



Buying Locally really works - Part 2



Photo - Perth skyline from the Darling Ranges. Credit - Kane Reinholdtsen on Unsplash

In the previous Part 1 on "Buying Local really works we explored evidence and stats made available by the American Independent Business Alliance (AMIBA) now further data has been made available on the Australian Market by the Australian Arm of American Express and the results support a resounding YES! Buying local campaigns really work.

In this article I would like to share these interesting research results that may help shape "buy local" campaigns.

What I found exciting is that Australian data supports the results of American Independent Business Alliance (AMIBA) which I shared previously.

US Data

Recall AMIBA research stated that for \$100 spent, if spent with a local business, \$48 is returned to the local economy versus only \$14 from a national business and \$1 from a remote online business.



Australian Data

The Australian arm of American Express (AMEX) are supporting small business through an annual campaign ‘Shop Small’. As part of that effort, AMEX Australia have commissioned research into a whole range of issues, perspectives and opportunities.

AMEX Australia have titled the effect of buying from a local business the ‘boomerang dollar’. Their research indicates that for every \$100 spent with a local business \$42 is reinvested in the local community. What is most interesting is the breakdown of the \$42 reinvestment which is broken down as follows.

Table 1 - Breakdown of where reinvestment occurs with local communities

Total	Salaries	Local Suppliers	Local Charities & Donations	Local Sponsorships	Local Schools
\$42	\$27	\$12	\$1	\$1	\$1

For those that are wondering why the difference between AMIBA (US) and the AMEX Australia results, I looked into this in quite some detail. What AMEX Australia does not consider is the multiplier effect which AMIBA does consider, this effect is from (for example) the purchases of one local business from another local business and vice versa. This multiplier effect of monies being ‘cycled’ and ‘recycled’ through local communities explains the \$6 difference between the two methodologies.

What is startling in this breakdown is the size of dollars being spent by local business with other local business. Fully \$12 out of \$42 (or 23.8%) is being spent in this way.

Moreover, the research questionnaire results bring these results to life with three quarters of the businesses surveyed stating “prefer to use local suppliers” but with an interesting caveat of “having a personal relationship with”. 70% feel they have strong relationships based on trust with other local businesses.

Given the absolute size of this component, it is imperative that ‘local business supports local business’ through commercial relationships as the strong performance of one local business can positively impact the performance of a supplying local business with roll on benefits to the whole local business community.



What also makes this crucial for local business is the research concluding that an astounding 75% of consumers expect small business to support each other...as the AMEX report so ably states “the community spirit is alive and well”.

How many local businesses have considered the impact of their own purchasing behaviour on other local businesses?

How many local businesses actually have a ‘buy local’ approach for their own purchases?

How many local businesses have actively engaged their customers in a conversation about how much they actually spend locally too? Honestly, I couldn’t think of a better social media post than this!

Maybe it’s time for the many and varied ‘Chambers of Commerce & Industry’ that exist broadly across the Australian and West Australian landscapes to develop their local business community to first and foremost be purchasing locally. From these numbers, it will have a substantial impact.

References

1. American Independent Business Alliance - ‘The Multiplier Effect of Local Independent Businesses’ 2015
2. ‘The Economy of Shopping Small: Custom Counts Report’ 2016 - Published on Shopsmallaustralia.com by American Express
3. Photo by Kane Reinholdtsen on Unsplash