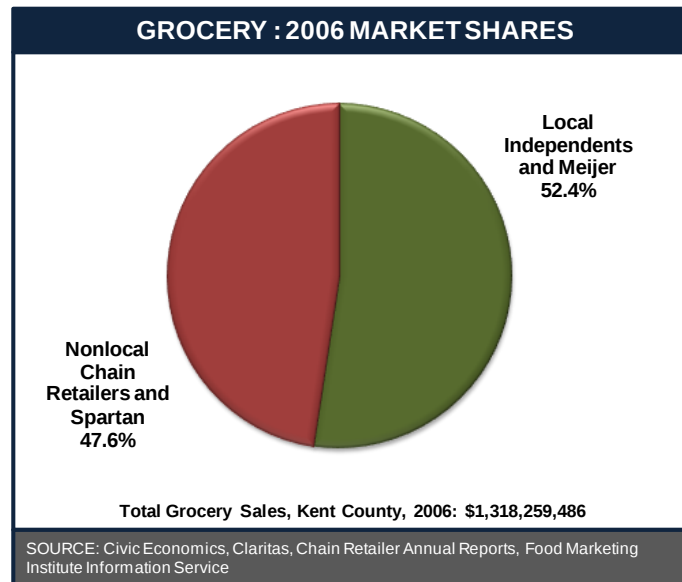
PHARMACIES: LOCAL CIRCULATION PER SQ. FT.



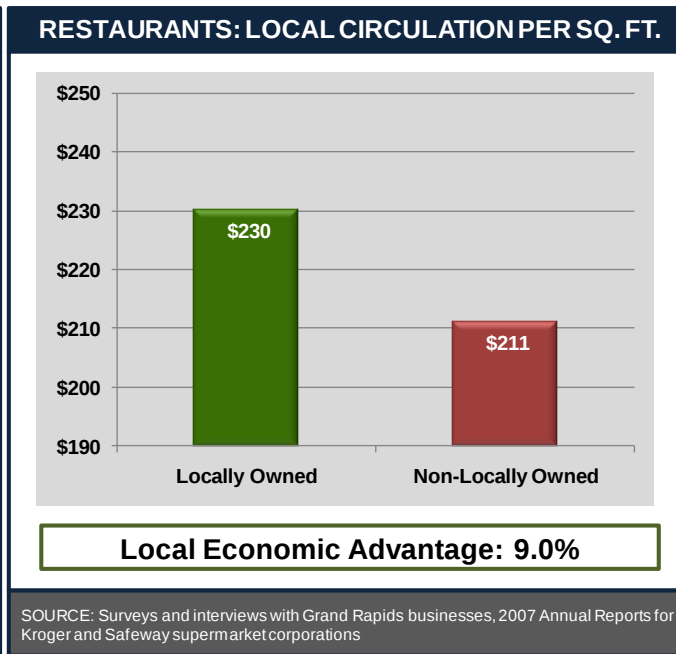
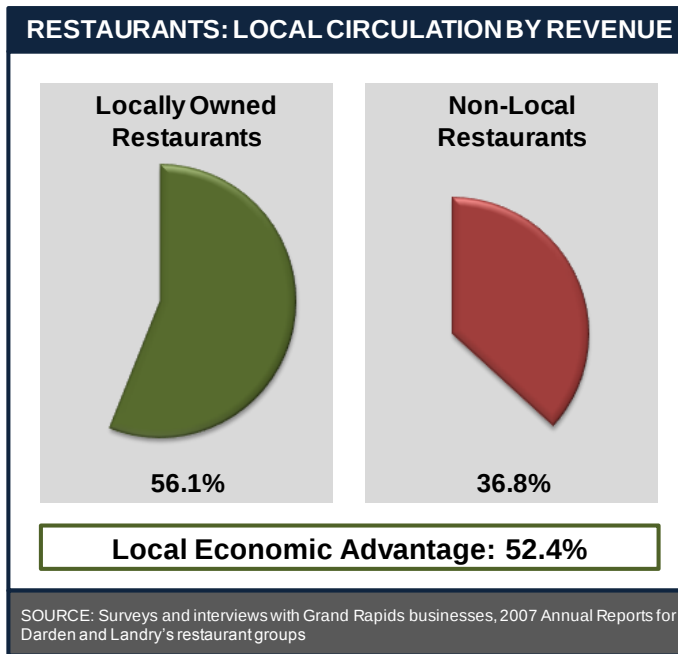
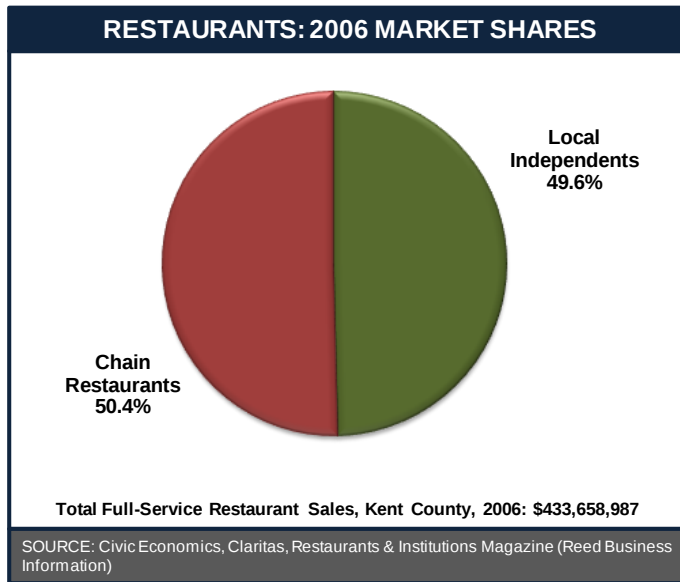
Local Economic Advantage: 329.8%

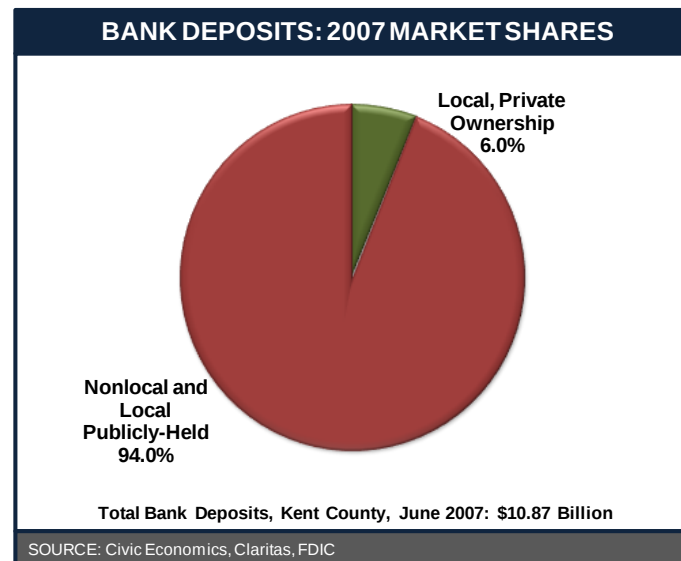
SOURCE: Surveys and interviews with Grand Rapids businesses, 2007 Annual Reports for Kroger and Safeway supermarket corporations

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Despite the abundance of public data for this highly regulated industry, its classification schemes prevented Civic Economics from providing the level of analytical detail for banking that we have been able to provide for other segments. We will continue to look for opportunities to explore this important segment further in the years to come. A few observations:

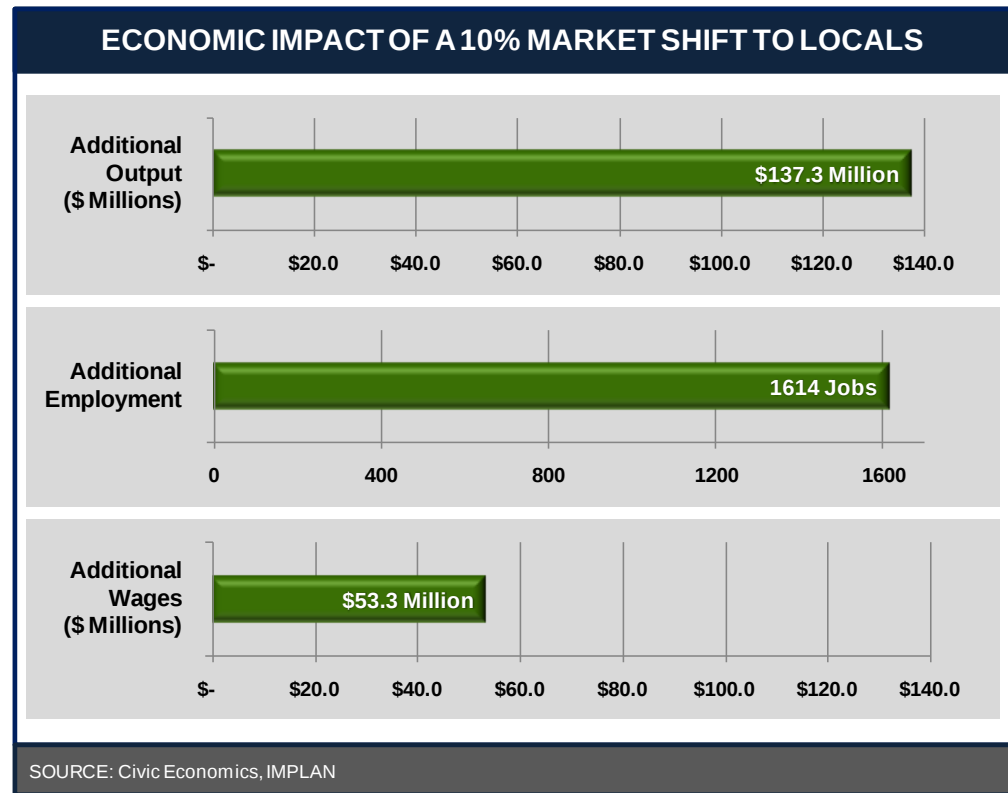
- As with the retail industry, the Federal Reserve data supports the fact that locally owned banks spend a greater percentage of their assets on both wages and rents which are both kept within the region.
- National banks equalize risk across regions, some of which are stagnating at any given point in time while others are growing. Local banks remain heavily invested in local economies through good times and bad. National banks, though, are able to transfer deposits from slow regions into loans in growth regions, effectively transferring money out of those communities most in need.
- Local banks rely more upon deposits and loans for their income while national chains rely substantially on income from credit cards to supplement their revenues.

PROSPECTS FOR ENHANCED ECONOMIC IMPACTS

The chart on this page shows the tremendous potential economic impact to be enjoyed in Kent County from one modest change in consumer behavior: a 10% shift in market share from chains to locals across the retail landscape. According to Claritas, Kent County reached approximately \$8.4 billion in retail sales in 2007. This analysis assumes that an extra \$840 million was shifted from national chains to locally owned businesses. Since we did not survey every retail sector in Kent County to have the exact shares of revenue kept locally we applied ratios for other areas in which we have done similar studies and normalized the results for the Grand Rapids region. For the categories that we did have actual local results, grocery stores and pharmacies, local results were used.

The results are rather significant. An additional 1600 jobs could be created in Kent County with wages of \$53 million being added to local payrolls if such a swing in purchasing behavior could be achieved. The 1600 additional jobs created would have been enough to increase employment by one-half of one percent in 2007. Output for the county could be increased by \$137 million as well and this benefit would be spread among many industries, not only the retail sector.

The magnitude of these impacts is such that, under ordinary circumstances, economic development organizations and public agencies would rally to the cause, actively recruiting and incentivizing any firm promising such an impact. As it happens, consumers can themselves create these impacts with only a modest shift in their habits and behavior.



CONCLUSION

Civic Economics is grateful to Local First and its generous supporters for making this study possible. We are particularly indebted to the local firms that so generously provided their time and confidential business data to the cause. This study will contribute greatly to the understanding of the economics of retail and service provision, not just in West Michigan but nationwide.

First, Grand Rapids, in many ways, looks like America. Though we know Grand Rapids to be a fascinating, even quirky city, Americans will recognize the experiences of your city as similar to theirs. Second, this study provided our broadest sample to date of participating local businesses. We are confident that this analysis provides the best data to date on the practices of local pharmacies, grocery stores, and restaurants.

Finally, we must reiterate the most important lesson of these findings.

- ***Nearly \$140 Million in new economic activity.***
- ***Over 1600 new jobs.***
- ***Providing over \$50 Million in new wages.***

All these benefits may be captured for the people of Kent County with a small change in habits. Just one time out of ten, before heading to a chain store or restaurant, take that business to a local. We believe quality, service, and value for the dollar will be their own reward, but that small act will strengthen the local economy and build a better, more sustainable Greater Grand Rapids.

For more information about this study, please contact:



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