

Bridge Michigan

## Michigan businesses struggled during COVID. Customers are coming to rescue.

By Paula Gardner - September 8, 2020



Kim Kaster learned the power of her customer base when support for her Brewed Awakenings coffee shop in Saline resulted in her landlord changing plans to add a competitor nearby. (Bridge photo by Paula Gardner)

Kim Kaster got good at figuring out new strategies as sales at her coffee shop fell over 60 percent during the early days of the coronavirus pandemic.

Struggles aren't new at many independent coffee shops, like Kaster's Brewed Awakenings, or even in the nation's restaurants, which lost \$131 billion in sales from March through July.

But for Kaster, after rebuilding revenue and coming up with new ways to sell her baked goods and lunches with online ordering and family-size portions, one phone call filled her with fear that her 10-year-old shop on the edge of Saline, south of Ann Arbor, may not survive.

Her new landlord called in July, telling Kaster he planned to build a Starbucks drive-thru in the parking lot in front of her store.

Fear and disappointment prompted her to go to social media, telling her customers that she may have to close because a national brand would have a drive-thru just yards from her front door.

The response showed how influential public support can be for a business in jeopardy. Public officials asked her to consider moving into their communities. Regular customers vowed to follow her. Some called the landlord. Others just showed up more frequently, buying coffee and hanging out.

Within weeks, Kaster learned that her landlord, Pittsfield Plaza Partners, abandoned the construction plans that would have brought in a competitor. She said she also learned about the power of loyal customers.

“I didn’t realize how much everyone loved my business,” Kaster said. “It’s a good feeling to know that people think we’re that important to the community.”

There may not be many silver linings as small businesses fight to survive COVID-19, but economic development officials say there’s growing awareness that consumer spending at local and Michigan-based businesses can mean the difference between viability and closure.

“If any good comes out of this pandemic, hopefully this is one of them,” said Meegan Holland, spokesperson for the Michigan Retailers Association.

[Local business support efforts](#) aren’t new, particularly as online shopping continues to take market share from traditional retailers.

Yet the pandemic gives them a new urgency. Six of seven small businesses in Michigan don’t expect to regain lost sales, [according to a survey](#) by the Small Business Association of Michigan in late spring. That ripples across the economy, hurting support services such as accounting. There are also risks to downtowns and communities as both jobs and filled storefronts hang in the balance.

Consumer spending in Michigan has increased since June, in part to the federal stimulus and additional weekly unemployment payouts. Spending on retail items such as building materials and garden supplies have closed the state’s [projected \\$3 billion budget deficit to \\$1 billion](#).

Nationally, in contrast, spending is lagging, with individual [income taxes down 11 percent and corporate ones falling 34 percent](#).

“Michiganders are spending more freely than elsewhere,” said [Gabriel Ehrlich](#), a University of Michigan economist who forecasts the state and national economies, [during a revenue meeting](#) in August. “We’ve seen a stronger recovery in consumer spending here than nationally.”

The Michigan Retailers Association reported back-to-back sales increases in June and July, with 64 percent of stores reporting more sales. According to the survey, “54 percent predict they’ll continue to rise in the next three months, but 23 percent said they expect a sales decline, and 23 percent don’t think things will change.”

When consumers spend in stores within Michigan — whether independent or national chains — they’re benefitting the state through tax revenue, while supporting jobs and possibly keeping the stores open, Holland said. This year, at least 13,800 stores had closed nationally by July, [according to Forbes](#).

Survival is prompting some stores, like [Mani Oosteria](#) in Ann Arbor and [Curious Book Shop](#) in East Lansing, to turn to online fundraising to pay fixed costs such as rent or payroll.

State and local governments are responding, too. The Michigan Strategic Fund [recently started a \\$100 million fund](#) to give grants up to \$20,000 to small businesses.

Municipalities are trying to build on the public's willingness to support outdoor dining, said Luke Bonner, an economic development consultant based in Ann Arbor. That one sector particularly affected by the creation of "social zones" in blocked-off streets.

"Municipalities have taken a definite interest in helping the local business owner more," Bonner said. "I'm seeing that a lot."

But keeping small businesses open will come down to customers choosing to spend their money close to home, said Charity Dean, director of Civil Rights, Inclusion & Opportunity for the city of Detroit. She's been working on small business response in the city during the pandemic, and said many city residents actively support their neighborhood retailers.

Among businesses that have been able to reopen, Dean said, many are notably busy as residents got out to support them this summer.

"Success of small businesses will be the intentionality of the customers," said Dean.

"If we want them to stay, we have to make it more frequent," she said of local spending. "I don't think there's any other way to see that tremendous impact. There's that multiplying effect. You do make a difference."

Richard App, a retail, retention and attraction specialist for Grand Rapids, said working from home and social distancing play a big part of the growing attention to local businesses in many communities.

"We're seeing it more because we're spending more time in our neighborhoods," App said. "We see the value from supporting small businesses. They're literally a part of our lives now."

The community support often follows business adaptation, App said. Many stores and restaurants are changing their models to ensure they can "meet the customer" with pandemic-era expectations, he said.

One example is a retailer who had no online presence at the end of last year. After setting up a new online system, local digital sales now are 30 percent of revenue, App said.

"They have to be willing to explore different options," App said.

On the customer side, App said, he hopes shoppers will consider new ways of support. He just started Christmas shopping at stores in his east-side neighborhood, trying to boost his spending that, in turn, will give retailers revenue to buy inventory for the shopping season.

Matt Wagner, vice president of revitalization programs for the Chicago-based nonprofit National Main Street Center said the group sees anecdotal evidence of community support for small businesses, particularly in downtowns. He said he's seeing more "people going out of their way, like ordering more carryout and supporting local bookstores."

"People are being more supportive of local businesses," Wagner said.

The pandemic is accelerating certain trends, like department store closures. That's true at the local level, too. Local businesses like clothing retailers may continue to struggle, he said, but others that adapt inventory to what people want to buy locally — like garden supplies — may fare better.

Brewed Awakenings is located in a shopping center in Pittsfield Township, which over many years has attracted "big box" development near its commercial corridors, including near Interstate 94 interchanges near Ann Arbor. Watching the experiences of businesses during the pandemic can help guide future development decisions, said Pittsfield Township Supervisor Mandy Grewal.

"We have a very cautious eye to how it will affect existing businesses," said Grewal. New development, she said, should "strengthen existing ties to the community."

That would fulfill what the township was starting to hear from residents pre-pandemic, she said.

"I do believe that post-pandemic, we'll see increased demand from the public to enhance and attract more local businesses," Grewal said. "I think there's going to be a distinct shift of folks wanting to support local businesses."

For Kaster, the public support continues. She said she hopes she'll be able to negotiate a lease renewal later this year that helps her bridge the pandemic and avoid nearby competitors.

She's still not paying herself from the business, but she's able to call employees back and hire new staff as needed. Kaster said she welcomes the chance to keep her coffee shop open, even with reduced capacity.

"It means everything to me," Kaster said. "I love this business."

Wagner and others said they hope the community support trend continues. In a world where changes seem endless, they said, maintaining some stability among local stores and restaurants will have a social payback.

"It's heartwarming to see people step up," Wagner said. "Without small businesses, what's your identity as a community?"

Dean said the business owners she talks to hope that shoppers continue to think about them as an option as fall and winter approach.