Community Reinvestment & Local Recirculation of Revenue

Estimates and Conclusions based on the Studies of Civic Economics

National Chains versus Local Independents

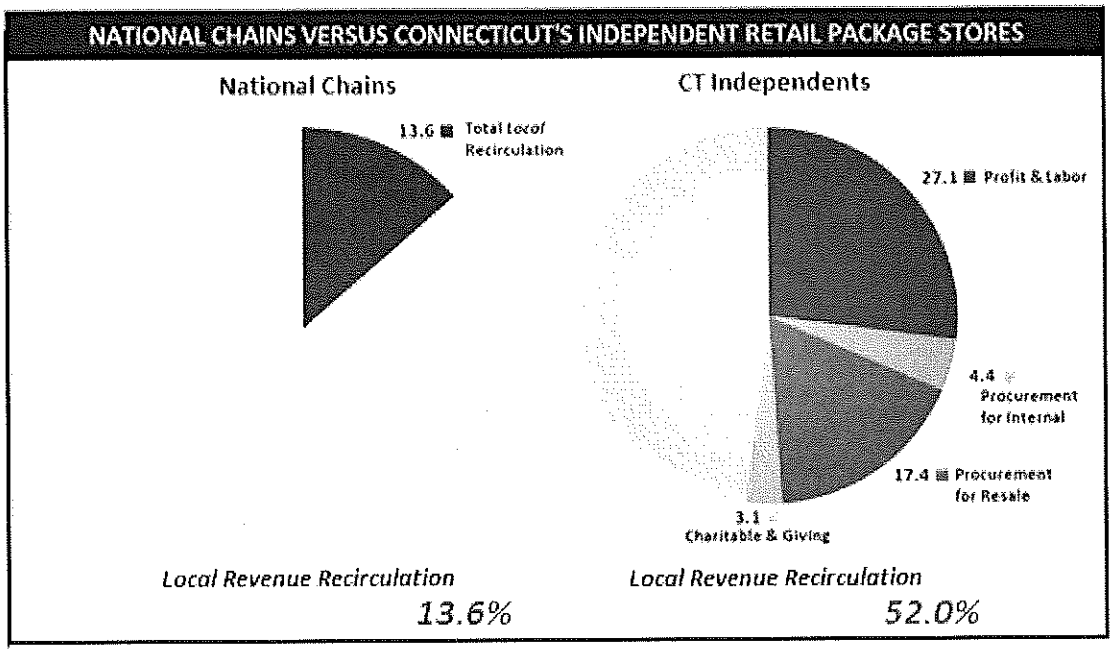
"Local impact series"

Connecticut's *locally* owned Retailers versus National Competitors

Total recirculation of revenue compared to national chains

(Pie graph illustration based on 2012 Study by Civic Economics, Salt Lake City, Utah)

What's the real "*Impact*" of local ownership in Connecticut?



Introduction

Next time you stop in to your local mom and pop package store, choose to purchase one of Connecticut's *locally* made products, or support any independent business in your area. You may want to consider what locally owned really means to your community. Maybe you know the owner, or maybe your experience is a bit more personalized complemented by a variety of unique selections more exceptionally crafted. However, have you ever considered the greatest difference may just be that they, unlike their chain and national competitors, are truly *local*?

"And what happens *local stays local*"

The continued success of these native entrepreneurs and policy that recognizes their economic and social value in our communities and to the consumer is a key element in creating a *better* Connecticut. According to the Indie Impact Study Series: Salt Lake City, Utah Civic Economics, August *2012*, fifteen retailers and seven restaurateurs, all independent and *locally-owned*, participated in a survey. Collectively, these retailers return a total of ***52.0%*** of all revenue to the *local* economy with the restaurateurs returning ***78.6%,*** compared with four major national chain stores which recirculate an average of ***13.6%*** of all revenue within the local markets and national restaurant chains recirculating an average of ***30.4%.***

About Civic Economics & Applied Research

Since its establishment in 2002, Civic Economics has conducted a number of studies comparing the economic impacts of independent, *locally-owned* businesses with that of their chain competitors. The essential methodology is the same

throughout: "independent businesses open their books to us and demonstrate the proportion of revenue expended five categories:"

1. Profits paid out to local owners

2. Wages paid to local workers

3. Procurement of goods and services for internal use

4. Procurement of local goods for resale

5. Charitable giving within the community

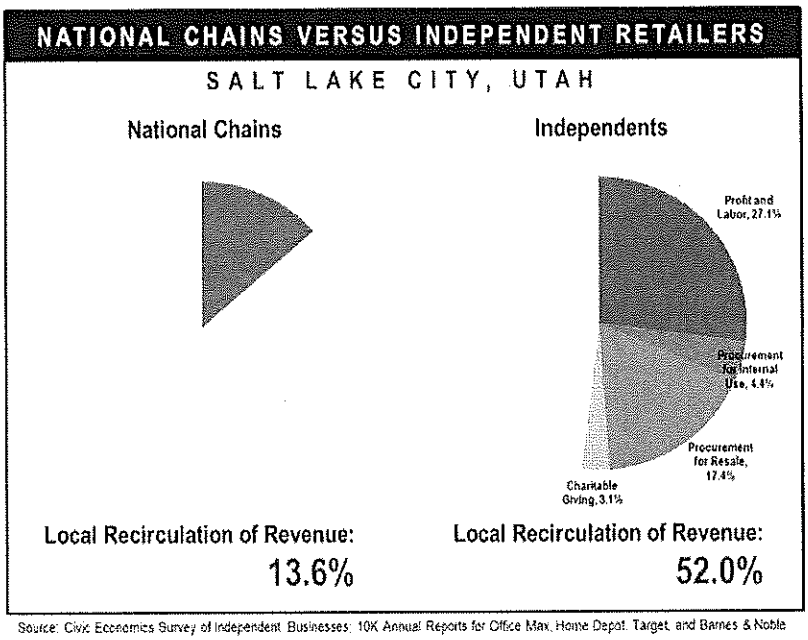
For chain competitors, the aggregate value of these is estimated from public records. The difference between these two totals captures the enhanced impact of the one or the other category of business.

Civic Economics:

"We have yet to encounter a situation where independents did not present a strong local impact advantage."

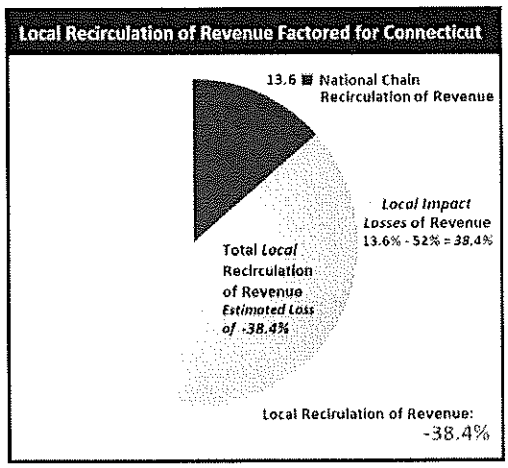
The illustration below was sourced from the Civic Economics Salt Lake City, Utah Study, 2012.

(Our estimates and illustrations are based on their analysis applied to Connecticut)



Source: Civic Economics Survey of Independent Businesses; 10K Annual Reports for Office Max, Home Depot, Target, and Barnes & Noble

Pie Graph assembled using the applied Salt Lake City model For Connecticut.



Total losses estimated are from the total contributions from each segment studied and applied to Connecticut's marketplace.

A *shift* from locally owned independents to national chains factors an estimated loss of **38.4%** in revenue from our local communities using the applied impact model.

CONNECTICUT APPLIED MODEL

We perceive there to be no doubt the new "pricing" language proposed in *HB 14* will produce a marketplace which will significantly nurture the expansion of national retailers and national brand products. When using the Salt Lake City survey as a representative sample applicable to the Connecticut retail marketplace, a market shift from independents to chains (per 50 million) in sales revenue, would remove an estimated **$19.2 million** in Connecticut's regional economy. We believe that the example listed of (per 50 million) in sales revenue, which does not factor in the onset and further losses to small *supplier* brands and homegrown companies like Westford Hill, Elm City distillers, or Onyx Spirits, who in the previous session testified that they sell "30% of all sales by the bottle" and produced over "100,000.00 in sales and excise tax locally" is applicable when comparing the total and combined effects from the study. The (50 million) in sales revenue illustrated in this example should be used as a building block for further estimates on the aggregated effects as it is not to be assumed to be our final conclusion or total estimate of *local* revenue loss. We encourage you to compare these estimated community losses with those assessed gains by the proponents of *HB 14*. These valuable local revenue losses should be factored as an accumulated loss in contrast to any proposed gains as they have a local impact on our society, jobs, further tax revenues, and the added financial stability of local governments.

CONCLUSION

This analysis is one in a long line of studies nationwide in which Civic Economics has applied a similar methodology to gain an understanding of the economic impact of independent, *locally-owned* businesses. In every case, the findings have been *unequivocal*: independents bring substantial benefits to their *local* economies when compared to their chain competitors.

Civic Economics

Civic Economics: "While chains extract locally generated revenues from the community with each nightly bank transaction, independents are creating a virtuous cycle of *local* spending. The extra dollars in the local economy produce more jobs for residents, extra tax revenues for local governments, more investment in commercial and residential districts, and enhanced support for local nonprofits."

In short, these businesses create better places to live.

Previous Session Testimony of Margret Chatey, Local Owner of Westford Hill Distillers:

CT-N TV (Start time) 2:51

"We have purchased close to *one million* pounds of fruit to date. Most of which is Connecticut grown fruit, grown in *local* orchards. So not only are we supporting the distilled spirits industry and the alcohol industry but we believe we are a tremendous bonus as well to the agricultural industry."

A great example of community reinvestment and recirculation of revenue from a local Connecticut distiller.

For more information about this study, please contact the Local First Utah (LocalFirst.org) or Civic Economics (CivicEconomics.com). You can also find key studies from Civic Economics under the (CT First!) link at www.smallbrandcouncil.org

Thank you for your consideration

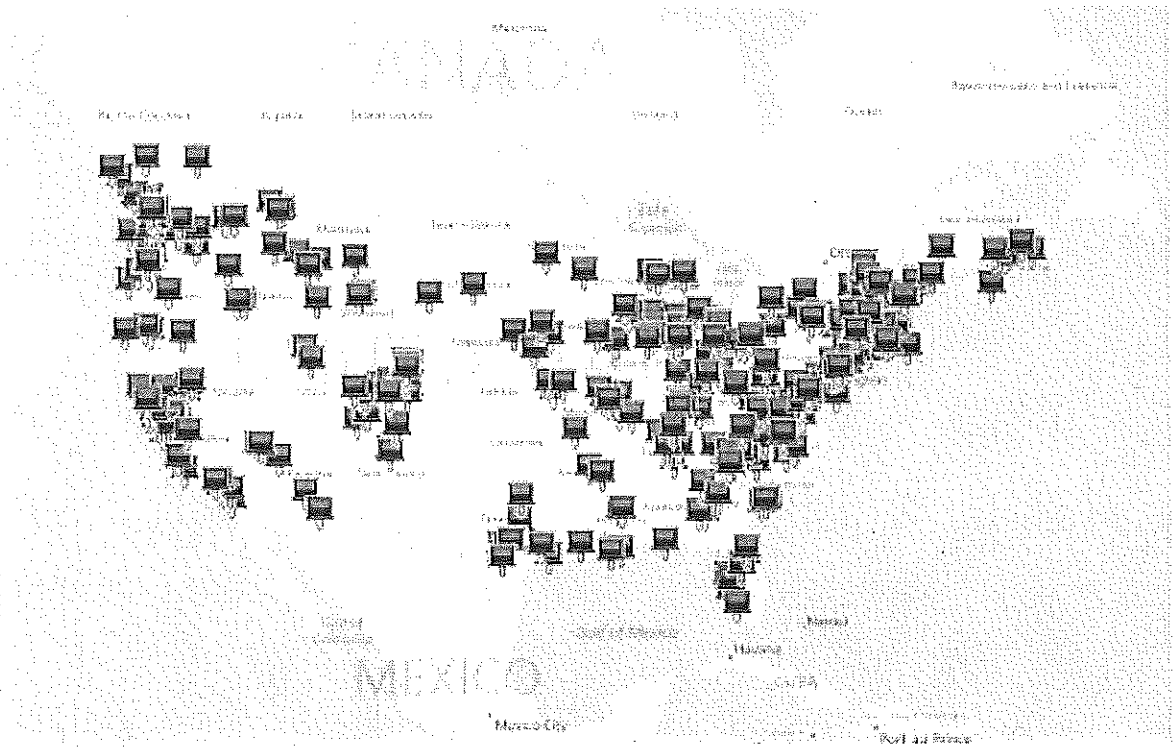
The Members of the Connecticut Small Brand Council

Related Article

The Connecticut Small Brand Council calls on you to recognize the many small brand producers across the United States. Because of our current regulations, these small businesses do better in Connecticut's diverse marketplace. Whether made here at home or within the other states across America, these boutique offerings add to Connecticut's over ***41,000*** registered products and serve the consumer with value, quality and distinction. These many small companies have helped to create a diverse marketplace for the Connecticut consumer. Each year they continue to expand production and innovation across the country.

In short, Connecticut's diverse marketplace is good for the consumer and the American entrepreneur.

The American Craft Distillers Map



The American Distilling Institute's craft distillery map. There's lots of them.