

Indie Revival

Speaking notes from presentation given by Stacy Mitchell at the Alliance of Independent Media Stores conference in Atlanta on September 12, 2013. Slides online at www.ilsr.org.

1. The Good News — Although once assumed to be doomed to the dustbin of history, independent businesses are showing remarkable signs of renewed vitality and even a resurgence in some sectors.

- There are 249 more independent bookstores in the U.S. today than in 2009.
- Independent coffee shops have been opening locations at one-and-a-half times the rate of Starbucks.
- In the last 10 years, the number of farmers markets has grown from 3,000 to almost 8,000.
- The U.S. is home to 112,000 more small farms today than existed in 2002.
- Over 1,400 small grocery and speciality food stores have sprouted up across the country.
- Locally owned inns and B&Bs have booked a record number of stays over the last five years.
- Long-dormant factory buildings in cities like New York and San Francisco are filling up with a new generation of small-scale producers making apparel, housewares, and other products marketed to consumers eager to buy "locally made" goods.
- The number of independent fabric stores has increased by over 400 since 2002.
- We've gained over 300 new pet stores.
- Independent pharmacies are holding their own and even gaining ground in some states. In New York state, for example, independents have 58 percent of the prescription drug market. In May, *Consumer Reports* found that independents are cheaper on average than most chains, including Walmart, Target, and CVS.
- Millions of people have moved their bank accounts from big banks to local banks and credit unions. Credit unions have gained 7 million new members since 2007.
- Record Store Day has become a global sensation drawing thousands of people into record stores.

In the overall scheme of things, these shifts are still quite modest, and big companies like Walmart and Amazon continue to gain ground. But this is a remarkable change from the 1990s and early 2000s, when the news was almost universally grim.

2. What Changed — What's driving this renewal of independent businesses? More than anything, it's that independent business owners stopped sitting on the sidelines. In the last few years, growing numbers of local businesses have been joining together to fight back and to engage the public.

Buy Local First Campaigns — Independent Business Alliances and Local First campaigns have taken root in over 150 cities. More than 40,000 independent businesses are now members of these initiatives.

Buying groups — Independent businesses in many sectors have joined forces to negotiate collectively with suppliers and act more strategically in the marketplace.

Influencing elected officials — Independent business owners are becoming more outspoken on policy issues that affect them.

Crucial realization: Despite the differences across sectors, all independent businesses face common challenges. Namely, that big players use their market power and their political power to get special deals and policy favors.

What the last few years have shown is that, if independent businesses act together, they can change these dynamics.

3. A Solution to What Ails Us — Independent businesses have an incredibly powerful case to make, an explanation of what has gone so wrong with the U.S. economy and how to rebuild middle class prosperity.

Big retailers have wiped out key pillars of the American middle class: small business, union jobs. All they have given us in return are really bad jobs.

Not only are these jobs bad, but there are a lot fewer of them. For every \$10 million in sales Amazon does, it creates 14 warehouse jobs. Big chains create 50 jobs. Independent record stores create 110.

And these are just the retail jobs. Independent businesses also sustain many other jobs by virtue of the way they contribute to the local economy.

Larger market share for small businesses = Higher income growth, lower poverty

4. What an Algorithm Can't Provide — Independent businesses also have a very compelling case to make to consumers. Shopping indie is so much more interesting. It's a richer experience. It delivers unique benefits that can only come from face-to-face relationships.

I think the reason farmers markets are mobbed, why more people are seeking out indie bookstores, is that people love this experience. It's highly social, and exquisitely unique to the place where you live.

Independent retailers provide value that no computer algorithm can match. Two stories.

5. Changing Minds & — But, while there's a great story to tell, we've done a mediocre job of getting it out there. The media narrative overall is pretty abysmal. We can change it.

Local businesses play a vital role in the economy; they are often on the leading edge of new innovations. But you wouldn't know that reading the news. The media tells a very resigned story about the inevitable demise of "mom-and-pop" retailers, portraying independent businesses as old-fashioned and irrelevant.

Changing the media narrative.

Buy Local First. Good media stories and good information can change how people see things. But the most effective way to change their day-to-day habits is by connecting with them at the community and neighborhood level. Creating social change through grassroots marketing and mobilization.

ILSR's annual Independent Business Survey has consistently found that these initiatives are making a difference. Why they work: 1) Neighbor to neighbor, not mediated. 2) Extensive reach at low cost. 3) The power of cross-marketing.

6. Enlisting Manufacturers — Customers are only one side of the equation. Independent retailers also need to change how the other players in their industries view and support them.

Although they are only a small fraction of the market, indie retailers play an out-sized role in driving new product discovery and overall sales. Manufacturers need to recognize this and account for it in pricing and promotional deals.

According to research by the Codex Group, 50 percent of book sales — print and digital — now occur on Amazon. But only about 6 percent of these buyers discovered the book on Amazon. Where do readers learn about the titles they end up adding to the cart on Amazon? In many cases, at bookstores.

Similar dynamic at play in other sectors, such as toys and sporting goods. More manufacturers are recognizing the value that brick-and-mortar independents deliver, even when customers only browse there but buy elsewhere, and are restructuring pricing and promotional spending to reflect this.

7. Getting Political — Lastly, we need to demand a level playing field for independent businesses. The biggest lie out there is that indie businesses are the victims of market forces. The reality is that they are victims of government policies that have given huge advantages to their biggest competitors.

Subsidies, tax loopholes, land use rules that favor sprawling chains and undermine Main Street business districts, failure to enforce antitrust laws, a banking system that has dramatically reduced the availability of credit for small businesses.

Politicians of all political stripes love to sing the praises of small businesses, but they are in fact doing just about everything they can to undermine their future survival. It's time to campaign for a level playing field and for policies that will rebuild our local economies.

ILSR provides research, models, and technical assistance. Examples of the policies we're passing. Localist Policy Agenda.

Advocates for Independent Business — a new coalition of trade associations.

For more, visit www.ilsr.org.