

## **America's Love Affair with Small Business**

**Tom Hanks gives praise; BofA pledges more loans. But it's unclear if all the goodwill is improving conditions for entrepreneurs still reeling from the recession**

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**By Karen E. Klein**

Lori Webster has been feeling the love recently. Small business love, that is. She's been telling the customers of her family-owned stationery store about the 3/50 Project, one of many campaigns to support local small businesses.

Then last week, Tom Hanks walked into Webster's Fine Stationers in Altadena, Calif.—about 20 miles from Hollywood. Celebrities aren't unheard-of in the store: The actor John C. Reilly lives in the neighborhood and drops by occasionally.

But Hanks, who was filming on location across the street, went out of his way to talk up small business. "He told us how nice it is to shop at a family-owned business and how he particularly liked family-owned stationery stores," Webster says. Along with extolling the virtues of small business, and disparaging their big-box competitors, Hanks asked about Webster's history, posed for pictures, lamented the closing of the family's card store nearby, and bought \$120 worth of pens, notebooks, and puzzle books.

Hanks' goodwill fits with a larger trend that has strengthened during the recession: As public anger smolders against banks, financial institutions, and large corporations like BP (BP), small business owners have emerged as American heroes.

### **Ninety-Five Percent Positive Rating**

A February Gallup poll that tested Americans' reactions to seven terms, including "capitalism" and "socialism," found that "small business" got the best reaction, with a 95 percent positive rating across the political spectrum.

In a recent poll by the Pew Research Center, small business owners got better ratings than any other institution the survey asked about, including churches, colleges, and the news media. The results this year build upon similar results in the recent past.

But do all these warm and fuzzy sentiments translate into a bottom-line boost for American entrepreneurs? That's a tough thing to measure, but there is some evidence they might.

In a survey released last month by [WebVisible](#), an online marketing services provider that works primarily with small and midsize companies, 4 out of 5 respondents said they regularly patronize

small, independent businesses over larger chains. Their top three motivations: to support their communities, for travel convenience, and for the personalized service, says Kirsten Mangers, WebVisible's chief executive officer.

Just 17 percent of survey respondents said they don't choose small businesses over larger chains. "We automatically assume that if shoppers are going into a national-brand chain store, it's because they get economies of scale" and lower prices, Mangers says. "But we're finding the perception is that by transacting with a local merchant, you'll save time and money at the end of the day."

Along with motivated customers, small business owners have also been attracting some perks recently. Here's a rundown of a few:

**Hospitality.** Hotels are beginning to offer special programs for small business owners. Boutique chain The James has a menu of perks and access that are reserved specifically for small business owners who book 25 nights annually at any property. The James Chicago and soon-to-open James New York are offering discounts on best-available rates with no blackout dates; complimentary high-speed Internet access; early check-in/late checkout; and special group rates.

**Markets.** Overstock.com (OSTK) has just announced a new, online Main Street Store. It will initially carry 2,500 products from about 60 small and minority-owned U.S. businesses and is soliciting more. "We feel a lot of love" for entrepreneurs, says Overstock Chief Executive Officer Patrick Byrne. The Main Street marketplace is for-profit, but Byrne says fees have been structured to provide "the leanest margins we can, just to cover our costs. I want to allow the entrepreneur to focus on making her gourmet pies and shipping them and let us handle everything else." Overstock will provide marketing and credit-card processing for its small vendors, accept returns, and do customer service.

**Banking.** Bank of America (BAC) recently announced it will increase its spending with small, midsize, and diverse businesses by \$10 billion over the next five years. Bank of America increased its lending to small and midsize businesses by \$3 billion in the first quarter of 2010 from a year earlier, and pledged to increase lending to them by \$5 billion in 2010.

**Advertising.** WebVisible, the Irvine (Calif.)-based business that conducted the small business survey, is holding a contest that will award three months' free, local online advertising to a small business owner. The contest involves a Web video series the company is running about small businesses and online advertising. The best 140-character-or-less answer to the question "What is the biggest challenge in growing your business?" will win. Answers can be submitted here or via Twitter. The deadline is June 30.

Will all the love help? Hard to tell. But confidence levels of National Federation of Independent Business members rose last month to their highest level since September 2008. Webster, for her part, is hoping that more local consumers will follow Hanks' lead into her stationery store.

Promoting small business "is still a hard sell here," she says. But the shop, founded by her husband's grandfather as a liquor store, got through Prohibition by selling "medicinal" whiskey. If he could tough it out, she figures, so can they.

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