



NCB Annual Meeting Report, May 2007

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### ***NCB: Purchasing Co-ops and the Role of Independent Locally Owned Retail***

NCB (chartered as the National Consumer Cooperative Bank) held its annual meeting in Washington, D.C. on May 3, 2007. Created by Congress in 1978, NCB has served America's cooperatives and like-minded organizations for more than 25 years. As CEO Charles Snyder noted at the meeting, NCB has grown rapidly. In 1984, the bank had \$228 million in total assets. In 2006, the bank had total assets \$1.8 billion. In 2006, the bank originated \$470 million in loans to low-income communities and has a goal of making \$1.5 billion in loans over the next 3-year period.

In 2005, NCB launched its “Food Co-op 500” initiative to provide development guidance, grants and business planning assistance to groups sponsoring food co-ops in their local communities, with the goal to help grow the number of community-based food co-ops to 500 by the year 2010. According to Snyder, NCB is now looking to start a similar initiative for purchasing co-ops.

The importance of purchasing co-ops was, in fact, the central theme of this year’s annual meeting. To underscore that theme, the annual meeting featured a panel moderated by CNN anchor Gene Randall, whose participants included Stacy Mitchell, author of *Big Box Swindle* (<http://www.bigboxswindle.com>), a book that highlights the importance of purchasing co-ops in helping independent stores compete against big box retailers; Gina Schaefer, owner of Logan’s Hardware in Washington, D.C. and a member of the Ace Hardware purchasing co-op; Thomas K. Zaucha, CEO of the National Grocers’ Association; and Charles Snyder of NCB.

Randall highlighted recent developments. On the one hand, Wal-Mart has suffered some setbacks of late, including withdrawing from its attempt to enter the New York City market due to labor opposition, withdrawing its application to create an affiliated bank (technically, an “industrial loan corporation”), and withdrawing its attempt to trademark the phrase “everyday low prices.” At the same time, Randall pointed out that the influence of big box stores remains pervasive. Citing figures from Mitchell’s book, Randall noted that one out of every five dollars spent on DVDs and electronics in the United States is spent at Wal-Mart and that half of all hardware sales are at Home Depot or Lowe’s.

Mitchell remarked that the growing concentration of retail ownership has meant, “losing ownership and decision-making vested in our communities. It has implications for our economy, our prosperity, the environment, and our democracy.”

Zaucha underscored the fact that the growing concentration of retail didn’t just happen by chance. Rather, Zaucha argued, “it is an economic and political philosophy that has allowed this

kind of concentration that has slowly evolved. We need a dramatic change in our business philosophy that allows independents large and small to be able to create a level playing field. And we don't have a level playing field today.”

Mitchell also emphasized the cultural consequences of the shift from local ownership to big box retail. In towns with small independent stores, Mitchell pointed out, “Not only did you know your local business owners, but also your shopping existed in a neighborhood where you would meet some of your neighbors, which built a sense of camaraderie and responsibility.” But with large big box retailers, “People now make a beeline for the front door from the parking lot. It's hard to imagine a more inhospitable environment than a massive parking lot ... It is a much more alienating experience. It affects how often people vote, go to city council meetings, etc.”

Schaefer, who opened her local independent hardware store in 2003, also underscored the economic importance of locally owned retail. “With local business, as much as 43 cents on the dollar stays in the community. With big boxes, it is less than 20 cents,” Schaefer said.

Snyder emphasized the role purchasing co-ops play in supporting small-scale retail stores. Snyder noted that starting a small business can be risky, but “that's where the co-op model comes in. The co-op provides not only purchasing power but also technical advice and ongoing support. It's probably one of the reasons franchises have become popular. The problem with franchises is that everything has to be exactly the way they say. Co-ops don't do that. You have the larger co-op purchasing for economies of scale, but the owner of the store works with the community.”

Panelists also discussed how to preserve owned retail. Mitchell noted that, “Hundreds of communities have said ‘no’ to big box development. They use land use regulation. A major part of the problem is the public policy environment. Every year cities and towns give away hundreds of millions of dollars for development subsidies to big box stores.”

Snyder noted one positive effect of big box stores is that they “have forced the independent retailer to come up with a better ‘value proposition.’ I don't think having no chains is necessarily the best,” Snyder noted, “but I can't help but think the pendulum has swung too far.”

One positive development for independent retailers, Mitchell noted, is that “locally owned is becoming a selling point just as organic has. A key has been getting independent businesses to recognize their interdependence. In the last few years, things have changed in terms of level of public awareness and the number of communities looking into developing Independent Business Associations. In the last three years, there have been 300 new independent pharmacies, 200 bookstores, new hardware shops. We might be on the verge of a sea change.”

Zaucha agreed. With a level playing field, Zaucha insisted that local entrepreneurs can “compete with anyone. The big challenge is how can we change public policy both at the federal level as well as the state and local level.”

At the local level, Schaefer noted that local governments face a different challenge: recruiting enough local business owners to generate a tax base. “The big challenge in DC is that there is 5

million square feet of vacant retail space,” Schaefer said. “So the city has got a challenge of how they will get people into those places without giving Target a \$25 million tax break.”

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