
# 2013 Independent Business Survey

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ILSR INSTITUTE FOR Local Self-Reliance

## About ILSR

The Institute for Local Self-Reliance (ILSR) is a 38-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.

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***Broadband at the Speed of Light***
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***Walmart's Greenwash***
By Stacy Mitchell, March 2012

# Table of Contents

# KEY FINDINGS

*Independent businesses expanded their revenue in 2012, buoyed in part by "buy local first" initiatives and growing public sentiment in favor of supporting small, local enterprises. But independent businesses also reported formidable challenges, most notably the rise of "showrooming" and competition from online retailers, tax and subsidy policies that favor their big competitors, difficulty obtaining needed bank loans, and a customer base still reeling from the recession.*

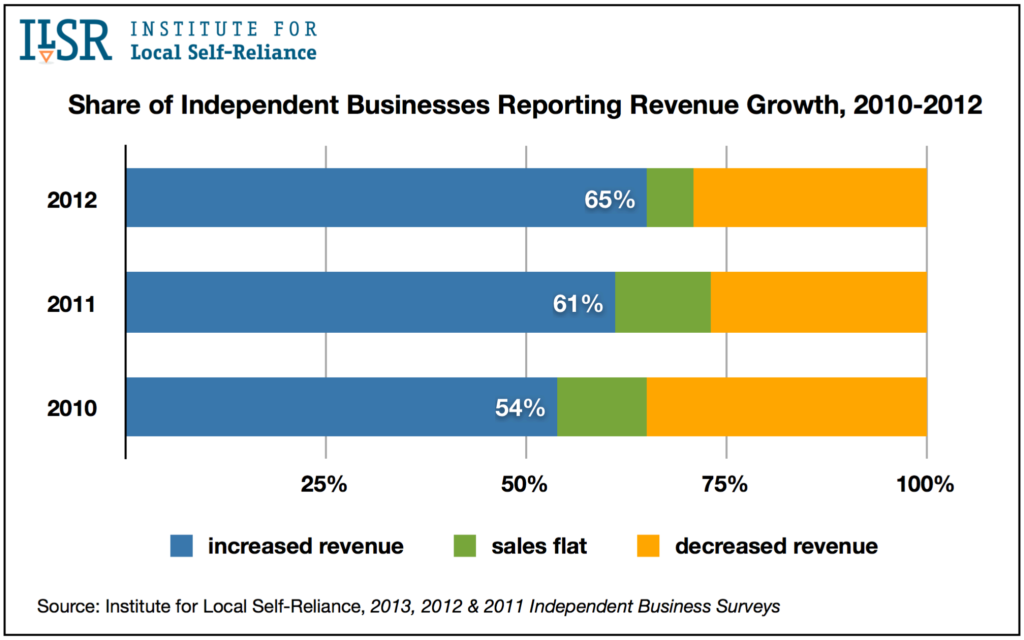
## About the Survey

The Institute for Local Self-Reliance's 6th annual Independent Business Survey gathered data from **2,377 independent, locally owned businesses** across all 50 states and the District of Columbia. The respondents encompass a range of business types. About half are retailers. The remainder include a mix of service providers, manufacturers, farmers, banks, restaurants, wholesalers, and others. These businesses **employ a total of 37,032 people**. Most are small; two-thirds have five or fewer employees, while only five percent have 50 or more employees. They range in age from recent start-ups to businesses founded more than a century ago. The **median age was 15 years**.

The survey was conducted online in January, in partnership with dozens of business organizations, including the American Booksellers Association, American Independent Business Alliance, American Specialty Toy Retailing Association, Business Alliance for Local Living Economies, Fabric Shop Network, Independent Natural Food Retailers Association, Independent Running Retailers Association, Independent We Stand, National Bicycle Dealers Association, Professional Association of Innkeepers International, and TriMega Purchasing Association, and many other trade associations and local business groups.

# Revenue Growth in 2012

Survey respondents reported that their annual revenue grew by an average of 6.8 percent in 2012. A larger share experienced revenue growth in 2012 than in our 2011 and 2010 surveys.

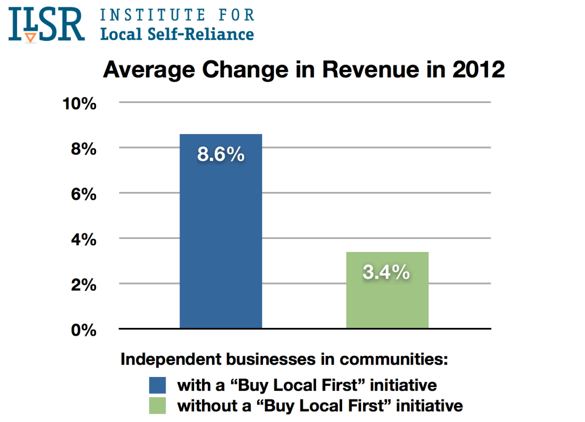



Among retailers, which comprised about half the survey respondents, annual revenue was up 3.7 percent. Holiday sales growth was not as strong as in the previous year. Holiday sales expanded just 0.8 percent in 2012.

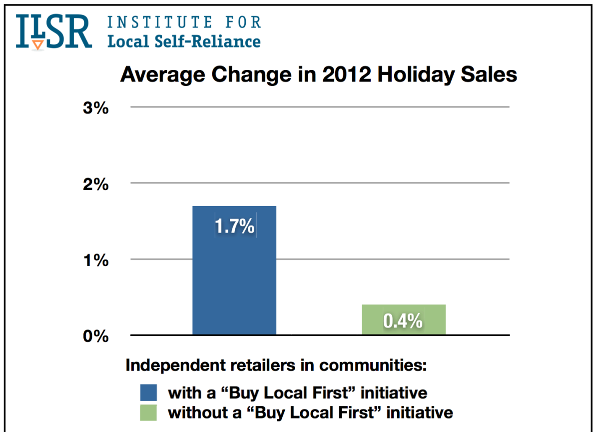
# Impact of "Buy Local First" Initiatives

Once again, independent businesses located in cities with a highly visible "buy local first" campaign run by a local business organization outperformed those in cities without such a campaign. Independent businesses in places with a "buy local first" initiative reported an average increase in revenue of 8.6 percent in 2012, compared to 3.4 percent for those elsewhere. In addition, the share of businesses that experienced revenue growth in 2012 was higher in "buy local" cities (68 percent) than in places without an active public education campaign (60 percent). Surveys conducted by ILSR over the last five years have found a similar gap in performance.[1]

[1] Results from previous surveys can be found at http://www.ilsr.org/surveys



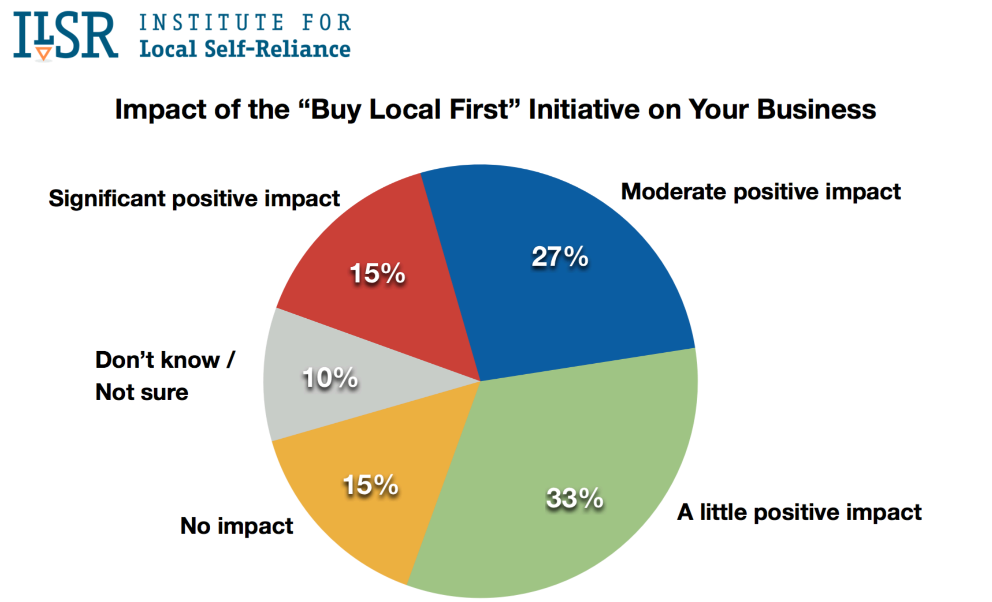

Source: Institute for Local Self-Reliance, *2013 Independent Business Survey*




Source: Institute for Local Self-Reliance, *2013 Independent Business Survey*

Among the independent retailers surveyed, those in cities with an active "buy local first" initiative reported higher average holiday sales gains (1.7 percent) than those in cities without such a campaign (0.4 percent). While 56 percent of independent retailers in "buy local" cities reported holiday sales growth, only 45 percent of those in other regions did.

"Our business really benefits from an active buy local campaign educating our current and potential customer base," noted a bookstore owner in Colorado. "The Buy Local First movement has certainly greatly helped our business," reported a specialty food company in Kentucky.



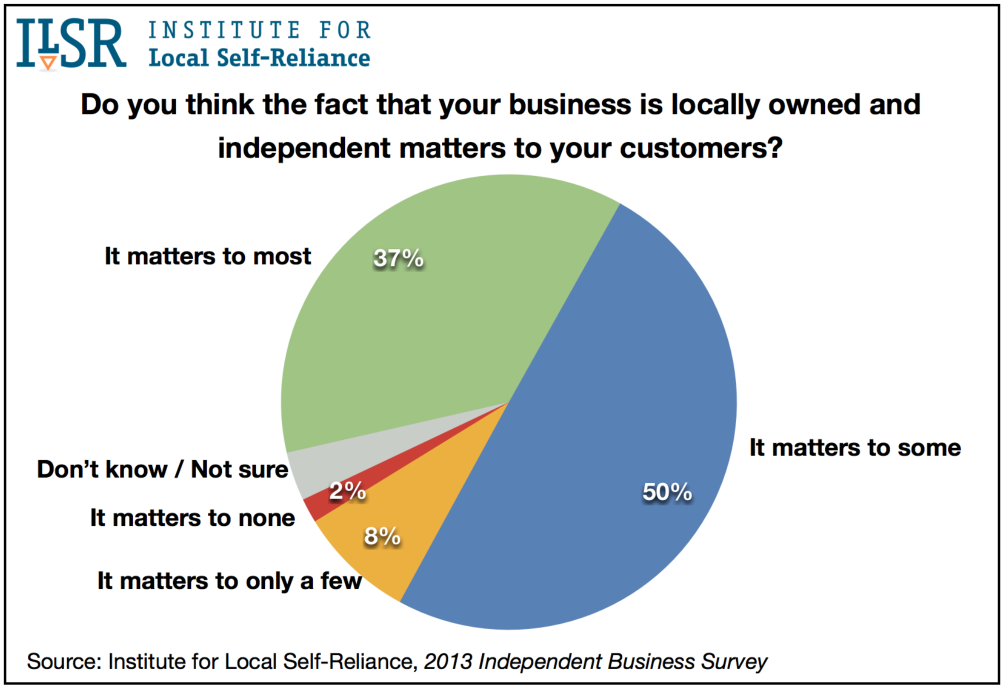

Source: Institute for Local Self-Reliance, *2013 Independent Business Survey*

Among survey respondents in cities with a "buy local first" initiative, 75 percent reported that the initiative had had a positive impact on their business, with 42 percent describing that impact as "moderate" or "significant." About 10 percent reported that they did not know what impact the campaign had had, and 15 percent said it had had no impact on their business.

Businesses were asked what effects they had experienced as a result of the initiative:

- 44 percent said it had brought new customers to their businesses
- 48 percent said the campaign had improved the loyalty of their existing customers
- 64 percent said it had increased local media coverage of independent businesses
- 49 percent said it had made city officials more aware and supportive of independent businesses
- 44 percent said it had led to more collaboration, purchasing, and mutual support among local businesses

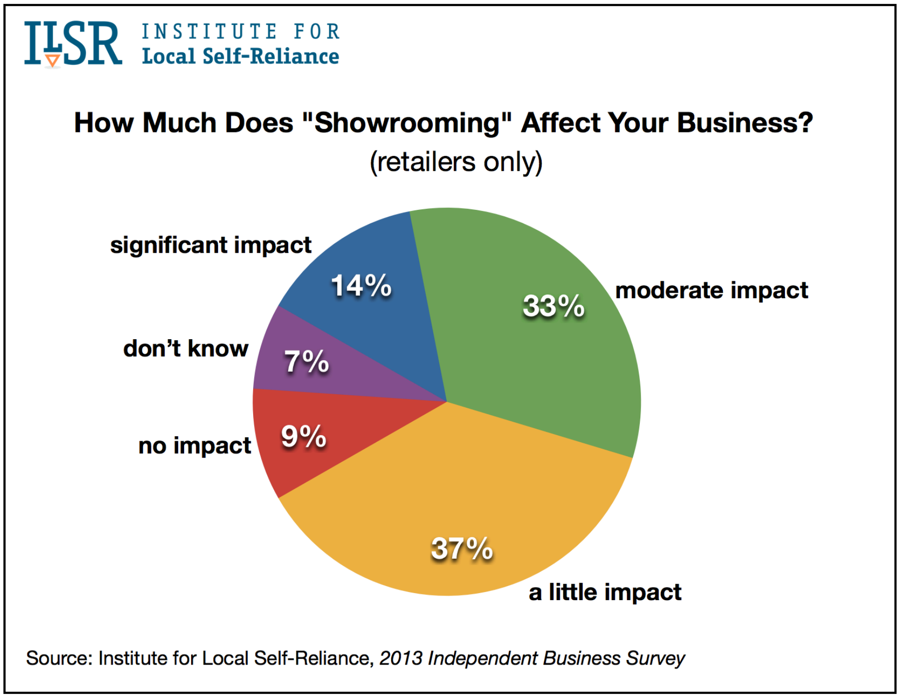
Public awareness of the benefits of supporting locally owned businesses increased over the last year, according to a majority of the survey respondents. Among those in "buy local first" cities, 73 percent reported an increase in public awareness, compared to 59 percent in cities without such an initiative. As in past years, a large majority of respondents said the fact their business is locally owned and independent matters to some or most of their customers.



# Biggest Challenges Facing Independent Businesses

**Financially strapped customers** — Asked about the biggest challenges facing their business, survey respondents most often cited the financial struggles of their customers. "My customers are the very demographic most affected by the current economic conditions," noted a retailer in Massachusetts.

**"Showrooming"** — Competition from large companies was the second most commonly reported challenge, closely trailing the overall weakness in the economy. Amazon, in particular, was cited by many of the independent retailers surveyed, who identified "showrooming" — i.e., customers browsing and seeking information in local stores and then buying online — as one of the biggest challenges facing their business. More than 80 percent of the retailers surveyed said showrooming was affecting their business, with more than half of those describing the impact as "moderate" or "significant."




A bookstore owner in South Carolina said it was not uncommon to spend time helping a customer find the right book only to have the shopper download it to their Amazon Kindle while still in the store. "People often like to try shoes on before purchasing and we offer a fitting process... but people will sometimes check on their phones [for a better price] even while we are helping them," noted a running shoe retailer in California. "Our traffic was up, [but sales of items] over the $70 price point were not — that went to showrooming," said a toy retailer in Arizona. "The big stuff they loved in our store, like doll houses, they bought with a click on the phone [and] saved $15 in [sales] taxes."

**Policies that tilt the playing field** — Corporate subsidies, tax loopholes, and other public policies that give big companies a competitive advantage over small businesses also ranked as one of the top impediments facing independent businesses. The fact that large internet-only retailers are exempt from collecting sales taxes in most states surfaced repeatedly in comments volunteered by respondents. "This is the single largest issue facing my business," said an electronics retailer in Tennessee. "It is patently unfair, and the internet no longer needs any preferential treatment to succeed." A small manufacturer in Pennsylvania stated, "We have two separate economies: Big business, which receives government support... and is doing okay. [And] small business, [which receives] no government subsidies, [has higher capital costs], and is struggling."

**Difficulty obtaining financing** — Nearly one-quarter of the businesses surveyed said that, in the last two years, they had needed a business loan, but had been unable to find a bank willing to lend to them. A 41-year-old hardware store in Iowa will soon close, noted its retiring owner, because none of the people interested in buying the business had been able to obtain a bank loan to do so. A yoga studio owner in New Hampshire, who ultimately found financing through a small, local bank, reported, "When I did my big build-out this year (we moved to a larger location after 10 years in business), I was turned down by every major bank... even though my business had been successful with growth every year and I had zero personal debt."