



2014 Independent Business Survey

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About AIB

Advocates for Independent Business (AIB) is a coalition of organizations that represent locally owned, independent businesses. AIB seeks to ensure a vibrant future for independent businesses by advocating for public policies that will create a level playing field and enabling its member groups to share information and programs. AIB's members include the American Booksellers Association, American Independent Business Alliance, American Specialty Toy Retailing Association, Business Alliance for Local Living Economies, Independent Running Retailers Association, Independent We Stand, National Bicycle Dealers Association, Professional Association of Innkeepers International, Record Store Day, and Soccer Dealer Association.

www.indiebizadvocates.org

About ILSR

The Institute for Local Self-Reliance (ILSR) is a 39-year-old national nonprofit research and educational organization. ILSR's mission is to provide innovative strategies, working models and timely information to support strong, community rooted, environmentally sound and equitable local economies. To this end, ILSR works with citizens, policymakers and businesses to design systems, policies and enterprises that meet local needs; to maximize human, material, natural and financial resources; and to ensure that the benefits of these systems and resources accrue to all local citizens.

www.ilsr.org



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Key Findings

The 2014 Independent Business Survey gathered data from 2,602 independent, locally owned businesses across all 50 states. A little over half of the respondents are retailers and the remainder encompass a wide variety of industries. Among the survey's key findings:

Sales Growth — Independent businesses reported revenue growth of 5.3% on average in 2013.

Holiday Sales — The retailers surveyed experienced a 1.4% increase in same-store holiday sales, which was comparable and, in some cases, superior to the holiday sales results of competing chains.

Buy Local — The Local First movement is influencing buying habits. A large majority of businesses located in cities with an active Local First campaign reported that the initiatives had brought in new customers and/or generated other specific benefits. These businesses experienced revenue growth of 7.0% in 2013, compared to 2.3% for those in places without such an initiative.

Biggest Challenges — Competition from large internet companies was rated as the biggest challenge facing independent businesses, particularly among retailers, 69% of whom ranked it as a very or extremely significant challenge. Other leading concerns include supplier pricing that favors big competitors, high costs for health insurance, and escalating commercial rents.

Internet Sales Tax — More than three-quarters of independent retailers said that the fact that many online companies are not required to collect sales tax had negatively impacted their sales, with 41% describing the level of impact on their sales as "significant."

Access to Credit — The survey found that access to credit is a major barrier impeding expansion for a sizable minority of independent businesses. While only one-third of the businesses surveyed applied for a bank loan in the last two years, of those that did seek financing, 42% either failed to obtain a loan or received a loan for less than the amount they needed.

Policy Priorities — Independent businesses ranked the following as their top policy priorities: eliminating public subsidies for big companies, capping credit card swipe fees, lowering taxes, and passing legislation to extend sales tax collection to large online retailers.

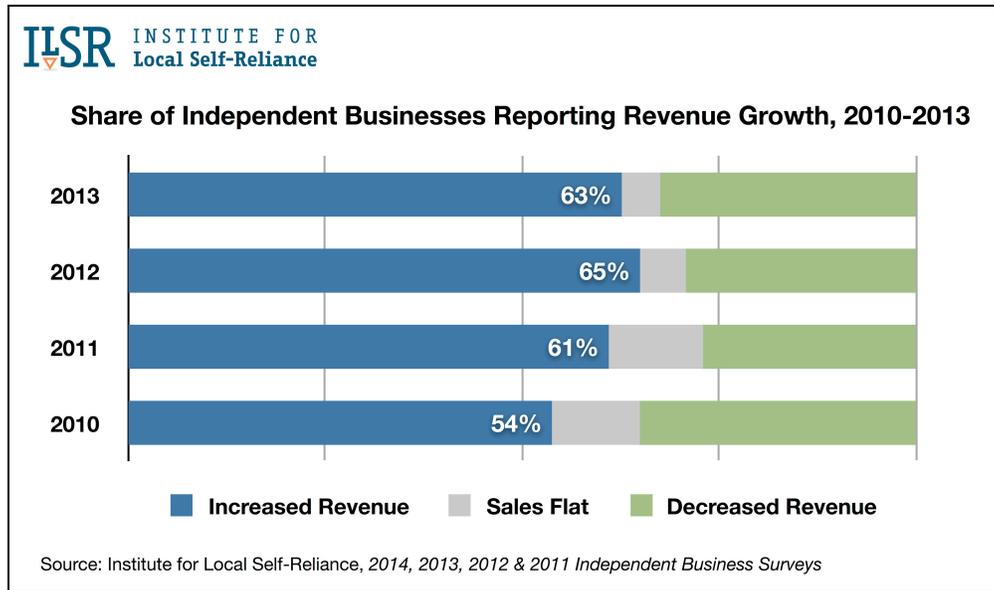
About the Survey

The Institute for Local Self-Reliance's 7th annual Independent Business Survey gathered data from **2,602 independent, locally owned businesses** across all 50 states and the District of Columbia. The respondents encompass a range of business types. A little over half are retailers. The remainder include a mix of service providers, manufacturers, farmers, banks, restaurants, wholesalers, and others. These businesses **employ a total of 30,049 people**. They range in age from recent start-ups to businesses founded more than a century ago. The **median age is 13 years**.

The survey was conducted online in January in partnership with the Advocates for Independent Business. The survey was distributed to independent business owners by AIB's members and allied organizations, including the American Booksellers Association, American Independent Business Alliance, American Specialty Toy Retailing Association, Business Alliance for Local Living Economies, The Fabric Shop Network Inc., Independent Running Retailers Association, Independent We Stand, National Bicycle Dealers Association, Professional Association of Innkeepers International, Record Store Day, Soccer Dealer Association, TriMega, and numerous local independent business groups.

Sales Growth in 2013

Most independent businesses experienced growth in revenue in 2013. Survey respondents reported that their comparable sales grew by 5.3% on average. The median was 4.0% (meaning half of the businesses had revenue growth above 4.0% and half below 4.0%). A slightly smaller portion of the respondents (63%) experienced revenue growth in 2013 than in our 2012 survey (65%), but the share of businesses reporting sales gains remained well above the low level of 2010.



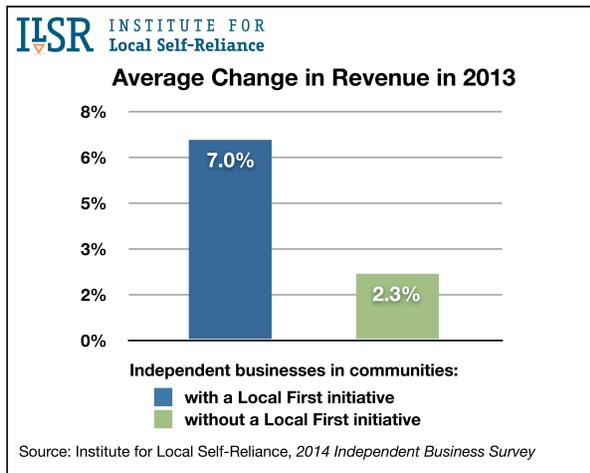
Among retailers, which comprised a little over half of the survey respondents, comparable annual revenue ("same-store sales") was up 2.3% for the year, while holiday sales were up 1.4% over the 2012 season. These results are comparable to same-store holiday sales growth at many competing retail chains:

Change in Holiday Sales

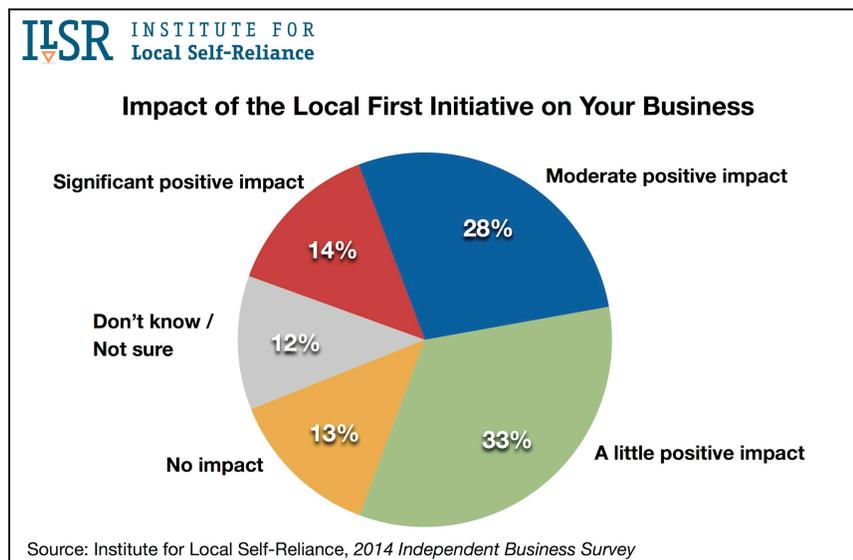
L Brands	2.0%
Toys R Us	1.8%
Independent Retailers	1.4%
The Gap	0.0%
Best Buy	-0.9%
Barnes & Noble	-5.5%

"Local First" Driving Customer Traffic

The survey found that independent businesses located in cities with Local First campaigns run by local business alliances outperformed those in cities without such a campaign. (Each of our surveys over the past 6 years has produced the same finding.) Businesses in places with a Local First initiative reported an average sales increase of 7.0% in 2013, compared to 2.3% for those elsewhere. In addition, the share of businesses that posted revenue growth in 2013 was higher in Local First cities (67%) than in places without a campaign (55%).

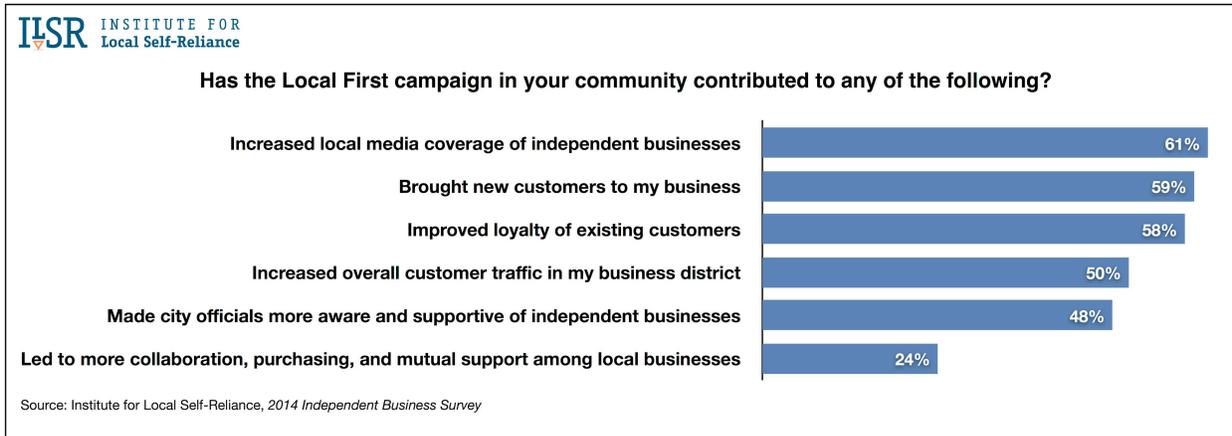


Among the independent retailers surveyed, those in cities with an active Local First initiative reported higher average holiday sales gains (1.6%) than those in cities without such a campaign (1.2%). While 65% of independent retailers in Local First cities reported flat or rising holiday sales, only 58% of those in other regions did.

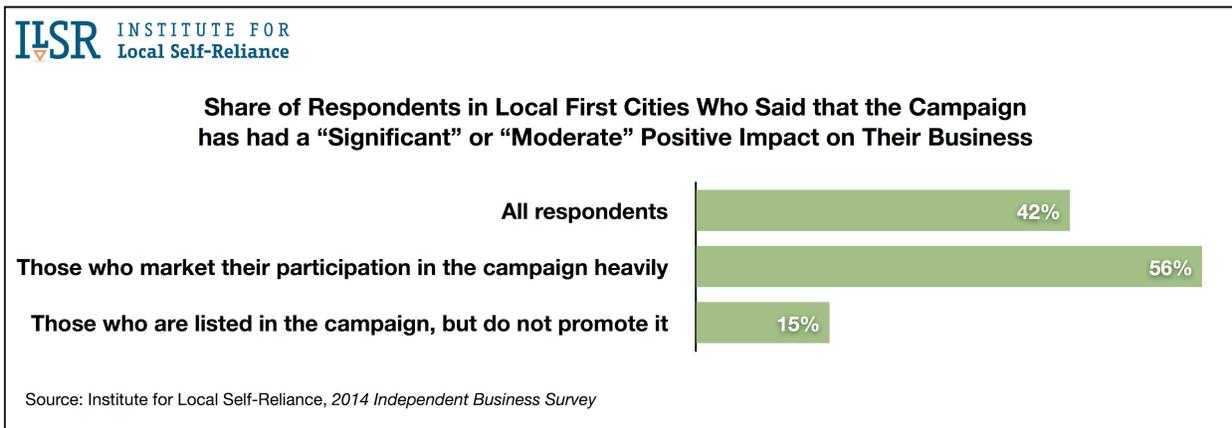


Among survey respondents in cities with a Local First initiative, 75% reported that the initiative had had a positive impact on their business, with 42% describing that impact as "moderate" or "significant." About 12% reported that they did not know what impact the campaign had had, and 13% said it had had no impact on their business.

Businesses in Local First communities reported several specific benefits from the initiative, including increased customer traffic and more media coverage:

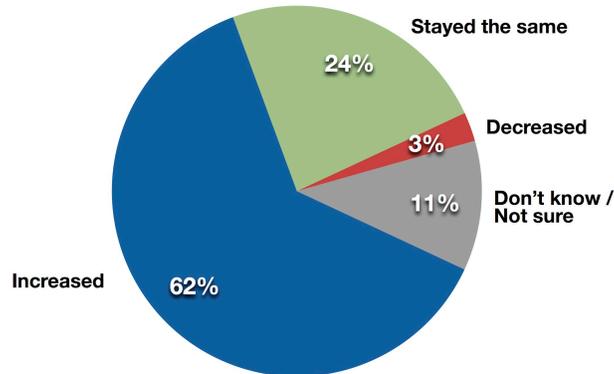


Interestingly, businesses that participate more in their community's Local First campaign report a bigger impact from the campaign than those who are less engaged:



In addition to local Local First initiatives, several national educational and marketing campaigns, such as Small Business Saturday, have contributed to growing public awareness and interest in supporting independent businesses. According to a majority of all survey respondents, public awareness of the value of locally owned businesses increased in 2013. Among those in Local First cities, 67% reported an increase in public awareness, compared to 53% of those in cities without a local campaign.

Do you think public awareness of the benefits of supporting locally owned businesses has increased or decreased in the last year?



Source: Institute for Local Self-Reliance, 2014 Independent Business Survey

"The American public is absolutely growing more aware of the 'Buy Local' movement and better understanding why it's important," noted a small business owner in New Hampshire. "This was a good year for my bookstore. Shop Local and the improving economy had a good effect," reported a bookstore owner in Wisconsin. The Local First campaign is "significantly contributing to the stability of independently owned businesses here," said a retailer in North Carolina.

Biggest Challenges Facing Independent Businesses

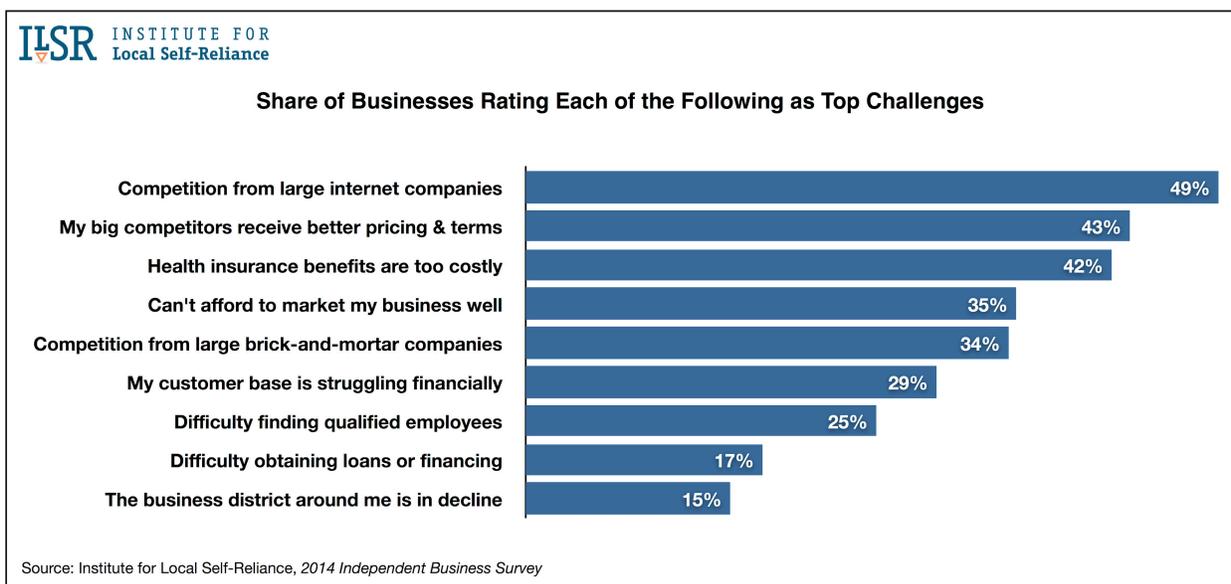
Survey respondents were asked to rate how significant various challenges are to their business on a scale of 1 to 5, with 1 being not at all challenging and 5 being extremely challenging.

"Competition from large internet companies" not only received the highest average score (3.2), but was ranked as a 4 or 5 by nearly half of the businesses surveyed. Among retailers, the share was even larger, with 69% ranking competition from large internet companies as a 4 or 5 (only 40% ranked "competition from large brick-and-mortar companies" at the same level of significance).

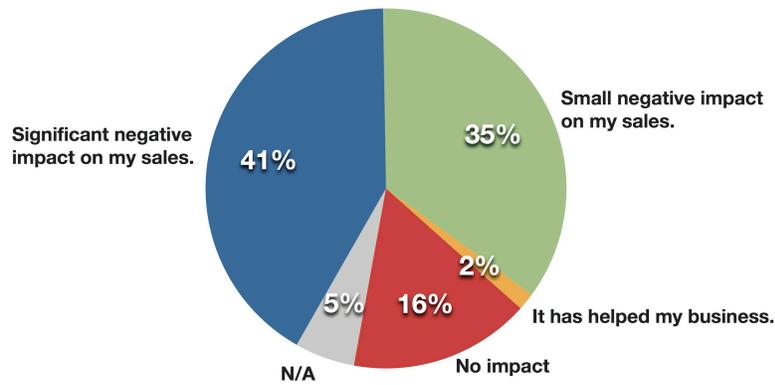
"In 2013, the challenge to compete with internet-only shops who offer goods below [cost] became even more significant," reported a fabric store owner in Oregon. "Amazon doesn't care if they lose money on books, as they will make up the [difference] in other areas," said a bookseller in Florida. "Online retailers effectively control markets with below-cost pricing," said a bicycle store owner in Kansas.

More than three-quarters of independent retailers said that the fact that many online retailers are not required to collect sales tax had negatively impacted their sales, with 41% describing the level of impact as significant. A sporting goods retailer in Virginia noted that this is a major issue for the business and said, "ALL businesses should charge the end user the same tax I have to charge my customer."

Other top-ranked challenges among independent business owners included supplier pricing that favored their big competitors and high costs for health insurance.



If you are a retailer, how has your business been affected by the fact that internet retailers do not have to collect sales tax in many cases?



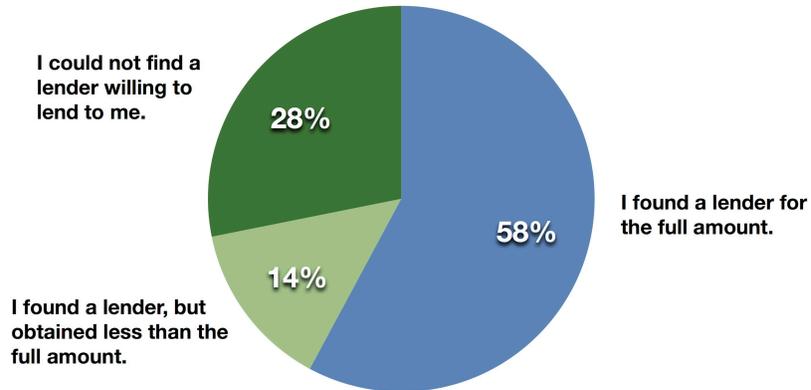
Source: Institute for Local Self-Reliance, 2014 Independent Business Survey

Asked in an open-ended question about additional challenges not listed, respondents cited a wide range of issues. By far the most commonly mentioned challenge was rapidly rising costs for rent. "My landlord offered to buy us out so he could bring in a national chain to collect more rent," said a business owner in Maine. "Landlords want too much rent that only restaurants and big boxes can afford," said a retailer in Michigan.

Bad weather and the government shutdown were also frequently mentioned as particular challenges in 2013.

The survey found that access to credit is a significant issue for a sizable minority of independent businesses. While only one-third of the businesses surveyed applied for a bank loan in the last two years, of those who did seek financing, 42% either failed to obtain a loan or received a loan for less than the amount they needed. "We cannot get a loan for new equipment which would make us more profitable," said a business owner in Maine. "I have been trying to get a loan for 3 years. Banks make you go through months of red tape and still don't grant the loan," said a food retailer in Michigan. "Raising capital at reasonable rates and terms is extremely crucial."

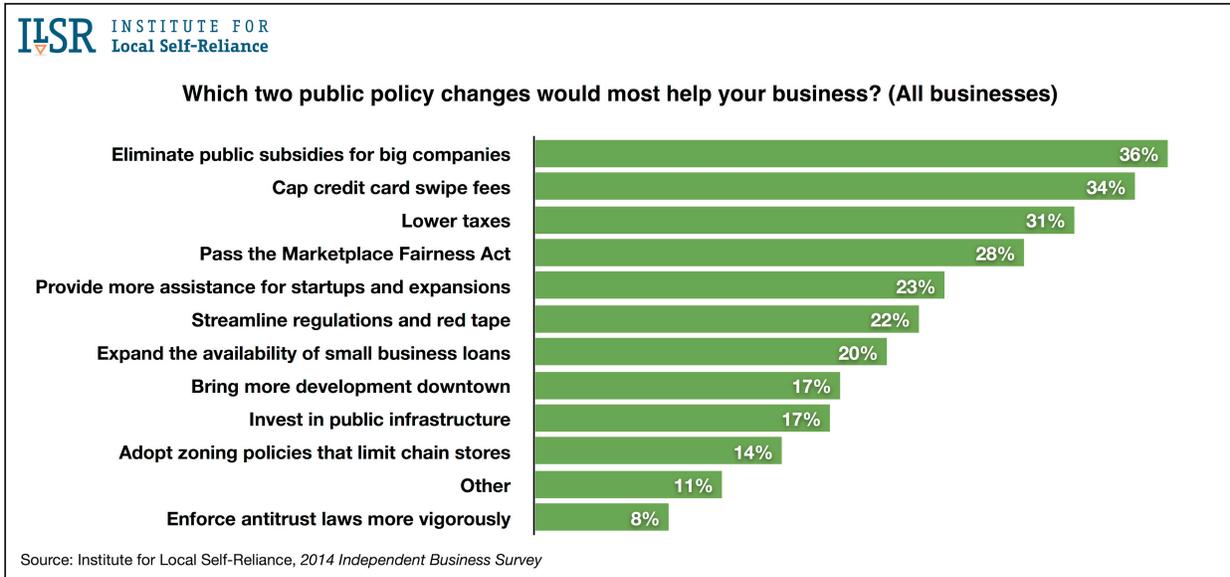
**Access to Credit Among Respondents Who Sought
a Business Loan in the Last Two Years**



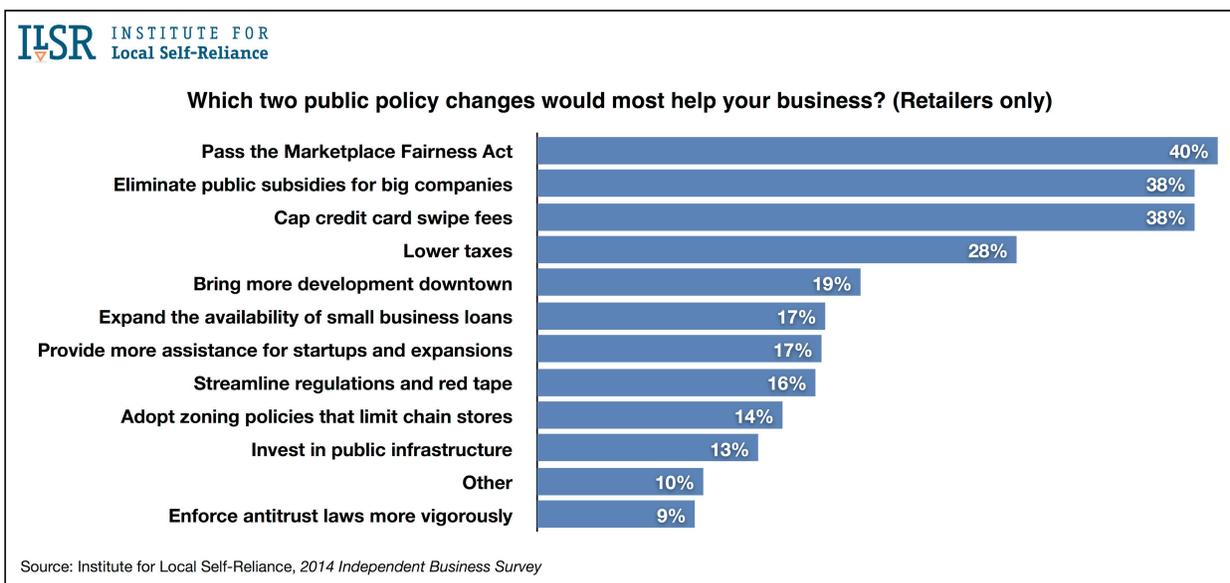
Source: Institute for Local Self-Reliance, 2014 Independent Business Survey

Top Public Policy Issues for Independent Businesses

Survey respondents were asked which two policy changes would most help their businesses. The top answers were eliminating public subsidies for big companies, capping credit card swipe fees, lowering taxes, and passing the Marketplace Fairness Act (a federal bill that would extend sales tax collection to large online retailers).



For the retailers surveyed, requiring online retailers to collect sales tax was the top priority, followed by eliminating subsidies for big companies and capping credit card swipe fees.



"Too many subsidies are being freely offered to large retail chains that small businesses could use more efficiently to produce jobs in the community," said a local business owner in Pennsylvania. "One of the largest companies, Amazon, gets a sales tax rebate from one of the poorest states, Kentucky. I think Amazon will continue to be wealthy, and Kentucky will continue to be poor," said a bookseller in Kentucky. "Capping credit card swipe fees is extremely important as more and more transactions are credit or debit card payments," said a retailer in New Hampshire.

The policy priorities of new businesses (those less than 5 years old) were different and seemed to reflect particular difficulties and barriers in starting a business that policymakers could take steps to address. The top four policy priorities among this segment were: bringing more development downtown, expanding the availability of small business loans, providing more assistance to startups, and streamlining regulations and red tape.

In addition to ranking the policy issues listed, survey respondents had the option of specifying other policy issues. Among those who did, the most common responses were shifting government purchasing to local businesses, offering incentives for property owners to lower commercial rents for independent businesses, and implementing land use policies that support healthy Main Street business districts. "State and local government need to establish small business procurement programs that set aside significant purchasing opportunities for only small businesses," said a small distributor in California. "We need to advocate with landlords and regulate rent increases for small independent businesses allowing them to stay in their current spaces," said a retailer in New York.

Many businesses also cited wage and income policies. While about half expressed concern about raising the minimum wage, the other half advocated lifting wages in order to expand the middle class and boost consumer spending. "The minimum wage in Washington is the highest in the nation. My labor costs are hurting my business," said a restaurant owner. "We need to raise the minimum wage to get the economy growing again," said a business owner in Utah. "I believe the biggest impact on our business is the pressure on middle class incomes," said a bookseller in Illinois.

Asked how frequently they advocate on public policy issues that affect locally owned businesses, half of respondents reported that they advocate "frequently" or "occasionally."

In the comments they volunteered, many respondents cited a lack of a strong small business voice as one of the reasons government policies often tilt the playing field, putting them at a competitive disadvantage relative to their larger rivals.

"Large corporations have the money for lobbying to influence government laws, rules, and regulations, which quite often have a negative impact on small business," noted a retailer in Michigan. "We recently had our own Chamber of Commerce lobby the town to allow bigger roadside signage to tempt a big-box development," lamented a retailer in North Carolina. "The reason small local businesses are not counted is that there is no effective lobbying group. Local First campaigns should concentrate on developing a lobby with money and a voice," said a restaurant owner in Utah.

