# Buying Local Manufacturing in Central Massachusetts

# The Economic and Social Benefits of Supporting Local Manufacturing



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A report compiled by the Worcester Regional Chamber of Commerce





# **Buying Local Manufacturing in Central Massachusetts: The Economic and Social Benefits of Supporting Local Manufacturing**

Buying local is generally considered a good and generous concept, and if asked, most people will say that buying from local small businesses is a positive thing.<sup>1 2</sup> This public sentiment has only been reinforced with the COVID-19 pandemic's challenging conditions which have hurt many small business owners. But beyond the anecdotal evidence, what are the economic and social benefits behind buying local?

At a high level, research shows that when local small businesses thrive because of increased revenue, they create communities that are more prosperous, entrepreneurial, innovative, and connected. Communities are generally better off when they have thriving small businesses.<sup>3</sup>

For Worcester, this is especially true in the case of the regional manufacturing sector. For a century, Worcester was a central hub of industry in the United States, attracting thousands of migrant residents from around the country and the world and building the economic and cultural foundations of the region seen today. Despite the economic pains of de-industrialization and offshoring in the late twentieth century, the Worcester area still proudly retains its industrial roots. Manufacturing is crucial to the regional economy in Central Massachusetts, with many large industrial producers and distributors calling Worcester home.

Buying local manufactured products - whether it be a family buying an appliance for their household or a large company purchasing furniture in bulk for a new office - is demonstrably beneficial to the local economy because of a series of interwoven and relational advantages. Studies show that when people and businesses buy local, it circulates locally spent money in the regional economy which goes to pay local workers and locally owned supply chains. A series of direct, indirect, and induced effects make this a boon for economic development. Many studies show that half of all funds spent on a local business stays within the local economy, while non-local businesses tend to recycle far fewer of their funds into the local economy. However, advantages in job creation, wage growth, and supply chains are not the end of the benefits to buying local.

<sup>&</sup>lt;sup>1</sup> Rand, C. (2011). "Buy local" consumer behavior and wood products: A case study. Retrieved from <a href="https://opencommons.uconn.edu/cgi/viewcontent.cgi?article=1184&context=gs">https://opencommons.uconn.edu/cgi/viewcontent.cgi?article=1184&context=gs</a> theses

<sup>&</sup>lt;sup>2</sup> Wright, O. and Blackburn, E. (2020, April 28). Covid-19: Fast-changing consumer behavior. Accenture. Retrieved from <a href="https://www.accenture.com/us-en/insights/consumer-goods-services/coronavirus-consumer-behavior-research">https://www.accenture.com/us-en/insights/consumer-goods-services/coronavirus-consumer-behavior-research</a>.

<sup>&</sup>lt;sup>3</sup> Mitchell, S. (2020, November 17). Key studies: Why independent matters. Institute for Local Self-Reliance. Retrieved from <a href="https://ilsr.org/key-studies-why-local-matters/">https://ilsr.org/key-studies-why-local-matters/</a>.

<sup>&</sup>lt;sup>4</sup> Barnhill, G. (2019, April 10). Does it really matter if we buy local? Shift Workspaces. Retrieved from <a href="https://shiftworkspaces.com/really-matter-buy-local/">https://shiftworkspaces.com/really-matter-buy-local/</a>.

The roots of Worcester stem from manufacturing. But the future is also dependent on manufacturing and the local jobs that it creates, the economic activity it brings, and the essential goods and services it provides to society. Buying local manufacturing is one way to secure a sustainable future for Central Massachusetts.

### **Local Job Creation and Wage Growth**

Purchasing from local small businesses directly benefits companies which can create local jobs and grow local wages. This is one area where the notion of revenue recapture exists; local spending stays in the regional economy and allows employers to pay their workers better wages and create more jobs for their businesses.

Economist Enrico Moretti in his 2013 book *The New Geography of Jobs* studies how regional economies can capitalize on local spending. Moretti uses Apple as an example. Apple is a massive, transnational company which directly employs approximately 13,000 workers at its headquarters in Cupertino, California, but an additional 60,000 service jobs support Apple's operations, storefronts, and manufactories in the area. Moretti found that about 36,000 of those service workers worked as restaurant or retail workers who benefited from the economic activity brought to the area by Apple, while 24,000 skilled jobs like doctors and lawyers also benefited.<sup>5</sup>

Using this case study of Apple in Cupertino, Moretti claims that for every additional skilled job created by a company, at least 2.5 new skilled jobs and 1 unskilled job are created in the local area. This may be an outsized example to compare with local businesses, but it points to an important conclusion that when companies' operations are based within a certain regional economy, they have a profound impact on both direct and indirect job creation in the area.<sup>6</sup>

Economic impact studies like Moretti's analyze multipliers which are based on three types of impact: direct, indirect, and induced. Job creation is a direct impact that local businesses have on a local economy. As more businesses are supported by more local consumers, there are more available positions for local workers and more payroll disbursed. Indirect impacts then occur, where the spending done by the first business leads to increased spending from consumers, workers, and B2B clients associated with the first business. Induced impact is wider than the original set of indirect and direct impacts, creating a ripple effect – or multiplier effect – in the local economy that goes beyond the first business and first industry where the impact originated.<sup>7</sup> Buying local leads to all three types of impacts.

<sup>&</sup>lt;sup>5</sup> Moretti, E. (2013). The New Geography of Jobs. Mariner Books.

<sup>6</sup> Ibid.

<sup>&</sup>lt;sup>7</sup> American Independent Business Alliance. (n.d.). Effect multiplier the local economy - AMIBA. American Independent Business Alliance. Retrieved from <a href="https://amiba.net/wp-content/uploads/2020/08/Local-multiplier-effect-whitepaper.pdf">https://amiba.net/wp-content/uploads/2020/08/Local-multiplier-effect-whitepaper.pdf</a>.

Wage growth is also a direct economic impact. Researchers Holger Mueller of New York University as well as the National Bureau of Economic Research and Paige Ouimet and Elena Simintzi of the University of North Carolina research wages and local businesses in their 2015 paper, "Wage Inequality and Firm Growth." Mueller, Ouimet, and Simintzi find that the income gap between management and operational employees at small businesses is far smaller than it is at large international firms. Mueller, Ouimet, and Simintzi focus their research on reducing income inequality and conclude that encouraging the growth of local businesses is a path towards bringing about growth in wages. In Central Massachusetts, supporting local manufacturing businesses is a way that everyone, not just policymakers, can bring about equitable economic development that becomes the rising tide which lifts all boats in the region.

Many academic studies find that revenue recapture is highly beneficial to local economies. Civic Economics conducted a study in British Columbia which was commissioned by the regional public employees' union. Their findings, published in 2013, corroborate other studies' findings that about 45% of consumers' funds spent on a small business recirculate in the economy to go toward job creation and wage growth. On the other hand, when consumers buy from national chains, only about 17% of those funds recirculate into the local economy.

Consumers do not have to redirect all of their spending toward local businesses to adequately support them. The study estimates that if consumers shifted just 10% of the market from chain-owned to independently-owned small businesses in British Columbia, the economic stimulus would create 31,000 jobs that collectively pay nearly \$1 billion in new wages to workers in the region.<sup>10</sup>

A similar study on a smaller scale in Portland, Maine, conducted by the Maine Center for Economic Policy, found that for every \$100 spent at a locally owned business, \$58 is contributed to the local economy in the form of direct impact - job and wage growth. When consumers spend at chain stores, roughly \$33 of \$100 spent is recirculated as local economic impact.

<sup>8</sup> Mueller, H., Ouimet, P., and Simintzi, E. (2014). Wage Inequality and Firm Growth. Social Science Research Network. Retrieved from <a href="https://doi.org/https://papers.ssrn.com/sol3/papers.cfm?abstract\_id=2540321">https://doi.org/https://papers.ssrn.com/sol3/papers.cfm?abstract\_id=2540321</a>

<sup>10</sup> Ibid.

<sup>&</sup>lt;sup>9</sup> Civic Economics. (2013). (rep.). Independent BC: Small Business and the British Columbia Economy. Civic Economics. Retrieved from <a href="https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/ccednet/pdfs/independent-bc-small-and-the-british-colombia-economy.pdf">https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/sites/ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/ccednet/pdfs/independent-bc-small-and-the-british-colombia-economy.pdf</a>

This study also concludes that if just an additional 10% of local spending was directed to locally owned businesses as opposed to national chain stores, it would create a far greater economic impact in job creation and wage growth.<sup>11</sup>

Another study conducted in Kent County, Michigan in 2008 found that if residents of the Grand Rapids metro area redirected 10% of their spending into locally owned businesses, it would generate \$140 million in new economic activity for the region and create 1,600 new jobs that pay out \$53 million in payroll. The study also analyzed the revenue recapture for certain industries, finding that locally owned restaurants, as an example, returned over 56% of their revenue in the regional economy, while chain restaurants returned only 37%.<sup>12</sup>

Small businesses are responsible for creating about 1.8 million jobs in the U.S. annually, employing about 47.3% of the country's private employees. 13 Likewise, supporting businesses in Central Massachusetts helps to accelerate job creation. Simply put, when small, locally owned businesses are adequately supported by local consumers, they have an increased capability to pay more local workers and to pay them higher wages, resulting in indirect and induced economic impacts that multiply throughout the region.

## **Investing in Local Infrastructure and Services**

Revenue recapture allows for other public benefits beyond jobs. Buying from local small businesses like manufacturers also helps fund the tax base and public investments in infrastructure.

In a 2000 report, Dr. David Schap of College of the Holy Cross discusses the buying practices of furniture manufacturer Affordable Interior Systems, Inc. (AIS). AIS employs 800 people at its headquarters in Leominster in North Central Massachusetts. Dr. Schap examines the impacts AIS has on the local supply chains they leverage and explores the importance of revenue recapture. The report shows that when local businesses and residents purchase from AIS, a company which purchases its supplies using local supply chains, they are contributing to a local business's revenue stream that filters back into tax dollars for the state and local community. The tax dollars provided by AIS' expansion then pay for local infrastructure improvements from road repair to municipal trash collection.

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<sup>&</sup>lt;sup>11</sup> Maine Center for Economic Policy. (2020, December 9). Buy local, start early for Maine pandemic holiday shopping. MCEP. Retrieved from <a href="https://www.mecep.org/news/our-view-buy-local-start-early-for-maine-pandemic-holiday-shopping/">https://www.mecep.org/news/our-view-buy-local-start-early-for-maine-pandemic-holiday-shopping/</a>.

<sup>&</sup>lt;sup>12</sup> Hillary, E. and Houston, D. (2008, September). Local Works! Examining the Impact of Local Business on the West Michigan Economy. Retrieved from <a href="https://www.independentwestand.org/wp-content/uploads/GR Local Works">https://www.independentwestand.org/wp-content/uploads/GR Local Works</a> Complete.pdf.

<sup>&</sup>lt;sup>13</sup> SBA Office of Advocacy. (2019, July 9). Small businesses drive job growth in United States; they account for 1.8 million net new jobs, Latest Data Show. SBA Office of Advocacy. Retrieved from <a href="https://advocacy.sba.gov/2019/04/24/small-businesses-drive-job-growth-in-united-states-they-account-for-1-8-million-net-new-jobs-latest-data-show/">https://advocacy.sba.gov/2019/04/24/small-businesses-drive-job-growth-in-united-states-they-account-for-1-8-million-net-new-jobs-latest-data-show/</a>.

Expanding the revenue of local companies, is in effect, expanding the tax base from which the local and state government can draw upon.<sup>14</sup>

## **Supporting Charitable Community Work**

Local charities and nonprofit organizations are two other beneficiaries of buying local manufacturing since local businesses are more likely to support local charities. According to the Seattle Good Business Network, "Small businesses donate 250% more than larger businesses to nonprofits and community causes." When Worcester residents buy from local manufacturers, they support regional businesses which are more likely to make charitable contributions, strengthening the work of community organizations. In regions like Central Massachusetts, an area known for its valuable partnerships between organizations, nonprofits can benefit even more from partnerships with the local business community.

AIS and FLEXcon Co., two local manufacturers, are prime examples of locally owned corporate citizenship. During the pandemic, many manufacturers around the U.S. found opportunities to pivot toward the production of personal protective equipment (PPE) and other pandemic-related products like face masks, plexiglass barriers, and informational signage. AIS and FLEXcon were regional leaders in this pandemic pivot for Central Massachusetts.

Since 2020, AIS has donated more than 650,000 high quality masks made from extra fabric in its inventory. During the 2020 election, AIS provided enough face masks for every poll worker in Massachusetts who needed one, distributing 22,000 masks to 235 municipalities in the Commonwealth. In addition, nearly 8,000 masks were donated to Leominster Public Schools in the fall of 2020. Outside of pandemic-related support, AIS frequently works with the United Way of North Central Massachusetts and supports local charities like Marine Toys for Tots in Worcester County.

FLEXcon, a Spencer-based manufacturer of laminated products and adhesives, is another community partner for charitable work in the region. During the pandemic,

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<sup>&</sup>lt;sup>14</sup> Schap, Ph.D., D. (2000, April). Buying from a Local Vendor: Finding Hidden Value in Massachusetts

<sup>&</sup>lt;sup>15</sup> Howard Packaging. (2017, May 15). How money stays in your community when you buy local. Howard Packaging. Retrieved from <a href="https://howardpkg.com/blog/how-money-stays-in-your-community-when-you-buy-local">https://howardpkg.com/blog/how-money-stays-in-your-community-when-you-buy-local</a>.

<sup>&</sup>lt;sup>16</sup> Norton, M. (2020, October 6). Leominster Furniture Maker AIS to Donate Masks to Mass. poll workers. Telegram & Gazette. Retrieved from <a href="https://www.telegram.com/story/business/2020/10/06/leominster-furniture-maker-ais-to-donate-masks-to-mass-poll-workers/114230930/">https://www.telegram.com/story/business/2020/10/06/leominster-furniture-maker-ais-to-donate-masks-to-mass-poll-workers/114230930/</a>.

<sup>&</sup>lt;sup>17</sup> Dore, D. (2020, October 6). Nearly 8,000 face masks donated to Leominster Schools. Leominster Champion. Retrieved from <a href="https://www.leominsterchamp.com/story/news/2020/10/06/nearly-8000-face-masks-donated-to-leominster-schools/114231134/">https://www.leominsterchamp.com/story/news/2020/10/06/nearly-8000-face-masks-donated-to-leominster-schools/114231134/</a>.

<sup>&</sup>lt;sup>18</sup> Leominster Champion. (2020, December 16). Leominster-based AIS participates in Donation Drive for marine toys for tots foundation. Leominster Champion. Retrieved from <a href="https://www.leominsterchamp.com/story/news/local/2020/12/16/leominster-based-ais-participates-donation-drive-toys-tots/3899100001/">https://www.leominsterchamp.com/story/news/local/2020/12/16/leominster-based-ais-participates-donation-drive-toys-tots/3899100001/</a>.

FLEXcon pivoted to production of PPE and donated emergency supplies such as hazmat suits and 1,000 face shields to UMass Memorial Medical Center for use by medical personnel.<sup>19</sup> FLEXcon also has a strong history of charitable donations, such as a \$10 million donation to the Worcester Art Museum from the foundation of FLEXcon co-founder Jean McDonough - the largest single donation in art museum's history.<sup>20</sup>

AIS and FLEXcon are just two examples of Central Massachusetts manufacturers that give back generously to the regional community. Supporting these types of local businesses returns indirect and induced economic benefits for charitable community work in Central Massachusetts.

### **Retaining Local Higher Education Graduates**

Cities with a high population of college students like Worcester are often challenged to find ways to keep their graduates in the city or region. "Brain drain" results in lost high-skill human capital that could be retained in the community and contribute to economic activity.<sup>21</sup> Worcester has its own challenges with brain drain that may become addressed as the professional opportunities in the city grow, but expanding consumer support for local businesses can lead to an environment that even more recent graduates want to live in and identify with.

Research by sociologists finds that people are attracted to communities with a unique character that is supported by local small businesses. U.S. Census data and county-level data confirms the research by showing that states with a greater share of local small businesses have lower rates of college students vacating the region.<sup>22</sup>

For Worcester County, a county with 13 colleges and universities and an anchor city with more than 35,000 college students, retaining graduates by ensuring a vibrant community of locally owned businesses is essential. Local businesses in Central Massachusetts not only contribute to the attractive character of the community, but are also involved in partnerships with higher education institutions that capitalize on

<sup>19</sup> Busch, M. (2020, March 26). FLEXcon donates hazmat suits, protective shields to UMass Memorial. Worcester Business Journal. Retrieved from <a href="https://www.wbjournal.com/article/flexcon-donates-hazmat-suits-protective-shields-to-umass-memorial">https://www.wbjournal.com/article/flexcon-donates-hazmat-suits-protective-shields-to-umass-memorial</a>.

<sup>&</sup>lt;sup>20</sup> Feldberg, I. (2019, July 21). McDonough donates \$10 million to Worcester Art Museum, largest gift of its kind in museum's history - The Boston Globe. BostonGlobe.com. Retrieved from <a href="https://www.bostonglobe.com/arts/art/2019/07/21/mcdonough-donates-million-worcester-art-museum-largest-gift-its-kind-museum-history/4WR5AKMvLRqOovyR9i24il/story.html">https://www.bostonglobe.com/arts/art/2019/07/21/mcdonough-donates-million-worcester-art-museum-largest-gift-its-kind-museum-history/4WR5AKMvLRqOovyR9i24il/story.html</a>.

<sup>&</sup>lt;sup>21</sup> Cloutier, C. (2014, December 10). Boston may not have 'brain drain' issue, report says - The Boston Globe. BostonGlobe.com. Retrieved from <a href="https://www.bostonglobe.com/metro/2014/12/10/how-colleges-shape-boston-young-adult-workforce/czVq8wtYzNAjhS3Qam6xhP/story.html">https://www.bostonglobe.com/metro/2014/12/10/how-colleges-shape-boston-young-adult-workforce/czVq8wtYzNAjhS3Qam6xhP/story.html</a>.

<sup>&</sup>lt;sup>22</sup> Stroope, S., Franzen, A. B., Tolbert, C. M., and Mencken, F. C. (2014). College graduates, local retailers, and community belonging in the United States. Sociological Spectrum, 34(2), 143–162. <a href="https://doi.org/10.1080/02732173.2014.878612">https://doi.org/10.1080/02732173.2014.878612</a>

the local college student population's potential by providing internships, apprenticeships, and full-time job opportunities.

### **Reinforcing Local Identity and Community Engagement**

In a similar vein, buying local has a proven effect on a region's vibrancy and engagement between residents and businesses, as well as reinforcing the identity of the area.

Promoting successful, local businesses brings a sense of pride and confidence to a community. Strong communities and cultures are built around this pride, and their strength is based on tight-knit relationships, spirited discourse, and community action. Buying locally helps foster these qualities.

One University of North Carolina study published in 2006 in the journal *Social Forces* analyzed regions with "economic concentration" - or local economies with a smaller number of corporate establishments dominated by large retailers and wholesalers. The findings indicate that regions with less diversity in the number and type of local businesses in their communities tend to have lower electoral and civic participation.<sup>23</sup>

A similar study in 2011 found that public health benefits can be correlated to the economic health of local businesses. The study claims that counties with vibrant small businesses have lower mortality rates and lower prevalence of obesity and diabetes compared to regions with higher economic concentration.<sup>24</sup> The study's authors make the argument that local ownership of businesses improves "collective efficacy", or the ability of residents to act for the community's benefit.<sup>25</sup>

When consumers purchase local manufacturing products, they are supporting the Worcester area's communities by providing more resources to local businesses and encouraging local growth, which in turn feeds the region's collective efficacy and reinforces its unique culture and identity.

# **Supply Chain Sustainability and Efficiency**

Amidst the growing worldwide concern of climate change and global warming, buying locally is also a useful way to help mitigate environmental impacts related to buying out-of-state or abroad. Buying more local products can cut down on harmful carbon emissions and reduce the carbon footprint caused from greenhouse gases

<sup>&</sup>lt;sup>23</sup> Blanchard, T. and Matthews, T. L. (2006). The configuration of local economic power and civic participation in the global economy. Social Forces, 84(4), 2241–2257. <a href="https://doi.org/10.1353/sof.2006.0080">https://doi.org/10.1353/sof.2006.0080</a>

<sup>&</sup>lt;sup>24</sup> Blanchard, T.; Tolbert, C.; and Mencken, C (2011) as in Mitchell, S. (2020, November 17). Key studies: Why independent matters. Institute for Local Self-Reliance. Retrieved from <a href="https://ilsr.org/key-studies-why-local-matters/">https://ilsr.org/key-studies-why-local-matters/</a>.

<sup>&</sup>lt;sup>25</sup> Ibid.

emitted by automobiles, ships, and planes during shipping.<sup>26</sup> Sustainable supply chains are also more efficient for business.

Dr. Daniel Wahl, a supply chain sustainability expert from Spain, says that supply chains should not necessarily be thought of as linear, but rather as ecosystems which interact with global supply chains. The notion of competition between local and global supply chains - that you can only have one benefiting over the other - is something Dr. Wahl says is a false dichotomy. Dr. Wahl encourages the thinking of "collaborative abundance," a low-impact and efficient system where local producers like manufacturers are empowered by resilient supply chains at the regional level that are environmentally sustainable and interact successfully with the global market.<sup>27</sup>

In Central Massachusetts, locally based companies like additive manufacturer Solvus Global, pie bakery Table Talk Pies, and aerospace manufacturer Wyman-Gordon all successfully work with broader markets or global partners while relying on a resilient local supply chain, similar to how Dr. Wahl describes in the concept of collaborative abundance.<sup>28</sup> These interactions allow for more transactions at the local level, which both encourages revenue recapture and lowers greenhouse gas emissions from logistics.

More than ever before, the pandemic has exposed the weaknesses of global supply chains. While global trade is exceptionally important in the modern era, it cannot act as a substitute for sustainable and efficient local supply chains that are buoyed by strong support from local consumers.<sup>29</sup>

### **Better Prices and Consumer Satisfaction**

Another benefit is that local businesses can deliver better prices and more satisfaction for consumers and B2B buyers. Local small businesses across industries tend to garner more consumer satisfaction than larger, non-locally based companies.<sup>30</sup> Improved consumer satisfaction is a win-win for both consumers and companies by improving consumer outcomes and loyalty to local businesses.

<sup>&</sup>lt;sup>26</sup> Inspire Clean Energy. (2021, April 28). Why are greenhouse gases a problem? Inspire Clean Energy. Retrieved from <a href="https://www.inspirecleanenergy.com/blog/clean-energy-101/what-are-greenhouse-gases">https://www.inspirecleanenergy.com/blog/clean-energy-101/what-are-greenhouse-gases</a>.

<sup>&</sup>lt;sup>27</sup> Wahl, D. in Feggans, L. (2021, May 27). Local or global supply chains: What's best for achieving regeneration? Sustainable Brands. Retrieved from <a href="https://sustainablebrands.com/read/supply-chain/local-or-global-supply-chains-what-s-best-for-achieving-regeneration">https://sustainablebrands.com/read/supply-chain/local-or-global-supply-chains-what-s-best-for-achieving-regeneration</a>.

<sup>&</sup>lt;sup>28</sup> Stuff Made In. (2021, February 16). Made & Built in Central Mass. Stuff Made In. Retrieved from <a href="https://www.stuffmadein.com/made-built-in-central-mass-3251/">https://www.stuffmadein.com/made-built-in-central-mass-3251/</a>.

<sup>&</sup>lt;sup>29</sup> Wahl, D. in Feggans, L. (2021, May 27). Local or global supply chains: What's best for achieving regeneration? Sustainable Brands. Retrieved from <a href="https://sustainablebrands.com/read/supply-chain/local-or-global-supply-chains-what-s-best-for-achieving-regeneration">https://sustainablebrands.com/read/supply-chain/local-or-global-supply-chains-what-s-best-for-achieving-regeneration</a>.

<sup>&</sup>lt;sup>30</sup> Tjan, A. (2014, July 23). Why small companies are better at customer service. Harvard Business Review. Retrieved from https://hbr.org/2009/09/why-small-companies-are-better.html.

Improved outcomes and consumer loyalty to local businesses was a demonstrable effect in North Dakota when the state passed a law to protect the ownership of existing pharmacies by local pharmacists rather than by chain stores. The result was that North Dakota's prescription drug prices rose relatively slowly over the past five years, and the state ranks 13<sup>th</sup> lowest among the states in terms of overall prices. The diversity of consumer choices in pharmacies has also increased.<sup>31</sup>

In general, buying local manufacturing can also reduce lead times, shipping times, and logistical costs for buyers. These lead to better consumer outcomes and satisfaction, as evidenced by a 2020 survey of industrial and B2B buyers which found that about 72% of respondents prefer to source products locally, while just about 11% prefer global sources.<sup>32</sup> In Central Massachusetts, local manufacturers stand ready to deliver better outcomes for their customers.

### **Promoting Entrepreneurship and Innovation**

Entrepreneurship and innovation are also promoted through the practice of buying local manufacturing products. Buying from local manufacturers stimulates the local economy and creates more opportunities for entrepreneurs to thrive.

Studies show entrepreneurs want to set up shop where economic activity is healthy and where communities regularly support local businesses of all kinds.<sup>33</sup> Supporting entrepreneurs through a strong local ecosystem that includes mentorship opportunities, coworking spaces, grants and loans, and robust community support leads to more innovation. Worcester's entrepreneurship ecosystem has proven it has strong fundamentals, with Wallet Hub ranking the city as the second best in New England to start a business.<sup>34</sup> Creating and incubating new manufacturing businesses is part of this regional success.

The area's business incubators, business assistance bureaus, and organizations like the Worcester Regional Chamber of Commerce work to make this strong, regional, entrepreneurial ecosystem a reality. Meanwhile, local manufacturers can offer lower cost goods, improved customer service, and stronger community connections to startup businesses to provide a strategic advantage to entrepreneurs who choose the Worcester area as their first home.

<sup>&</sup>lt;sup>31</sup> Mitchell, S. and LaVecchia, O. (2021, February 24). Report: North Dakota's pharmacy ownership law leads to better pharmacy care. Institute for Local Self-Reliance. Retrieved from <a href="https://ilsr.org/report-pharmacy-ownership-law/">https://ilsr.org/report-pharmacy-ownership-law/</a>.

<sup>&</sup>lt;sup>32</sup> Thomas Publishing Company. (2020, June 23). Top 7 benefits of local sourcing. Thomas Industrial Marketing & Manufacturing Blog. Retrieved from <a href="https://blog.thomasnet.com/top-benefits-of-local-sourcing">https://blog.thomasnet.com/top-benefits-of-local-sourcing</a>.

<sup>&</sup>lt;sup>33</sup> Sustainable Connections. (2021). Why buy local? Sustainable Connections. Retrieved from <a href="https://sustainableconnections.org/why-buy-local/">https://sustainableconnections.org/why-buy-local/</a>.

<sup>&</sup>lt;sup>34</sup> Bonnaci, S. (2016, May 2). Worcester named 2nd Best New England City to start a business in. Worcester Business Journal. Retrieved from <a href="https://www.wbjournal.com/article/worcester-named-2nd-best-new-england-city-to-start-a-business-in">https://www.wbjournal.com/article/worcester-named-2nd-best-new-england-city-to-start-a-business-in</a>.

The creation of more businesses and the incubation of startups leads to both more choices for consumers and more opportunities for employment for local workers. It also leads to more opportunities for B2B sales and supply chain resilience.

Buying from local manufacturers strengthens the livelihoods of entrepreneurs and their innovative qualities, and the more these qualities are supported, the more likely it is the regional economy will benefit.

# **Advancing Socioeconomic Equity**

Purchasing local manufacturing products can also advance social equity and diversity in a region and can help minority- and immigrant-owned businesses thrive.

In urban areas like Worcester where historically disadvantaged communities make up a significant portion of the population, there are large numbers of minority- and immigrant-owned businesses that line the city's streets. In fact, more than one third of Worcester business owners are foreign-born.<sup>35</sup> Supporting local businesses in both retail and wholesale can help these types of businesses which may not enjoy the type of support that white-owned businesses typically do.

Local, state, and federal government in particular can support qualified minority- and immigrant-owned businesses by contracting with them for goods and services for the public. Government is a massive buyer of goods and services, with the federal government alone being the largest single purchaser in the world, spending \$550 billion on procurement in FY2020.<sup>36</sup> Governments have an outsized role to play in empowering local businesses by buying local.

The City of Albuquerque, New Mexico, is one example of a municipal government that committed to a dedicated strategy of buying local to promote racial equity among minority-owned businesses and give them opportunities to succeed and contribute to community projects. Albuquerque has made administrative adjustments to make the procurement process more effective and less convoluted, and has instilled systemic changes in the city government to prioritize diversity and local purchasing.<sup>37</sup>

<sup>&</sup>lt;sup>35</sup> Worcester Regional Research Bureau. (2018). (rep.). The Immigrant Entrepreneur in Worcester. Worcester, Massachusetts: Worcester Regional Research Bureau. <a href="https://www.wrrb.org/wp-content/uploads/2018/11/WRRB-lmmigrant-Entrepreneur-WBJ-Logo.pdf">https://www.wrrb.org/wp-content/uploads/2018/11/WRRB-lmmigrant-Entrepreneur-WBJ-Logo.pdf</a>

<sup>&</sup>lt;sup>36</sup> Toups, M. (2020, January 15). Do you know the largest single purchaser of goods and services in the world? FedBiz Access. Retrieved from <a href="https://fedbizaccess.com/do-you-know-the-largest-single-purchaser-of-goods-and-services-in-the-world/">https://fedbizaccess.com/do-you-know-the-largest-single-purchaser-of-goods-and-services-in-the-world/</a>.

<sup>&</sup>lt;sup>37</sup> Melendez, M. (2019, February 26). How Albuquerque is institutionalizing racial equity, one contract at a time. Living Cities. Retrieved from <a href="https://livingcities.org/blog/1282-how-albuquerque-is-institutionalizing-racial-equity-one-contract-at-a-time/">https://livingcities.org/blog/1282-how-albuquerque-is-institutionalizing-racial-equity-one-contract-at-a-time/</a>.



Contributing to minority- and immigrant-owned businesses, particularly in urban areas, is a sure way to increase economic opportunities for disadvantaged communities and bring about social change for a more equitable economy. In the post-COVID economy, equitable recovery is crucial.

### **Conclusion**

The benefits of buying are both economic and social, including but not limited to increased local job creation and wage growth, investment in local infrastructure and services, supporting charitable community work, retaining local higher education graduates, reinforcing local identity and community engagement, ensuring supply chain sustainability and efficiency, allowing for better prices and consumer satisfaction, promoting entrepreneurship and innovation, and advancing socioeconomic equity. Ultimately, these advantages are interwoven and create multiplier effects that holistically improve economic and social conditions.

The manufacturing sector in Central Massachusetts has always been the economic engine of the region. By continuing to support locally based manufacturers through buying their goods, consumers, businesses, and governments can ensure the Worcester area and its residents reap these benefits.



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