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SELLING LOCAL: CAMPAIGNS TO ENCOURAGE LOCAL CONSUMERISM

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INTRODUCTION

“Buy local” campaigns are typically educational campaigns and programming targeted at consumers in order to encourage the purchase of locally produced items as a form of economic development and stimulation. They are often implemented by non-profits or governmental organizations seeking to increase awareness around local economic issues. This increased awareness through education, together with technical assistance and networking for local businesses, has the potential to increase demand for local products and services while decreasing demand for imported goods and services. The most prominent example of this is the “Buy American” advertisements by the U.S. automakers after the collapse of the automotive industry.

The potential changes in consumer preferences as a result of these campaigns are particularly important in food and agriculture markets, which experience inelastic demand curves (a large decrease in price brought on by an increase in supply results in a relatively small increase in quantity purchased). Given the nature of these markets, the adage, “build it and they will come,” is not necessarily true for all economic stimulus strategies. Changes in the market must be consumer/demand

driven. However, through education and business development campaigns, the positive changes in consumer attitudes may lead to broader economic changes in favor of local food producers and related businesses. Indeed, recent studies at Colorado State University have found that local produce and organic produce are not jointly demanded and demand for local produce may now be stronger than demand for organic produce (Thilmany, Bond, & Bond, 2008). In general, it is believed that the local food movement is primarily consumer driven, and that the food system has to quickly restructure to meet demand.

Past studies on local purchasing by Civic Economics and Iowa State University have laid the groundwork for this effort by estimating the effects of a shift in market share from corporate chains to direct markets. For example, a study in Kent County, MI estimated that a 10% shift in market share could create 1600 jobs and adds \$137.3 million to the total county output (Civic Economics, 2008). Iowa State University carefully estimates shifting enough traditional agricultural crop acreage to fruit and vegetable production in order to meet expected local demand. This theoretical shift causes \$2.42 million in farm-gate sales, \$5.2 million in retail value, \$928,373 in additional labor incomes and

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sixteen more jobs. These are considered conservative estimates (Swenson, 2010).

It is argued that these numbers are possible because of economic multiplier effects and the prevention of income leakage. Some studies report economic multipliers of two to four by local businesses when compared to similar chain stores (Shuman, Barron, & Wasserman, 2009). That is, a dollar spent at a local business will be spent two to four more times before leaving the local economy. In contrast, at least some share of a dollar spent at a chain is likely to leave the local economy immediately in the form of outside purchases, business services and factor payments to outside corporate governance and shareholders.

Regardless of business ownership and size, most businesses employ local labor and most businesses make outside payments in the form of property rents, loan payments, and interest on credit cards. Therefore it is important to determine the typical spending behaviors of locally owned versus outside owned businesses. There are three studies that report these numbers. According to these studies, 25 to 39% of household expenditures spent at a locally owned business stays in the economy that would've otherwise left (Institute for Local Self-Reliance, 2003; Civic Economics, 2008; Why Local First?, 2010)

Although these studies may assume there is growing demand for local purchases by consumers, they do little to discuss how such preferences can be influenced and strengthened with targeted programs. This factsheet reviews a recent targeted "buy local" effort in Northern Colorado by independent non-profit, Be Local Northern Colorado. A survey of program participants lends some insights into the potential ability of these types of activities to affect consumer behavior.

THE BE LOCAL 20/20 CHALLENGE AND NORTHERN COLORADO

The Be Local 20/20 Challenge asks residents of Northern Colorado to pledge to spend \$20 of their normal weekly household budget at local independent businesses instead of chain stores, controlled by outside owners, for twenty weeks. This pledge implies a \$400 shift in consumer expenditure from outside chains stores to local businesses per person, with potential economic multiplier effects. Participants of the Challenge were encouraged to track their spending at local businesses, share their local purchasing experiences in an online forum, and challenge their friends and coworkers

to participate. The use of a locally based coupon book was also encouraged, as well as their Internet resource site, www.searchbelocalfirst.org.

Since participants in the Be Local 20/20 Challenge were solicited at events and social networking sites, this program not only informed and encouraged local consumption, but also served to spread the word about Be Local Northern Colorado's other economic development efforts, including the aforementioned coupon book, and Internet site, as well as the Winter Farmers' Markets. Visitors at the targeted events and social networking sites were likely at least vaguely aware of Be Local Northern Colorado and its efforts, and can be considered a group of like-minded individuals. Followers of Be Local Northern Colorado and participants of the 20/20 Challenge are not representative of the entire Northern Colorado population, but instead represent a group of people already at least mildly concerned about local economic issues.

Be Local Northern Colorado is primarily based in Larimer County, Colorado, with a population of 300,000 (census.gov, 2009) and a median household income of \$56,700, compared to a national average of \$52,029 (census.gov, 2008). While some "buy local" campaigns ask people to spend \$10/week for ten weeks, or \$50 three times a month continuously, the staff of Be Local decided that \$20/week for twenty weeks was an appropriate amount of money and time for the residents of Northern Colorado to pledge during this campaign. This is partly due to the local median income being slightly higher than the national average and partly due to other local campaigns such as Uniquely Fort Collins.

SURVEY AND EVALUATION

Colorado State University partners worked with Be Local Northern Colorado staff to frame a fifteen-question Internet survey in order to determine any changes in consumer behavior as a result of the Be Local 20/20 Challenge, to estimate reported expenditures at local businesses, and to verify effective outreach activities on behalf of the organization. The survey was arranged into four different sections with questions regarding consumer behaviors before, during, and after the survey, and then a final section on questions about the Challenge in general. A link to the survey was posted in a regular e-newsletter from Be Local and two reminders were sent out by email. Of the 634 pledged participants, 149 submitted the survey (24% of participants), and seventeen started the survey but didn't submit it (3% of participants). Several of the submitted

surveys were incomplete, however, this only affected a couple of questions, and therefore the partial answers were kept. The survey results are presented now, not in order of questioning, but instead in groups of related questions.

PARTICIPATION AND ENGAGEMENT

The majority of respondents, 142 of 148 (96%), completed the 20/20 Challenge of spending \$20 a week for twenty at local businesses, while six people did not (4%). Since the survey was solicited through a regular newsletter, only engaged members of the Be Local Northern Colorado audience were likely to respond. The results of the particular question are present in Table 1, where all “Others” were changed to the appropriate “Yes” and “No” based on the provided comments.

These particular groups of people were also probably already shopping at local independent businesses, and therefore, participating in the 20/20 Challenge may not be much of a challenge. The group was interested in probing further into whether this “challenge” required a significant change in mindset and habits. To further characterize efforts made by participants, we asked if, “The 20/20 Pledge and commitment was:” as outlined in Table 2.

After being asked to assess the level of difficulty of the 20/20 Challenge, respondents were then asked to indicate a more realistic and challenging amount of money to spend. A slim majority indicated an ability to pledge more, \$30-\$50 (34%) each week, with \$20-\$30 being the second most popular answer (32%). The interest in pledging more is encouraging for future outreach efforts, especially when compared to the indicated ease

Table 1: Did you complete the 20/20 Pledge? Multiple responses were allowed; however, most double responses were both “Yes...”

ANSWERS	Count	% of Responses
Yes, and I have a good sense of how my buying habits changed	50	32%
In spirit, yes, but I did not track my spending	100	64%
No, it was too inconvenient	2	1%
No, my household budget did not allow for it	4	3%
Total	156	100%

Table 2: The 20/20 Pledge and commitment was:

ANSWERS	Count	% of Responses
Easy, I didn’t really have to think about it or change my spending habits	110	77%
Challenging, but realistic, I have to think about what I purchased and where	28	20%
Too hard, I couldn’t find enough local independent businesses	0	0%
Too long, twenty weeks is a long time	5	3%
Total	143	100%

of the current pledge amount. However, the fact that a fair amount of people indicated the \$20-\$30 was the appropriate pledge shows that some people are unwilling to spend anymore than they already do. The full results of this question are presented in Table 3.

When provided a list of eight activities related to Be Local Northern Colorado and buying local, 149 respondents indicated that they enjoyed an average of three of those activities. The majority of respondents participated in three or four activities (44%), while 46 respondents were slightly engaged (31%), participating in one or two related activities, and 32 respondents participated in five or six activities (21%). The specific activities and participation rates are outlined in Table 4 and levels of engagement presented in Table 5.

The two most popular activities were “Encouraged others to support local businesses” and “Supported at least one new business,” respectively. Even though responses indicated in Table 2 attest to the “preaching to the choir” aspect of “buy local” campaigns, the secondary education and outreach aspect of friends telling friends is important in recruiting new singers. In fact, 76% of respondents heard about the 20/20 Challenge at an event, whereas 26% heard about it through a friend (multiple answers were allowed).

CHANGE IN CONSUMER BEHAVIOR

Although most respondents to this survey indicated that participating in the 20/20 Challenge did not change their regular behavior, the campaign did affect a small fraction of people. Most respondents regularly shopped at local businesses before, during, and after taking the 20/20 Challenge at least once a week. About 5% of participants increased their frequency of local purchases

over the course of the Challenge, whereas 90% of respondents did not change the frequency of their purchases at all. This is mostly because the average person was already spending some amount of money at local businesses on a weekly basis. The full results are shown in Tables 6 and 7.

While few people increased the frequency of their local purchasing during the 20/20 Challenge, many people spent more than the intended amount of \$20/week. Although the most people indicated weekly expenditures at local businesses between \$20 and \$30, average expenditures per respondent actually fall into the \$30-\$50 range, before, during, and after the 20/20 Challenge.

Similar to frequency of purchasing, few people actually changed how much they spent at local independent business. Nearly 70% of survey respondents indicated no change in their spending habits across the Challenge (responses to before, during, and after questions were identical). Only 3% of respondents changed their behavior during the Challenge, and then returned to their previous expenditure levels. A very small number of people report their increases in local expenditures continued, even after the completion of the Challenge.

EFFICACY OF EDUCATION AND OUTREACH

Although the 20/20 Challenge permanently affected the consumer behavior of only a few respondents, participation in the Challenge did increase public awareness of Be Local Northern Colorado’s other local economic activities. The Be Local Coupon Book is probably the most popular program sponsored by Be Local and this is reflected in the share of survey respondents who
(continued on page 7)

Table 3: In the future, I could realistically pledge to spend __ at local independent businesses every week?

ANSWERS	Count	% of Respondents
\$10-\$20	15	10%
\$20-\$30	46	32%
\$30-\$50	49	34%
\$50-\$75	16	11%
\$75-\$100	8	6%
More than \$100	11	8%
Total	145	101%

Table 4: While taking the 20/20 Pledge, you did the following: Multiple responses were allowed.
*Verified by BeLocalNC.org forum activity

ANSWERS	Count	% of Choices Selected	% of Respondents
Like getting Pledge reminders and updates	52	10%	35%
Added your own 20/20 Story on the Be Local NC Website	22*	4%	15%
Learned about and followed the Economic Multiplier	26	5%	17%
Used the Be Local Coupon Book to fulfill your pledge	92	19%	62%
Used SearchBeLocalFirst.org to find businesses, products, or services	28	6%	19%
Encouraged others to support local businesses	121	24%	81%
Referred a friend to the 20/20 Challenge	45	9%	30%
Supported at least one new business	111	22%	75%
Total	497	99%	

Table 5: Assessed level of engagement based on participation in listed activities in Table 3.

Level of Engagement	Count	% of Respondents
Not Engaged (0)	1	1%
Slightly Engaged (1-2)	46	31%
Mildly Engaged (3-4)	66	44%
Moderately Engaged (5-6)	32	21%
Highly Engaged (7-8)	4	3%
Total	149	100%

Table 6: How often did/do you purchase items/services from local independent businesses?
Question was asked twice during the survey- before taking the 20/20 Pledge and after completion.

ANSWERS	BEFORE		AFTER	
	Count	%	Count	%
At least once per day	15	10%	12	8%
At least once a week	115	77%	119	81%
At least monthly	16	11%	15	10%
At least yearly	0	0	0	0
I didn't notice/know which businesses are local independents	2	1%	0	0
I am not concerned about different business types	1	1%	0	0%
Total	149	100%	146	99%

Table 7: Change in frequency of purchases at local independent businesses, before and after the 20/20 Pledge, based on answers listed in Table 6.

	Count	% of Respondents
No Change in Behavior	132	90%
Increased Frequency by One Category	7	5%
Decreased Frequency by One Category	4	3%
Previously Were Not Aware/Concerned	3	2%
Total	146	100%

Table 8: How much did/do you spend at local independent businesses every week? Question was asked three times during the survey- before taking the 20/20 Pledge, while participating, and after completion.

ANSWERS	BEFORE		DURING		AFTER	
	Count	%	Count	%	Count	%
Less than \$20	22	15%	15	10%	18	13%
\$20-\$30	58	39%	52	35%	48	33%
\$30-\$50	33	22%	44	30%	43	30%
\$50-\$75	20	13%	20	13%	17	12%
\$75-\$100	8	5%	10	7%	9	6%
More than \$100	8	5%	8	5%	9	6%
Total	149	100%	149	100%	144	100%

Table 9: Change in spending habits at local independent businesses. Based on self selected spending bracket before taking the 20/20 Pledge, while participating in the Challenge, and after completion, as indicated in Table 8.

	Before to During		During to After	
	Count	% of Respondents	Count	% of Respondents
No Change in Behavior	109	73%	124	86%
Increased Two Categories	8	5%	2	1%
Increase One Category	22	15%	7	5%
Decreased One Category	7	5%	8	6%
Decreased Two or More Categories	3	2%	3	2%
Total	149	100%	144	100%

Table 10: Were/Are you familiar with Be Local Northern Colorado and supported its efforts?
Multiple answers were allowed, question was asked twice- before taking the 20/20 Pledge and after completion. *e-newsletter was made available during the 20/20 Challenge.

ANSWERS	BEFORE			AFTER		
	Count	% of Responses	% of Respondents (149)	Count	% of Responses	% of Respondents (144)
Yes, I purchases the Be Local Coupon Book	131	51%	88%	131	41%	91%
Yes, I shopped at the Winter Farmers' Market	84	33%	56%	96	30%	67%
Yes, I used the website to find local independent businesses	33	13%	22%	41	13%	28%
I signed up for the e-newsletter*				55	17%	38%
I was only vaguely aware	2	1%	1%	0	0%	0%
No	6	2%	4%	0	0%	0%
Total	256	100%		323	101%	

purchased the book (88% before taking the Challenge, eight new purchases since taking the Challenge). The Winter Farmers' Markets received the greatest gain in awareness with a jump from 56% of respondents who shopped at the Markets to 67% of respondents and twenty new shoppers (verified by increased overall visitation for the markets in the 2009-10 season). Use of the website also increased and 38% of respondents signed up for the newly created e-newsletter. The eight people, who indicated that they were only vaguely, or not at all, aware of Be Local Northern Colorado, became aware of their programs and participated in several of them.

POTENTIAL ECONOMIC IMPACTS

If the 20/20 Challenge caused approximately 17% (based on survey results) of participants to permanently increase their spending at local businesses by one expenditure category, approximately \$10 - \$20 a week more than before, then nearly \$56,000 to \$112,000 of new consumer spending is captured by local independent businesses annually as a result. This is in addition to the implied \$400 per person expenditures over the

course of the campaign, which equates to \$253,600 in total for the campaign. These numbers are currently being used in preliminary computable general equilibrium modeling efforts. These preliminary results show significant positive effects on employment and household income. Reports are forthcoming.

SUMMARY

The 20/20 Challenge sought to encourage and increase mindful spending and spread awareness of local economic issues. Although the campaign's impact on consumer spending at local independent businesses may have been lower than expected, the outreach and education aspect was successful and has the potential to have a greater although indirect impact on consumer habits. Moreover, it appears that it was a vehicle for "believers" to spread the word to more lightly engaged friends and family. More concise promotion and outreach efforts with new audiences, and building on the word of mouth promotion of "buy local" advocates may go a long way to create the desired change in consumer demand.

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