



# 2015 Independent Business Survey

## 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](http://www.indiebizadvocates.org)

## About ILSR

The Institute for Local Self-Reliance (ILSR) is a 40-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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## Executive Summary of the Findings

The 2015 Independent Business Survey gathered data from 3,057 independent, locally owned businesses, including 2,954 businesses distributed across all 50 states and the District of Columbia, and 103 businesses located in five Canadian provinces. A little under half of the respondents are retailers, and the remainder encompass a wide variety of industries.

Among the survey's key findings:

**Revenue** — Independent businesses reported revenue growth of 8.1% on average in 2014, up from 5.3% the previous year. Among retailers, sales increased 5.1% in 2014, versus 2.3% in 2013.

**Holiday Sales** — The local retailers surveyed experienced a 4.8% increase in same-store holiday sales, beating the industry average. According to the U.S. Department of Commerce, retail sales overall fell 0.9% in December.

**Local First** — The Local First movement appears to be influencing buying habits. Nearly 70% of survey respondents located in cities with an active Local First campaign reported that the initiatives were having a noticeable positive impact on their businesses, with half reporting that they had brought in new customers and 45% saying they had made city officials more aware and supportive of independent businesses. These businesses experienced revenue growth of 9.3% in 2014, compared to 4.9% for those in places without such an initiative.

**Top Challenges** — Competition from large internet companies was again rated as the biggest challenge facing independent businesses, particularly among retailers, 71% of whom ranked it as a very or extremely significant challenge. Other leading concerns include supplier terms that favor big competitors, high costs for health insurance, and expenses for effective marketing.

**Internet Sales Tax** — Nearly 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 39% describing the level of impact on their sales as "significant."

**Access to Credit** — A sizable number of independent businesses continue to have trouble obtaining financing to grow. About 30% of those that applied for a bank loan in the last two years failed to obtain one. These figures were significantly worse for businesses owned by people of color (44%), women (35%), and immigrants (40%), as well as very small businesses (52%) and new start-ups (42%).

**Public Policy** — More than half of independent retailers said that they frequently or occasionally advocate on public policy issues that affect locally owned businesses. On two major policy issues affecting independent business, online sales tax and antitrust enforcement, large majorities said that they support change.

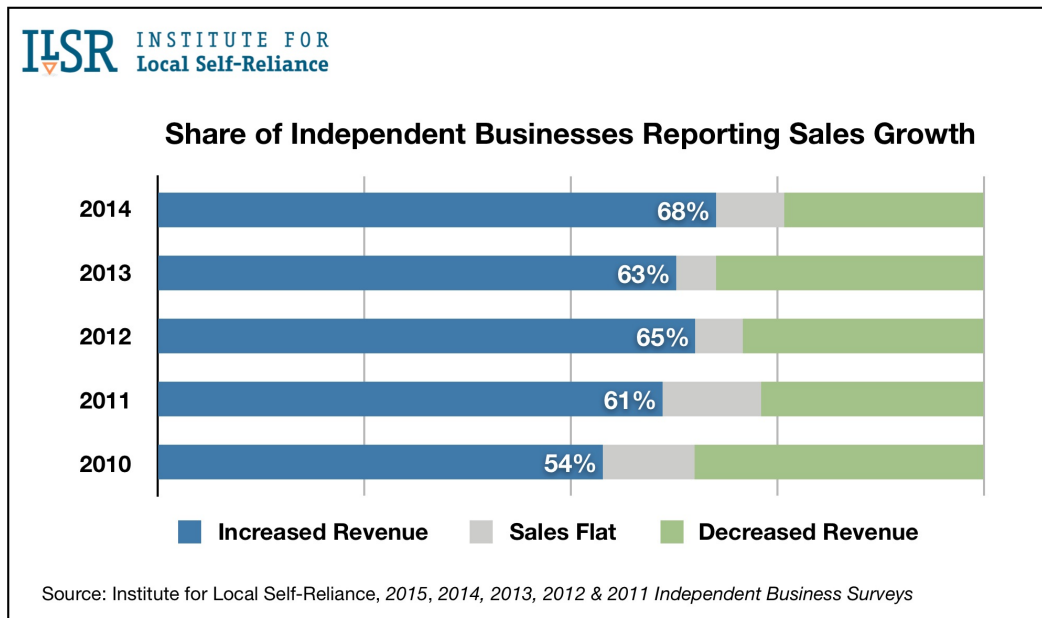
## About the Survey

The Institute for Local Self-Reliance's **8th annual** Independent Business Survey gathered data from **3,057 independent, locally owned businesses**. The respondents encompass a range of business types. A little under half are retailers. The remainder include a mix of service providers, manufacturers, farmers, banks, restaurants, wholesalers, and others. These businesses **employ a total of 39,682 people**. They range in age from recent start-ups to businesses founded more than a century ago. The **median business age is 12 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, Brixy, Business Alliance for Local Living Economies, The Fabric Shop Network Inc., Independent Running Retailers Association, Independent We Stand, National Bicycle Dealers Association, North American Retail Hardware Association, Professional Association of Innkeepers International, Real Diaper Industry Association, Record Store Day, Soccer Dealer Association, Society of American Florists, and TriMega.

## Independent Businesses Report Strong Revenue Growth

Independent businesses reported brisk sales growth of 8.1% on average in 2014. The median was 5.0% (meaning half of the businesses had revenue growth above 5.0% and half below 5.0%). As we continue to emerge from the recession that began in 2008, the portion of respondents reporting sales gains is increasing. In 2014, 68% of respondents experienced revenue growth, up from 63% in 2013 and well above the low level of 2010.



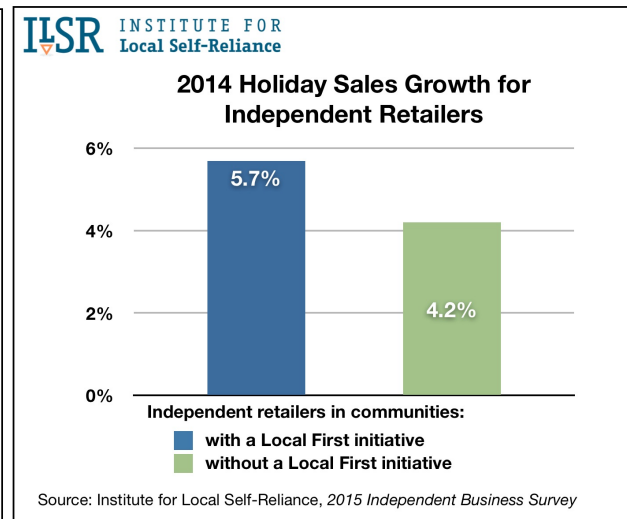
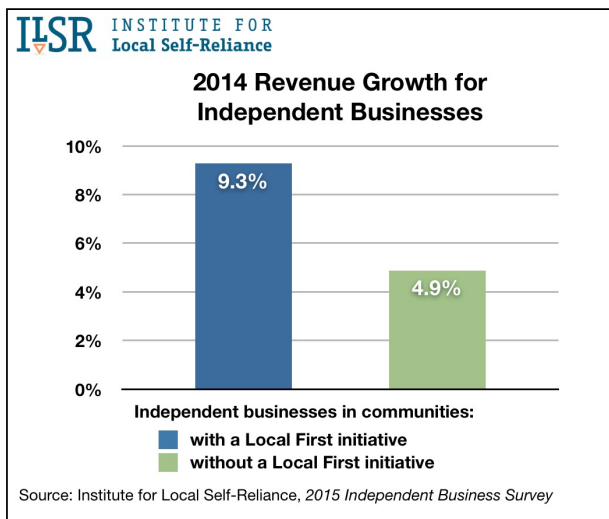
Among retailers, which comprised a little under half of the survey respondents, comparable annual revenue ("same-store sales") was up 5.1% for the year, while holiday sales were up 4.8% over the 2013 season. These results beat overall retail sales, which fell almost 1% in December, according to the U.S. Department of Commerce, and were ahead of many large retailers.

### Change in Holiday Sales, 2014 vs. 2013

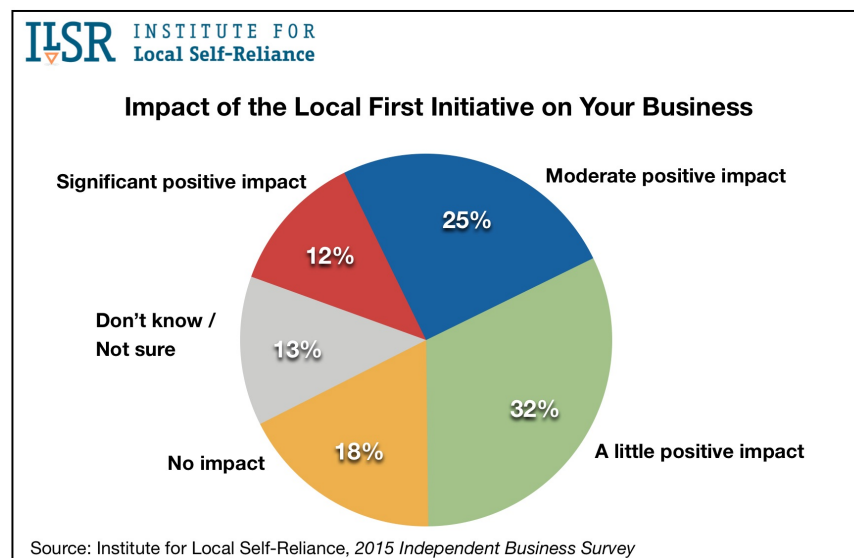
Amazon	15.0%
<b>Independent Retailers</b>	<b>4.8%</b>
L Brands (Victoria's Secret, Bath & Body Works, and others)	4.0%
Gap, Inc.	3.0%
Best Buy	2.6%
Barnes & Noble (store sales only; excluding Nook products)	1.7%
Toys R Us	-2.7%

## "Local First" Driving Customer Traffic

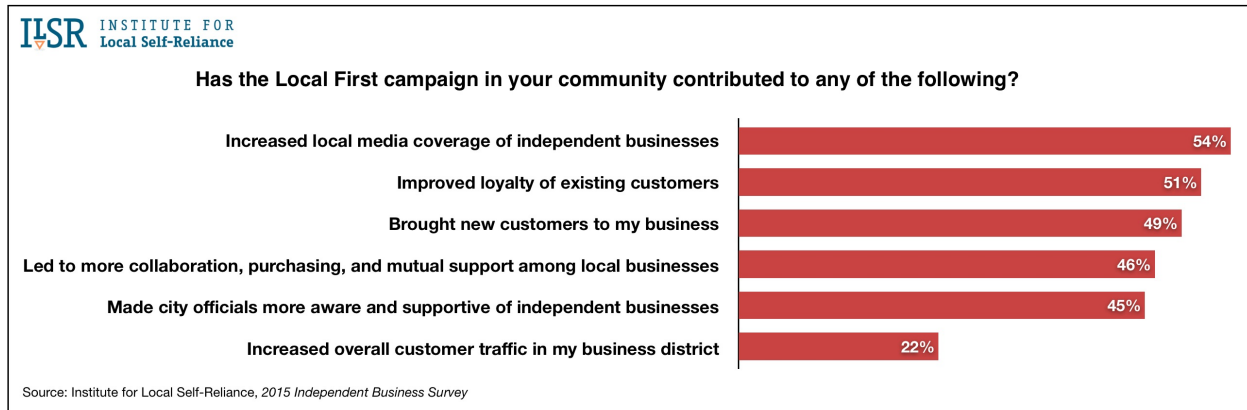
The survey found that independent businesses located in cities with Local First campaigns are outperforming those in cities without such a campaign. This is consistent with our findings across all eight annual surveys conducted since 2008. Businesses in places with a Local First initiative reported an average sales increase of 9.3% in 2014, compared to 4.9% for those elsewhere. Among the independent retailers surveyed, those in cities with an active Local First initiative reported higher average holiday sales gains (5.7%) than those in cities without such a campaign (4.2%).



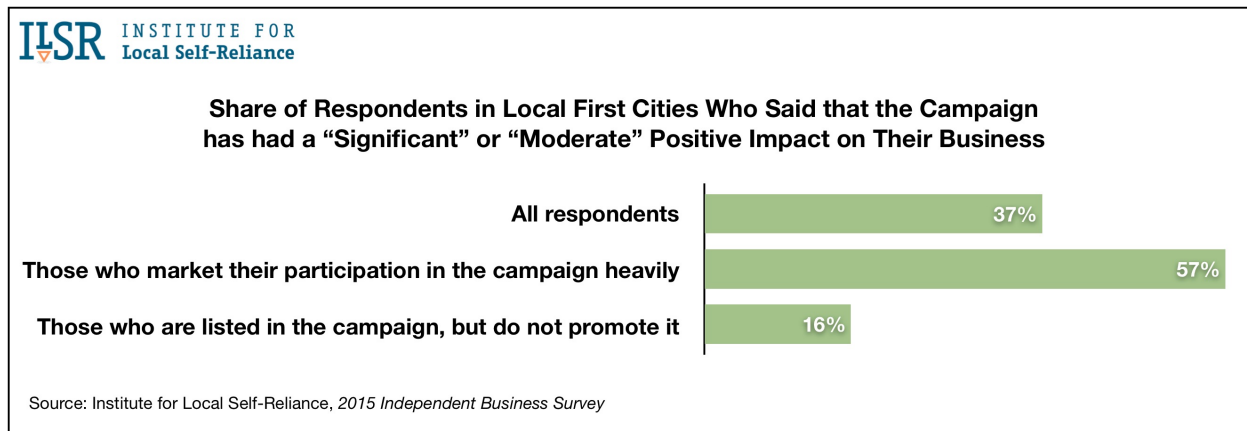
Among survey respondents in cities with a Local First initiative, 69% reported that the initiative had had a positive impact on their business, with 37% describing that impact as "moderate" or "significant." About 13% reported that they did not know what impact the campaign had had, and 18% said it had had no impact on their business.



Businesses in Local First communities reported several specific benefits from the initiative. Half said the campaign had brought new customers to their business and 45% reported that it had made city officials more aware and support of independent businesses.



Businesses that participate more in their community's Local First campaign report a bigger impact from the campaign than those who are less engaged.

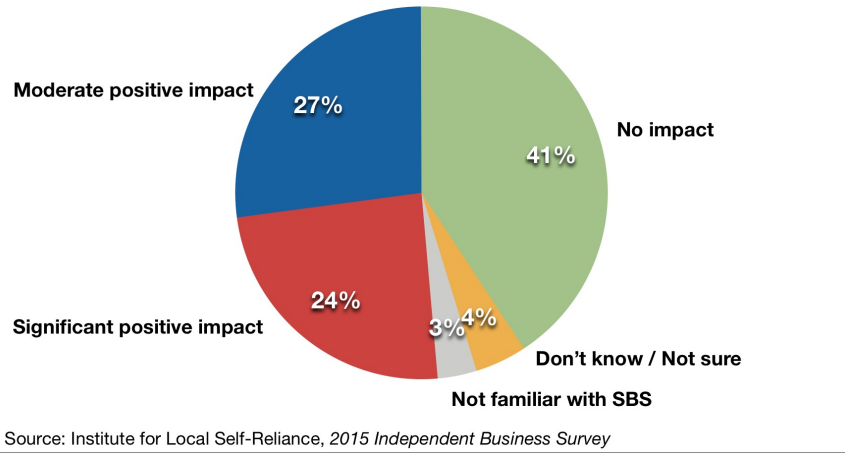


In addition to these local initiatives, several national educational and marketing campaigns, such as Small Business Saturday, a one-day event in November created by American Express, have contributed to growing public awareness and interest in supporting independent businesses. Among retailers, 51% reported that Small Business Saturday has had a “moderate” or “significant” positive impact on their business, while 41% said it had no impact. Only 3% of respondents were unaware of Small Business Saturday.

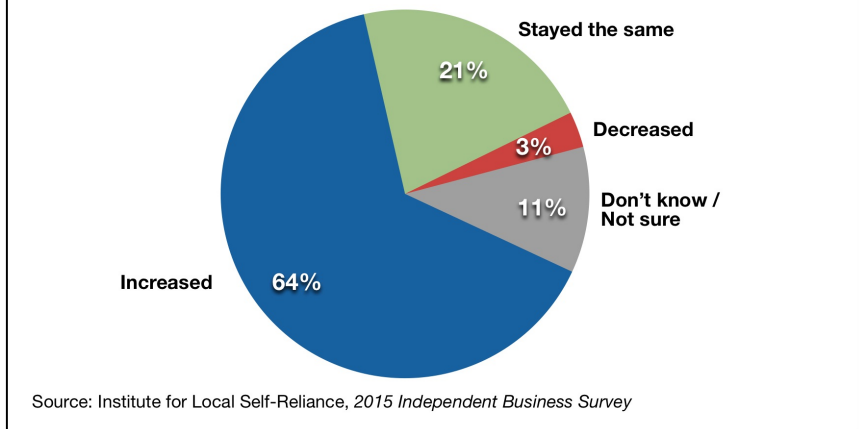
According to a majority of all survey respondents, 64%, public awareness of the benefits of supporting of locally owned businesses increased in 2014, and just 3% of respondents said that public awareness decreased. Among those in Local First cities, 67% reported an increase in public awareness, compared to 56% of those in cities without a local campaign.



**Impact of Small Business Saturday Among Retail Respondents**



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



Outside of the numbers, in their comments on the survey, business owners expressed optimism about buy local’s momentum. “Buy local to me is a growing trend and it works,” noted the owner of an office supplies business in Missouri.

“I am heartened by the shift I am seeing in our community,” said a retailer in Washington. “The importance of supporting local businesses is becoming part of the conversation among a broad demographic.”

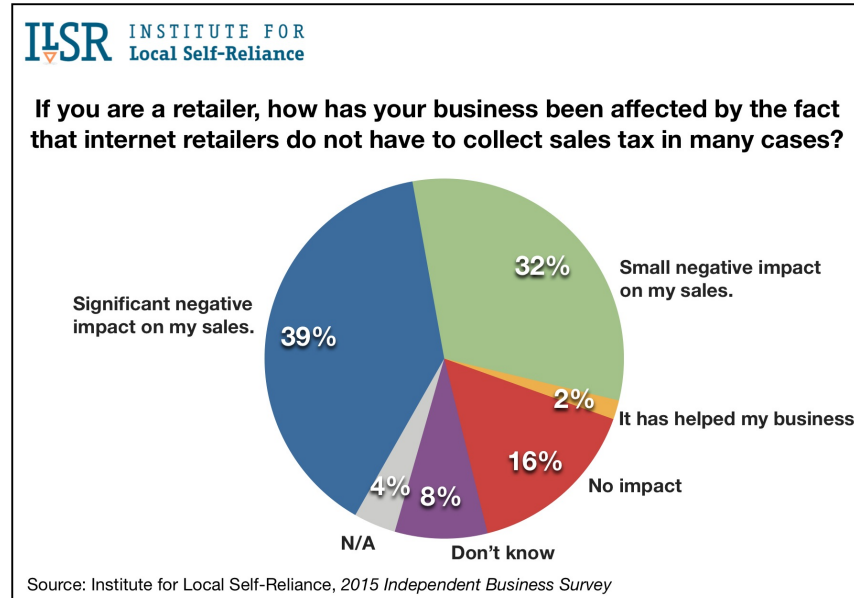
“We notice that customers are more and more saying, ‘We want to support our local business,’ after years of trying to get them to say that,” commented the owner of three bookstores in California. “There is a new appreciation of authentic and small scale.”

## Top 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.

Among independent retailers, which comprised almost half of the survey responses, "Competition from internet retailers" not only received the highest average score (3.98), but was ranked as a 4 or 5 by 71% of respondents. Only 40% ranked "competition from large brick-and-mortar chains" at the same level of significance.

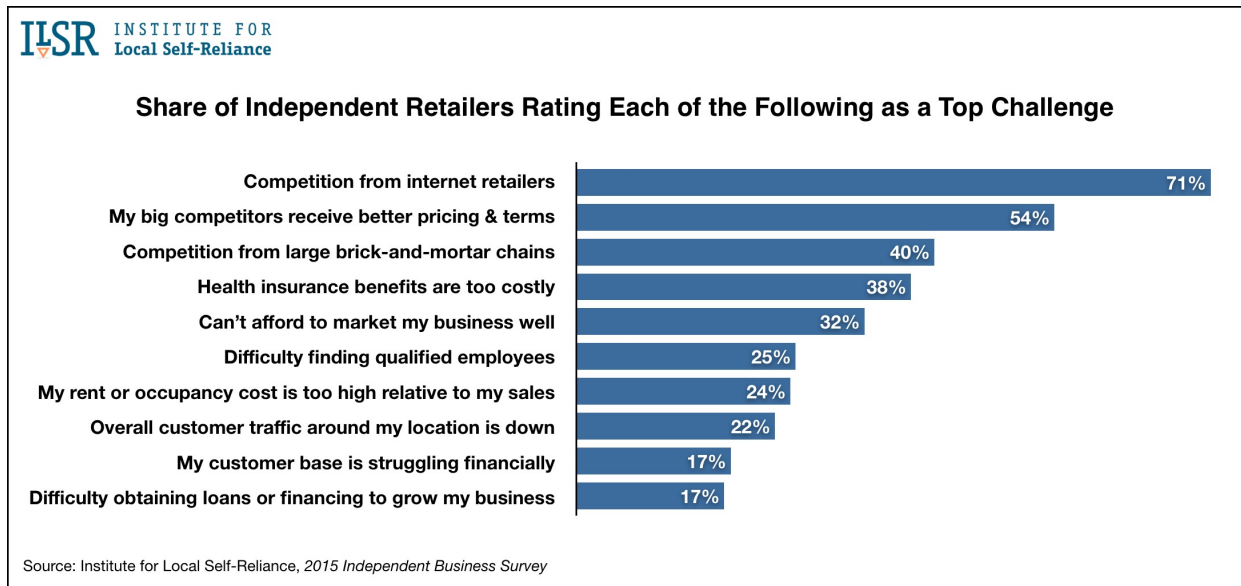
"Amazon is a fundamental threat that is destroying the viability of all brick-and-mortar, yet it maintains a glowing reputation with otherwise thoughtful consumers," commented a toy store owner in Minnesota. "My margins are being squeezed by internet retailers," said a sporting goods business owner in Wisconsin.



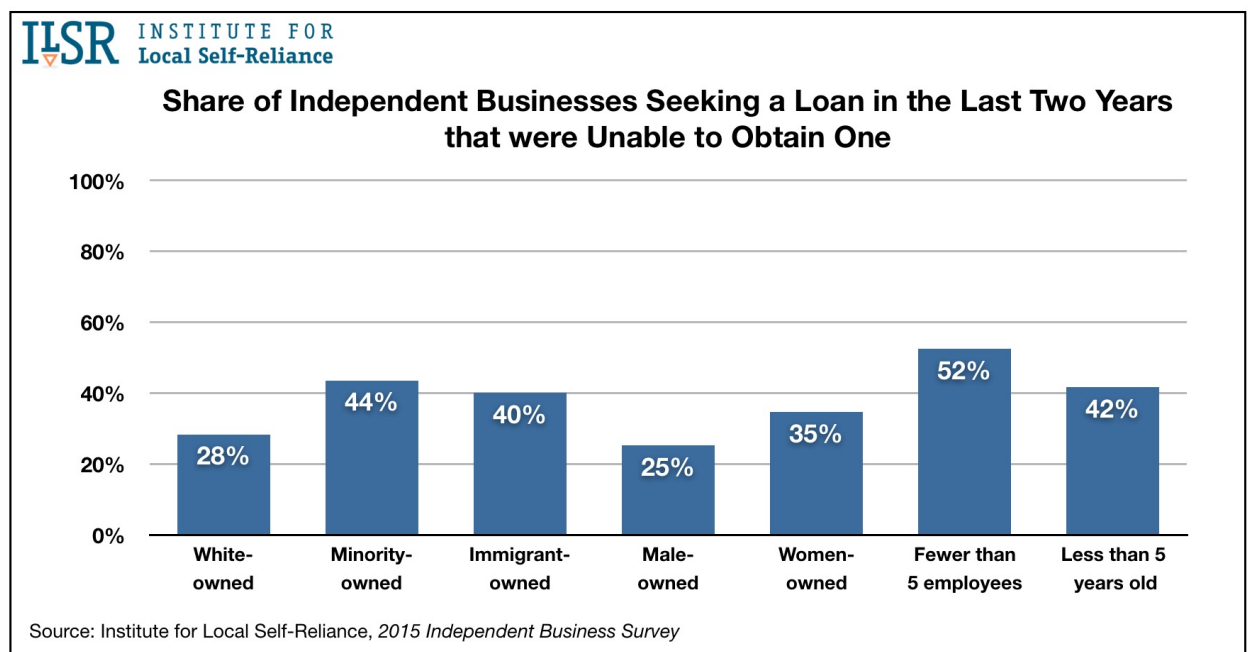
Nearly three-quarters of independent retailers said that the fact that many online retailers are not required to collect sales tax had negatively impacted their sales, with 39% describing the level of impact as significant. "As a local business owner with a brick-and-mortar location, we are automatically at a 8.1 percent price disparity because we are required to collect local sales tax," commented a business owner in Arizona.

For independent retailers, other top-ranked challenges included supplier pricing that favors their big competitors, and high costs for health insurance. These challenges remained relatively consistent across independent businesses with differing demographic and other characteristics, with a few notable exceptions. Businesses owned by people of color and new businesses (those less than five years old) reported that high rent costs and difficulty obtaining

loans were major challenges. Just over 35% of minority business owners and 30% of new businesses rated high rent or occupancy costs as a “4” or “5,” compared to 24% of businesses overall.



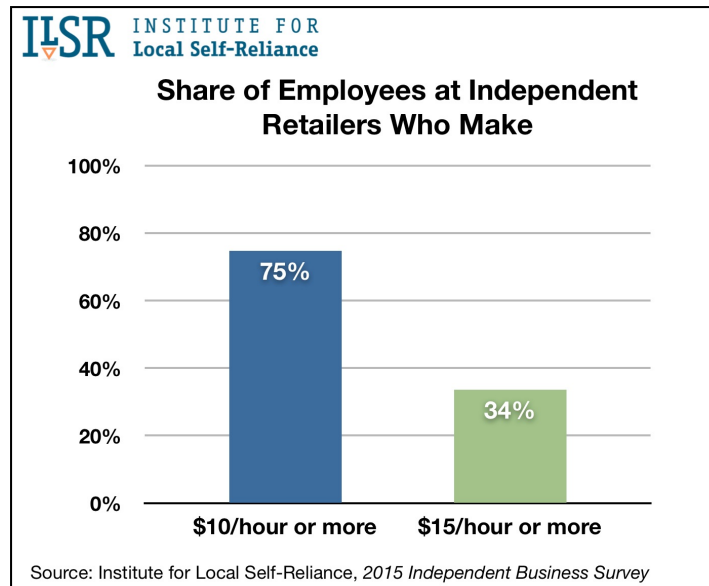
Access to credit continues to be a major issue for a sizable number of independent businesses, contributing to slower economic growth and job creation. About 30% of businesses that applied for a bank loan in the last two years failed to obtain one and another 14% received a loan for less than the amount they needed. These figures were significantly worse for businesses owned by people of color, women, and immigrants, as well as very small businesses and new start-ups.



## Employees and Wages

The businesses surveyed employ 39,682 people, about two-thirds of whom work full-time and one-third part-time. While some of the independent businesses surveyed are quite large, most are very small businesses. The median employment size was 5 and only 16% have 20 or more employees.

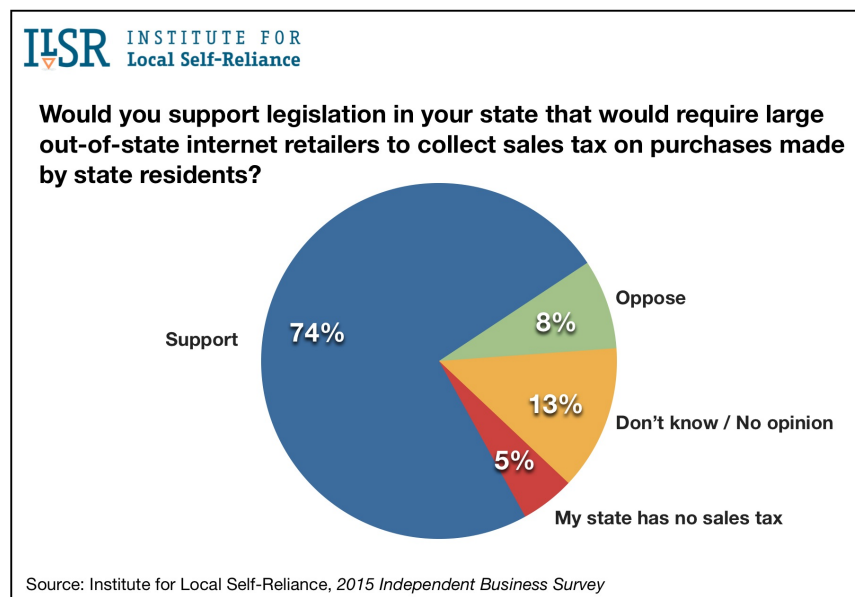
For the first time, the survey asked independent retailers about the wages they pay their employees. The survey's findings suggest that wages at independents are on par or better than at their chain competitors. As a point of comparison, only half of Walmart's employees make more than \$10 an hour. Among the independent retailers we surveyed, 75% of employees make more than \$10 an hour, including 34% who make \$15 or more per hour.



## Key Public Policy Issues for Independent Businesses

The survey asked respondents about two public policy issues that are among the most pressing for independent businesses: antitrust enforcements and online sales tax legislation. All businesses were asked about federal antitrust laws, and all retailers were asked about sales tax legislation.

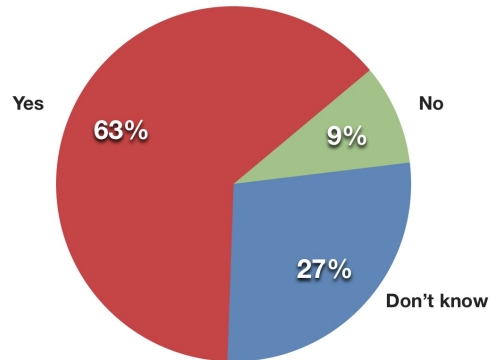
Of the retailers surveyed, nearly three-quarters favor state legislation to require large out-of-state internet retailers to collect sales tax on purchases made by state residents, while only 8% oppose such legislation. “If the playing field is not leveled [so that] online retailers must play by the same tax rules as brick-and-mortar stores, there will be no local retailers in our future,” said a clothing store owner in Utah.



As noted in the previous section, a major issue for independent businesses is the ability of their large competitors to use their market power to pressure suppliers into providing better pricing and terms, which more than half of respondents rated as a very or extremely significant challenge. Reflecting this concern, 63% of survey respondents said that regulators should more vigorously enforce antitrust laws against large, dominant companies, while only 9% said they should not. “Our antitrust laws need serious revisiting,” said a bicycle retailer in Kansas. Of independent retailers, 75% agreed with stronger antitrust enforcement, and among booksellers, a full 93% agreed.

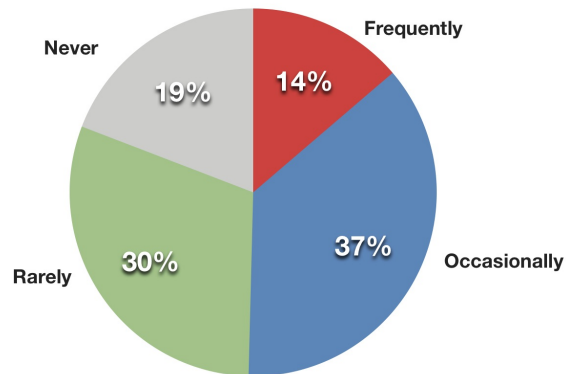
Many independent business owners advocate on public policy issues that affect locally owned businesses. When asked about the frequency of their advocacy, 51% reported that they advocated “frequently” or “occasionally.”

**Do you think regulators should more vigorously enforce antitrust laws against large, dominant companies?**



Source: Institute for Local Self-Reliance, 2015 Independent Business Survey

**How frequently does your business advocate on public policy issues or community planning decisions that affect locally owned businesses?**



Source: Institute for Local Self-Reliance, 2015 Independent Business Survey