

# Ensuring a Future for Independent Businesses

by Stacy Mitchell\*

Thank you. It's wonderful to be with you today. I'm feeling fairly optimistic about the future of locally owned businesses. Much is happening around the country. Dynamic and effective educational campaigns, like the Buy Local Utah campaign that Betsy Burton discussed, are now underway in some three dozen cities. A growing number of communities are adopting policies that curb chain store proliferation, as well as economic development initiatives that foster locally owned businesses.

And there are tantalizing signs that independent retailers in some sectors are poised for a comeback. The market share of independent bookstores has held relatively steady for the last few years.

Independent pharmacies are on the rebound. You may be surprised to learn that there are nearly 400 more local pharmacies in this country today than there were three years ago.

Ace Hardware, which, as you may know, is a national wholesale cooperative owned by thousands of independent hardware stores, reported that last year, for the first time in memory, they broke even in terms of membership. That is, they had as many new independent hardware stores open in 2005 as existing hardware stores close.

We have a long way to go of course, but I am encouraged. Today I'd like to offer four strategies that I think we need to employ to kindle a revival of locally owned businesses.

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First, we need to take advantage of every opportunity to build public awareness of the hidden costs of corporate retailers and the economic benefits of local businesses.

There are pervasive misconceptions about chain stores that we need to correct. And we have the data with which to do it. We know, for example, that superstores eliminate more retail jobs than they create. This has been demonstrated conclusively in a new national study that tracked Wal-Mart openings since the 1970s and found that, on average, each of its stores causes a net loss of 180 retail jobs.

We know too that the tax windfalls that many communities expect new shopping centers to generate are a mirage, once you account for the added cost of public services and the lost revenue from existing businesses districts.

We know that a dollar spent at a locally owned business has a much bigger impact on your local economy than a dollar spent at a chain. This is because local retailers buy many goods and services from other local businesses. Those dollars are spent and re-spent locally. Chains have little need for these local services and instead siphon money out of the community.

We know that the big-box economic model is destroying key pillars of the American middle class—namely small business owners and manufacturing workers, who have been losing their jobs in droves as companies like Home Depot and Target insist that suppliers move to low-wage countries.

We know from a growing body of fascinating sociological research that communities that have a larger share of locally owned businesses rather than chains score higher on a variety of social and civic measures. They have lower rates of crime and poverty, greater participation in civic organizations, and higher rates of voting.

We need to do more to get this information out and to make "locally owned" something that people consider when they shop.

Second, we need to appeal to people's deeper aspirations. What I love about many of the buy-local campaigns that are underway around the country is that, while they are not afraid to openly criticize the chains, they are, by and large, positive. They evoke a vision of strong, close-knit, and economically independent communities.

At a time of pervasive anxiety and uncertainty, when powerful entities like the federal government and multinational corporations seem out of our control, a message of local economic self-reliance and community self-determination is deeply compelling. I think we need to find ways to tap into that.

Third, we need to work on public policy. For many years, government policy—in the form of subsidies and tax loopholes, lax antitrust enforcement and rigged regulations—has tilted the playing field, undermining the survival of independent businesses, while underwriting the proliferation of chains.

We need to tilt it back. Local business owners have played crucial leadership roles in dozens of campaigns to revise city and regional planning policies. Recently, Russ Lawrence of Chapter One Books in Hamilton, Montana, helped galvanize an effort to restrict big-box development in his county. Over 1200 people turned out for the public hearing on the ordinance and it was unanimously adopted.

Over the last couple of months, in the Midcoast region of Maine, voters in one town after another have been adopting laws that effectively prohibit the construction of big-box stores and category killers. Again, local businesses, like Maine Coast Book Shop, have been instrumental in the passage of these policies.

In Austin, Texas, the Austin Independent Business Alliance has endorsed an ordinance that would require that the city, before deciding whether to approve a new superstore or shopping center, undertake an economic impact analysis that would quantify the effect of the project on jobs, taxes, and local businesses.

In Chicago, Minneapolis, Baltimore, and San Francisco, business owners and citizens groups are working on measure to restrict the proliferation of formula retail chains in neighborhood business districts.

There is activity at the state level as well. Business owners and labor unions are backing bills that would bar public subsidies for chain retail development. This year, Vermont became the first state to close a common tax loophole that enables chains, but not independent retailers, to escape some or all of their state income tax liability.

My organization, the Institute for Local Self-Reliance is working In Maine and other states on bills that would make economic impact studies a standard requirement before communities approve retail development projects.

Fourth, we need much more aggressive local business development initiatives. The models are there, but not widely implemented. We need mentorship programs that pair veteran retailers with new entrepreneurs. We need retail incubators that create affordable start-up space in high-traffic locations to seed new businesses. We also need to help wholesale cooperatives and trade associations do more to train and support the next generation of local retailers.

Cities spend hundreds of millions of dollars a year subsidizing chain retail development. Imagine if we redirected those resources to local entrepreneurship programs.

Those are my four strategies. At this point, you are thinking, how can I do any of this; I already spend 80 hours a week running a business. I think the best vehicle for undertaking

some of this work is to form an independent business alliance—a coalition of local businesses that can pool their resources for education and advocacy.

More than three dozen business alliances that have formed over the last five years and their accomplishments are impressive.

In Bellingham, Washington, an alliance co-founded by Chuck and Dee Robinson of Village Books has done such a thorough job of educating people about the importance of supporting independent businesses that many business owners say they now routinely have people ask whether they are locally owned. Local ownership has become a selling point.

In Austin, Texas, the Austin Independent Business Alliance, co-founded by Steve Bercu of BookPeople, has grown to nearly 400 businesses that collectively rank as the city's fifth largest employer. As you might imagine, the group has significant clout with city officials and is beginning to influence local planning and economic development policy.

Earlier this week I attended an extraordinary event that the Austin alliance organized. Thanks to their buy-local campaign, residents are increasingly telling developers that they want to see local businesses, not chains, in their retail projects. Developers approached the alliance, which organized a trade show in which developers displayed their new projects and entrepreneurs walked around and had a chance to introduce themselves as potential tenants. To my knowledge, this is the first event of its kind anywhere in the country.

There are two national organization that can help you start an alliance and a buy-local campaign. One is the American Independent Business Alliance, on whose board I am proud to serve. The other is the Business Alliance for Local Living Economies. Both have extensive how-to resources. My organization, the Institute for Local Self-Reliance also has a wealth of resources, including summaries of key economic studies and local policy models, which you can access online at [www.HometownAdvantage.org](http://www.HometownAdvantage.org).

Lastly, I wanted to mention my new book. It's called *Big Box Swindle: The True Cost of Mega-Retailers and the Fight for America's Independent Businesses*. When my agent sent out the proposal, more than one major publisher responded by saying that they loved it and it looked like an important book, but because it took on their biggest customers, Barnes & Noble and Borders, there was no way they could touch it. Fortunately, Beacon Press, which has been independently publishing books for over 150 years did not shy away. We have galleys available today and I hope that you will take a look and, if you like what you are reading, please give us a hand in getting this book out into the world.

Thank you.