Going Local As a Retailer:

Oliver's Market 2016

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Executive Summary

This study updates a 2011 study conducted by Sonoma State University to examine a "go-local" strategy based on the purchasing behavior of Oliver's Market in Sonoma County, California (the "local" area). The choice of buying local benefits Sonoma County's economy:

- For retailers, buying local reduces leakages and provides a more robust multiplier effect from local economic activity;
- Local merchants then add value to locally-sourced goods such as bakery items, fresh dairy and deli products, and many other goods using local labor; and
- Locally-headquartered firms retain profits and make investments that provide further benefits to Sonoma County.

A grocer located in Sonoma County but headquartered elsewhere has a smaller economic impact than local firms because profits stay local in the least. It is likely much smaller in many cases due to global sourcing. Going local is about behavior change, where merchants and consumers choose to investment in local businesses versus lowest price.

Oliver's hires local workers and buys and sells many locally-produced goods. Simple economics suggest that locally-sourced goods benefit to the local economy more than those sourced from "outside". Oliver's 27.4 percent of its goods locally; based on $104.7 million in sales, a portion of these effects remain in Sonoma County due to this percentage. Hiring local labor and also being headquartered in Sonoma County adds to Oliver's economic effects.

For every $100 spent at Oliver's on local goods versus buying the same goods at a national or regional chain, there is at least 11.5 percent larger economic impact on Sonoma County. That is without counting any new construction, maintenance or updating to Oliver's physical locations. Oliver's current operations provide over $184 million in business revenue for Sonoma County, $19.36 million in state and local taxes, and create or sustain over 711.4 jobs locally. These workers contribute over $318,000 to charities in Sonoma County through Oliver's also.

Table EX-1 shows the impacts of a customer purchasing $100 worth of groceries from Oliver's versus a non-local grocer, which may vary in sourcing goods. Oliver's generates over 155% more of local economic impacts when selling local goods versus non-local stores focused on selling goods sourced outside Sonoma County.

Table EX-1: Summary Effects of Local Buying Behavior by Oliver's Market

$100 sold of Local Goods	At Oliver's	At Non-local	**% Difference**
Business Revenue Retained	$128.00	$114.11	**11.5%**
State and Local Taxes Retained (includes local property taxes)	$20.40	$18.17	**11.6%**
$100 sold of Local Goods at Oliver's vs. $100 of same goods at a non-local Grocer from Non-Local Sources	At Oliver's	At Non-local	**% Difference**
Additional Business Revenue Generated	$128.00	$50.18	**155.0%**
State and Local Taxes Generated (includes local property taxes)	$20.40	$7.51	**172.9%**

Introduction

This project updates a 2011 study on the local purchasing strategy pursued by Oliver's Market (Oliver's).[1] The focus is on grocery and retail sourcing; there are positive economic effects of buying inventory locally and circulating income from sales within the local economy. The ultimate go-local scenario is what an economist would call autarky, or when there is no trade outside the local area. Short of an island economy, such a complete use of local sources is not feasible. However, in a world that gets smaller daily, retailers have choices of where to purchase goods they sell. Larger supermarket and retail chains have historically focused on sourcing goods from all over the world seeking low prices. Oliver's is able to have a larger impact on the local economy than other retailers by not pursuing the lowest price versus supporting local businesses. The relative size of how much Oliver's can affect the local economy is this report's focus; revenue derived from customers further supports the local economy based on how Oliver's buys goods and labor and reinvests in Sonoma County.

This report is split into four parts from here:

1. A brief overview of how a locally-based economy differs from one with more "foreign" purchases[2];
2. The "multiplier" effect and why goods purchased outside Sonoma County reduce the economic effects of retail and grocery sales;
3. A simple analysis of buying and selling local using Oliver's 2014 data; and
4. The final section provides conclusions and a summary of Oliver's effects on Sonoma County.

Simple Economic Ideas

Economics is fundamentally about human behavior following self-interested incentives. Behavioral economics suggests that consumers may be driven by non-price incentives; altruism and buying behavior may be driven by a common goal or something beyond the individual's

[1] See Hinrichs and Allen (2008) and Bougherara (2009) for overviews of buying local in terms of economic and sociological incentives respectively. Also see Pinchot (2014) for a survey on the literature for the economics of local food systems.

[2] Foreign, in this context, is any purchase of goods and services outside of Sonoma County.

needs and wants.[3] Go-local strategy advocates advertise that buying local makes an economy grow faster. However, it is difficult to fight price, convenience and other "incentives"; sourcing goods globally and selling locally may generate more overall profit due to lower prices. Going local is about behavior change, both on the retailer and customer sides, where merchants and consumers choose to buy local over price incentives otherwise.

However, commerce does take place across political borders; it is important to think about incentives based on simple comparative advantage.[4] For example, Napa County exports more wine than it consumes because Napa has comparative advantage in producing wine versus other places around the world; Napa County also buys more automobiles than it produces due to the same incentives in reverse: some other county, state or country produces cars more efficiently.

Some examples are not as obvious as others. For example, when Sonoma County residents buy wine that originates in Napa County (even from merchants within Sonoma County), there is a choice being made not to buy Sonoma County wine (a "local" substitute). Such behavior triggers a "leakage" of economic benefits from Sonoma to Napa County, though Napa is maybe seen as very much "local". It is difficult for an entire economy to buy locally, and even defining local can be troublesome when thinking about smaller counties and cities.

When a merchant buys goods from outside the defined local area (Sonoma County here), the "foreign" area (everywhere else) receives revenue initially. The local merchant provides "value-added" services, charges a higher price than the cost of the goods to be sold, and covers these services (labor, storage, utilities, etc.) and a profit (if possible) from that extra charge. The costs of value-added services are generally local: local workers, real estate firms/owners, utilities, and others.[5]

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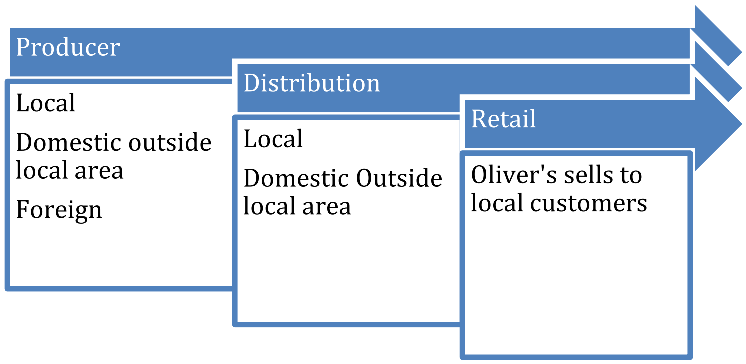
[3] See DellaVigna (2009) for a survey of the behavioral economics literature, as well as Pope and Sydnor (2014).

[4] See Mankiw and Ball (2011) for an encyclopedic look at macroeconomics, including basic ideas of comparative advantage and how imports act as leakages from domestic economic activity.

[5] Utilities are likely the most disputable here, as most utilities are regional and locally serviced. There are movements to make energy production, for example, more local: see Marin Energy Authority as an example.

Figure 1: The Classic Retail Value Chain and Distribution System Localized



For some goods, a local producer does not exist; for any go-local strategy, building a local supply chain is essential, becoming a "value chain" with local economic benefits[6]. Figure 1 provides a simple, retail value chain diagram. Notice in Figure 1 that local buying possibilities exist across the entire chain; further, "distribution" in this chain can be "integrated" or circumvented. Local farmers growing vegetables and selling them directly to a local grocer is an example.

Oliver's may also act as a distributor for other businesses; a local chef may purchase vegetables, fruit, bread, and other "inputs" from Oliver's. Each step that is local adds more "value" to the local area. These purchases begin a cycle of income that supports other businesses, people having jobs, and local government revenue based on property values being supported and taxable sales. As Oliver's business grows, and the purchasing of local goods expands, the effects expand faster. In 2015, that percentage is 27.4. Oliver's had $75.7 million dollars in sales in 2011; that level is $104.7 million as of 2014. With larger revenues and a larger percentage of goods sourced locally, the effects on the local economy expand.

The challenge is leakages and how outside vendors entice locals to buy their goods on physical and virtual platforms. Local residents are bombarded with incentives to buy from non-local producers globally; a company like AliBaba, as an example of internet shopping, shows the expansion of internet commerce in competing with local retail markets. If local grocers

[6] This figure is the best-case scenario for the local economy; it assumes that the grocer is located locally, hires local labor, and keeps its net revenues local. See Oster (2001) for a basic explanation of a value chain, pp. 131-33. Also see Porter (2008) for the seminal ideas on the value chain and sustaining competitive edge in business.

purchase goods from local suppliers, hire local workers, and keep the profits local (which is the major argument against the expansion of chain/big-box retail versus an expansion of local retail and other firms) for potential reinvestment in the community, the multiplier effect is more robust than other retailers who focus outside the local area. The next section provides more detail on the economic multiplier effect and how Oliver's helps to capture potential leakage that other grocers do not.

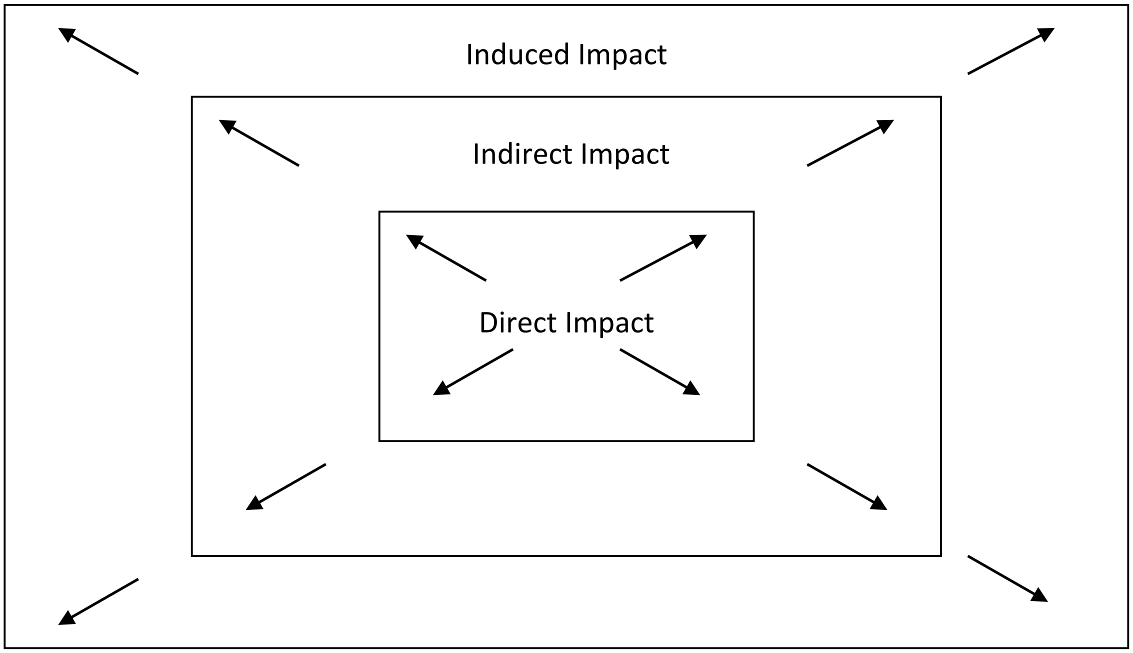
The Economic Multiplier Concept

Like dropping a rock into a pond, an industry's existence or expansion has ripple effects on a local economy and beyond based on new jobs created. The IMPLAN® model used here, which stands for IMpact analysis for PLANning, is a model by which municipalities and counties worldwide analyze the employment, revenue, wage, and tax effects of economic events. This model has three impact classifications, summing to a total effect. The **direct** effects are those specific to the event. For example, for both the construction of new facilities and their subsequent operations, hiring new employees helps generate the direct effect on local employment, tax and business revenues. The hiring of new grocery clerks can be these direct events. **Indirect** effects come from these workers and businesses taking their new income and spending a portion of that money on other businesses' goods and services. This revenue flow to other businesses leads to more employment, wages, revenue, and taxes.

For example, when a newly-hired grocery clerk goes out to eat at a restaurant in Santa Rosa, there are indirect effects from the original expansion; a restaurant uses a larger amount of a plumber's services than before, which creates indirect effects from the grocery clerk being hired. These additional, indirect jobs and revenues then create induced effects. The **induced** effects are similar to the indirect effects, but come from indirectly-affected workers and firms and their economic gains.

For example, a plumber that now has more income, hired due to the restaurant's expansion described above, may go to the grocery store, restaurants, or the doctor's office more often, which induces growth in retail sales, employment and taxes. These effects in sum are is the total or overall economic impacts. Figure 2 shows the ripple effect idea of the multiplier process.

Figure 2: Economic Impact Concept

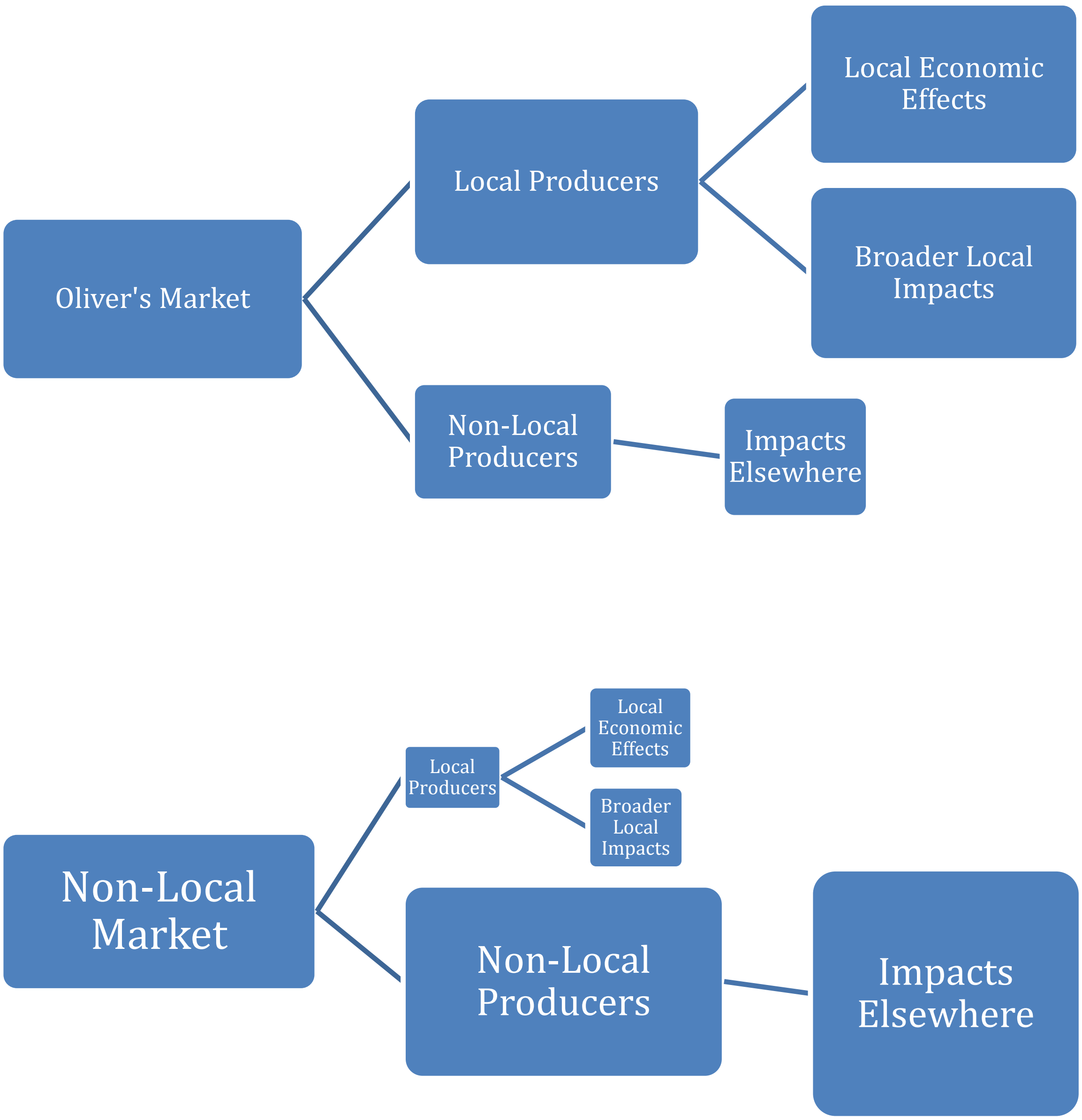


The results tables show the direct, indirect and induced effects of both a theoretical grocer that is able to capture all the local effects and of Oliver's attempt to make theory a reality. The major industries affected are shown; supported jobs, annual income and new state and local tax receipts annually show the broad nature of these effects.

How Oliver's affects the Local Economy

Oliver's has three locations as of 2015: one in Cotati and two in Santa Rosa, California. Like other grocery markets, they sell an array of goods and some services, taxable and non-taxable, food items and general merchandise. Oliver's sources over 27.4 percent of what it sells from inside Sonoma County. Considering the ideas above, a grocer with headquarters located in Sonoma County has a larger "multiplier" effect because its supply chain is more local due to buying local goods and services and retaining its profits locally. Figure 3 illustrates this different in larger versus smaller effects of buying local as a local grocer.

Figure 3: Comparing the Effects of Local versus Non-Local Buying in Grocery



Notice the non-local effects are larger with the same base versus Oliver's. A simple example can help. Suppose a retailer sold $100 worth of goods in the local market generating $100 in revenue. Suppose the retailer purchased goods from local suppliers for $30. Another $40 is spent on goods from elsewhere, and it costs $25 to provide value-add services, including wages and salaries for workers that live locally. That leaves a profit margin of $5. The purchase of $30 worth of local goods triggers more spending in Sonoma County, say another $45 for example. Finally, local ownership of Oliver's implies that the profit of $5 triggers more local spending and creates another $10 worth of income. The original $100 of revenue creates an additional $55 in local spending for a total of $155. In summary, here is the logic:

- Grocery operations generate revenue that is spent on worker wages, cost of goods and profits;
- Tax revenues are generated from taxable retail sales and the subsequent purchases of local vendors and workers;
- Some of the grocer's revenue broadens its economic effects because local labor, producers and ownership receive and spend their portion of total retail revenue;
- Grocers that are not headquartered locally send revenue to other areas outside Sonoma County; and
- If headquartered here, the grocery store retains and circulates its profits locally for an additional multiplier effect.

These local transactions generate leakages somewhere as they grow; for example, a local farmer may pay wages to a worker who then buys DVDs from Amazon.com with her wages. There are also indirect or induced leakages; buying local minimizes leakages along the distribution chain.

The Economic Impacts of a Sonoma County Grocer/Retailer

A grocer is a simple case of a retail value chain. Grocers sell both value-added goods (packaged goods, sundries, general merchandise, on-site prepared foods and goods, etc.) and raw and dry goods that can come from local sources (for example, fruits, vegetables, meats, grains, etc.). As context for the local retail market size, from 2011 to 2014, Sonoma County had an annual average of approximately $1.642 billion in retail sales income.[7]

Estimating the potential effect on the local economy helps provide a perspective of what is retained by Oliver's from the potential leakages and what is not by grocers that source

[7]See http://www.bea.gov/iTable/index_regional.cfm for more data on Sonoma County's economy through 2014.

goods from outside Sonoma County. Table 1 shows the potential economic impact on business revenues from a retailer that is able to source all goods and labor inside the local area. If this grocer had the same revenues as Oliver's did in 2014, approximately $104.7 million in store revenues, then over $182.3 million would be generated by the locally-focused grocer.

Table 1: Potential Economic Impact for a Local Grocer, $104.7 million in Revenue

Industry	Direct	Indirect	Induced	Total
Retail Stores – Grocery Stores	$104,722,500	$185,500	$1,155,800	$106,063,800
Rental Income for Property Owners	-	-	9,252,700	9,252,700
Real estate establishments	-	4,383,000	3,901,200	8,284,200
Banks and Credit Unions	-	1,626,900	2,407,700	4,034,600
Bars and Restaurants	-	438,200	3,495,700	3,933,900
Wholesale trade businesses	-	787,600	2,725,100	3,512,700
Medical and Dental Offices	-	-	3,418,700	3,418,700
Private hospitals	-	-	2,877,900	2,877,900
Telecommunications	-	941,400	1,187,100	2,128,500
Investment Banking	-	373,800	1,023,200	1,397,000
Advertising and related services	-	1,125,600	222,600	1,348,200
Medical and diagnostic labs and ambulatory care services	-	600	1,310,600	1,311,200
Legal services	-	329,400	779,300	1,108,700
Nursing and residential care facilities	-	-	1,098,900	1,098,900
Services to buildings and dwellings	-	562,400	454,700	1,017,100
Commercial maintenance and repair construction	-	705,400	308,600	1,014,000
Accounting, bookkeeping, and payroll services	-	638,700	366,500	1,005,200
Employment services	-	606,800	326,400	933,200
All Others	-	8,986,200	19,574,700	28,560,900
Total	$104,722,500	$21,691,500	$55,887,400	$182,301,400

Table 2 shows the jobs that Oliver's directly hires (542 full-time equivalent jobs) and the industries most affected in terms of employment as a result of Oliver's operations most likely spend their wages, but also based on Oliver's purchases of local goods that sustain or create jobs for those suppliers. Notice that the industries affected are a mix of professional and personal services. In 2014, Oliver’s hired 95.9 percent of its workforce from Sonoma County and paid 96.7 percent of its wages to Sonoma County based workers. Oliver’s hired more than 1,000 people for the 542 full-time equivalents, including local students, and over 711 workers overall throughout Sonoma County.

Table 2: Potential Economic Impact of Local Grocer on Jobs

Industry	Direct	Indirect	Induced	Total
Retail Stores - Food and beverage	542.0	0.8	4.8	547.6
Food services and drinking places	0.0	2.0	15.6	17.5
Real estate establishments	0.0	7.2	6.4	13.6
Medical and Dental Offices	0.0	0.0	7.6	7.6
Employment services	0.0	3.9	2.1	5.9
Wholesale trade businesses	0.0	1.1	3.7	4.7
Private hospitals	0.0	0.0	4.5	4.5
Nursing and residential care facilities	0.0	0.0	4.5	4.5
Services to buildings and dwellings	0.0	2.5	2.0	4.5
Private household operations	0.0	0.0	3.6	3.6
Individual and family services	0.0	0.0	3.6	3.6
Retail Stores – Drug Stores	0.0	0.0	3.4	3.5
Accounting, bookkeeping, and payroll services	0.0	2.0	1.1	3.1
Investment Banking	0.0	0.8	2.2	3.0
Other private educational services	0.0	0.7	2.2	2.9
Retail Stores – Gift Stores	0.0	0.0	2.7	2.7
All Others	0.0	25.1	53.5	78.6
Totals	**542.0**	**45.9**	**123.6**	**711.5**

Table 3 shows the economic impacts of grocer operations and tax revenue at the state and local government levels. Notice that sales and property taxes are the largest state and local taxes generated. For every $100 of goods purchased at Oliver's, about $18.5 of state and local tax revenues are provided to California, Sonoma County and city governments if all effects were local.

Table 3: Potential Tax Revenues Created/Sustained by Local Grocer

State and Local Taxes	Amount
Employment Taxes	$382,000
Sales taxes	7,317,300
Property taxes	6,507,000
Personal Income	3,225,400
Other Taxes and Fees	1,930,300
Total State and Local taxes	**$19,362,000**

Summary

The impacts begin with the business revenue, when someone buys groceries and other goods from Oliver's (**Direct**). From those revenues, Oliver's pays its workers, its vendors, and that start another set of economic impacts based on their spending (**Indirect**). That spending leads to general effects on a variety of industries (**Induced**), including tax revenues and more supported jobs. What Tables 1, 2 and 3 provide is the baseline scenario; it is what Oliver's does as everyday business, which follow the value chain ideas above:

- Leakages to suppliers of goods and services outside of Sonoma County;
- Payments to suppliers of goods and services inside of Sonoma County;
- Margin for the grocer; and
- Payments to workers both inside and outside Sonoma County.

Retaining Economic Benefits because of Local Purchases

If Oliver's did not buy and hire locally, there would smaller impacts than shown in Tables 1 through 3. Table 4 shows the revenues for local producers that would not be there if Oliver's purchased goods outside Sonoma County; it is also what is lost by Sonoma County when another retailer of similar size to Oliver's does by from outside. Local buying behavior in fresh meats, bakery, dairy items, and produce provides revenue for local businesses. The largest revenue gains are in those industries that receive direct payments, for example poultry and egg processing. As an industry, the farms are not directly related to Oliver's purchases unless Oliver's buys directly from the farmer herself. If that takes place, the farmer is also the wholesaler. Processes that deliver fresh, local meats to Oliver's are directly related.

If Oliver's did not source locally, the $47.6 million in overall impact shown in Table 4 would flow out to another area. If a local grocer bought nothing from local producers and sourced all goods from outside the local area, the $182.3 million of total economic impact would shrink to 135.1 million. This difference does not include payments to local labor is also equally local to Oliver's hiring patterns. Oliver's purchases also provide tax revenue for all levels of government. The state and local taxes generated, mainly income, sales and property, are due to retail sales and the occupancy of space. Table 5 shows these data: for every $100 of goods Oliver's purchases locally, state and local taxes $0.06 are retained rather than leak out to other areas.

Table 4: Business Revenue Created/Sustained by Oliver's Local Purchases

Industry	Direct	Indirect	Induced	Total
Poultry and Egg processing	$11,699,300	$1,864,300	$40,900	$13,604,500
All other food manufacturing	4,564,000	4,200	200	4,568,400
Bread and bakery product manufacturing	3,139,000	2,000	3,700	3,144,700
Meat products, except poultry	2,305,300	22,200	1,000	2,328,500
Frozen food manufacturing	1,600,100	74,600	14,800	1,689,500
Fluid milk and butter manufacturing	1,600,100	357,900	38,000	1,996,000
Wineries	1,422,600	167,000	6,700	1,596,300
Breweries	1,422,600	2,400	10,900	1,435,900
Fruit farming	413,500	251,500	7,300	672,300
Cheese manufacturing	289,300	56,300	4,400	350,000
Soap and cleaning compound manufacturing	216,100	2,200	400	218,700
Retail Stores - Food and beverage	209,500	4,300	105,300	319,100
Greenhouse, nursery, and floriculture production	14,500	5,100	800	20,400
Printing	2,500	20,800	3,900	27,200
Retail Stores – Department Stores	400	2,600	70,900	73,900
All Others	-	10,779,900	4,769,000	15,548,900
Totals	**$28,898,800**	**$13,617,300**	**$5,078,200**	**$47,594,300**

Table 5: State and Local Tax Revenues Created/Sustained by Oliver's Local Purchases

State and Local Taxes	Amount
Employment Taxes	$31,900
Sales taxes	595,600
Property taxes	530,100
Personal Income	340,800
Other Taxes and Fees	165,200
Total State and Local taxes	**$1,663,600**

We will assume that Oliver's retains a portion of its overall sales as margin. Because Oliver's is locally headquartered, Sonoma County retains these gains for reinvestment in its businesses, space and as profit for the owners. The key point is that being locally headquartered means additional local taxes are paid as if paying employee/owners. This is integrated into Tables 6 and 7 as further economic impact retention due to local ownership and hiring local workers.

Going Local as an Employer and Owner

Buying local products is a part of the equation concerning the effects of buying local. For a local grocer, another local purchase is labor. Of the $104.7 million in revenue for Oliver's in 2014, $24.3 million paid for labor (18.6 million on wages) and margin on sales. The local focus of Oliver's supports another $19.7 million of wages for local produces for a total of more than $42 million in local wages and profits retained overall (Oliver's supported $34 million in local wages and profits, including its own hiring, in 2011). The idea is that by hiring workers locally, there are impacts from the total retained from this practice.

Table 6: Wage, Salary and Profits Retained by Oliver's

Industry	Retained Impacts
Retail Stores - Food and beverage	$20,182,000
Investment in New Store from Past Profits	$4,500,000
Poultry processing	1,986,100
Wholesale trade businesses	1,054,600
Offices of physicians, dentists, and other health practitioners	1,015,200
Imputed rental activity for owner-occupied dwellings	977,500
Food services and drinking places	920,200
All other food manufacturing	915,800
Bread and bakery product manufacturing	896,200
Private hospitals	815,900
Management of companies and enterprises	614,400
Real estate establishments	581,100
Monetary authorities and depository credit intermediation activities	575,100
Animal (except poultry) slaughtering, rendering, and processing	465,900
Fruit farming	427,700
Medical and diagnostic labs and outpatient and other ambulatory care services	372,500
Maintenance and repair construction of nonresidential structures	336,700
Employment services	332,500
Frozen food manufacturing	325,800
Wineries	325,300
All Others	9,659,700
Totals	**$47,280,200**

A new store is being built in Windsor, California to expand Oliver's to northern Sonoma County (adding $4.5 million to Table 6's data on local investment), and is estimated to expand the wages paid to Sonoma County workers by 20 percent of Oliver's current operations (approximately another $4 million in wages) starting in 2016.

Of the $184.3 million potentially generated by Oliver's operations and impacts, $47.2 million pays for local wages, profit margins, which are a combination of reinvestment in the business (construction of new stores, maintenance, upgrades, etc.) and wages for the owners.

Further, Oliver's workers have engaged in local philanthropy that provided over $318,000 to local community organizations.

Table 7: Tax Revenue Impacts Retained from Oliver's Wages and Margins

State and Local Taxes	Amount
Employment Taxes	$41,900
Sales taxes	$822,100
Property taxes	$731,400
Personal Income	$455,400
Other Taxes and Fees	$224,900
Total State and Local taxes	**$2,275,700**

How much smaller the economic effects are of buying from a non-local retailer depends on three aspects at a minimum:

- **Local sourcing of goods**;
- **Hiring local residents**; and
- **Keeping the profits local**.

Table 8 provides a comparison what Oliver's does for the local economy versus a non-local retailer who also sources 27.4% of their goods locally and also a non-local grocer who sources no goods locally. Notice that versus the non-local retailer that trucks all goods in from outside Sonoma County to sell locally, Oliver's makes over 155 percent more impact.

Table 8: Retained Economic Impacts from Buying Local vs. Non-local: $104.7 Million in Business Revenue

	Local Buying Oliver's Impact	Local Buying Non-Local Retailer Impact	Non-Local Non-Local Retailer Impact
Potential Impact	$182,300,000	$182,300,000	$182,300,000
Oliver's Buying Local	$47,594,300	$47,594,300	
Local Wages and Ownership	$47,280,200	$37,192,800	$37,192,800
Retained Impact Sonoma County	**$94,874,500**	**$84,792,800**	**$37,192,000**

Conclusions

Notice that as we move left to right in Table 8, retaining business revenue slowly goes away. Oliver's has the most robust model; buying 27.4 percent of its goods and hiring locally retains about 51.4 percent of business revenues made (which is also drawn away to federal and state taxes and the buying of non-local goods not able to be sourced locally). If a customer buys $100 in groceries from a non-local retailer with Oliver's sourcing strategy, that $100 would have $11.5 percent less total impact as a best-case scenario; if the non-local grocer purchased nothing locally and only hired in the same way Oliver's does, there would be a lot less left from the $100 spent. Oliver's may have as much as a 155 percent more impact when local residents shop at Oliver's versus another, non-local retailer, and even more in local tax retention.   This impact has grown with Oliver's size since 2011, as well as the growth of Oliver's local purchases, and will grow more when the Windsor store opens because the logic for that store is the same.

This study provides data concerning the economic impacts of using a "go-local" strategy. Basic economic theory suggests that consumers buy goods based on incentives that local businesses may not control versus national brands. The issue of leakage, the flow of income to areas outside the local area, is the bane of the go-local advocate. Non-local firms generate leakages based on being headquartered somewhere else. Regardless of the business' headquarters location, businesses generate some value for the local economy. They add value to goods and services for each market in which they operate. They buy local labor, local space, and local goods, for example. However, businesses that focus their efforts on sourcing goods locally expand the value chain for the local economy. Going local is also about behavior change, where merchants and consumers choose to buy local over lowest price due to incentives to invest in the local community.

Going local makes a powerful, economic difference than buying from non-local firms on Sonoma County. Oliver's current operations provide over $184.3 million, $19.3 million in state and local taxes, and create or sustain over 711.5 jobs for Sonoma County. If a non-local grocer hires and buys locally in the same capacity, Sonoma County loses over $6.5 million of the broader impacts because the profits go away from Sonoma County; if the non-local grocer also sources no goods locally, Sonoma County loses over $57.6 million annually.

These flows could easily be reduced if Oliver's labor force were coming from points outside Sonoma County and if Oliver's purchases more goods from outside Sonoma County. Oliver's local buying protocols are a simple but powerful example of what it means to go local. Table 8 provides the summary economic impacts; Table EX-1 provides the difference Oliver's makes in the local community over larger chain with headquarters outside Sonoma County.

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