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DOWNTOWN BUSINESS RESILIENCY: PIVOTING WITH SMALL-SCALE PRODUCTION POST-COVID

October 20, 2020

9:30 a.m. – 1:30 p.m.

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National Main Street Center, Inc.

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VIRGINIA
MAIN
Street
VIRGINIA DEPARTMENT
OF HOUSING AND
COMMUNITY DEVELOPMENT

AGENDA

- + 9:30 AM Introducing Small-scale Production
- + 10:45 *Break (15 minutes)*
- + 11:00 Lesson Learned from the VMS Pilot
- + 11:45 *Break (30 minutes)*
- + 12:15 PM How to Align Local Resources
- + 1:15 Q&A
- + 1:30 Adjourn

RESILIENCY IS NOT A ONE-TIME EVENT: IT'S AN ATTITUDE AND APPROACH



RESILIENCY DEFINED

Represents the ability of organizations to rapidly adapt and respond to all types of risks

Common references: Pivoting, Business Agility, Model Shifts

Poll Question: On a scale of 1-10 (1 being Not at all, 10 being Ultra resilient) how resilient is your organization?

Poll Question: On a scale of 1-10 how resilient are your local businesses/entrepreneurs?

SMALL SCALE PRODUCTION IS NOT SO NEW



Small scale production refers to the **manufacturing of a product** that is less capital intensive to produce than mass production, value added, and often in niche and/or craft segments.



Historically, small town bakeries represented some of the first growth opportunities



Followed more recently by coffee roasters and micro-breweries.



And highlighted through local foods movements (farmer's markets, restaurants featuring local produce, etc)



We are now seeing expansion into many more product segments outside of food

SMALL SCALE PRODUCTION – EXAMPLES

- + Breweries
- + Food Production
 - Coffee Rosters
 - Popcorn
 - Bakery
 - Chocolate
- + Apparel
- + Furniture
- + Sporting Goods
- + Outdoor Recreation
- + Jewelry/Watches
- + Artisans/Crafters
- + Vintage Goods
- + Health and Wellness Products
- + Personal Hygiene
- + Eco-Friendly
- + NOTE: B to B as well



ALL TYPES....



MANUFACTURING NAICS DATA FOR VIRGINIA MAIN STREETS

	In Virginia Main Streets (2017-2018)	City Wide (2017-2018)	Difference (Higher Growth in Downtown Districts)
Manufacturing Business Growth Rate	10.2 percent	2.9 percent	7.3 percent
Manufacturing Sales Growth Rate	23.8 percent	2.1 percent	21.7 percent
Manufacturing Job Growth Rate	(-1.0) percent	(-10.4) percent	9.4 percent

Source: ESRI 2019, 2018 Data Pulls by NMSC. VMS shape files outlining districts. City wide using designated city boundaries.

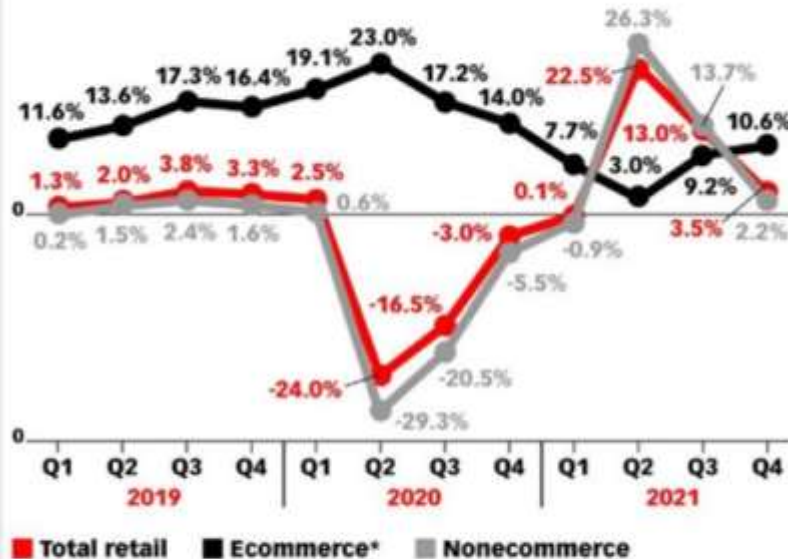
GROUP BREAKOUT:

1. Choose a spokesperson to take notes and report back to the attendees.
2. Use the Notes Pod to record discussion (like a flipchart)
3. Unmute and share your webcam for discussion
4. Discuss:
 - Part 1: How much small-scale production activity are you seeing in your community? In your downtown?
 - Part 2: Have you noticed any business niches within this sector?

RESILIENCY DEMAND FOR SMALL SCALE PRODUCTION: EMERGING COVID TRENDS

COVID19: DIVERSIFICATION AND NEW FORMS OF REACHING CONSUMERS

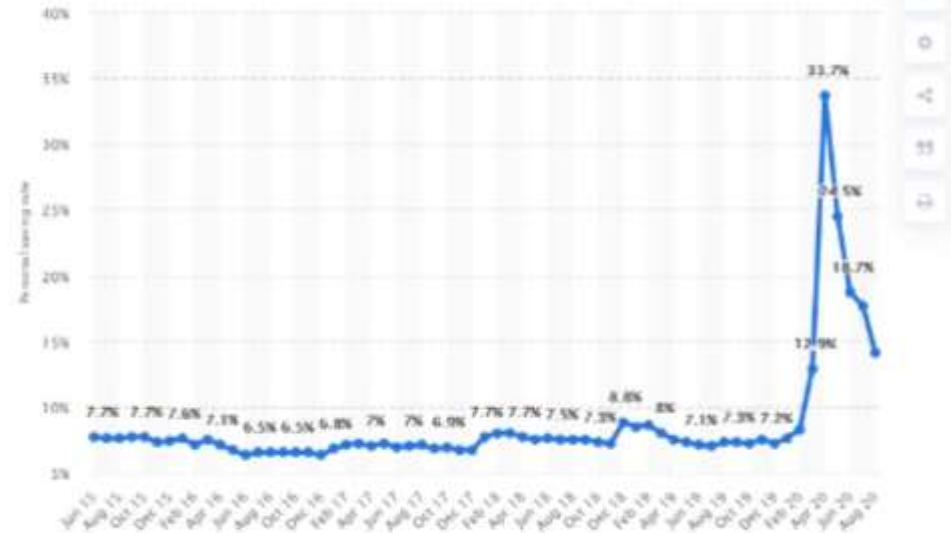
Retail Sales Growth in the US, by Segment, Q1 2019-Q4-2021
% change



Note: excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice goods sales; *includes products or services ordered using the internet, regardless of the method of payment or fulfillment
Source: eMarketer, May 2020

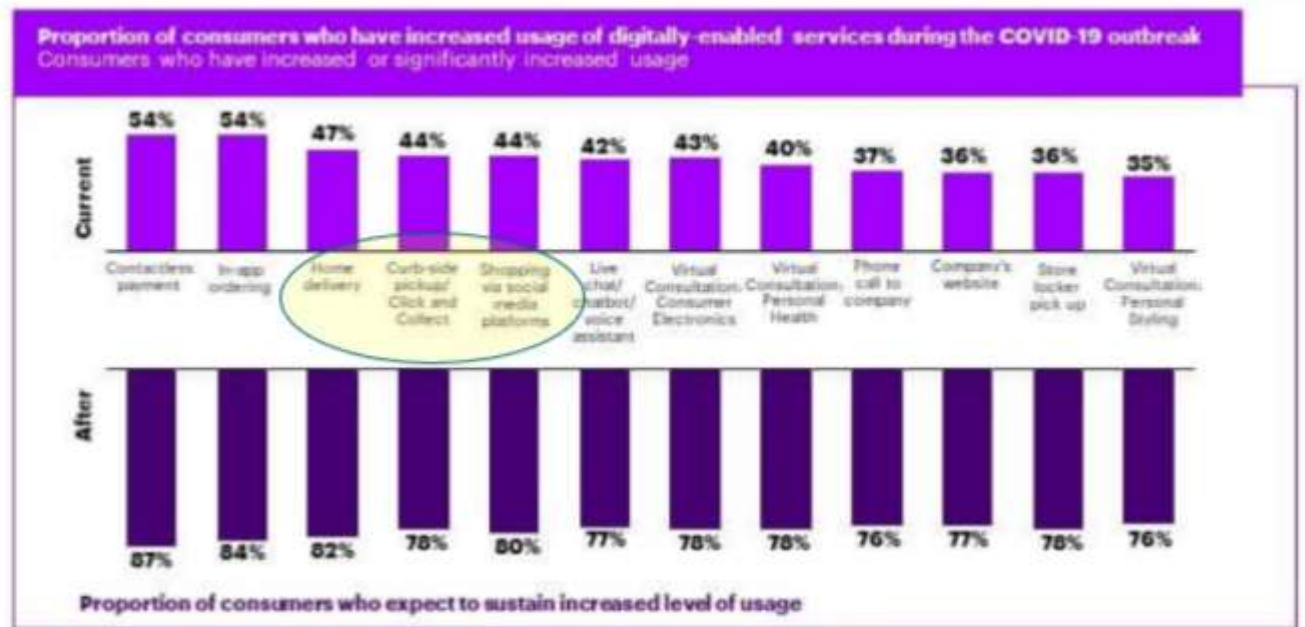
+ E-Commerce vs Bricks and Mortar, and Savings Rates

Zoomable Statistic: Select the range in the chart you want to zoom in on.



COVID19: DIVERSIFICATION AND NEW FORMS OF REACHING CONSUMERS

- People are forming retail expectations, i.e. delivery, pick-up ---even from groceries

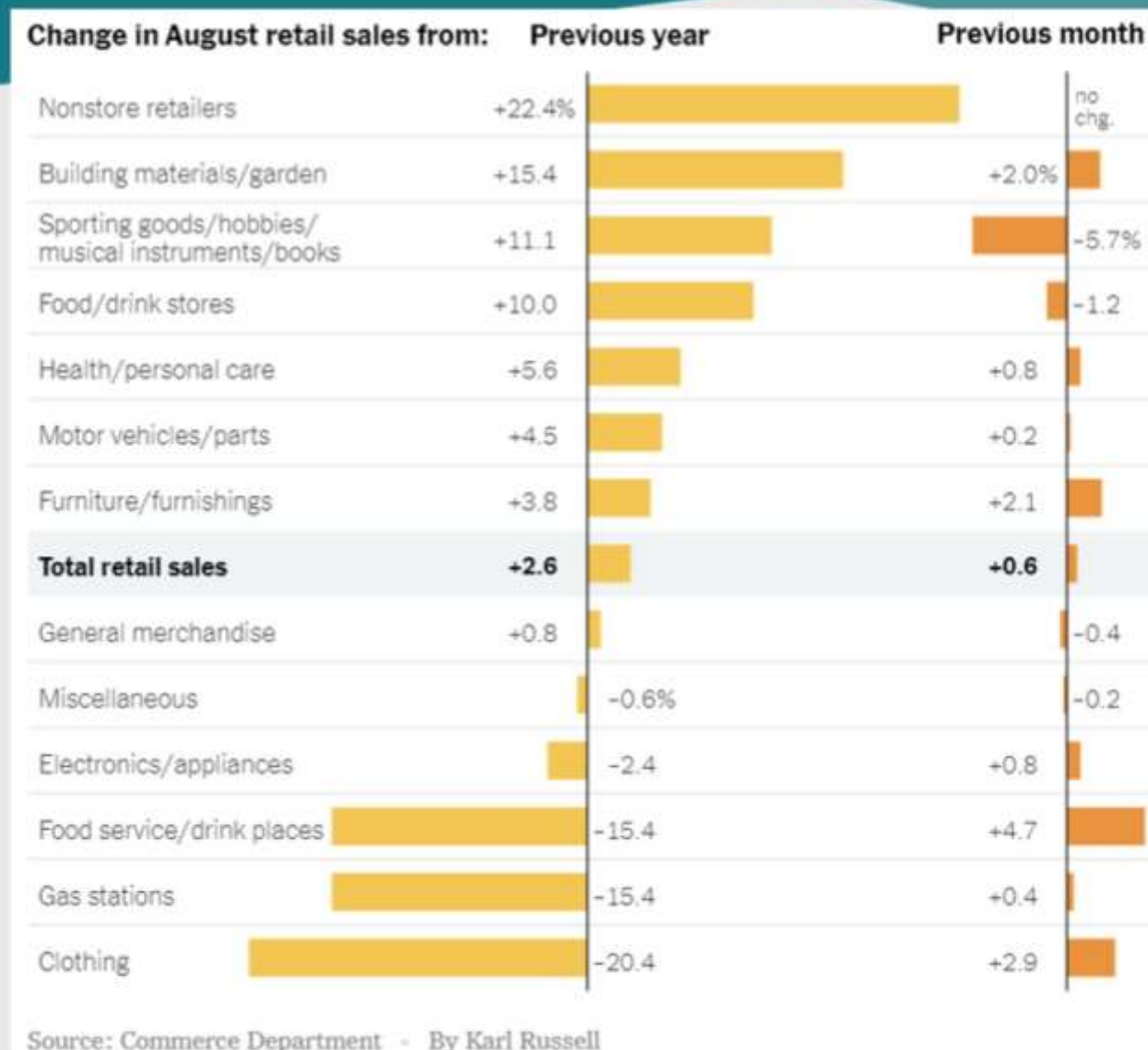


Source: Accenture COVID-19 Consumer Pulse Research, conducted 2nd-8th June 2020. Excludes those who do not use services.

COVID19 SILVER LINING: SMALL SCALE PRODUCERS ARE BETTER POSITIONED

- + E-Commerce
- + Wholesale
- + 3rd Party Branding and Packaging
- + In-store Retail Sales
- + Pop-Ups in Other Areas and Events to Scale
- + Platform Sales
- + Subscription Services (eg. Wine of the Month)

COVID19 CHANGES IN CONSUMER RETAIL SALES:

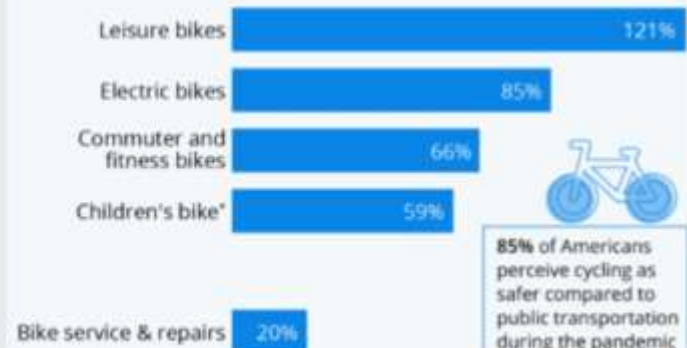


OVID19 SILVER LINING: HEALTH, FITNESS & OUTDOOR RECREATION

- Yearning for nature and outdoors – Rails to Trails reports for the week of September 21 – 2019 counts on 31 trails 141,072 users ----2020 - 207,918 users
- 32.2 percent increase – represents new norm ridership
- Small Scale Opportunities:
 - Bikes,
 - bike components and accessories,
 - leisure bike apparel
 - Water sports and accessories

COVID-19 Pandemic Fuels Bicycle Boom

Year-over-year change in bicycle and bicycle service sales in the U.S. in March 2020



85% of Americans perceive cycling as safer compared to public transportation during the pandemic

* Incl. BMX bikes



COVID19 SILVER LINING: MUSIC



- + Coronavirus lockdowns have prompted many to learn new skills in efforts to make the most of their time at home.
- + Increased access to online content and instruction
- + The musical instrument market is poised to grow by \$1.17 billion during 2020-2024 (Source: Technavio)
- + Small Scale Opportunities:
 - High End, Hand Crafted Instruments
 - Upcycled Instruments
 - Instruments constructed with unique materials
 - Instruments that tell a story (person who made them; location/history/heritage)

COVID19 SILVER LINING: HEALTH, FITNESS AND OUTDOOR RECREATION

- + Self sufficiency movement (backyard gardens, minimalism, etc). ***Scotts-Miracle Gro: 36 percent more Americans are growing vegetables, herbs and tomatoes this year, with 65 percent saying their decision was tied to covid***
- + Small Scale Opportunities:
 - Gardening tools,
 - heritage seeds,
 - window garden kits



COVID19 SILVER LINING: NATURAL, ORGANIC, SUSTAINABLE

61%

of consumers are making more environmentally friendly, sustainable or ethical purchases with 89% likely to continue post-crisis

- + Climate change dialogue and greater focus on our own immune systems....
- + Small Scale Opportunities:
 - organic personal care products;
 - Fair trade produced
 - Sustainably sourced
 - Value add ag/food products

COVID19 SILVER LINING: PRODUCTS FOR THE HOME

+ WHY?

- Remote workforce grew by a whopping 159% between 2005 and 2017, according to Global Workplace Analytics and Flexjobs
- Home office conversions: Shed sales up by 400 percent in 2020!
- At Home Food sales “repass” Food Away from Home in 2020

+ Small-Scale Opportunities:

- Kitchen Gadgets
- Unique home office furniture/fixtures that speak to lifestyle
- “Zoom” Apparel
- Upcycled Furnishings

COVID19: SILVER LINING: LEVERAGING VACANT OR UNDERPERFORMING RESTAURANTS

+ Small-Scale Opportunities:

- Shared kitchen retrofits;
- New site for a small-scale food producer;
- Night kitchen for value-add revenues;
- Kitchen Incubator



COVID19 SILVER LINING: THE ACCELERATED RISE OF NEW ENTREPRENEURS –

- + More Small-Scale Producers in the Pipeline!!
- + Rates of Entrepreneurship have already increased – 3.2 million new filings vs. 2.7 in 2019 (September #) – Faster rate than 2007. (US Census)



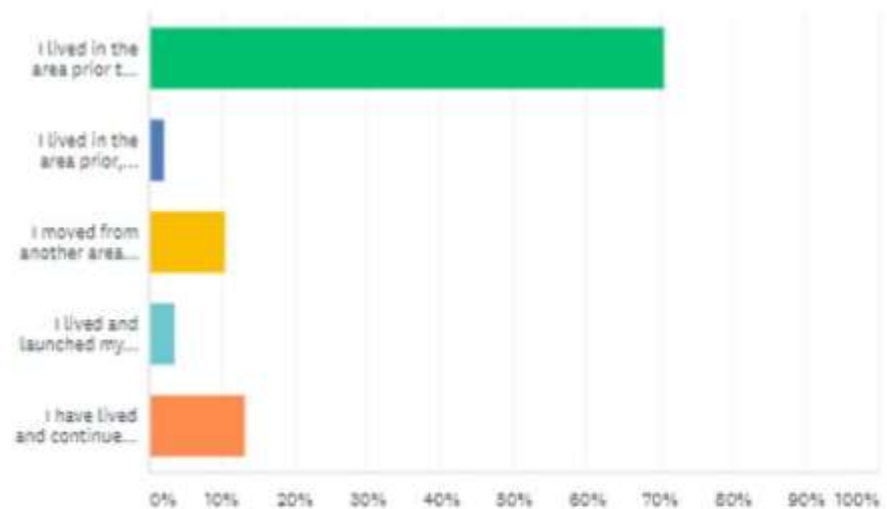
AND MOST OF YOUR FUTURE PRODUCERS WILL COME FROM YOUR OWN "BACKYARD"

Cross Tab Finding: When comparing business location to industry sector, **92 percent of manufacturers were from the local community** when they launched their business!!!

Q14

Which of the following best describes your relationship with your business's locale?

Answered: 1,407 Skipped: 0



ANSWER CHOICES

RESPONSES

I lived in the area prior to launching and operating a business here.	70.72%	996
I lived in the area prior, launched my business elsewhere, and have since moved the business here or opened an additional location here.	2.13%	30
I moved from another area in order to launch my business here.	10.38%	146
I lived and launched my business elsewhere before moving my residence and my business to its current locale.	3.62%	51
I have lived and continue to live in a different area than my business's locale.	13.15%	185

TOTAL

1,407

COVID19 SILVER LINING: LOCAL AND EXPERIENTIAL REMAIN AS RELEVANT AS EVER

- + 56 percent of consumers are shopping in neighborhood stores or buying more locally sourced products, with 79% and 84% respectively planning to continue with this behavior into the longer term. (Accenture)
- + Reasons for this vary from actively supporting local stores or national products, or as quest for authentic and artisan products. (Accenture)
- + **HUGE FOR SMALL-SCALE:** ETSY total revenue was \$428.7 million for the second quarter of 2020, up 136.7% year-over-year. (Etsy)



WHERE TO GET STARTED IN YOUR DISTRICT: BUILDING RESILIENCY THROUGH SMALL-SCALE

+ Conduct a Small-Scale Inventory



WHERE TO GET STARTED IN YOUR DISTRICT: BUILDING RESILIENCY THROUGH SMALL- SCALE

- + Conduct and/or Update Your Building Inventory (with a small-scale lens)
 - What spaces might be appropriate for retail and production?
 - Current building status? Lease rates, owner, prior use/function
 - What spaces might be appropriate for small-scale support spaces (eg. Shared kitchen, maker space, pop-ups)

WHERE TO GET STARTED IN YOUR DISTRICT: BUILDING RESILIENCY THROUGH SMALL- SCALE

+ Conduct a Small-Scale Focus Group and/or Survey

- Needs/Issues?
- Business Niches?
- What are the strengths for Your Area?

– NOTE: Example survey can be emailed to you

WHERE TO GET STARTED IN YOUR DISTRICT: BUILDING RESILIENCY THROUGH SMALL- SCALE

- + Investigate your district zoning?
Would it allow for small-scale?
Are there restrictions that may inhibit certain forms of small-scale?
 - smells,
 - noise,
 - volume of production,
 - Deliveries
- + Inventory your current stakeholder programming conducive to supporting small-scale producers



WHERE TO GET STARTED IN YOUR DISTRICT: BUILDING RESILIENCY THROUGH SMALL- SCALE

- + Create some initial small-scale programming to build your “pipeline.”
 - In-store Pop-Up program for producers working out of their homes, on Etsy, etc.
 - Host a Pitch or Soup Event geared toward producers
 - Publish a resource guide for small-scale producers
 - Host a Winter Market
 - Pitch a news article



BREAK – 15 MINUTES

1. Take a breather
2. Network with peers
3. **Answer the Poll:** What question, if answered, would help you understand your role better in cultivating small-scale production in your community?

LESSONS LEARNED FROM THE VMS SMALL-SCALE PRODUCTION PILOT

For Context:

- + In Late 2019, VMS announced the selection of 5 communities to participate in a Small-Scale Production Pilot
 - Bristol
 - Farmville (Covid Delayed – Service Virtual)
 - Page County/Luray (Covid Delayed – Service Virtual)
 - Middle Peninsula
 - Norfolk
- + Each of the communities has completed the first phase.
- + 2nd Phase will involve project technical assistance

LESSONS LEARNED FROM THE VMS SMALL-SCALE PRODUCTION PILOT

+ Our Guest Panelists:

- Maggie Elliott (Bristol)
- Liz Lewis (Page County) & Meredith Dees (Luray)
- Kate Pickett (Farmville)

+ Survey Question: How often do your stakeholder community development organizations (eg city/town, chamber, economic development) come together around issues, projects, etc.?

- Never
- Infrequently
- Occasionally
- Regularly/Consistently

LUNCH BREAK ACTIVITY (30 MINUTES)

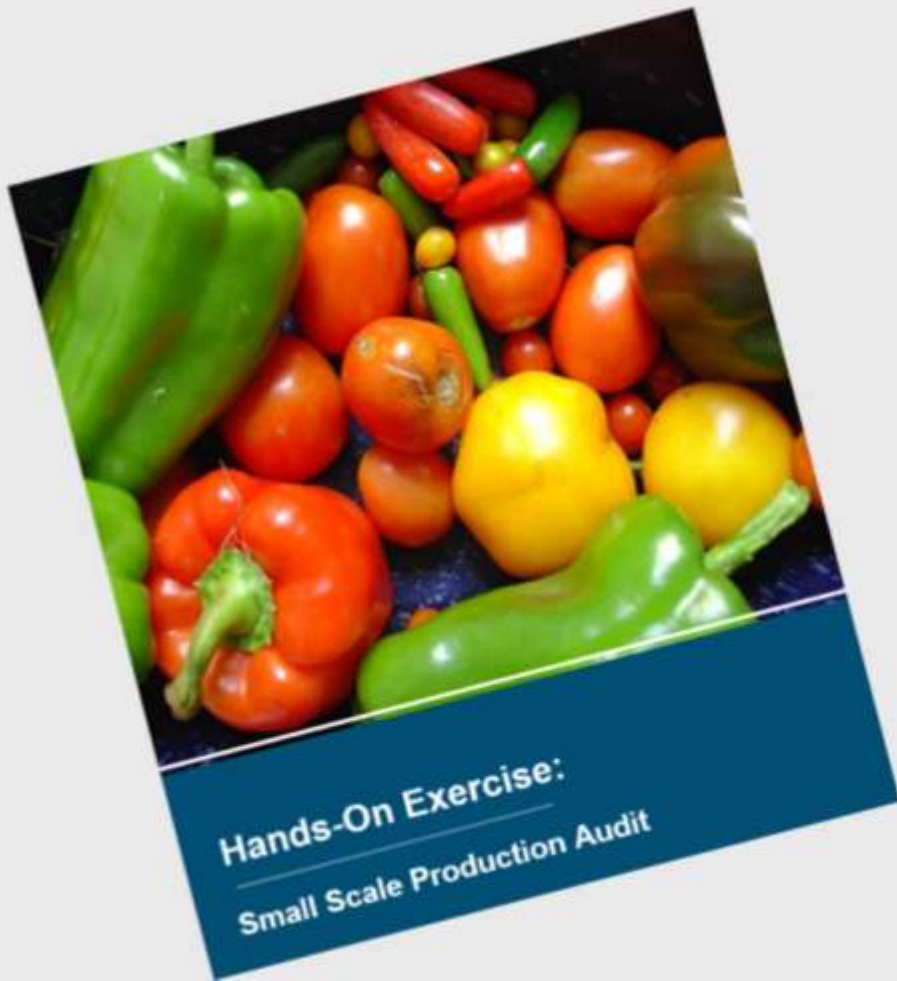
1. Take a breather
2. Network with peers
3. Answer the Poll:
 - What is your organization doing that is supportive of small-scale producers?
 - Who are partners and/or likely partners to help bolster your work with small-scale producers?

HOW TO ALIGN LOCAL RESOURCES IN SUPPORT OF SMALL-SCALE PRODUCERS

- + Great ideas begin with understanding pain points in the market
- + Great ideas are a good start, but void the resources and capacity to execute they have little to no value.

HOW TO ALIGN LOCAL RESOURCES IN SUPPORT OF SMALL-SCALE PRODUCERS

+ Start with the Small-Scale Production Audit Tool



Financial Capital Factors							OVERALL	NOTES:
Does your district offer incentives to drive targeted small scale production investments (eg. Grants, microloans, contests, equipment grants, etc)?								
No			Limited			Yes		
1	3		5	6		7	5	
Does your district operated a local crowdfunding program for real estate and/or small business investment that might support small scale producers?								
No			Limited			Yes		
1	2		3	4		5	2	
Does your district have a group of local angel investors formed or other non-family equity available for small scale production?								
No			Limited			Yes		
1	3		5	7		9	1	
Does your local banking community offer SBA and other federal small business development funding tools?								
No			Limited			Yes		
1	3		5	6		7	7	

BREAKOUT EXERCISE #1 – 20 MINUTES

- + Group 1 – Place
- + Group 2 – Social and Financial Capital
- + Group 3 – Govt and Education
- + Group 4 – Culture and Workforce/Human Capital

DIRECTIONS:

1. Choose a spokesperson to take notes and report back to the attendees.
2. Use the Notes Pod to record discussion (like a flipchart)
3. Unmute and share your webcam for discussion

DISCUSS:

1. Review the indicator questions and discuss within your group where do you see yourself (red, yellow or green)
2. Type in the Note Pod any group commonalities around your communities or key differences and why
3. Explore solutions around RED consensus areas

BREAKOUT EXERCISE #1 – GROUP REPORTS

HOW TO ALIGN LOCAL RESOURCES IN SUPPORT OF SMALL-SCALE PRODUCERS

- + Convene your local stakeholder partners to discuss their programs supporting small-scale producers
 - Start with sharing information about your area's small-scale producers
 - Understand their support for small-scale producers as part of their mission
 - Are they interested in informally or formally joining a task force, advisory group, etc in support of producers
- + Taking ownership – Mapping Organizational Roles
- + Aligning Resources – Dashboard Workplan

BREAKOUT EXERCISE #2 – 20 MINUTES

- + Using information from your Lunch Brainstorm exercise fill out the “Roles in Small Scale Production Support System”
- + Take note of the PRIMARY/LEAD PARTNER under each segment – where do you have gaps?
- + How might you fill those locally or potentially regionally?
- + Discuss and compare with your peers

NOTE:

- Use the geographic lens most appropriate for your small-scale area.
- Definitions provided on second slide

Roles in Small Scale Production Support System

Directions: For each partner organization, ask them to complete this form based on how they use their organization's supporting staff/volunteers. Please note that Primary should only be marked if the organization has a lead partner that performs this role (eg. Social Capital).

	Primary Partner	Local Partner	Other Partner	Local Policy and Regulations	Education/Training	Culture	Shared Capital/Institution
PRODUCTION							
SUPPORTION							
COMMUNITY							
ADVOCACY							
PROVISION							
CONNECTOR							
INFRASTRUCTURE							

BREAKOUT EXERCISE #2 – INDIVIDUAL REPORTS

WRAP-UP – CLOSING QUESTIONS AND COMMENTS

+ Survey Question –

- How likely are you to pursue small-scale producers as part of building a more resilient downtown?
 - Not Our Thing
 - Will Consider and Evaluate
 - Likely to Represent a Small Part of our Business Mix
 - See it as a Key Niche



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