SANTA FE
INDEPENDENT
BUSINESS &
COMMUNITY
ALLIANCE

Santa Fe Independent Business Report

"Small business embodies so much of what America is all about. Self-reliance, hard work, innovation, and the courage to take risks for future growth: these are values that have served our Nation well since its very beginning. They are values to be passed on from generation to generation. We must ensure that our small businesses continue to thrive and prosper, not just for their own sakes, but for all of us."

-The State of Small Business:
A Report of the President

November 2003

AngelouEconomics
technology-based economic development

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Executive Summary

Santa Fe is like no other community in the U.S. A strong tourism economy and large base of unique cultural assets require that city leaders pay particular attention to the role that small businesses play. Eighty-five percent of all businesses in Santa Fe employ fewer than 20 workers. Of these small businesses, over 90% are locally owned. Simply put, this demographic is the largest <u>business</u> asset in Santa Fe.

Independent businesses' share is currently higher than the national average, but in the past five years, independents have been losing their ground. The share of the Santa Fe economy that is locally owned showed significant decline over the last 5 years, with retail falling well below the national average. Indeed, among a survey of over 100 independent Santa Fe businesses, 37 percent expressed increased pressure from national chains.

Larger businesses are growing in both numbers and employment totals at rates much faster than those of smaller businesses. The arrival of these larger companies affects the small business sector through increased competition for labor, higher rents, and usually a decrease in small business sales.

Santa Fe's future economic health will largely be determined by the success of the local independent business sector. While national businesses have a role to play in every economy, purchases from national businesses typically cause money to leak out of the local economy. While seemingly insignificant when considering a single purchase, the sum of these effects is sizeable across an economy the size of Santa Fe's.

Not only do national chains send money outside of the community, they distort the local economies by shifting activity away from downtowns and concentrating sales on one property. This overstates the importance of large retailers for tax revenues and jobs. In reality, large retailers typically draw revenues from other areas of town or neighboring communities. Studies show that towns adjacent to locations with new big box operations see sizable losses in both sales tax revenues and employment.

The benefits of a thriving independent business sector are not limited to the economy. Possibly more important is that small businesses in Santa Fe define the community's self-image and are a point of pride for its citizens. Large businesses, on the other hand, can homogenize Santa Fe and eliminate the “different” in the City Different.

Many communities are now choosing to take control of their own economic destinies. Much literature and discussion exists today on the need for communities to support their locally owned small businesses.

AngelouEconomics (AE) will extend this discussion to Santa Fe through an objective look at available data and research. We evaluate the issue on both an analytical level and a “social value” level. While clear evidence exists that small businesses have a greater positive impact on a local economy than national chains, it may be that the economic arguments are secondary to the social and cultural value of supporting a vibrant small business sector in Santa Fe.

We present several case studies on what other communities have done to support their independent business sector. With most cases, the key to success is to be proactive early, planning for future growth from outside influences rather than trying to recover and respond when it is too late.

Finally, we present several recommendations that can be taken by the leadership in Santa Fe in support of this business sector. We hope that the information provided in this report serves as a springboard for continued discussion on the future of Santa Fe’s economy.

Summary of Key Findings

- Small businesses account for 90% of all businesses in Santa Fe and employ 30% of all private sector workers.
- Independent businesses comprise a higher share of Santa Fe's economy than the national average.
- However, national chains in Santa Fe are growing faster than independents – 2.5 times faster – and bring new competition and pressure to the small business community.
- In many ways, this trend poses a threat to Santa Fe and results in a large outflow of money from the local economy.
- The impact of dollars spent at independent businesses deliver two times the economic impact of spending at national chains.
- While the economic benefits of supporting local businesses are clear, the true value derives from preserving the social and cultural uniqueness embodied in Santa Fe's independent business sector.

Cultural Benefits of Supporting Local Businesses

The key to Santa Fe's economic growth has always been its quality of life. The landscape, culture, and people offer a diversity that cannot be found in other communities in the United States. People move from all over to experience the "Land of Enchantment;" the same allure draws tourists to the area.

As one businessperson stated,

> *"[Tourists] travel here to enjoy something unique – products, art, architecture, etc. The more unique we keep Santa Fe, the better for all."*

This is certainly true. Visitors provide a significant boost to the local economy, supporting local retailers and contributing to tax revenues.

Santa Feans take pride in their small and independent businesses. Every time a small business folds to a national competitor that pride is wounded. Supporting local business becomes an important part of the local psyche, an important part of internal marketing, and fuel for further entrepreneurial activity. The success of one businessperson builds momentum and inspires others in the community to follow entrepreneurial paths of their own.

Furthermore, small and independent businesses are an important way of preserving the local heritage. Minorities, especially Hispanics and Native Americans in Santa Fe, use small businesses as a springboard into economic prosperity that rarely exists in other sectors of the economy. Support of small businesses goes hand in hand with supporting the culture of underrepresented groups and a venue for sharing art, crafts, and agricultural goods.

Definition of "Small Business"

The Small Business Act defines a small business concern as "one that is independently owned and operated and which is not dominant in its field of operation." As a working definition, the above is fairly flexible and varies considerably from industry to industry. Some manufacturers, for example, are permitted to have as many as 1,000 employees. Out of necessity, and because interesting conclusions can readily be drawn, this report will generally define a small business as one having fewer than 20 employees; large businesses containing more than 500 employees; and medium-sized businesses employing between 20 and 500 people.

State of the Santa Fe Small Business Sector

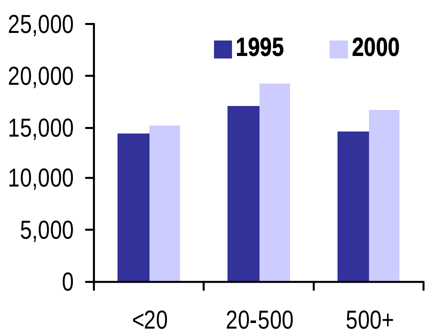
The bulk of private sector employment in Santa Fe has traditionally been centered on medium-sized businesses with remaining employment distributed evenly among both small and large companies.

The most recent figures show that 15,000 people throughout the metro work in small businesses; 19,000 people work in medium-sized businesses; and 17,000 people work in very large businesses.

While employment appears to be equal across company size, looking at the number of businesses, however, shows a completely different story. An overwhelming majority of companies in Santa Fe employ fewer than 20 people.

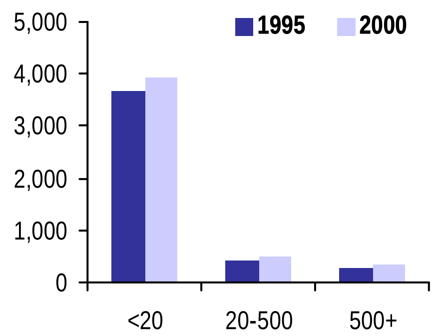
According to the U.S. Small Business Administration, 3,900 Santa Fe companies employ fewer than 20 people.

Private Employment by Size of Firm, 1995 vs. 2000
Santa Fe MSA



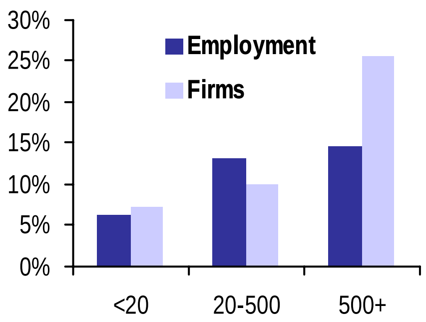
Source: U.S. Small Business Administration

Private Firms by Size of Firm, 1995 vs. 2000
Santa Fe MSA



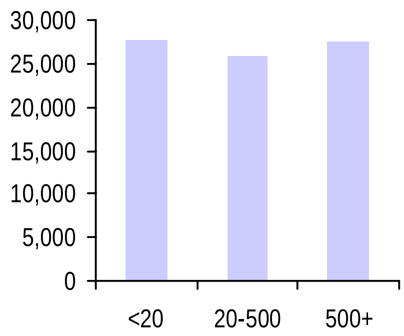
Source: U.S. Small Business Administration

Percentage Growth, 1995 - 2000
Santa Fe MSA



Source: U.S. Small Business Administration, AngelouEconomics

Average Wage by Size of Firm, 2000
Santa Fe MSA



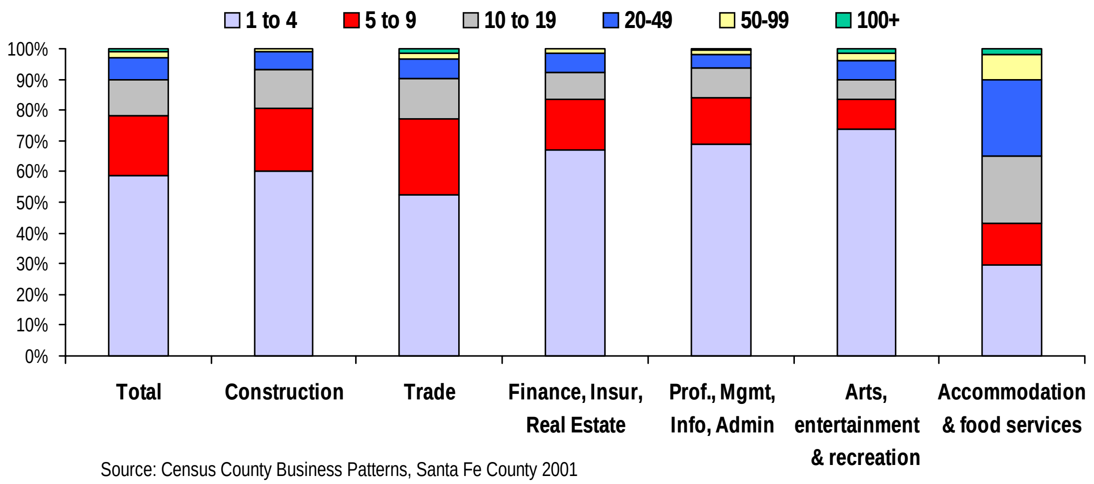
Source: U.S. Small Business Administration, AngelouEconomics

While businesses of all sizes have seen positive growth, **<u>larger businesses</u>, both across the county and in Santa Fe, are growing faster and are accounting for larger shares of both the number of businesses and employment.**

This is troubling when one considers average wages paid by large businesses. Small businesses in Santa Fe tend to pay higher wages than those paid by medium-sized and large businesses. Above average wages and advanced economic opportunity are especially important since the region already struggles with low household incomes and extremely high costs of living.

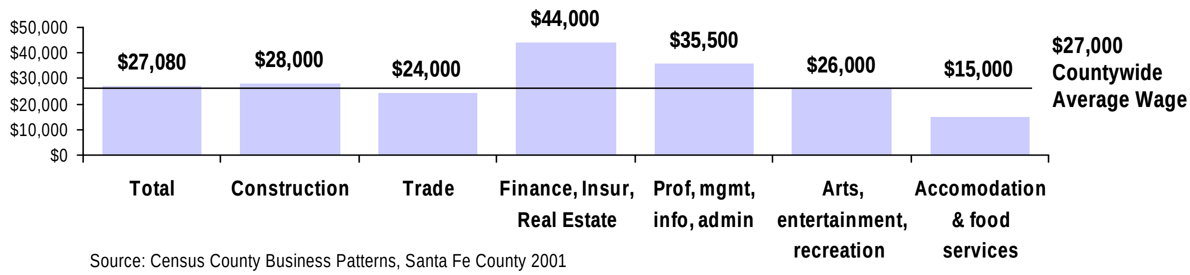
- From 1995 to 2000, employment in large businesses grew by 15 percent; the number of establishments grew by 25 percent.
- Small businesses, in comparison, increased employment by 6 percent and the number of establishments by 7 percent.
- The growth rate for employment in large businesses is more than double that of small businesses. The number of large businesses is growing more than 3.5 times faster than that of small businesses.
- Small and large businesses pay comparable wages, $27,700 and $27,500, respectively.
- Businesses employing 20 to 500 people, however, pay annual wages of $2,000 less than small businesses.

Percentage of Businesses by Business Size
Santa Fe County



Source: Census County Business Patterns, Santa Fe County 2001

Average Wage By Industry
Santa Fe County



Source: Census County Business Patterns, Santa Fe County 2001

The above charts show the distribution of businesses by firm size and the average wage for each sector. This illustrates a number of points.

- **All industries presented consist mostly of small businesses. In fact, most businesses have fewer than 5 employees.**
- Trade, accommodation, and food services are all more likely to have large businesses as well as pay lower wages. They likely skew the average wage of mid-sized businesses downward.
- Companies in the finance, insurance, and real estate sector traditionally pay excellent wages and are mostly small businesses. Ninety-two percent of businesses in this sector have fewer than 20 employees.
- Employment in accommodation and food services is well distributed across all firm sizes.

Independently Owned Businesses in Santa Fe

This section discusses the second part of the Small Business Administration's definition of a small business: independently owned businesses. The last five years have seen a downward shift in the percentage of independently owned companies in Santa Fe.

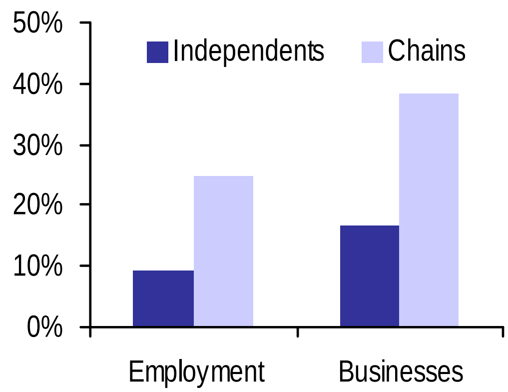
While Santa Fe remains much more independent than the rest of the nation, Santa Fe's non-independent sector is growing much faster.

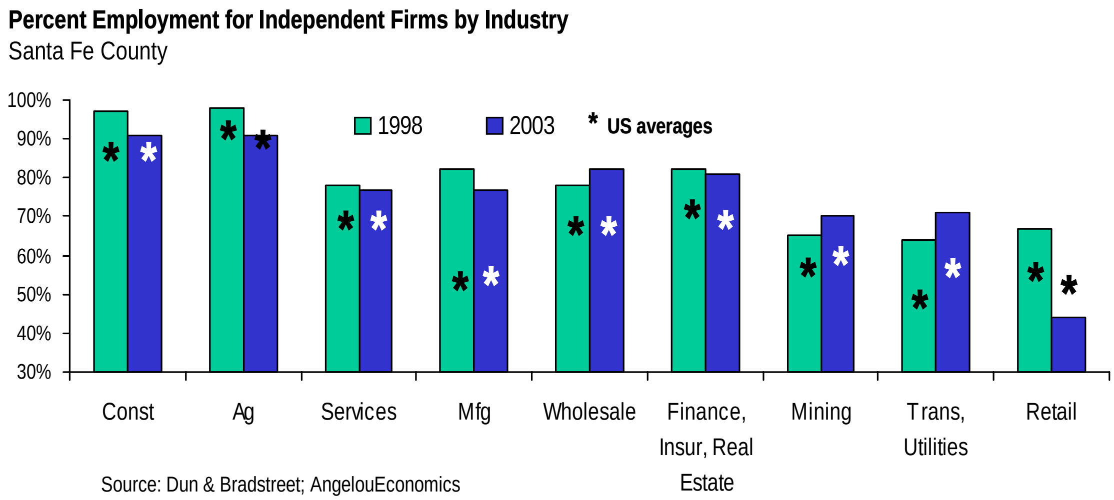
- From 1998 to 2003, employment for independently owned businesses increased by 9 percent and firm count grew 17 percent.

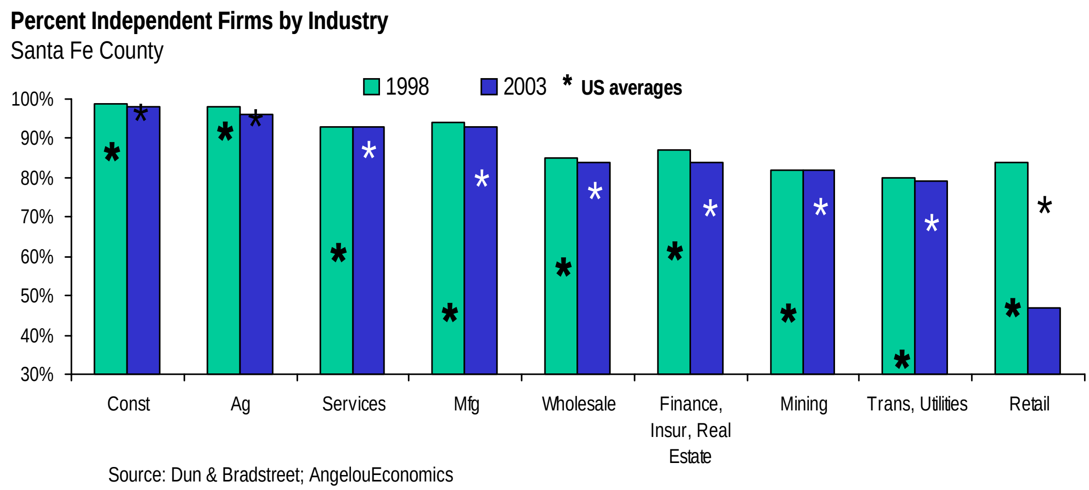
- In contrast, national chains in Santa Fe increased their employment by 25 percent and the number of businesses by 38 percent.

Santa Fe's employment at chain businesses is growing 2.5 times faster than the independent business sector.

Growth in Employment and Firms 1998-2003







Almost all industries experienced a decline in independent business's share of both employment and number of establishments. The largest percentage drop was in retail, where current levels of independence are well below that of the nation. This industry more than any other directly affects households and quality of life indicators. The change threatens the local diversity found in Santa Fe shopping and endangers the unique character of the area.

The retail sector is currently the most threatened independent sector in Santa Fe.

Independently Owned Businesses have a Larger Impact

Dollar for dollar, money spent in locally owned shops has a larger impact on the community than money spent in shops headquartered outside of the region.

When economic stimulus comes from outside of an economy (e.g., tourism, federal funding, industrial exports) the full effect of those dollars depends on the extent that the money remains in the local area. When dollars are spent locally, they can in turn be re-spent locally, raising the overall level of economic activity, building the local tax base, and paying more salaries. This re-circulating of money leads to a multiplier effect, that is, an amplification of economic activity, with the degree of amplitude entirely dependent on the percentage of money spent locally.

Regardless of ownership, some expenses will leave the area. Payments for taxes and fees, telecommunications equipment and service, and utilities generally go to concerns outside of the local area. On the other hand, direct rent payments are naturally spent on real estate within the region though owners may reside elsewhere. Other expense categories are more vague and vary considerably depending on the amount of local control of the business.

Percent of Operating Expenses Remaining in the Local Economy

	Locally Owned	National Chains
Wholesale Trade-Durable Goods	**91%**	**68%**
Wholesale Trade- Nondurable Goods	**89%**	**67%**
Retail	90%	70%
Hardware Stores	91%	71%
Apparel and accessory stores	90%	70%
Eating and drinking places	88%	71%
Grocery stores	88%	75%
Service	**88%**	**70%**
Hotels and Motels	83%	67%
Advertising	92%	75%

Source: AngelouEconomics estimates based on Economic Census data

The side table compares national averages for spending habits of locally owned businesses and national chains. It shows how the amount of spending leaking out of the area economy varies depending on the type of business.

The following table shows the percentage of operating expenses (not including cost of inventory) by category for typical retail and service companies in the U.S.

Operating Expenses

	Payroll, Benefits	Taxes, Fees	Lease, Rent	Telecomm	Utilities	Supplies, Packaging	Advertising	Repair Services	Legal, Accounting, Office	Other
Wholesale Trade-Durable Goods	**61%**	**2%**	**5%**	**2%**	**2%**	**2%**	**4%**	**2%**	**2%**	**18%**
Wholesale Trade- Nondurable Goods	**57%**	**3%**	**6%**	**2%**	**2%**	**4%**	**2%**	**2%**	**2%**	**20%**
Retail	**58%**	**2%**	**10%**	**1%**	**4%**	**2%**	**6%**	**2%**	**2%**	**13%**
Hardware Stores	60%	2%	10%	2%	3%	2%	5%	2%	2%	12%
Apparel and accessory stores	47%	2%	20%	1%	3%	2%	6%	2%	1%	16%
Eating and drinking places	60%	3%	10%	1%	6%	3%	5%	3%	1%	8%
Grocery stores	61%	2%	7%	8%	1%	6%	2%	4%	3%	6%
Service	**62%**	**1%**	**5%**	**1%**	**1%**	**2%**	**2%**	**1%**	**1%**	**24%**
Hotels and Motels	56%	5%	4%	2%	6%	1%	2%	3%	1%	20%
Advertising	64%	1%	6%	2%	1%	2%	2%	1%	2%	19%

Source: Economics Census, 1997

An example

Comparing locally owned grocery stores in Santa Fe, such as Kaune Foodtown and The MarketPlace Natural Grocery, to a chain store like Lowe's Super Save quickly highlights the difference.

Labor is by far a grocer's largest operating cost, on average making up 61 percent of expenses according to the U.S. Economic Census. The MarketPlace's entire wage bill goes to local residents, including wages to the owner. Lowe's stores, however, help support management in their Littlefield, TX headquarters, who in turn are responsible for managing 60 stores throughout their area.

The typical grocer, according to the U.S. Economic Census, spends 12 percent of the operating budget (not including inventory costs) on office supplies, packaging material, advertising, legal services, accounting, and data processing. For Lowe's, all of these functions are handled by corporate headquarters in Littlefield; logistics and distribution capabilities are contracted out to Affiliate Foods in Amarillo. Most of this 12 percent, then, is spent immediately outside the region by national chains.

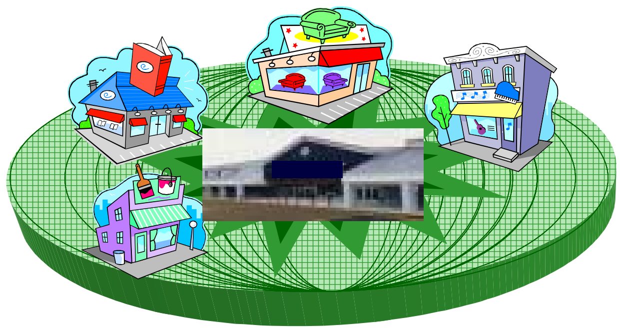
After accounting for all leaks out of the local economy, AngelouEconomics estimates that 25 percent of a national grocer's operating costs leave the local area compared to 12 percent for locally owned grocers.

Of course, one cannot only look at the first round of spending; where the grocer's vendors and workers spend their money is important as well. **The multiplier effect of $1 spent at a typical retailer is <u>2 times higher</u> than the impact generated by a nationally owned business. The diagram below shows how independent stores create an added impact in "Round 3" that won't come from national chains. The actual dollar amount and multiplier will vary by industry and business.**

Economic Impact of A Typical Retailer

Source: AngelouEconomics based on the Implan Model

The Big Box Effect on Retail and Jobs



Much debate has occurred throughout the U.S. over the pros and cons of big box retail in local communities. Many praise them for bringing new consumer choice, jobs, and tax revenue to cities, while others decry the ultimate negative impact on local small businesses.

Big box retailers' growing influence nationwide is clear. Wal-Mart, for example, provides jobs to roughly 1 million people. The average store occupies 100,000-150,000 square feet and employs 150-350 people. Stores handle an enormous amount of retail daily and produce an enormous amount of tax revenue for local governments.

Small towns and cities that were previously lacking in retail options are now large beneficiaries from new retail big box development. For these communities, a big box retailer offers an immediate increase in shopping options, sales and property tax revenue, and employment.

Total retail spending for the region, however, rarely increases and net employment decreases. Large stores are able to sell the same amount with fewer employees. **Rather than producing a new regional economic impact, what really happens are shifts in consumer buying habits at the local level and a decline in employment regionally.** In fact, one study measures the effect of a new Walmart on retail employment and finds that a short-term increase in jobs at the store is offset over time by declines in retail jobs elsewhere in the economy. (Basker, 2002) It is no surprise that suburban cities, which often depend heavily on sales taxes, are large stores' biggest supporters.

Problems arise, however, in communities where these shifts are unplanned and unwelcome. Stores generally follow new home construction, and big box retailers' need for large sites drives them to suburban locations on major roads and highways. Often suburban retail thrives at the expense of urban downtowns, draining money out of the central business district and away from locally-owned merchants.

Reactions in these communities are split. Some cities clash head-on with big business using legal action and zoning regulations. Other towns have tried hard to work with these companies, harnessing their power to draw customers and funneling that traffic to smaller businesses. Two excellent examples of communities working with big box retailers to accommodate each other are given in the Strategic Recommendations section later in this report.

Common Strategies to Support the Independent Business Sector

For decades communities have been experimenting with ways to support local businesses and strengthen their downtown economies. **The key to every successful community is to be proactive, planning for growth rather than trying to recover and react to outside influences.** The following case studies highlight strategies that have worked elsewhere and can be applied to Santa Fe's business environment and civic practices. At the heart of each case study is innovation. Successful businesses succeed because they have effective business plans; the same is true for successful communities. We hope that these case studies bring new ideas to the discussion on how best to support Santa Fe's independent business sector.

Common Strategies for Success

1. **Have clear established community goals. Figure out what is important to residents and businesses and ensure that actions are consistent with these goals. Send a message to the world that the city supports its locally owned business community.**
2. **Build local businesses by building the neighborhoods that support them.**
3. **Encourage growth downtown by building new civic and government buildings downtown. These operations will deliver greater and consistent demand for local downtown businesses.**
4. **Start a "Buy Local" campaign aimed at businesses as well as households to choose local businesses whenever possible. Actively work with local companies to develop a quality local supply chain.**
5. **Have measurable metrics for gauging success. This will guarantee that resources are devoted towards programs that work and allow the community to celebrate its success.**
6. **Improve downtown parking and infrastructure to allow easier access to downtown's unique set of businesses.**
7. **Host special events and festivals that showcase local businesses and drive foot traffic to under-marketed areas of town.**
8. **Stay current on resources and funding options for small businesses. Provide a one-stop shop where businesses can find the assistance they need to remain competitive.**

Plan for growth so that you can adapt when the time comes. What specifically is important about this issue? Concern that large retailers draw shoppers away from downtown is different than outright opposition to large retailers. Simply put, large retailers attract a lot of commercial traffic; as anchor companies, these businesses can be leveraged to support complementary businesses located nearby.

Prince William Sound, Virginia and Carroll, Iowa

Prince William Sound County, VA and Carroll, Iowa are two good examples of communities working with big box retailers (Wal-Mart, in both cases) to complement community goals.

Prince William Sound was experiencing rapid growth and some of the accompanying pressures such as traffic congestion and zoning updates. The original building site proposed by Wal-Mart would have intensified these issues shifting economic activity away from their traditional city center. The County, instead, suggested five alternative locations and site-specific incentives that eventually led to Wal-Mart choosing one of the preferred locations.

In Carroll, the City had invested heavily in downtown, using urban renewal funds to build a downtown mall. They worried that building retail away from the city center would threaten that investment. Instead the city convinced the store to build in its central business district, which brought more traffic to other downtown retailers. Wal-Mart also agreed to pay for 50 percent of the cost of a large new parking lot, with the agreement that it would be shared among all area businesses.

Strategy: *Be clear about community goals. Ensure that community actions are consistent with those goals.*

Focus on community scale. Building neighborhoods will help build neighborhood-scale businesses. Maintaining walkable neighborhoods and mixing retail uses with residential housing supports both a high quality of life and a vibrant economy.

Sonora, California

Residents of Sonora, California are concerned that an influx of big box retailers will threaten their semi-rural local character, leading to heavy traffic and harming downtown businesses. The Tuolumne County Board of Supervisors recently voted to encourage its Board to adopt a big box ordinance.

Key requirements for new buildings include:

- Blending with traditional architecture of the community and surrounding neighborhoods
- Consistency with applicable design standards
- Conditional uses permit for buildings over 25,000 square feet, with a size limit of 60,000 square feet

The ordinance encourages new businesses to fit within the county's existing infrastructure, topography, and local economy

Strategy: *Build businesses by building the neighborhoods that support them.*

Realize the importance of public decisions. If the goal is to sustain a healthy downtown, new government buildings should locate downtown as well. This will draw people to the area and help capture local spending

Rome, Georgia

Rome, Georgia has been in the downtown revitalization game for a long time, dating back to its citizens' concern in the 1970s when major anchors of the downtown relocated to a new mall. These stores brought much of their traffic with them, and Rome's downtown suffered.

Rome was one of the first Georgia communities to support preservation, adopting a local historic zoning ordinance in 1979. The city also has a Downtown Development Authority and participates in the national Main Street Program, two organizations devoted to preserving and enhancing downtown. The Main Street Program primarily targets preservation of historic commercial architecture and downtown storefronts; the Downtown Development Authority organizes the Main Street Program efforts, coordinates other downtown development projects, and seeks necessary funding sources.

The city, however, focused not only on preserving old buildings; the community also continued to invest in its downtown with new government buildings. During the 1990s, the new downtown city buildings included a civic center, a library, and a joint city-county police complex. Each of these operations brings employees and patrons downtown daily.

Strategy: *Build public buildings downtown.*

Work with local businesses to ensure that their needs can be met locally. "Buy Local" campaigns are an important part of any initiative to support small community businesses. These programs, however, are often geared only at household spending. Bypassing business-to-business spending overlooks a significant portion of the local economy. Networking and educating local businesses can lead to a viable local supply chain. If there are holes in the supply chain, work to build local businesses that can fill that void.

Plugging the Leaks

The New Economics Foundation is a London think tank specializing in building local economies through many of the methods discussed in this document. Their guidebook, Plugging the Leaks, leads communities through the process of fillings gaps in the local supply chain.

The Greenwich Local Labour and Business (GLLaB) provides a good example of the ideology. GLLaB is a partnership between the local government and employment commission and is part of a network of local companies that matches business supplier and labor needs.

By actively working with area companies and searching out suppliers, GLLaB is able to strengthen the local supply chain beyond what would have naturally happened through market forces. The policy is to always look within the community to fulfill the need before turning to the outside, with hopes of meeting every request for labor and supplies locally.

Strategy: *Organize a "Buy Local" campaign that targets businesses as well as households.*

Have measurable metrics. Some successes can be quantified. By determining a set of tangible goals, communities establish clear priorities and are able to assess the performance of their programs, allowing more efficient use of resources. Goals can include increasing sales receipts from downtown merchants and percentage of locally owned businesses in the city.

Tucson, Arizona

The City of Tucson, Arizona runs an effective Liveable Tucson program with a strong buy local campaign. The program involves cooperation with all the city departments, ranging from economic development to police to solid waste. At the heart of the program are the City's Key Indicators of Progress:

- *Percentage of major employers headquartered in Tucson.* This figure points to the importance of home grown successes. These companies tend to be more philanthropic and provide greater economic independence for the region. It is measured from annual reports of local business activity.
- *Percentage of employees with health benefits*. This indicator implies that people have better, quality jobs and are more capable of caring for the needs of their families. The City measures this statistic by administering a resident survey.
- *Percentage of companies adding employees in the past year*. Expanding companies are as important to the economic health of a region as new companies. This metric is easily obtained through government employment statistics and surveys.
- *Duration of local businesses*. This factor is measured by the number of businesses that were established three years ago and are still in business. This method explicitly measures the ability of local businesses to survive in Tucson's economy. The City's data on business licenses provides this information.

Strategy: *Maintain a set of measurable criteria to gauge successes.*

Improve infrastructure for parking and roads. You cannot shop downtown if you cannot park downtown. Struggles with parking often drive shoppers from downtown and towards big box retail and malls. Though the walking distance from the car to the storefront is comparable to that in downtown, busy shoppers do not spend time circling city blocks in search of an open parking space.

Offer free parking, enhance existing parking, and provide free shuttles around town. Encourage business practices that make parking less important, like home delivery of groceries and large bulky items. Adequate security is also important to support nighttime shopping as most household shopping occurs between 7 and 11 p.m.

Farmingdale, New York

Farmingdale, New York implemented parking solutions to help revitalize its downtown in 1998 and create a more convenient, user-friendly shopping experience.

- Parking meters were removed from Main Street and replaced with signs indicating two-hour parking zones, which are monitored by county police and the village's code enforcement personnel. Shoppers liked not needing coins for the meters, and officials reported that most people respected the two-hour limit.
- A new access road was constructed into an existing parking lot, making it more accessible to downtown patrons. Another project created 300 new spaces near the new access road. Use of the lot doubled.
- As part of a larger streetscape initiative, the village held a fund-raiser and bought a street clock. It also worked to improve sidewalk and lighting conditions. New walking access was added for parking located behind stores.

Each project was funded by grants and private contributions at no cost to taxpayers. Before these projects were implemented, the village got input from local merchants and has received positive feedback from them since the projects' completions

Strategy: *Improve downtown parking and transportation infrastructure.*

Celebrate local businesses. Downtown festivals, farmers' markets, and special events are all great ways to increase exposure of local businesses and artisans. Events should be regularly scheduled in order to become fixtures on residents' calendars. By focusing on atmosphere rather than shopping, the appeal stretches beyond the usual shopping demographic.

Austin, Texas

South Congress Avenue in Austin, Texas is lined with an eclectic mix of small retailers and restaurants. About two years ago, business owners came together to organize what has become known as First Thursdays. Every first Thursday of the month stores along South Congress stay open until 10 p.m. Local artists and merchant booths selling wares fill the sidewalks. Shoppers mingle in and out of stores along the street.

The success of First Thursdays is largely due to the festival atmosphere organizers were able to create. Dozens of bands, both impromptu and organized, line the sidewalks and street corners. While the shops certainly see increased sales, shopping actually makes up a small part of the experience.

The event has become a regular scene in Austin and every month thousands of people flock there to shop, listen to live music, or just stroll around.

Strategy: *Organize festivals and events that bring increased traffic to local businesses.*

Become a clearinghouse for small business resources and funding opportunities. Supporting local banks generally means supporting an array of local businesses. Community-based banks are more likely to lend to small businesses than large banks. The Alliance can provide assistance and information on qualifying for small business loans and grants.

Philadelphia, Pennsylvania

The Philadelphia Commercial Development Corporation (PCDC) is an active part of the local business scene.

Among other programs, the PCDC runs the Small Business Support Center, a one-stop shop for entrepreneurs. The center provides financial and technical help to small businesses. The center enables business owners to perform market research, draft a quality business plan, access capital, and obtain procurement opportunities.

The PCDC also maintains a small business revolving loan program. The fund was established to provide direct financial assistance to small businesses in either the startup or expansion phases of their business. Direct loans are available from $25,000 to $200,000 at below market interest rates.

Strategy: *Stay current on small business resources and funding opportunities.*

Survey Results

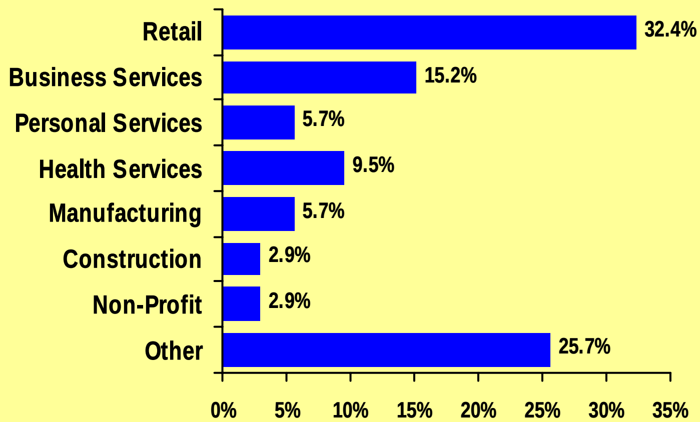
The Alliance, with the aid of AngelouEconomics, launched an online survey to gain information from members about their business practices and the effects of national chains on their businesses. To date, there have been 118 responses. Most of these businesses are owned and operated by Santa Fe residents, with 97 percent reporting that the majority owner lives in the greater Santa Fe area. Respondents offer a wealth of knowledge, with experience ranging from a couple of months to 40 years. The average business surveyed has been in operation for 12 years.

Chains are clearly changing the face of Santa Fe. Thirty-seven percent of businesses surveyed say they feel direct pressure from larger companies. One lesson this survey teaches is that innovation, specialty items, and customer service continue to be the key to small business success. Independent business can offer a level of quality and satisfaction absent in the aisles of big box retailers.

One respondent put it best, “National chains continue to affect our business as they have for years. We continue to look for additional markets and products they are not interested in.”

The largest share of respondents is from the retail sector, representing a third of all respondents. There are also a number of businesses in the "other" category, which seems to highlight a unique aspect of small businesses – many of these perform a number of functions, combining categories such as manufacturing, business services, wholesaling, and retail.

Which industry best describes you?



Responding businesses offer a wide variety of products, with almost 22 percent of all respondents selling art.

The large "other" responses further illustrates the unique products and services often offered by independent businesses.

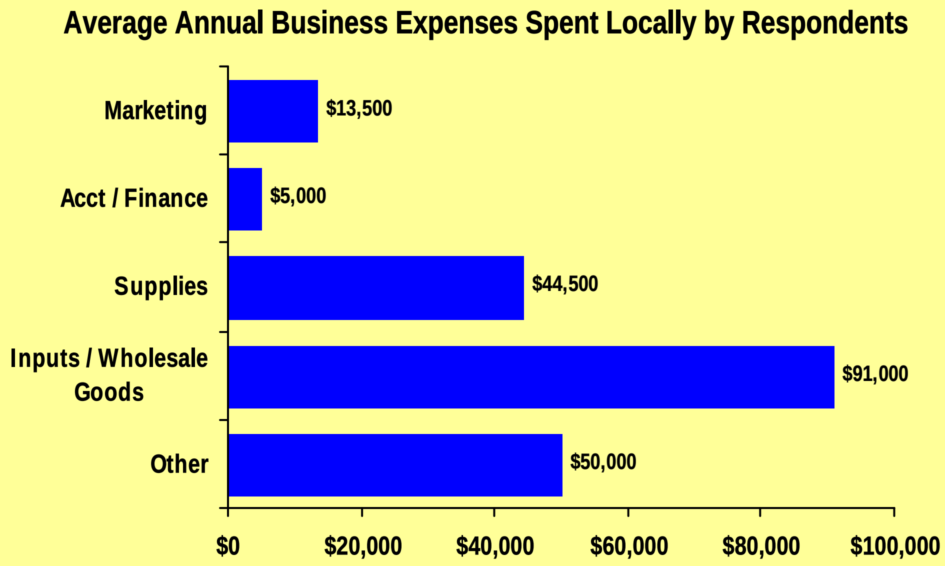
Percent of Respondents Providing the Following:

Clothing/ Shoes	9.5%
Grocery Store	1.0%
Household Goods	7.6%
Furniture	5.7%
Drug Stores	1.9%
Books / Stationary / Cards	10.5%
Sporting and Outdoor	2.9%
Gift / Souvenirs	11.4%
Jewelry	12.4%
Computers / Electronics - Sales/Service	1.9%
Financial Services	2.9%
Auto Supply / Service	1.0%
Construction / Engineering /Architecture	4.8%
Hardware / Building /Landscaping / Gardening	6.7%
Realtor / Developer / Title	2.9%
Advertising / Public Relations	4.8%
Travel / Tourism Service	6.7%
Entertainment	3.8%
Restaurants /Bars/ Catering	6.7%
Museum	1.9%
Art	21.9%
Music / Video	2.9%
Other (please specify)	**48.6%**

According to the survey, local businesses support other local businesses. Eighty businesses answered detailed questions on *local* spending for expenses on advertising, inventory, and business operations.

- By far, the largest expense was on production inputs and wholesalers. The average business spends $91,000 locally on this category.
- Supplies also accounted for large local purchases, with the average company buying $44,500 in supplies from other local businesses.
- An average of $13,500 is spent on local marketing businesses.

Alliance members are devoted to other local businesses and use area vendors when possible. Care must be taken to strengthen these bonds and ensure quality products can be found for every link in the supply chain.



The survey also asked a number of questions regarding competition from chains. Of those responding, half reported no increased competition from national companies. Many of these companies reported that they provided a unique or high quality product or service that chains and large businesses simply cannot offer.

Have you experienced increased competition from national companies?

Yes	37%
No	50%
Not sure	13%

Of those experiencing pressure from national competitors, various tactics have been used to increase sales. The most common strategy has been to increase the number of available products and services.

Responses to increased competition from national chains

	Reduced	Increased	No Change	Not sure
Prices	35%	18%	41%	6%
Employment	26%	15%	53%	6%
Office / store space	15%	18%	65%	3%
Number products / services	21%	53%	24%	3%

The survey also had ample room for respondents to comment. Many questions specifically asked for comments, and there was space at the end for general comments. The following are selected quotes taken from Santa Fe businesspeople.

Quotes:

"*If you're willing to walk the length of the mall you can find plenty of parking downtown, and you just might find the walk much more enjoyable."*

"Small and local businesses MUST deliver more than the chains in terms of Friendliness, Service, Assistance, Quality, Amenities, and Hours of Operation to compete successfully!"

"Sometimes I think that complaining about the chains and global marketing is a waste of time. The trends are so enormous and people are so attracted to familiar national branding that no amount of consciousness rising will make much of a dent. I do so want to believe this is not true!"

"We must educate local people about the impact they can have on our economic situation in Santa Fe by spending their food dollars at home…."

Finally, Don't Forget: Support your Local Businesses So That They Can Get Bigger !

Much of this report focuses on supporting the small business sector in the face of large national competition. Clearly, many reasons exist to do so, from cultural to financial.

By promoting a diverse independent business sector, Santa Fe will receive additional benefit as these businesses grow and search out a larger national customer base. Cities want their businesses to grow and succeed for many reasons, the most tangible being so they can create jobs, generate more wealth, and pay a larger share of local taxes. People rejoice when their homegrown businesses achieve success in the global marketplace.

Bibliography and Resources

"Community Revitalization," www.emich.edu/public/geo/557book/a100.main.html. Online book hosted by Eastern Michigan University's Urban and Regional Planning Program. It is an excellent source of strategies for revitalizing downtowns, obtaining reinvestment funds, and competing with big box retailers. Offers quality data and case studies.

"The State of Small Business: A Report of the President." United States Government Printing Office, Washington: 2001. Documents the state of small business in the U.S. and market factors affecting their success, including financing, stability, and regulatory aids and impediments.

U.S. Small Business Administration
The SBA is an excellent source for small business financing and research.
SBA Office of Advocacy (www.sba.gov/advo)

Micro-Business-Friendly Banks in the United States: Lists top small-business-friendly banks according to state according to number of amount of loans under $100,000 and $1 million.

Office of Economic Research, Research Publications: Current list of research publications relevant to small businesses. Topics range from Labor market issues to technology to minority-owned businesses and includes small business profiles for each state.

U.S. Census Bureau Economic Census: Released every five years, the Economic Census provides detailed data down to Census block group level. Among other things, the Economic Census provides valuable information on local spending patterns and retail categories. Year 2000 data is scheduled for release in March 2004.

Past Reports Specific to Santa Fe
"The Changing Mix of Urban Service Industries in Santa Fe: A Report to the City of Santa Fe Community Development Division." The Howell Group, 1997.
"Target Industries for New Town Development in Santa Fe: A Report to the City of Santa Fe Community Development Division." The Howell Group, 1997.

Studies on the Effects of Big Box Retail
Emek Basker, 2002. "Job Creation of Destruction? Labor-Effects of Wal-Mart Expansion." University of Missouri – Columbia, mimeograph. Academic paper describing effects on county level employment following the opening of a new Wal-Mart location.
Gruidl, John and Steven Kline, 1992. "What Happens When a Large Discount Store Comes to Town?" Small Town (March-April 1992). pp 20-25. Shows the effect on countywide retail sales following the opening of a new Wal-Mart store.
Kotval, Zenia and John R. Mullin, 1992. "When the Mall comes to a Small Town: How to Shape Development with Carrots and Sticks." Small Town (September-October). Pp 14-21.