

Building Homes, Building Communities

Study Highlights the Positive Impact of Local Sourcing

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Drive through just about any neighborhood in any state, from Pennsylvania to Oregon, and you're likely to see homes being remodeled, subdivisions growing out of once-empty fields and contractor vans parked in driveways.

It's building season. And unlike the darker days of the recent recession, new homes are going up at a steady pace, consumers are investing in home improvements and remodeling projects are once again getting the green light.

While all of this progress in the housing and renovation market will surely have a positive impact on the communities where it is taking place, one part of the building and remodeling process that is often overlooked is how pros are sourcing the supplies for these projects. And according to a new study from the North American Retail Hardware Association (NRHA) and Independent We Stand (a nationwide movement dedicated to promoting shop-local efforts), where contractors and builders

buy their supplies can have a dramatic impact on local communities.

In fact, the new study, titled *Home Sweet Home Pros' Edition*, shows that for every dollar a contractor or builder spends at locally owned home centers, lumberyards and power equipment dealers, nearly twice as much of that revenue stays in the local community compared to when it is spent at a big-box chain.

This revelation is particularly important to consumers engaging in remodeling and building projects, because they are highly likely to have vested interests in the overall health and well-being of the communities where they are living.

In the following pages, we discuss the results of this study in detail and share how NRHA and Independent We Stand will communicate this message to consumers. We also discuss some of the tools available to independent home improvement retailers to help spread the word about shopping local and its impact.



Methodology

To field this research and crunch the numbers, NRHA and Independent We Stand enlisted the services of Civic Economics, a well-known research firm that provides data to clients throughout the country about the impact of businesses on community development.

Over the years, Civic Economics has developed a reliable methodology for evaluating the level of economic impact particular businesses will have on their local communities.

NRHA and Independent We Stand first worked with Civic Economics on the original *Home Sweet Home Study*, which was conducted in 2015 and showed that for every dollar a consumer spends at a locally owned home improvement store, nearly twice as much of that revenue stays in the local community versus spending that same dollar at a big-box store. (See more on page 42).

This time, the study applies the same principles of research, but examines the local economic impact created when builders and professionals concentrate their purchases at locally owned merchants versus big-box chains.

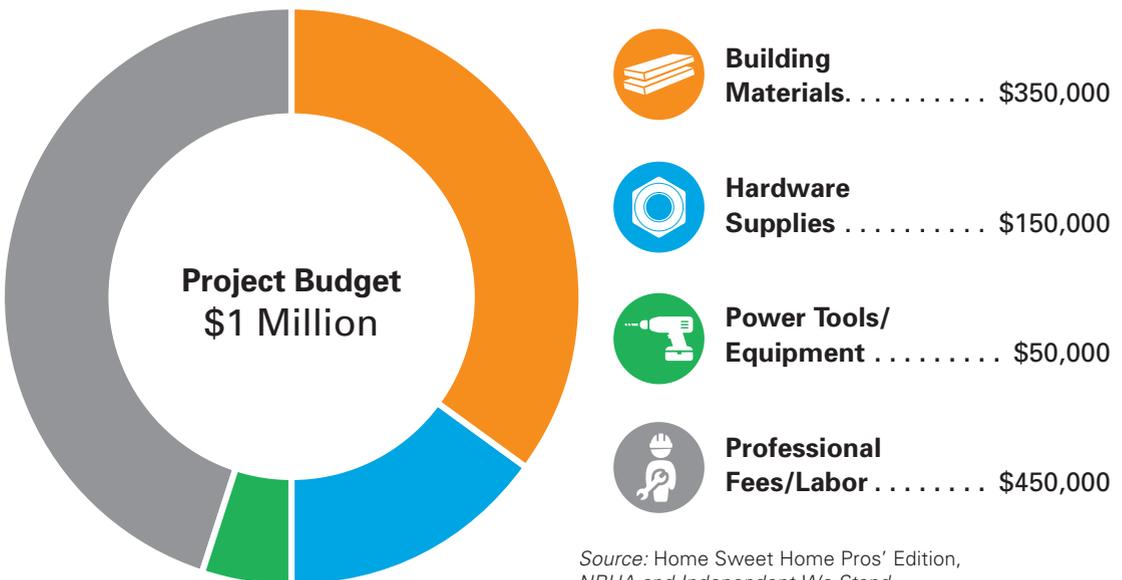
To determine this impact, Civic Economics first creates a hypothetical building project

and determines the different areas where expenditures for this project are allocated.

For this study, the hypothetical project budget was \$1 million, and these expenses fell into four different buckets.

- **Labor:** This accounted for 45 percent of the overall project budget and included the hiring of subcontractors and other laborers to finish the projects. Because local labor is used regardless of where products and materials are acquired, these expenses would not have a measurable impact on the outcome of our study.
- **Building Materials:** This accounted for 35 percent of the overall project budget and included all of the lumber, cement and other building-related materials required to complete the home.
- **Hardware and Finishing Materials:** This accounted for 15 percent of the overall budget and included all of the various fasteners, supplies, fixtures and other items required to construct a home.
- **Power Tools and Equipment:** This accounted for 5 percent of the budget and included the purchase of any specialty tools or power equipment that might be needed on the job site.

Budget for the *Home Sweet Home Study's* Hypothetical Project



Source: Home Sweet Home Pros' Edition, NRHA and Independent We Stand

With the budget determined, Civic Economics used real-world data from different merchants to determine the anticipated local economic impact that would be generated when these funds were spent.

For the data from locally owned retailers, Civic Economics worked with real-world data from retailers in U.S. markets who provided their detailed financial information, and also utilized aggregated industry financial data from NRHA's *Cost of Doing Business Study*. The data for the big-box contributions to local economies came from the annual financial reports filed by publicly traded companies.

To determine "local impact," Civic Economics looks at four primary activities that businesses engage in that have the greatest potential to recirculate revenue back into local communities.

- **Labor:** The salaries of employees who live and spend money in the local community. (Although chain stores typically have more employees, functions like marketing and human resources are often outsourced to headquarters.)
- **Profit:** The percent and amount of net profit a company generates and where those profits end up. (Local owners typically reinvest profits back into their businesses or their employees who live and spend locally.)
- **Procurement:** The goods and services a business patronizes to maintain operations. (Again, locally owned businesses typically use services of other local providers.)
- **Charitable Giving:** The money, goods and services donated by a business. (Many chains give to national organizations instead of local charities.)

Findings

Upon fielding the information, the results were clear. When builders choose to make their purchases at a locally owned retailer, nearly twice as much of that revenue recirculates back into the local economy.

"The contractor, for our one hypothetical home, with \$550,000 in goods purchased, recirculates an additional \$65,000 back into the local economy just by directing his purchases to other local business owners," says Daniel Houston of Civic Economics.

The impact of this kind of localized purchasing becomes even more dramatic when you consider what it could mean at a macroeconomic level, Houston writes in the report findings.

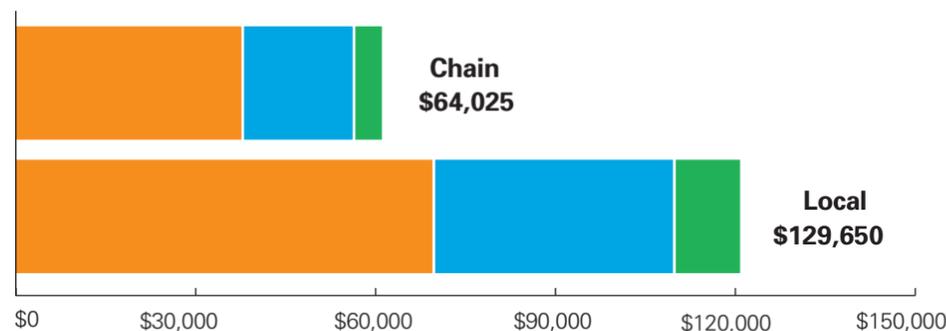
Nationwide, there is roughly \$243 billion spent on single-family residential construction every year, according to Houston. If just 10 percent of those purchases were shifted to local suppliers, hometowns would enjoy the benefits of an additional \$1.5 billion in economic activity for local communities.

"Where local business thrives, the communities benefit. Owners and employees invest in local homes in a way that chain store workers can rarely do; their profits feed Little Leagues and collection plates all over town; and the enhanced tax revenue they drive ensures that the community can provide the services those businesses and their customers require," Houston concludes.

Cumulative Local Advantage

Amount of money from purchases that recirculates into the local community

- Building Materials
- Hardware Supplies
- Power Tools/Equipment



Source: Home Sweet Home Study Pros' Edition, NRHA and Independent We Stand

BUILDING HOMES, BUILDING COMMUNITIES

When professional contractors and builders buy their supplies at locally owned retailers instead of national chain stores, nearly twice as much money stays in the local economy.

- 1 CITY PARKS** will be upgraded with renovated playgrounds and more maintenance.
- 2 JOB CREATION** will increase, providing opportunities for community members.
- 3 CHARITIES** will be able to make a greater impact in their hometowns, helping family and friends.
- 4 SCHOOLS** in the community will receive additional art and craft supplies for classrooms.
- 5 POLICE STATIONS** will benefit from better training and equipment.
- 6 BIKE PATHS** will expand, creating a safe, environmentally friendly means of transportation.



Infographic available with marketing material.

Source: Home Sweet Home Study Pros' Edition

Spreading the Word

Looking at the results of the *Home Sweet Home Pros' Edition*, it is easy to see how this kind of insight might convince consumers, builders and contractors to consider shifting a percentage of their purchases to local businesses.

That's why it is so important to make these groups aware of these findings. NRHA and Independent We Stand are both engaging in ongoing educational campaigns to inform the public about these important findings, but the greatest impact can be made at the local level.

NRHA and Independent We Stand are making a variety of informational and marketing materials available to retailers. These materials are free and can be downloaded at TheRedT.com/pro-shop-local. Materials are available for the *Home Sweet Home Pros' Edition* as well as the original *Home Sweet Home Study*. They are designed to help retailers share with consumers and pros the impact they can make on their communities when they shop locally for home improvement products and supplies.



Home Sweet Home: The Beginning

In 2015, NRHA and Independent We Stand first partnered together on a study called *Home Sweet Home*.

The aim of the initial study was to quantify the real-world impact consumers have when they choose to spend their home improvement dollars at a locally owned hardware store, home center, lumberyard or power equipment dealer as opposed to a big-box chain.

The results of the research were impressive. Using real-world data from retailers, the research showed that, for each dollar a consumer spends at a locally owned home improvement store, nearly two times the amount of that money remains in the local community, compared to spending that same dollar at a national chain store.

Both NRHA and Independent We Stand took this information to the public to help spread the word about the impact of shopping locally for home improvement products.

NRHA and Independent We Stand also developed a wide variety of materials for independent retailers to use to promote these findings in their own stores—from posters and press releases to bag stuffers and seasonal signage. Visit TheRedT.com/shoplocal to download the materials.

These ongoing efforts have made an impact. Newspaper articles, social media posts and countless signage downloads have all helped make consumers aware of the importance of shopping local.

"We were very encouraged by the results of the first *Home Sweet Home Study*," says Bill Brunelle of Independent We Stand. "For the first time, we could really show how shopping locally for your tools, equipment and home improvement supplies was directly correlated to building stronger communities. Now, we are excited to show that the same correlation exists between pros spending locally and the impact it has on communities." →