

BOARD STUDY

La Montanita Food Co-op
Board of Directors Meeting – August 18, 2015

Topic – Local Dollars: Models for Measuring, Models for Communicating

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Description of Topic: Just what kind of an impact is La Montañita having through its commitment to the local economy? How are others measuring those impacts, and how are they successfully communicating the power of the local dollar to their communities?

Discussion

Local Dollar Multiplier

- When someone spends a dollar at a local independent business, it generates roughly another 45 cents in local economic activity, whereas a dollar spent at a chain / national company generates roughly 15 cents.
- 3x more re-circulation of the money in the local area.
- Civic Economics has run studies in several cities and found the percentages to be similar – the 45 cents is an average.
- How does it work?
 - The money stays in the economy, as opposed to being moved out of state.
 - Money goes to employees and employer/owner, who will likely spend more of that money locally than in the case of the chain.
 - The owner's profits stay local as well.
- Multiplier effect goes back to John Maynard Keynes, a British economist. In the context of the Great Depression, he wrote about the multiplier effect as a policy recommendation—suggesting that the government should spend money domestically in order to re-circulate dollars within the United States. By 1980, this had changed, and more money was going out.

Other arguments for buying local

- Local businesses have more character. They bring in customers who are looking for that, including tourists.
- Chains can result in less choice.
- Chains can end up reducing the tax base, as they have more tax advantages.
- Smaller, local companies have donated more than big chains.
- Assumption of capitalism: Customers are driven by the desire to purchase the cheapest product. But quality also matters to some consumers.
- Subsidies and tax incentives attract national chains. This doesn't make sense. We should be supporting local business.

Potential arguments against buying local

- Chains and online retailers are often more efficient and less expensive.

- Related issue: I have friends who won't shop at the co-op because Sprouts is a few pennies cheaper. This is a clash of values.
- If we switched 10% of our spending to local businesses, we would retain \$179 million in local economy. This isn't a lot of money. One could argue that if I buy cheaper products at chains, then I, as an individual, will have more money left over to give to causes I care about.
- Local businesses don't necessarily offer better service and better products.
- There aren't enough local businesses to employ everyone who needs a job. We can't just get rid of them.

Consequences of chain stores entering a community

- When chains come in, local businesses close, and because the chains are more efficient, they often employ fewer people. In that way, the "inefficiencies" of small, local businesses benefit us with more employment opportunities for local people.
- Chains locate at the edge of town. Then you have hollowed out downtowns and strip malls on the edge. This is a poor urban model.
 - And then sometimes the chains also go out of business, leaving town with nothing.
 - It doesn't have to be that way. Europe's downtowns are full of chains.

Community wealth versus personal wealth

- Why is community wealth better for me than my own personal wealth? This is the argument we have to make. Is there a tipping point where it becomes clear that spending more of my money locally is actually benefitting me?
- The "What's in it for me?" factor.
- Americans have been money crazy. We value saving money. We think short-term rather than long-term and community-wide impact. What are these pennies doing long term?

Bellingham vs. Albuquerque

- One of the readings was about Bellingham. There's a big cultural difference between the population of Bellingham and other cities. It is a university town, and more receptive to ideas. We haven't had that kind of response.
 - It's also small. Very different from Albuquerque.
 - Nob Hill has that feeling and has pushed back when chains have tried to move in—with some victories and some losses.
 - Albuquerque is not the city of neighborhoods that some other cities are. The neighborhood associations here tend to be concerned about crime and schools, but less concerned about preserving a certain character, local flavor.
 - In one Albuquerque neighborhood, it was considered a victory when a CVS was opened.
- Bellingham was an ideal setting. The multiplier effect has more of an effect in a smaller community.

What opportunities exist here in Albuquerque/NM?

- NM has external (and federal) money coming in. It would be a prime place for recirculating that money.
- La Montanita is also a prime place to see the multiplier effect in action because not only are we a local business, but our products are local as well. It is different from most local bookstore, where their products (books) are usually not local.

- One place where the multiplier effect works is in the locally owned micro-breweries and restaurants in Albuquerque.
- We do have an influx of people from large cities (LA) who expect higher quality, unique products.
- Sometimes you can't find a good-quality local product. You have no choice but to buy from a chain or online. Hardware is an example where this has happened.
- Also the pressure on the middle class, and large chains are partly to blame for this. Jobs pay less, people have less money to spend. It is a vicious cycle of sorts.
- In Santa Fe, shoppers are starting to show their preferences for local shops over big box stores in part because of better service. There is a vibrant area where lots of locals shop. The co-op is an anchor there.
- Grocery shopping is not likely to move entirely online. People still go to brick and mortar stores, usually close to their homes.
- Consumers have much more choice than they've had in the past. Instead of focusing on them, let's focus on the vendors. A place like the co-op provides products from local vendors, and consumers can know the quality of the product.

How to market La Montanita's value as a local business

- KeepitQuerque.org – A website in support of local small businesses in the Albuquerque area. The number of members is very small. Not very useful until there is a critical mass involved.
- I didn't find the Civic Economics study very convincing, but I wondered if we could undertake a similar study for La Montanita that would highlight our multiplier effect. Not an academic study but a marketing piece.
 - Last year, the GM's annual reporting included some impact data. It wasn't quite as in-depth as you're talking about.
 - How would we market it in such a way that people stand up and take notice?
- Our products do often cost more than our competition.
 - A mid-level shopper comes from time to time, and will only spend money on items they can't get anywhere else, might cherry-pick sales. And they will buy products because of higher quality. Can we zero in on these people and help them understand what makes us different and why we cost more money. Our quality beats them. This is part of the argument.
 - But why is Annie's dressing more expensive at the co-op than at Whole Foods? That is where we need to explain that our employees are treated better, that we are buying from local vendors, that dollars spent at La Montanita are feeding the local economy.
 - We also need to excel in our service, staff being experts about the products we carry and the issues that affect agriculture and natural foods (e.g. GMOs)
- Our model is being hybridized by bigger stores. I'm having a lot more conversations about that on the sales floor. But we are doing it more authentically.
- We need to feature who owns the co-op versus who owns Whole Foods and Sprouts and TJ's.
- This week, Marketing did some "Bet you didn't know" outreach to students on campus.
- A lot of people don't know what co-ops are. The public doesn't respond to the "co-op" brand. We need to get them in the door first. Then we can treat them with service and character. We need to figure out how to keep them a little longer, buy a few more products.