

2022 Independent Business Survey

Top Challenges + Policy Priorities

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INSTITUTE FOR
Local Self-Reliance



Summary

In January 2022, the Institute for Local Self-Reliance **surveyed 908 small, independent businesses** throughout the U.S.

First, we asked about the challenges they face. Topping the list were three issues that all have to do with the unchecked exercise of market power by dominant corporations:

- 65% of respondents rated as major challenge the fact that their big competitors receive special discounts and terms from suppliers. By strong-arming suppliers, dominant corporations can tilt the playing field and compel suppliers to raise prices to independent businesses.
- 62% of businesses said Amazon's control over the online market was a very or extremely significant challenge.
- 58% of businesses reported that a major challenge is that their big competitors sell goods and services below cost, which is a predatory tactic well-heeled corporations can use to take market share from small rivals without having to compete for it.

continued →

Then we asked respondents about the policies they believe would improve the survival and success of independent businesses. Topping the list:

- Ending subsidies and tax breaks for big businesses
- Breaking up and/or regulating Amazon
- Investing in downtowns and neighborhood business districts
- Strengthening antitrust policy and enforcement
- Capping credit card swipe fees

In addition to answering multiple-choice questions, business owners provided hundreds of comments to open-ended questions. We analyzed these responses for additional insights and include a sample of them here.

How We Conducted the Survey

The survey was conducted online in January 2022. We circulated the survey to the members of more than a dozen small business organizations and distributed it through several online forums and networks for entrepreneurs. Participating organizations included:

Alliance for Pharmacy Compounding
American Booksellers Association
American Independent Business Alliance
American Specialty Toy Retailing Association
Cambridge Local First
Independent Office Products and Furniture Dealers Association
Local First Arizona
Louisville Independent Business Alliance
National Sporting Goods Association
North American Hardware and Paint Association
Shop Local Raleigh
StayLocal, an Initiative of Urban Conservancy
The Local Crowd Monadnock

Who Completed the Survey

Retailers made up a majority of the 908 survey responses, with a wide diversity of businesses comprising the remainder, including service providers, manufacturers, farms, banks, restaurants, wholesalers, and more. Responses came from all 50 states.

About one-quarter of respondents are new businesses launched in the last six years, while a little over one-third have been operating for 20 years or more, including a few that are more than 100 years old. More than half are owned by women, and just over 12 percent identified as minority-owned.

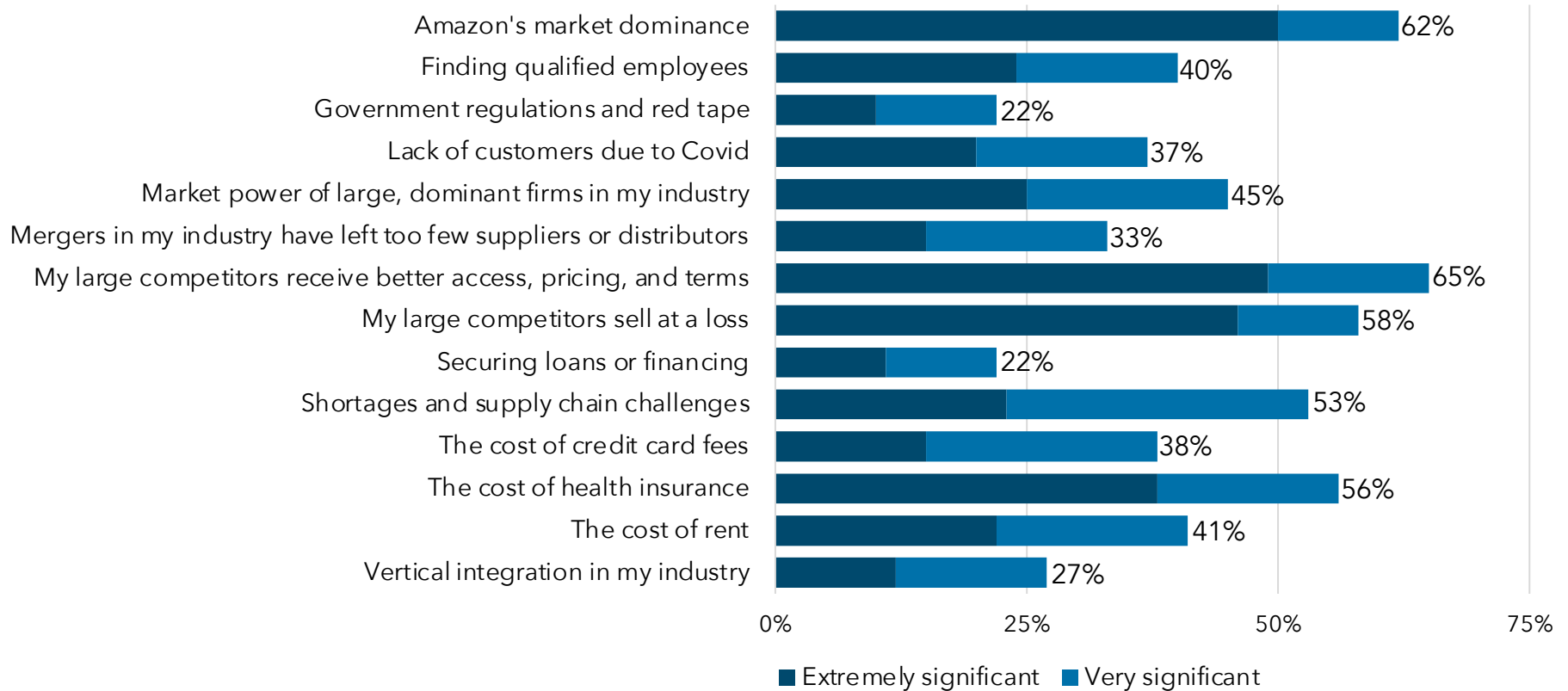
Respondents' businesses range in size from one-person shops to some with several hundred employees, with an average of 15 employees. In terms of revenue, about one-quarter are very small, with annual sales of less than \$100,000. About 27 percent reported \$1 million or more in revenue, with 7 percent reporting sales of more than \$5 million.

Challenges

In the first part of the survey, we asked businesses to rate the significance of a wide variety of challenges they face, from finding employees, to government red tape, to market power abuses. We asked them to use a 5-point rating scale, from 1 (not at all significant) to 5 (extremely significant).

Here's what they reported. →

Please rate how significant the following challenges are for your business.



Please rate how significant the following challenges are for your business. (detailed results)

CHALLENGE	5 - EXTREMELY SIGNIFICANT	4	3	2	1 - NOT AT ALL SIGNIFICANT
Amazon's market dominance	50%	12%	11%	7%	20%
My large competitors receive better access, prices, and terms	49%	16%	13%	9%	12%
My large competitors sell at a loss	46%	12%	13%	12%	17%
The cost of health insurance	38%	18%	17%	8%	20%
Market power of large, dominant firms in my industry	25%	20%	25%	18%	12%
Finding qualified employees	24%	16%	19%	16%	25%
Shortages and supply chain challenges	23%	30%	23%	15%	9%
The cost of rent	22%	19%	24%	17%	18%
Lack of customers due to Covid	20%	17%	24%	22%	18%
The cost of credit card fees	15%	23%	29%	19%	14%
Mergers in my industry have left too few suppliers or distributors	15%	18%	23%	19%	26%
Vertical integration in my industry	12%	15%	22%	21%	31%
Securing loans or financing	11%	11%	16%	20%	43%
Government regulations and red tape	10%	12%	20%	28%	30%

A Closer Look: Top Challenges

My large competitors receive better access, pricing, and terms from suppliers

Sixty-five percent of respondents rated this a 5 (“extremely significant”) or a 4 — the highest share of any of the challenges. By strong-arming suppliers, dominant corporations can tilt the playing field and compel suppliers to raise prices to independent businesses. This issue is especially problematic for retailers, 72 percent of whom scored it a 4 or 5. It was also cited as a major problem by pharmacists, wholesalers, and manufacturers.

“[Look at] Nike if you want to see a worst case.... They are... eliminating competition by closing accounts [with independent stores].”

- *sporting goods store in California*

“Long-time suppliers [to independent grocers] are closing or being bought out.”

- *grocer in Maine*

“Without knowing the secret discounts and unfair terms Amazon receives from publishers, shippers and advertisers...no one knows how tilted the playing field may be.”

- *bookseller in Vermont*

“We are beginning to be viewed as being [too] small to get anything and clients are starting to turn to other vendors first.”

- *office supply dealer in Indiana*

A Closer Look: Top Challenges

Amazon's market dominance

Coming in at a close second, 63 percent of survey respondents ranked Amazon's market dominance as a 4 or 5, with 50 percent citing it as a 5 or "extremely significant" challenge. Not surprisingly retail businesses named this as their single biggest problem, but it also ranked among the top challenges for consumer product brands, publishers, and wholesalers.

"Amazon has a pernicious effect on every level of business and commerce. Its ability to operate without being profitable allowed it to gain a foothold in consumer's minds as the cheapest place to shop, and then, out of habit, the first place to shop."

- *retailer in Oxford, Mississippi*

"[Amazon is] a danger to the stability [of] our national economy NO company should have its fingers in every industry

- *bookseller in Wisconsin*

"Amazon is killing the independent office supply industry."

- *office supply dealer in Illinois*

A Closer Look: Top Challenges

My large competitors sell at a loss

The ability of large corporations to sell goods below cost, often to take market share from smaller competitors that lack the financial backing to sustain similar losses, was rated a 4 or 5 by 58 percent of businesses. Amazon, Walmart, and other dominant retailers were cited for this practice in many comments.

“The super retailers are willing to lose money to put smaller retailers out of business.”

- *small business in New York City*

“Amazon ... loss-lead[s] aggressively.... They also have power over [music] labels that we cannot fathom. They leave little room in the market for their competitors in any market they decide to seriously pursue.”

- *record store in Florida*

“When a platform like Amazon sell[s] books at loss, thus killing brick and mortar, and then opens their own bookstores, there is something really wrong with this system. This is clearly a strategy to control the market entirely.”

- *bookseller in New Jersey*

A Closer Look: Other Challenges

Supply chain problems,
high rents, tax policies,
vertical integration

"With [more] domestic industry today's [supply chain] problems would be smaller."
- *small business in Salt Lake City*

"We have been hit with significant price increases and increased freight charges."
- *housewares retailer in New York*

"I can pay employees a living wage, but not a living wage PLUS new-building rent and health insurance."
- *retailer in Iowa City, Iowa*

"The landlords are willing to sit on empty stores for years rather than rent them at a reasonable price."
- *bookstore in New York City*

"I pay more taxes (%-wise) than local Walmart. Unfair."
- *artisan in Pennsylvania*

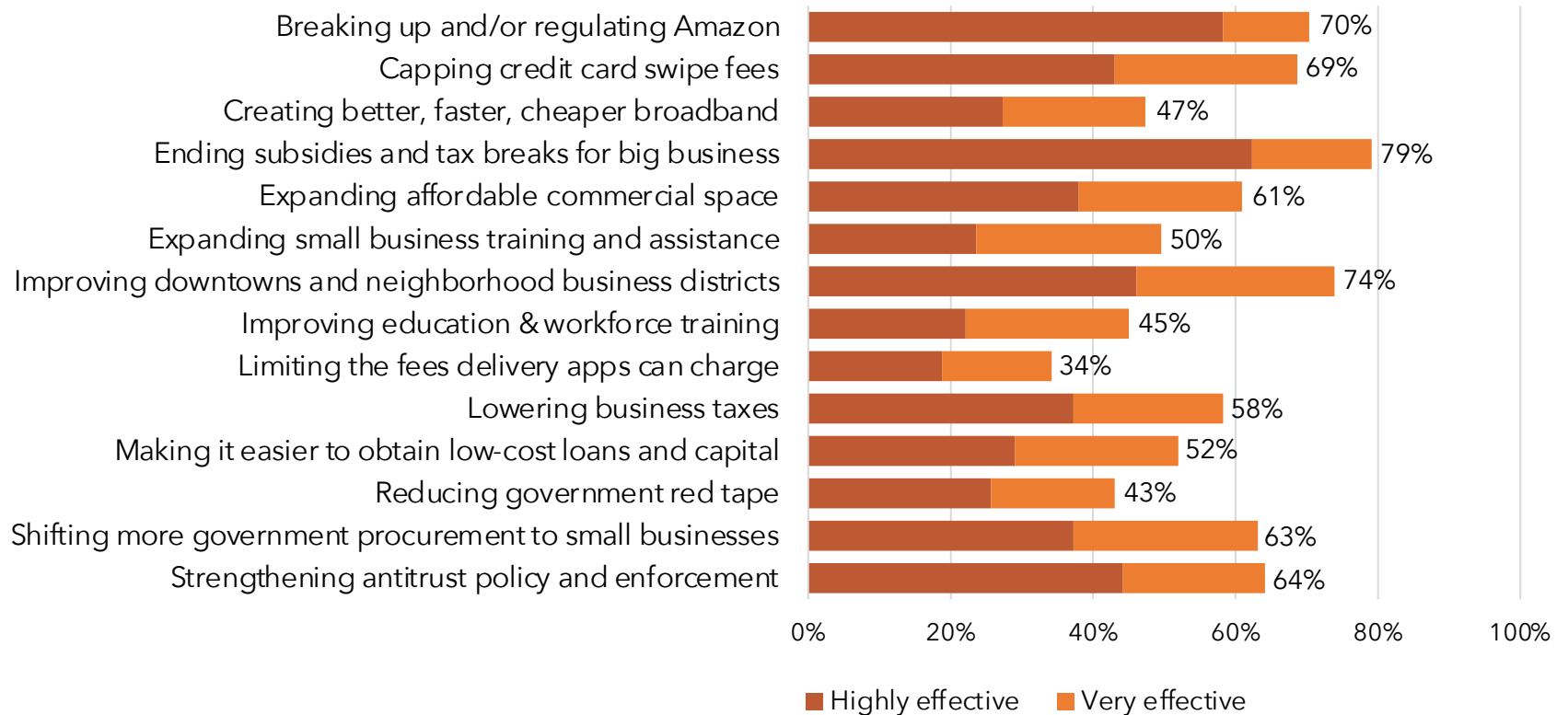
"Vertical integration in healthcare only drives up costs for the consumer."
- *pharmacist in Pennsylvania*

Policy Priorities

Next, we asked businesses to rate how effective various policies would be in improving the survival and success of independent businesses. We asked them to use a 5-point rating scale, from 1 (not at all effective) to 5 (highly effective).

Here's what they said. →

How effective do you believe the following policy actions would be in improving the survival and success of independent businesses?



How effective do you believe the following policy actions would be in improving the survival and success of independent businesses?

POLICY ACTION	5 – HIGHLY EFFECTIVE	4	3	2	1 - NOT AT ALL EFFECTIVE
Ending subsidies and tax breaks for big business.	62%	17%	11%	3%	2%
Breaking up and/or regulating Amazon.	58%	12%	12%	4%	6%
Improving downtowns and neighborhood business districts.	46%	28%	14%	5%	3%
Strengthening antitrust policy and enforcement.	44%	20%	17%	4%	3%
Capping credit card swipe fees.	43%	26%	18%	7%	2%
Expanding affordable commercial space.	38%	23%	21%	8%	5%
Shifting more government procurement to small businesses.	37%	26%	18%	5%	4%
Lowering business taxes.	37%	21%	21%	13%	4%
Making it easier to obtain low-cost loans and capital.	29%	23%	27%	10%	4%
Creating better, faster, cheaper broadband.	27%	20%	28%	12%	6%
Reducing government red tape.	26%	17%	25%	17%	5%
Expanding small business training and assistance.	24%	26%	30%	13%	4%
Improving education & workforce training	22%	23%	30%	13%	5%
Limiting the fees delivery apps can charge.	19%	15%	21%	14%	10%

Comments: Policy Priorities

“Hard to understand how the growth and survival of small businesses has taken such a back seat in both political parties over the years.”

- *small business in rural New Hampshire*

Ending Subsidies and Tax Breaks for Big Businesses

“The practice of small towns waiving taxes for large corporations has been one of the most damaging to small town residents.”

- *bookseller in upstate New York*

“I do think large corporations need to be taxed at an equitable rate to small businesses.”

- *pharmacist in Maine*

“Make Amazon [...] pay their taxes. I have to pay mine, they should pay theirs.”

- *retailer in Truckee, California*

We need “campaign finance laws that limit lobbying power so that politicians work for the greater good and not those with the most money.”

- *construction business in West Des Moines, Iowa*

Comments: Policy Priorities (continued)

“More relief and grants for local “main street” businesses instead of breaks for big box stores.”

- *retailer in St. Louis, Missouri*

Breaking Up and/or Regulating Amazon

“Amazon needs to be broken up to help businesses of all sizes.”

- *retailer in Harrisville, New Hampshire*

“Amazon's own brand control is legendary and complete, but they block verified brand owners from controlling their own listings, allowing other third-party sellers to claim to sell the item and make changes that harm the listing. Good luck ever getting it fixed, believe me I know and I am not alone.”

- *consumer product brand manufacturer in greater Seattle*

“In the book business in particular, Amazon’s total dominance of the ebook business was not considered an anti-trust violation by the Obama admin. This needs to be reexamined.”

- *bookstore in Vermont*

Comments: Policy Priorities (continued)

"Amazon is a monopoly that must be broken up for the sake of every small business."

- *retailer in New Orleans*

"[...] we frequently have the opportunity to bid on school district purchase orders, and we lose them when Amazon's prices undercut our margin."

- *office supply dealer in Mississippi*

"Amazon is killing small businesses, and making it harder to have a more diverse economy and thriving downtown ecosystem."

- *retailer in Westerly, Rhode Island*

Capping Credit Card Swipe Fees

"I didn't take the time to calculate Credit Card Fees, but it is a painful transaction every month it comes through."

- *bookstore in Vienna, Virginia*

Comments: Policy Priorities (continued)

Improving Downtowns and Neighborhood Commercial Districts

"I believe the biggest benefits to most small business owners comes from focusing on the things that are needed to keep them operational day-to-day, like access to capital, [and] affordable... commercial space."

- *service provider in Waterloo, Iowa*

"If our cities and towns lose small businesses, we lose essential and culturally significant institutions. If large retailers continue to ... monopolize industries, we as individuals also lose the ability to make meaningful choices with our purchases."

- *retailer in Stevens Point, Wisconsin*

"[P]lanning and zoning regulations [are outdated]. It makes the entire geography of the US a bad fractal image of fried chicken restaurants and chain pharmacies. There are night and day examples of communities with comprehensive P&Z and communities with lax P&Z."

- *a small town retailer in Louisiana*

"The whole 'free delivery' model is fraught with environmental issues - the exact opposite of where we need to be moving, as in towards walkable communities where we can do our shopping and socializing on foot or on bicycles."

- *retailer in Brattleboro, Vermont*

Comments: Policy Priorities (continued)

Strengthening Antitrust Policy and Enforcement

"The concentration of power in the hands of a few monopolists is continuing to occur at a rapid rate. We need strong antitrust enforcement and other government action to stop this."

- *retailer in San Francisco*

"And AT&T's monopoly on broadband in our area is very damaging."

- *retailer in Hogansville, Georgia*

"I think our only real hope is antitrust legislation."

- *retailer in Riverside, California*

"We struggle in our veterinary field with corporations buying up small practices. I am more and more in the minority."

- *veterinary practice in Massachusetts*

Other Policy Actions

"More people would start small businesses if they weren't reliant on employer health care."

- *bookstore in Vermont*

Comments: Policy Priorities (continued)

“Access to financial help is very limited due to my low income and lack of credit worthiness. Any government help for those of us in this situation would be greatly appreciated.”

- *restaurant in Keene, New Hampshire*

“During covid, hundreds of people can pack into Walmart, but I can't have more than 10 people in my giant open workout floor?”

- *fitness center in Wisconsin*

About the Institute for Local Self-Reliance

The Institute for Local Self-Reliance (ILSR) is a national nonprofit research and advocacy organization that partners with allies across the country to build an American economy driven by local priorities and accountable to people and the planet. More at <http://www.ilsr.org>.

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