Key Takeaways

- Local businesses make up a vast majority of businesses in Corpus Christi, but they are typically substantially smaller than other businesses.
- Local businesses recirculate a larger share of every dollar they generate within the local economy because they tend to spend more on local labor, utilize more local goods and services, and keep their profits within the community.
- Compared with their non-local counterparts, local businesses collectively offer an advantage of $27.3 per $100 of consumers spending in Corpus Christi.
- A modest 10% shift in market share from chain stores to locally owned stores in the retail sector would generate a total economic impact of $153 million in annual sales and 1,367 jobs.

Local businesses are the lifeblood of the Corpus Christi...
community. Although most of them are small, they are one-of-a-kind businesses that make a community unique. On the contrary, national chains and franchises tend to offer less personal and more homogenized services.

Big box stores and chain-owned businesses have proliferated across the United States. They have also accounted for a vast majority of new business openings in Corpus Christi. In response, a growing number of small business alliances in many communities, including the local United Corpus Christi Chamber of Commerce, have launched a “buy local” campaign. From the community perspective, it is easy to understand the need to support local businesses, while consumers’ individual spending decisions are driven largely by the prices they pay.

This report first reviews the current state of locally owned or independent businesses in the city of Corpus Christi, followed by a look at their distinctive benefits to the local economy in comparison with their non-local counterparts. Given these data, we project the impact on the local economy under a hypothetical scenario that redirects consumer spending from non-local to local businesses.

**Market Shares**

The following table compares local and non-local businesses in Corpus Christi by broad sectors (2-digit NAICS classification). The data are compiled from over 10,000 business entities with payroll. To avoid the potential distortion that might be caused by COVID-19, the data for 2019—the year before the pandemic—are used. A business establishment is classified as locally owned if its owner’s address is in Corpus Christi. A non-locally owned business is typically a branch or franchise of a company headquartered outside
Corpus Christi.

Local residents own more than 9 out of 10 businesses (91%) in Corpus Christi. Nearly all construction firms in Corpus Christi are locally owned (99%). Two sectors have proportionally more non-locally owned businesses. In the retail trade sector, chain and big box stores make up 18% of all retail shops and groceries in the city. In the hospitality sector, which consists of the area's hotels/motels, and restaurants and bars, 27% of establishments in Corpus Christi are non-locals.

The Local Advantage

Locally owned businesses are substantially more popular by their numbers, but they are typically much smaller by employment size or revenue. Overall, local businesses on average hire 15 employees, less than half of the staffing size of 32 among their non-local counterparts. Their average annual
sales volume at $3.6 million is also substantially smaller than $20.6 million for non-local businesses.

A comparison of the relative sizes of employment and sales figures confirms the conventional wisdom that locally owned businesses on average hire more employees than non-locals do for generating the same amount of revenue.

To analyze the economic impacts of locally owned businesses versus their national chain competitors, we first consider the types of local economic activities are tied to the operation of a business. A business operates with three broad types of resources, namely land, physical capital and labor. The expenditures on land and physical capital, such as office and store buildings and equipment, are largely the same between locally and non-locally owned businesses.

However, these two types of businesses differ significantly in the total amount of employees they hire locally, the procurement of local supplies and services, and the distribution of profits. While such differences vary across industries and across different areas, one underlying pattern is clear from a series of studies conducted by Civic Economics in the last two decades: the economic impact of locally owned businesses on the community is greater because they recirculate a larger share of their revenues within the local economy.

Three distinctions in how those businesses are run drive those outcomes:

1. **Labor Costs:** Local businesses spend a larger portion of their revenues on local labor. For national chain businesses or branches, top management and administrative personnel are typically located in their headquarters elsewhere.
2. **Procurement of Local Goods and Services:** In addition to administrative personnel, local businesses rely more on locally provided services, such as legal, accounting, and marketing, as well as goods and other supplies from local sources. Locally produced goods are either for the businesses' own operations or for resale. For national chains, these goods and services are typically provided in-house at the corporate headquarters or from distribution centers out of town.

3. **Profits:** For local businesses, profits stay with their business owners in the community. Publicly held corporations, on the contrary, distribute profits to investors around the world.

The above disparities between local and non-local businesses result in different amounts of revenues being recirculated locally. In addition to businesses' spending on local resources, those total amounts include local taxes and donations to local charities.

Estimates for Corpus Christi are drawn from the findings for individual businesses in different industries as reported by Civic Economics for small business communities in cities like Austin (2002), Chicago (2004), San Francisco (2007), Grand Rapids in Michigan (2008), New Orleans (2009), and Louisville in Kentucky (2012). The studies for these cities follow the same methodology in calculating the amounts of revenue recirculated within the local communities. We adopt the most conservative data among those reported in the context of the differences between the locally owned businesses and their non-local counterparts. Most reports focus on retail stores, such as booksellers, sporting goods stores, and groceries. The estimates for the two trade sectors (wholesale and retail trade) and the majority of services sectors are derived from the Chicago study.
The sample in the study for Grand Rapids in West Michigan is more extensive, including banks. The overall portions of revenues staying within the local economy are 68% and 43% for local and non-local businesses, respectively. These overall estimates are applied to those sectors without relevant data, such as mining and manufacturing. The diagram on the right compares the different activities inside and outside the Grand Rapids economy that are tied to the two types of businesses.

The bar chart below displays estimates for the amounts that each $100 in revenues are recirculated locally by Corpus Christi’s businesses in different sectors. Compared to their non-local counterparts, local businesses recirculate a larger share of every dollar they generate within Corpus Christi. Put differently, non-locally owned businesses generate more “leakages” in their contributions to the local economy. Together, local businesses offer an advantage of $27.3 per $100 of consumers spending in Corpus Christi.

Source: Civic Economics, Local Works! Examining the Impact of Local Business on the West Michigan Economy, September 2008
The “premium” measurements allow us to calculate the impacts of local businesses as opposed to non-local businesses. In 2019, non-local businesses in Corpus Christi generated roughly $18.3 billion, or 36% of local sales totaling $51 billion. For each sector, the total “premium” of local businesses can be measured by applying the “premium” factor to the total sales volume of all non-local businesses.

In all, local businesses across different sectors generated an estimated annual “premium” of $4.4 billion, which represents the total amount of money that otherwise would have stayed within the Corpus Christi community.

**Economic Impact of Shopping Local**

The above narrative represents only the initial round of
enhanced local economic impacts associated with locally owned businesses. As for most major developments in the local economy, any change in consumer spending habits or government policy intervention that meaningfully shifts local spending from non-local to local businesses would generate more than the initial change in business activity. When a business utilizes more local labor and local supply chains, those additional economic activities further create a ripple or “multiplier” effect that spreads across the entire local economy.

A major change in business activity generates two broad types of economic impacts. The first is called indirect impact, which includes the effects of local businesses buying goods and services from other local vendors. The effects work backward through the supply chain until money leaves the local economy. The second type of impact includes induced economic activities generated initially by the spending of the employees of the local businesses. The money is recirculated repeatedly within the community through additional household spending, causing additional local economic activity.

The “total” economic benefits of shifting business activity to locals by buying more from them can be estimated using the popular IMPLAN database of economic multipliers for the area. Including indirect and induced economic impacts, the estimated $4.4 billion “premium” of locally owned businesses in Corpus Christi would generate a total of $6.7 billion in additional local business revenues.

Despite the greater local impacts of local businesses, national chain stores and branches of publicly held corporations are vital to our local economy. It would therefore be unreasonable to replace them all with locals. For this reason, most advocates for buying local are concerned mostly with local retailers and
restaurants. Their presence expands the variety of consumer choices and customer services for local residents as well as visitors to the community.

As for all similar studies for other cities, a modest change in consumers’ spending at locally owned businesses can generate substantial local economic impact. Following Civic Economics’ methodology, we project the economic impact of a 10% shift in market share from chain stores to locally owned stores in the retail sector. This shift translates into $576 million in additional sales for locally owned retailers in Corpus Christi and an increase of $98 million in their money being circulated back to the local economy.

Including the ripple or multiplier effects, this change would contribute to a total increase of $153 million in business sales annually. The expanded economic activity would support a total of 1,367 jobs.

**Government Procurement**

Beyond consumers, local government agencies can also make a big difference to the local economy by shopping local. For instance, the vendor database of a major local government agency in Corpus Christi shows that local businesses account for 46% of its vendors and 25% of that entity’s procurement values totaling $42 million annually. More utilization of local vendors and their services would further benefit Corpus Christi’s economy. Other than enhancing entrepreneurship in the community, buying local also means more opportunities for developing local talents and expertise that would in turn mitigate the extent of brain drain in the region.

In recognition of the contribution of local businesses, the Corpus Christi City Council enacted a [Local Preference Policy](https://storymaps.arcgis.com/stories/2a3461a9840942c3b2ff3589f3991eef) on February 8, 2022. In this new ordinance, local businesses
may earn extra scores in the City's procurement process over out of-town companies bidding for city contracts.

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Cover Photo: MadeInCorpusChristi.com