

Case Studies of Locally Oriented and Green Business Networks:

Austin Independent Business Alliance

By David Hess

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In 2002 about twenty local businesses in Austin founded the Austin Independent Business Alliance (AIBA), which is affiliated with the American Independent Business Alliance (AMIBA). AIBA was very popular with local businesses, and over the next three years the organization grew to have about 320 members. To support local businesses, the organization publishes and distributes a biannual directory that lists all of the members and is distributed to 10,000 local residents and businesses. AIBA has also sponsored “Austin Unchained,” a day when shoppers patronize only locally owned businesses. I interviewed Melissa Miller, the director of AIBA. After completing her studies in environmental resource management in the Geography Department at the University of Texas, Ms. Miller did fundraising and public outreach for environmental groups in the Austin area. She also worked for Cielo Wind Power, an Austin-based wind developer, before joining AIBA.¹

Membership in AIBA is limited to businesses in Austin or those in neighboring communities that provide services to Austin. Most members are in the retail or service sector, but there is no restriction on the type of business. The key membership criteria are that businesses must also be locally owned and operated, not public traded, and not national franchises. The membership criterion of allowing or not allowing franchises varies among independent business associations across the country, and AIBA’s policy on franchises or formula businesses is stricter than some of the other local business organizations. Although some franchise owners claim that they are really local businesses and want to join, Miller explained that AIBA does not have the time to distinguish among types of franchises. However, AIBA has found a solution for locally owned businesses that have gone public; there is an “alumni program” that distinguishes the businesses as belonging to a different category but keeps them linked to AIBA.

AIBA’s niche is distinct from the Chamber of Commerce. Historically, the Chamber in Austin has been oriented toward larger businesses, but it is beginning to change. As Miller described the relationship, “They recently figured out that they need to provide support for small businesses, so they’re trying to do that. However, the prevalent opinion is that if you’re a small business person, that’s not where you’re going to get the support. We hit a different market, but one of our goals is to do more outreach to the Chamber.”

Austin has a unique culture and fairly strong civic pride based on its music, film, restaurant, and bar scene; the presence of the University of Texas; and abundant outdoor activities, including unique physical landmarks such as Barton Springs. Yet, the city has also undergone rapid growth, fueled in part by information technology giants such as Dell and Motorola. As a result, Austin is facing problems of sprawl that are common to other sunbelt cities. The tension between rapid growth and the traditionally high quality of life

is a key to understanding the dynamics of the city's politics and culture, as well as the role that AIBA has come to play in defining the city and its future.

AIBA tapped into the ambivalence about growth and parallel sense of Austin's uniqueness by helping to disseminate the popular phrase, "Keep Austin Weird." The phrase became part of AIBA's founding campaign to preserve two landmark, independent businesses that play a key role in the city's literary and music scene: the local bookstore BookPeople and the music store Waterloo Records, which are located at the same street corner. As Miller explained, "The way AIBA was started is that there was a development that was going to go through next to BookPeople and Waterloo Records. There was going to be a Borders bookstore where the new Whole Foods store is, and it was going to be developed with a subsidy from the city. So BookPeople and Waterloo Records formed AIBA, saying that they agreed with the free market economy, but they didn't like having the city subsidize a competitor right next to them. They also started printing bumper stickers that said, 'Keep Austin Weird: Support Local Business.' Then Outhouse Design started marketing the phrase on T-Shirts, and now they support a 'Keep Austin Weird' 5K race that ten thousand people attend. Other cities across the country are picking up the phrase, like 'Keep Louisville Weird.' It's become a movement."²

Starting in 2004, AIBA began developing two innovative programs that are unique among AMIBA organizations and represent the next step for the organization. In 2004 AIBA hosted a roundtable that became the basis for the CLIC program, or Connecting and Linking Independents with Commercial Developments. The roundtable included independent businesses, commercial developers, local lenders, the city of Austin, the University of Texas, and a facilitator. As Miller explained, "The commercial developers have started to approach AIBA. They were doing neighborhood surveys, and people were saying that they wanted local businesses in new developments. Often our brokers aren't from Austin, and they don't know who is local. Every May the International Council of Shopping Centers holds their convention in Las Vegas, and that's where the deals are made with the national chain retailers for all of the developers. Basically, national developers meet with national retailers, and they fill all of their spaces. However, the developers also recognize that the community wants local businesses, especially in Austin, but they don't know who to contact. The local businesses aren't very savvy at negotiating, and they don't have the same credit scores at the chain retailers. We saw this as a great opportunity, and we held the meeting that launched CLIC.

"We surveyed people to find out answers to various questions. Do independents want to be in commercial developments, and do commercial developments want independents? Do lenders want to finance independents in commercial developments, and does the city want to support that? We got everyone in the same room to see if we all wanted the same thing, and we found out basically that they were in alignment. People got to hear each other's perspectives. For example, the developers wanted financial information, but to the independents that information was personal. In some cases it was equivalent to asking to see their personal bank account."

One result of the meeting was that everyone saw that AIBA could play a valuable role as a mediator and educator. "Our president, Steve Bercu of BookPeople, said that they want us to be a dating service. Everyone agreed that the independent business person could be a lot more savvy in negotiating, getting financing, and developing their

business model. Something like 90% of all small businesses have only one location, and making the transition to two locations is a huge leap in comparison with going from two to three locations. We're saying, 'Buy local,' but the independents aren't really able to duplicate themselves, and the developers need a good credit history."

As of spring 2005 AIBA was planning the next step: a trade show with business development workshops to take place in May, 2006, at an area university. As Miller explained, "Some of the workshops will be led by lenders, and some will be led by commercial developers and brokers. If we can do this every year, it will really have legs. We want to trump the International Council of Shopping Centers convention in Las Vegas by holding it right before they meet. The developers will already have their presentations and displays ready, so they can bring them to Austin. Also, the trade industry that supports commercial development—electrical, engineers, marketing, and lighting—can also attend, and it can all be local businesses."

Miller learned that there were significant differences among developers that had implications for the prospects of opening new developments to locally owned businesses. "Some developers will buy property, develop it, and then flip it quickly. They won't be the best fit for an independent, because independents have greater needs. We need to get in on the ground floor, when they are going to create the floor plan. The standard shopping center model may not work for independents, because they need a much smaller footprint with a rent that's affordable to them. What often happens is that they get the worse location with a high rent, and they're destined to fail. They need the opposite: they need to be the showpiece of the development. They need help in a lot of ways, such as funding for build-out, but the developers are admitting to us that this is what makes the development special and unique. People want it, and it's worth it."

The second major program is IBIZ, or Independent Business Development Zones. Whereas CLIC explores the potential of locally owned businesses in new commercial developments, IBIZ explores the development of existing real estate, often retail clusters located in older neighborhoods. "There are quite a few local, neighborhood business districts that are destination points in the city, and they are traditionally funkier. They had lower rent at one time, but as they've become trendier, the rents have gone up, and the funky businesses can't afford to be there. So our idea was to work with the city and develop some models to reinvest in these districts, maybe a program similar to low-income housing but for low-income businesses. We talked to the city council, the small business development program, community development corporations, lenders, Capital Metro (the transit system), Austin Energy, and the community college. We put together a proposal to look at the tax records and see which businesses were locally owned, then advocate for infrastructure needed and provide marketing through the convention center and visitors' bureau.

"However, it didn't really go anywhere, or at least not as quickly as we wanted. We realized that when we turned the model around and started with the marketing program first, then everyone jumped on the bandwagon because there was less to commit to. We started with the main business district off the University of Texas campus. The section from 15th to 23rd St. is almost all corporations now, but from 23rd to 28th it's still more local, and altogether there are about 90 locally owned businesses in this zone. We began by contacting the twenty AIBA businesses in this district that were in our database, and we held a meeting to find out how to help them market their businesses. On South

Congress the businesses have an event called ‘First Thursday,’ which is wildly popular, and this group wanted to do a similar event called ‘Third Thursday.’ So the idea has taken off, and there are now thirty businesses participating. The City of Austin’s Small Business Development Program has also stepped in to help with the printing. Based on this model, we’ve developed a plan for similar events in five districts during the next year.”

AIBA is planning to develop five IBIZ districts, including areas in East Austin, 43rd & Duval, Airport & North Loop, and South 1st St. AIBA is also working with the local print and electronic media to secure advertising discounts for the independent businesses in the IBIZ districts. The estimated cost for the initial development of a district is about \$7,000. The very modest figure is a key to getting the program off the ground. It covers light pole flags that label the district as an IBIZ, brochures that map out the independent businesses in the neighborhood, and advertising for the district and special days such as Third Thursday. AIBA is seeking support from the city to fund the initial marketing of the districts.

Meanwhile, Miller is finding that the planning meetings for the local independent businesses are producing new synergies and relations among the businesses: “People who have been in the district for thirty years don’t even know businesses a few doors down the street. By coming together and communicating, they’re empowered and their voice is stronger. When we went to the city and I showed my spreadsheet of businesses and said, ‘This is everybody we’re talking to,’ and when you have a hundred names and phone numbers, that talks. IBIZ has a lot of support, and the city council supports it, too. All they have to do is put their logo on it; they don’t have to make a major commitment.”

Miller also rapidly noticed a new benefit of the IBIZ program: a new synergy with CLIC. She explained, “The main problem with CLIC will be getting small businesses to come. They’re very busy, so even getting them to come to the trade show to talk to developers is a challenge. I’ve tried to get businesses to engage, but it’s hard. They’re too busy. However, with IBIZ they engage. We’re coming to them and doing something that affects their business directly, and they get it. You have their ear, and they’re on board. So now I can talk to them to see if they’re interested in relocating. If they are, then I tell them about CLIC. In other words, IBIZ is feeding into CLIC. I didn’t even anticipate that this synergy would happen.”

Miller understands that if IBIZ is successful, rents will start to go up and the chains will want to move in. “We haven’t given up on our original plan. Now we’re more organized, and we have the discussion groups and people who are engaged. So they can now request what they need from the city council. It could be zoning, local business rent subsidies, tax incentives, or a no-formula business rule. I think we’ll be more successful when the requests come from these groups. There are different models—historic districts, investment zones—across the country, and we’ll figure it out as it develops.”

Equity and Sustainability

The main equity issue for AIBA is the preservation and support of locally owned and operated businesses when faced with competition from large, national, corporate chains. In several cases, AIBA has worked to stop the development of large chain stores, and it also helped substitute local businesses with chains at the Austin Airport. AIBA

also co-sponsored a study that documented the comparable economic impact of the Borders Books chain versus the two independents. The study showed that the economic impact of consumer spending on the local economy was three times greater when spent in the locally owned independents than in the chain store. Other, less easily quantifiable benefits include the development of local workplace skills, local artists, and local authors.³

In a second study, AIBA joined with other Austin civic organizations to fund a study that reviewed *Big Box Retail and Austin*, a study prepared for the Austin City Council by Texas Perspectives and the Gateway Planning Group. The review of the study questioned the original study's claims. For example, one claim was that the main concern of the city regarding big boxes was to establish design standards, and another was there was little competition between big boxes and small retailers. The review of the study also drew attention to the low wages paid by some of the large superstore chains, and it pointed out that a cost burden is shifted onto the local government when workers take the low-wage jobs. The review also noted several types of environmental effects from big box stores, including traffic congestion and storm sewer management issues.⁴

On issues related to sustainability, AIBA has become increasingly cautious as it has grown. As Miller explained, "Our founders and board members are perceived as being environmentally conscious. For example, they supported opposition to the construction of a Wal-Mart over the Edwards Aquifer, and we got a lot of flak for it. Some of our members saw it as an environmental issue, not a small business issue. There are two other local business associations in Austin: Choose Austin First and Austin Unique. Choose Austin First formed after we did to be a local business group that does not take political positions. As we've grown, we have more people to answer to. Recently we decided not to sign on to a coalition that is opposing AMD, another company that wants to build on the Edwards Aquifer.

"We've developed a policy statement that defines very specifically what we politically engage in. Now we take political positions only on local business issues, not on environmental issues. When we opposed Wal-Mart on environmental grounds, it cost us a lot in terms of getting new members. For example, I spoke at length the other day with one of our members, and she said, 'I'm very supportive of environmental issues, but not necessarily all of my customers are, and my business is not the same thing as me. I'm in this business association so I can get more business, so I need to be comfortable with the issues that you'll take positions on, because I don't want to be boycotted.'

"Our new policy is less to oppose specific issues than to request an economic analysis. For example, we have an issue emerging around design standards for the city. We're not commenting on the design standards themselves. We're not urban planners, and we can't say what the effect of specific standards will be. But we do know that they're going to be expensive, so we're requesting a local business economic impact analysis. We want to understand that the standards aren't going to be translated immediately into higher rents than a local business can't afford. We need to look at the unintended consequences. For example, the town of Dunkirk, Michigan, limited retail to less than 75,000 square feet, and Wal-Mart came up with a plan to build two stores side by side. So we're requesting more information and a local business impact analysis. That's more how we're engaging policy issues now."

Policy Issues and Recommendations

AIBA, like the city of Austin itself, is undergoing rapid growth and development, but even in the organization's brief three-year history, it has invented some innovative programs around local ownership for retail. First, it has tapped into local civic pride and culture by linking the phrase "Keep Austin Weird" to the importance of independent businesses, particularly those in the cultural domain. Second, it has pioneered new terrain by trying to recolonize the space of new commercial development as a site for the expansion of locally owned business. Third, it has developed the concept of a local independent business district, and it has learned that it may be easier to build those districts first from the grassroots, before seeking support from the city government in the form of zoning changes, tax support, or other programs. Fourth, by developing both CLIC and IBIZ at the same time, AIBA has discovered the power of possible synergies between the two approaches.

AIBA also points to the potential tension that exists between sustainability goals and local ownership in the retail sector. The fear of losing customers can push small business associations away from taking policy positions on controversial local environmental issues. However, there are other ways in which sustainability goals might be linked to small business development. For example, it would be possible for the organization to focus on the opportunities that greening processes afford the small businesses, both in terms of providing good public relations for the firms and in terms of reducing costs. So while the AIBA case is interesting regarding the politics of sustainability because it shows why a small business organization may drift away from one type of environmental politics, it does not necessarily preclude other opportunities that connect sustainability and localism.

Web site: <http://www.IBuyAustin.com>

Based on an interview by David Hess with Melissa Miller on April 14, 2005.

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