
VIDEO

AUDIO

NARRATOR: Something extraordinary is happening in communities across America.

LARRY GOOD: This is going to be marked as one of the big generation changes as it was when agriculture moved into manufacturing.

CRAWFORD: (13:00) A business owner can't be expected to stay in a community if the reward is insufficient.

LARRY GOOD: My biggest concern about the American labor market is that it is an unskilled labor market.

ON CAMERA: Today the American economy is in a period of immense transition. We've all heard about the departure of manufacturing jobs overseas, but studies show that locally owned business contribute the most to the local economy. "How Will We Live?" asks just that, how will we? What seemingly random choices do we make everyday as consumers that contribute to the strength of our economy. It is, after all, where we live here and it's increasingly apparent that how we act where we live will determine...how we will live.

NARRATOR: But one sector of the American economy, indeed representing over 50% of the economy, believes it is capable of forging a new path.

MICHAEL SHUMAN: Over the next ten years I think there are number of factors that suggest that local businesses are going to expand their roles quiet significantly

ELLEN SHEPARD: ...a chain business would never stick around with a 3-5% profit each year. They would close that outlet and take those jobs away and move somewhere else.

NARRATOR: But as locally owned businesses struggle with global competition and national retail chains, many are wondering—is it really possible our pursuit of more for less is instead creating less more often?

[[INTRO]] -

NARRATOR VO: For small business owner, Heath Jurgens, it's a typical morning. A third generation owner of Jurgens and Holteflurer in Grandville, Michigan, Heath took over the company in 1996. Once his family had seven stores in the area. Now there's just two. When a big mall opened in 2000 nearby Heath, found himself taking radical steps to stay afloat.

HEATH: We cut our costs as much as we can. We've taken pay cuts as owners. We've bought less, adjusted of the change instead of buying the same amount of year. It's money on the shelves and if we don't have money, we can't pay our bills.

NARRATOR VO: And Heath like many locally owned small business owners see the mall as an area of vast economic activity, populated with only a few locally owned stores and wonder if they could ever get in.

TOM: Do you feel that if you as a locally owned business were located in that area that things would be different for Jurgens.

HEATH: Yes. I think so.

TOM: What are some of the barriers.

HEATH: Probably the price of rent. The price of rent alone would put us out of business. <BREAK> I don't think we could afford to be out there.

TOM VO: At Rivertown, like many malls in America, only a tiny portion is locally owned. But people do spend their money here, in staggering numbers and if locals can't compete, there are those who believe that that's just business.

JEANNE ENGLEHART: I don't believe the big chains have an advantage over the small businesses. I think that maybe perception more than reality.

MICHAEL SHUMAN One of the advantages of having locally owned businesses is that they spend the money you spend at them locally. And so because of

that, if I spend money at the local hardware store and their employees are spending money at the local grocery store and their spending money at with the local framers we have what's called a very powerful local multiplier.

TOM VO: Local multiplier. The latest buzz phrase that's making people consider how their local economy effects their lives.

GUY BAZZANI: Again that import substitution. Let's all figure out...that stationary store is now gone. That's gone it's been replaced by a big box store selling a lot of paper well you know if you add it all up all the paper that I buy and everyone else on this block buys, you know is a pretty large number. Now I say that as an example finding as we network together as a local first org anization finding out those import substitution items that we can manufacture ourselves.

MICHAEL SHUMAN: The ground swell of local business is enormously powerful and to put it into perspective, basically half of the private sector in the United States is small business by payrolls and by jobs. Now if you look at the economy overall the economy overall also includes 6 ½ percent of it is hospitals universities advocacy groups that are also playing . And then you got state and federal and local government which is part of the gdp and if you add all those things together and it's significant all of those things will never move to Malaysia. That's 58 percent of our economy / I believe that that 58 percent has a reasonable shot at expanding to eighty percent or higher in the next ten years.

NARRATOR: While expanding to 80 percent would be a dream come true for these small business experts, getting there still depends on the consumer.

REX LAMORE: I think people understand the basic concept that local businesses are actually an asset to their local economy and their local community. But there's still confusion as to what to do about it.

JACK POLL: I think what small business really needs is a special niche and if they've got a niche they're going to do just fine and their going to survive, they're going to do just fine.

REX LAMORE: Talk about how a local business can compete by finding a niche. The big box store can always outdo that niche by raising their profit on the other sales that occur, so I may sell candles, but I'll undercut the candle sales and then they'll make their money on milk or whatever and so this is really an interesting thought and it does suggest that it is even more difficult for the local business to compete against the big box one stop shop as opposed to multi stop shops.

NARRATOR VO: But they're finding out that that special niche is increasingly being filled by national chains and franchises.

REX LAMORE: There's still this compulsion to go for the lowest price and the difficulty I think for those of us who are trying to help others more fully understand the consequence of their actions is to understand that low price is just the first expenditure. After that expenditure where that money goes is a ripple effect in a local community, so it's the complexity of what do I do now that I understand the concept. That's where I'm dealing with the struggle right now. People get the idea. It's a very simple concept. Money is generated locally, spent locally improves the local economy. Money is spent locally and then leaves the local community doesn't help the local community and now the question is what do we do with that knowledge.

NARRATOR VO: And knowledge for some can be dangerous for others. (Pause) In a small suburb north of Chicago called Andersonville, national chains began expressing interest in expanding here. Hearing of the national interest, they realized they needed to know what the impact large national chains could have moving in here. (Pause) They produced this, the Andersonville Study and the information here, surprised even them.

WEB ADDRESS on the study.

ELLEN SHEPARD: ...they looked at ten different businesses in Andersonville, they chose ten different chain business that they thought would be potential competitors for those business across 3 different sectors, restaurants, retail and also services. and then in each one they looked are four different elements to compare how much of the money a consumer would spend at each one of those stores would stay and circulate in the community.

NARRATOR VO: Examining these ten locally and nationally owned stores, the study found that for every hundred dollars spent in the locally owned business, 68 dollars stayed in the local community. In the national chain stores, of every hundred dollars spent, 43 dollars stayed in the local community.

ELLEN SHEPARD: They also looked at the profits made by the owner, so if you shop at one of the local businesses here and the owner lives her as many of them do when they make a profit they're re-spending back on their community whereas a chain store that money goes back to Hoboken or wherever their home office is.

NARRATOR VO: Patrick O'Connor is Alerman for the City of Chicago's 40th Ward and Andersonville makes up the economic heart of his district.

ALDERMAN O'CONNOR: If think the perception is what makes the country run is that they take up so much of the landscape in terms of they get all the press... Small businesses go out of business every day, but United files for re-organization and it's world wide news. And so as a result people tend to think that without those big business the country would be in a world of hurt. Factually speaking smaller business contribute greater amount to local economies and put more people to work do have the country working all over. That's the story local business are the bigger part, but we tend to take them for granted because they employ in smaller numbers and they come and go almost without being noticed.

NARRATOR VO: This isn't your typical kind of block party. Several years ago, a number of locally owned businesses came together in Grand Rapids, Michigan and formed a chapter of a growing national movement called Local First.

GUY BAZZANI: What we wanna do is think local first, <BREAK> it's not local only, it's local first. <BREAK> Protectionism would be a negative way to approach it.

JEANNE ENGLEHART: You know you can't go to Wal Mart and get some of the products and services that you're going to get if you go over to the East town area or you go down Fulton Street. You don't walk down Fulton Street and find the same stuff that you would find at a Costco or Sam's Club. Not to say that the products and services are great and the prices are great, but it's not the same mix or products.

GUY BAZZANI: Why are we importing all the finished product when we can import the raw materials or have the raw materials in our community and create the product ourselves. Once we get in the habit, you know prices start to rise and we forget about it you know we're not paying attention to all angles all the time. Suddenly you realize you that many of your dollars are being spent on items that you can create yourself.

ELLEN SHEPARD: . A local business is going to be hiring a local accountant, a local lawyer and a local graphic artist whereas national business are going to be using those services wherever their home state is or wherever their home country is. They also looked at charitable giving because they knew the local charities were much more like to be the beneficiaries from local businesses than from chain businesses.

NARRATOR VO: A frequent argument to building nationally run retail spaces is the tax revenue it brings.

ELLEN SHEPARD: What was really surprising to a lot of other people was that if you look at the actual sales done by each of them which is what a local municipality is going to do because of the sales revenue, the sales of the local stores was actually greater than that of the chain stores. So this argument that city officials make that were going to bring in

these national chains because it's good for our economy ...doesn't pan out. It's actually better if its locals.

MICHAEL SHUMAN: To understand the viability of local businesses I think it's important to lay out the baseline and that baseline is that despite 25 years of massive local and federal subsidies to non local businesses, local businesses have basically held their own in occupying half or more of the US economy.

NARRATOR VO: Now into this mix come studies from various points across the U.S. that reveal a sobering account of how we look at national chains. (web address) [Understanding the Fiscal Impacts of Land Use in Ohio \[PDF\]](#)
by Randall Gross, Development Economics, August 2004

NARRATOR VO: In Barnstable, Massachusetts a study there cautions cities not to be taken in by the promise of high tax revenue from a new development. Consider the cost of providing services. The study found that big box retail generates a net annual deficit of \$468 per 1,000 square feet. Shopping centers likewise produce an annual drain of \$314 per 1,000 square feet. By far the most costly are fast-food restaurants, which have a net annual cost of \$5,168 per 1,000 square feet. The cost comes from more road maintenance, due to greater cars trips per 1,000 square feet of retail space along with the police and fire services that every area relies upon.

WEB ADDRESS : [Fiscal Impact Analysis of Residential and Nonresidential Land Use Prototypes \[PDF\]](#)
by Tischler & Associates, July 2002

NARRATOR VO: But here in Andersonville, the local firms they studied generated \$6.7 million in annual economic impact, while the chain stores generated much more. Nearly nine million, but that's where the surprises come in.

ELLEN SHEPARD: commenting on when you account for the square footage, the initial advantage seen by the chain retail outlets disappears. In other words, that 6.7 million the local generated. It was done with vastly smaller square footage space, so take the fact that their footprint is so much smaller and local firm generated \$263 of local economic impact per square foot as opposed to \$243 per square foot for the national chains. Similarly, for every square foot

of space occupied by a chain, the local economic Impact is \$105; if a local firm occupies that same space, Impact jumps by 70 percent, to \$179.

MICHAEL SHUMAN: Well I think what we are seeing is that the multiplier is more intense if you define it in terms of the smallest geographic unit that you can. If I define the multiplier in terms of the state of Michigan what someone does in Detroit has little in Kalamazoo. But when I am one side of Kalamazoo and I spend a dollar it has an impact on every party of Kalamazoo.

JOHN CRAWFORD COMMENT: Always dance with the one who brung ya.

NARRATOR VO: And it's not just zeroing in on how money circulates.

NARRATOR OC: What do you see as the ability of the locals to create a survival technique?

HEATH JURGENS: We don't really have a technique as much as we've done a lot of self education to see what other people are doing. We have done a lot of direct mail. Our local people who do support us are quite loyal so those are the people who keep us here. People drive a ll the way from Holland to come and see us.

NARRATOR VO: Heath Jurgen found a way to survive and his customer base, however small is loyal. But another local retailer wasn't as fortunate.

NARRATOR VO: Until recently, just a few miles from the new mall, Roger's, a locally owned department store sold hi-end clothing area wide for over fifty years. Employing 600 people with 150 million in annual sales, the store was a financial anchor for the community.

WOOD TV NEWS STORY

NARRATOR VO: Determined not to be beat, Dan Hurowitz created Daniel's. Away from the business neighborhood next door to national chains.

NARRATOR VO: Author David Holton points out that when major retailers come into a region, retail sales increase for everyone, except those who were selling the same thing the major retailer is. Was Roger's merely a casualty of good old fashioned competition?

JOHN CRAWFORD (COMMENT) that they think, I did what I did in 1997 and it was great, so all I have to do it replicate (a year past) and if that's the case then he thinks they are making a mistake.

JEANNE ENGLEHART: I think it's critical that retailers also recognize that there is a changing population here in Grand Rapids that wasn't here when, bless his heart, Hy Berkowitz open Rogers. The demographics are different. We are attracting people from many different cultures, many different faiths, many different lifestyles that do change people's buying habits.

NARRATOR VO: Back in Andersonville, a new kind of retail store is about to open it's doors. And it isn't locally owned...

ALDERMAN O'CONNOR: . In our community for instance, not a mile from this district I've got a brand new Super Target being built to address a big hole on an arterial street that was there first from a venture then from a Kmart and now it's going to be a Target and people in the community are ecstatic that it's going to be there.

ALDERMAN O'CONNOR: On Clark Street <BREAK> People are going there for a different type of shopping. They're not generally going there to buy what you'd buy in Target. They're going for a day of shopping they're going for a cup of coffee, they're going for lunch, to buy some clothes and a unique space, so I think that both can live and prosper in the same geographic place.

NARRATOR VO: . And many of the local businesses on Clark Street sell the same thing the new Super Target will sell. Certain this is the start of what has affected similar communities where national chains compete with local businesses, some Andersonville residents want to introduce a measure to control them.

ELLEN SHEPARD: It's <BREAK> called the Formula Retail Ordinance and again Formula is a fancy word for chain store. This is something that's been tried around the country and what it does is it help control the flow of chain stores.

NARRATOR VO: While some communities have an outright ban, communities in California and Oregon have tried density prevention; only so many chain stores in a given area. In San Francisco, national chains must go through a community approval process.

ALDERMAN: I always try to look at issues that people who are most directly affected should have the most opportunity to say what their concerns are. But it's not that simple because if I have somebody that wants to build a high school for instance, the people who live across the street will fight it to the death because they don't want to live across the street from a high school, but to the greater community that might be the best thing you can do. So you have to gather the public opinion in the final analysis you try and

balance as an elected official what you think is right. I don't think you can say that the entrepreneurial spirit should always be given precedence over the corporate spirit

NARRATOR OC: What are your thoughts on local municipalities passing ordinances?

HEATH JURGENS: I don't think it's going to work. I don't think it will happen. Money is the bottom line. You get the big anchor stores in town and they're going to bring money. You look at Rivertown Crossings. Has it hurt us, yes. Has it been good for Grandville, absolutely.

ELLEN SHEPARD: You have corporation which have certain legal rights and you have communities which don't have certain legal rights. <BREAK> Does a corporation have the right to come into a community and make the profit it wishes. Or does a community have the right to say you know what it's not the right fit for our community it's not the right thing and it might do damage to our community.

NARRATOR VO: And others wonder if locally owned businesses could do more to protect themselves. One of the reasons the gradual shift of retail market share from locally to nationally owned is taking place is that it's not only driven by lower prices, but also by marketing those lower prices.

GUY BAZZANI: They buy that advertising piece once and they apply it to 300 stores. This locally owned business has to buy it once and apply it to just one store, so the cost per advertising is you know, per exposure for the store is much higher in a locally owned business. So that is one of the things we hope we can curb at Local First and try to raise awareness for all locally owned businesses.

ENGLEHART: Where they have an advantage may be in the price point, obviously. What WalMart can buy a product for and resell to you as a customer is very different than what a local retailer can support.

GUY BAZZANI: A person will see a loss leader and they will be convinced that stores lower price overall. I think we all know that that's not the case.

NARRATOR VO: But something that many small business startups have discovered, is that regardless of their marketing budget, one venue seems to have leveled the playing field.

GRAPHIC: If you're not doing Internet business, then you're in the dark ages, and you're going to be left behind.

BRIAN ADHERN: The web certainly is an equalizer in terms of bringing customers to a small business versus a larger business.

NARRATOR VO: Everyday hundreds of millions of people on the planet spend money via the internet. Women make up about forty-five percent. The fastest growing group is seniors and in 2005 internet sales reached \$72 billion, a 41 percent increase. Customers can buy anything, no matter how arcane from a new sweater to space flights. Now even the Girlscouts are selling their cookies on the Internet.

BRIAN ADHERN: When it comes to ecommerce and on line marketing you almost have to do something. Just getting a website isn't good enough. The world doesn't know ABC Corporation or Mom and Pop have this web site. They have to reach out to people to let them know and what happens is the attitude a lot of times is that well I need to have a web site and having it is good enough and in fact it's not good enough.

GRAPHIC: The question for us is, are you creating value? The Web and the Internet is a great place for companies of all kinds that are generating genuine value for customers and it is a terrible place for those who are not.

Jeff Bezos
Amazon.com

NARRATOR: Got a small business, but you don't know if you can sell on the internet? This guy has his own web site devoted to selling vacume cleaner parts. This person sells build your own caskets. But it isn't just the arcane and hard to find, how many people check out Sears on-line to learn more about the dryer or refrigerator they want to buy. And for locals, how many people can discover what they want because

they found it on the web. Finding that out is the trick.

BRIAN: 1:30:44 If you have, simply have a web site that doesn't mean anything. You still have to market the web site and promote it and people need to become aware of it and if this particular individual doesn't promote it and when they're in his store he doesn't say visit us on the web site the web site is a useless tool and frankly a waste of money so it has to be incorporated. <BREAK> Having a web site that just sits there is like having a business card that you never hand out. So you need to reach out to your customer base, your potential customer base in different ways than you would traditionally

GRAPHIC: At it's worst, an e-commerce investment is an insurance policy. At it's best, it's hitting the lottery. Every company will find itself somewhere in between.

Greg Wester
Organic, inc.

NARRATOR: And the point in all this is that it seems business is shifting to the buyer. Whether that transaction be business to business or business to customer. Customers are gaining wider access to vendors and if you're not in the field, you're just not in the field.

MICHAEL SHUMAN: people like to buy local. Everywhere you turn there are signs that say we are a local restaurant, we are a local bank, we are a local shopping center. You don't see signs that say we're not local buy from us. That's just not going to work out there. In fact what you kind of see is a kind of local-wash occurring by global companies.

GUY BAZZANI: When you see the Disney-esque mall design, it's trying to emulate a town. Coffee cafes, skylights, trees, landscaping it's you know it's taking little vinettes of what everyone thinks is beautiful in a small town and plugging it into this mall. And a lot of people are `attracted to that.

MICHAEL SHUMAN: If you look ten years ago in the sort of great decade of globalization the difference between the local business dominance of the economy was is almost trivial from what it is today. They've

lost only a couple of percentage points.

NARRATOR: But for the American economy to stay robust against competition from China and elsewhere, there has to be a constant influx of new entrepreneurial talent coming into the American economy. Inspiring and launching this entrepreneurial talent is completely dependant on one thing: education.

LARRY GOOD: The old economy was built on manufacturing. The US grew huge and became very wealthy by the ability of people to produce volumes of parts and work in assembly lines, follow orders, sometimes work in small teams. But the old economy is was about strong backs. Older economy typified by huge manufacturing plants.

NARRATOR: As manufacturing jobs continue to dwindle, a high school diploma makes you available for only about 10%-15% of the jobs now available. Even with such sobering percentages, the US census bureau reports that only three out of every ten young adults have a college degree.

VERN EHLERS: Comment about the science and engineering degrees.

NARRATOR: Since such professions play a large role in fostering inventions and in turn, new businesses, a process that made the US economy, a lack of higher education by the American worker could hit like a tidal wave.

LARRY GOOD: Forty years ago a American manufacturing worker with a high school education could have a good solid middle class income career and really have economic prosperity and success.

LARRY GOOD: In 2006 and American manufacturing worker with a high school education is likely o be unemployed and likely to be at risk of being unemployed and if they want to get new manufacturing jobs that are going on are going to have to get further education, further certification and more specialized skills.

JEANNE ENGLEHART: The day of their family getting a job and staying there are gone! We can no longer afford the legacy costs. These costs are

unbelievably burdensome. Get some other skills so they can move on.

LARRY GOOD: The norm in 2005'06 is that someone is going to have to have an associated level degree to get a basic manufacturing level job. New facilities that are going up, new lines that are going on increasingly expect that level of skill. The ability to synthesize, the ability to work with computerized equipment and not just put a part into a slot.

NARRATOR: And some see a solution.

JEANNE ENGLEHART: 26:00 Mandatory education reform. IN GR locally the Grand Rapids Education Initiative. Business and community leaders. Compared to other countries, we do not have the same requirements. We need to start the education process early on. Teaching them to read earlier.

CONTINUE WITH: She's one of six children and no one went to college and it really is the family. You come to everything in life with your own biases. Parents don't care. <BREAK>. If we don't care. What hope do we have. <BREAK> We do raise our own children the way they raised us which is sad.

NARRATOR: But it does seem like American's are not trying as hard anymore..

LARRY GOOD: The preference on building skills is not woven in nearly enough to the choices that kids are making. That adults are making. The new labor market is going to be built on those skills. I worry about our ability to be quick enough and embrace the idea of skills quickly enough to be competitive in the new work.

NARRATOR: As Americans we buy new cars, remodel our homes, take expensive vacations, but very few of us actually save money for our children's education.

JEANNE ENGLEHART: "What we can do as a business community is support education. We have an educational crisis in this country. The business community can do more."

LARRY GOOD: We have a culture in Michigan that

education ends when you're 18-22 years old.

NARRATOR: And in the U.S. the pool of college educated workers may have doubled in the last 20 years from 20 million to 40 million, but the economy has grown, too and demand for skilled labor is still greater than supply.

LARRY GOOD: What is hopeful for the US is that because of the way it plays out, the US can be a place of leadership as long as we remain a place about innovation and using skills.

NARRATOR: Since 2001, 2.7 million manufacturing jobs have left the US for Asia and Central America. What will those workers do. Because of their education, some were able to take matters into their own hands.

PORTION OF WOOD TV STORY

NARRATOR: Remember Dan Hurowitz, re-inventing his clothing store to stay in business? When pharmaceutical giant Pfizer closed their operations in Kalamazoo in 2005, one group of scientists decided that their education and knowledge were too valuable to just stop there...

WOOD TV STORY

NARRATOR:
Meanwhile, countries much smaller than the US have taken this message to heart:

LARRY GOOD:
One of the booming countries is Ireland. One of the ways they did it is by upgrading the skills of the workers. Information technology and things going on there. The speed with which change occurred in China. It can occur in places that seem like they were a long way down if you bring the right conditions together.

NARRATOR: One of West Michigan's economic strengths has been the diversity of its economy, but the one-time largely Caucasian population has undergone a dramatic shift in the last 20 years.

Following a dramatic influx of Hispanic and Asian immigration, the local economy has changed as well.

JEANNE ENGLEHART

. I think as a community Grand Rapids needs to embrace that diversity, not just to say well, let's see what happens. Let's let someone open a speciality store that specifically addresses the needs of the Hispanic community. Why do we need a special store that addresses the needs of a specific culture, or ethnicity..

JOHN CRAWFORD:

The city of Wyoming went from the 1990 census to the 200 census one and half Hispanic to ten percent Hispanic and most of our Hispanic neighbors are locating in the north part of Wyoming

NARRATOR:

If the home grown business community interacted more with the ethnic business community, would small business be stronger?

JEANNE ENGLEHART:

I don't believe that local businesses have an inherent resistance to opposition to embracing other cultures. I think it's a matter of education. Making the business case for why diversity is important to us as a community and you can look back at many cases around the country and many people have said they've approached a certain marketplace and it's done well for them, but you only need to look locally to see a couple of examples of where it has benefited.

JOHN CRAWFORD

Language is a major barrier I mean if you don't speak the language you're not going to take your money and go into a store and buy a car, stereo or legal service if they're speaking Portugese and you're only speaking Chinese. You just won't so language is a huge barrier.

NARRATOR:

If language is a barrier to maximizing economic development, can it be bridged?

JOHN CRAWFORD:

I think that for all of us, the predominate language

here is English, we all should be able to speak that language as a common denominator, but I don't think it would hurt for those of us who speak English every day to try to pick up another language.

NARRATOR:

As daunting as the challenge ahead is for the American people, there are good signs. In places like Andersonville, perhaps even your own community, but it's clear that America's economy is made up of local economies. To stay competitive we have to change.

NARRATOR:

When the new mall was being planned it came with the hope that this vast expansion in the local economy would be beneficial to all. For the most part, it has been, but no matter the community, national companies on average re-circulate only \$45 of every \$100 spent. So how much more vibrant and wealthy would a local economy be if even just a third of an area like this was locally owned?

LARRY GOOD: We certainly have all the advantages to work with in the US. Shame on us if we don't make the adaptation. But to do it we can't be arrogant. We have to admit that this is a new economy and people have to start thinking about their jobs and their future.

NARRATOR: The US integrates into the global economy, the challenges facing us are staggering. From the need for a better educated workforce to the need for a better educated consumer. From how we are educated to how we manufacture and consume goods...the answers to these changes could also answer the question of "how Will We Live?"

CREDIT ROLL – END TITLES
