When Corporations Move In

Local businesses surviving with the help of their communities

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Putting the Call Out to the Community

The husky voice of a grey-haired woman with a soft smile bellowed through Tsunami Books. She sang and played the fiddle with three other musicians for a small but attentive group of people. A bucket sat in the front of the room with “Donations” scrawled across the front in red marker. This bluegrass concert didn’t exist for musical entertainment, but served as an act of resistance.

Scott Landfield and a friend first opened the doors of Tsunami Books 22 years ago, but for the past 10 years it has just been Landfield running the Eugene, Oregon shop. When they first started the business, they were hopeful. They had no money, but they had a passion for books. “It takes about 22 years just to get established, but we’re established now and making a living,” Landfield said.

Bookstores are a major part of the Oregon community. According to an article in the Open Education Database, Amazon dominates around 22% of the book market and independent bookstores are failing. However, per Publisher Weekly, a magazine for publishers, librarians and bookstore owners, Oregon has 173 bookstores and 111 of them are independently-owned. It is one of 10 states where the ratio of corporate bookstores to local bookstores is double or greater.

In Portland, Powell’s Books, a larger independent bookstore, has deep roots in the community and is thriving. Powell’s CEO Miriam Sontz credits this to Oregonians voting with their money. “I think people in Oregon have a very long tradition of being pretty savvy about spending their dollars in local community stores,” she said.

But even larger, chain bookstores have been suffering – such as in 2011 when Borders filed for bankruptcy and shut down. According to a Time Magazine article, as the book industry began to change, Borders could not keep up. The business shut down because of the rise of e-books, a lack of online presence, the opening of too many stores, too large of an investment in music and a large debt.

For the first 15 years of owning Tsunami, Landfield was barely keeping afloat. He had no source of income other than the bookstore, no savings and no inheritance. He was making around 500 dollars a month, which he had to use to pay rent, eat and to deal with unsurmountable debt.

Click to hear from Scott Landfield, owner of Tsunami Books

Scott Landfield, the owner of Tsunami Books, is seen behind his desk at the store. Tsunami Books has been open in Eugene, Oregon for 22 years.
Landfield had no money to fill the space with books, but realized he had a beautiful room he could use for performances. Since then, music performances, political campaigns, workshops, theatre, meetings and speeches have all taken place in the space. “It didn’t pay much, but it built a lot of community, and now we have had over 4,000 activities and events in there,” Landfield said.

Being a small bookstore, Tsunami has had to deal with competition from larger businesses, like Borders. When a Borders was about to move into Eugene, Tsunami prepared. They got more books, had more events, worked more hours and did not give up. The result was their business having higher sales than before, despite the newer and larger bookstore in town.

Sontz has been the CEO of Powell’s for five years but has worked at the bookstore for 33 years. During her time as an employee she has seen competition come and go. Twenty years ago, there was a huge number of Borders and Barnes & Noble stores in the Portland area, which was a challenge at the time, she said. Now there are only five.

Instead of being intimidated by bookstore competition, Sontz thinks it is good for her business for bookstores to co-exist rather than compete. “If you’re reading books at the library, you’re probably also going to be buying books,” Sontz said. “If you’re buying books at Barnes & Noble, you’re probably also going to someday, sometime be buying books at Powell’s.”

Powell’s remains successful because of its large assortment of new and used books, and the incredible number of books it offers. In their main store on Burnside, Powell’s has more than one million books, about eight to nine times more than a typical Barnes & Noble, Sontz said.

She is not worried about technology affecting her business, either. If a customer knows exactly what they want they can easily purchase it online, but the experience of book browsing is something that can only be done in a store. “There is something very physical about the experience with the book,” Sontz said. “It is not an experience that is replicable online.”

Now that Landfield finally has a steady business, he faces a new roadblock. Starting in July his rent will double from $50,000 to $100,000 a year. Despite this difficulty, Landfield is not giving up, and he is rallying the community to help him keep the bookstore alive. “I put the call in the community this time. If the community wants it, the community’s going to step up,” he said. “The question is, does the community want this or is the community just willing to let it die?”

Landfield has created a fundraising campaign, asking the community to pledge money to help him cover the rent. One loyal customer even pledged to donate $10,000. Landfield said, “We have had people come in and just make me cry with their pledges.”
Who Owns Your Beer?
When it comes to alcohol in America, beer is king. A 2016 Gallup poll showed that 43% of Americans who drink alcohol said they prefer to drink beer. Beer in and of itself isn’t much really: just different combinations of water, grain and yeast. But what goes into beer is much more than just ingredients. Beer is a central part of many communities, especially with the recent explosion of smaller craft and micro-breweries throughout towns and cities across the country.

Per the Brewers Association, there are more than 5,300 breweries in America today, more breweries than ever before in this country. That’s a meteoric rise from 92 breweries in 1980. Not only has the number of breweries increased exponentially, Americans are drinking more craft beer as well, last year taking up a 12.3% share of beer sold in the United States, amounting to $23.5 billion.

It didn’t take long for big beer to notice. Arguably the first high profile buyout was in 2011 when Anheuser-Busch InBev (AB-InBev), better known for their brand Budweiser, bought Goose Island of Chicago, Illinois for $38.8 million per the Wall Street Journal. Since then at least 22 craft breweries have either seen themselves bought into or bought outright by large international beer conglomerates. The most recent buyout being that of famed brewery Wicked Weed of North Carolina in May of 2017 per the Associated Press.

Big beer’s intentions aren’t only to capture a share of the craft beer industry’s profits, but to corner the market by controlling distribution and tap space, a major source of revenue for breweries. The Wall Street Journal reported in December of 2015 that AB-InBev offered stores up to $1.5 million in rebates if their sales were 98% InBev. These incentives push local beers off the shelves and out of the general population’s consciousness. And with the recent craft beer buyouts, consumers may be purchasing beer they believe to be local, unaware it’s owned by a conglomerate based outside of the country. It’s not only distribution where big beer has a stranglehold. A recent Food and Wine article detailed how AB-InBev has stopped providing access to South African hops entirely to all brands not its own, diminishing access to materials for smaller companies.

“It’s not a level playing field,” said Jason Randles of Crux Fermentation Project out of Bend, Oregon, “the money gives these breweries unlimited access to ingredients and equipment.” Highlighting the fact that sometimes beer from recently sold breweries can increase in quality as the acquired breweries gain access to better materials. “There’s no transparency with big breweries,” said Randles.

To find examples of this lack of transparency, one need look no further than the websites of bought out craft breweries such as 10 Barrel of Bend (AB-InBev) or Hop Valley of Eugene (MillerCoors), who both declined to be interviewed for this article. Large portions of their websites highlight the local roots of both breweries, both failing to mention the international conglomerates who own them. To further distance their newly purchased brands from the negative connotations of ‘Big Beer’, both AB-InBev and MillerCoors have created their own in-house divisions to house their new purchases. Adorning them with trendy sounding names such as ‘The High End’ or ‘Tenth and Blake’ respectively, intentionally keeping consumers in the dark about who owns what breweries.
“This is old fashioned monopolistic behavior,” said Oregon Congressman Peter DeFazio. “These giant corporations are threatened, so they’re trying to co-op the movement by buying out craft breweries,” starting that big beer’s “ultimate goal would be to produce craft or faux craft beer through the labels they’ve bought out.”

As smaller, local, breweries start to feel the squeeze on tap and shelf space, the response from craft breweries has been the opposite of what you might expect. Crux Fermentation Project is only one block from 10 Barrel Brewing, recently purchased by AB-InBev. “We know those guys; we know their brewers,” explains Randles. “Breweries just need to do a better job of telling their story.”

When asked about the effect recent buyouts have had on the craft beer industry, Gary Fish, the founder of Deschutes Brewery from Bend, Oregon, responded, “We don’t control the market, ultimately the consumer is the one in control. Healthy competition is part of a healthy marketplace.”

“We have always focused on the beer itself,” explains Fish. “Our commitment to our beer, our people and our community has been the focus of our business for the past 29 years.” Fish suggests that small breweries should be “involved in their communities,” something Deschutes prides itself as having as a top priority. “The more connections you make with those in your community, the more relevant you naturally become,” Fish said.

This feeling is mirrored by Deschutes employee Toby Nolan, who describes his co-workers as his Deschutes Family. “There’s a lot of local pride,” explains Nolan. “People know the brewers; they know the fork lift operators.”

As the lines become blurred as to who owns what breweries, the question remains: what can be done about it? Congressman. DeFazio said, “we need to keep pushing judicial” on labeling and access to materials. DeFazio founded the House Small Brewers Caucus in 2007 with fellow Oregon Representative Greg Walden to help give smaller breweries a voice in the government. “This is an issue where Americans, who make beer in America, are being bought out by international conglomerates,” explained DeFazio.

And while big beer continues to gobble up famed and beloved breweries across the country, many in the industry remain undeterred. “We need to make breweries a local gathering spot,” said Nolan of Deschutes. “Craft breweries care, we’re a community. We’re all just trying to make great beer and have fun doing it.”
Corporations Join the Natural Foods Movement
Organic, local, GMO-free, natural, homegrown, no artificial preservatives, humane. As our food becomes increasingly synthetic, these labels are becoming increasingly valued by consumers. From a Pew Research Center report from May 2016, 73% of adults purchased products that were locally grown and 68 percent purchased organic options. Gavin McComas, the owner of Sundance Natural Foods in Eugene, Oregon calls this the Natural Foods Movement.

The movement, McComas said, has created an upsurge in organic grocery stores and portions of stores being dedicated to organic food. “They know shoppers for natural foods have these kinds of values so they know they need to show an alliance with those kinds of values to garner those customers,” he said. The rising popularity of organic food has led to larger, chain organic grocery stores’ success. Market Watch, a finance market tracker, reported that Whole Foods Market’s net income was at $551 million in 2013.

In Eugene, there are multiple local independent grocery stores as well as a farmer’s market that are a part of the Eugene culture. “We have six or seven local independent food stores which we consider colleagues not competitors,” McComas said. However, McComas does not consider the new Whole Foods that moved into Eugene in September 2016 a colleague. Companies like Whole Foods often take business away from local natural grocery stores, like Sundance who has seen an 8 to 10% drop in sales since the Whole Foods moved in.

Whole Foods uses a vertical and horizontal integration strategy. According to a ResearchGate, a collaborative research site, report, Whole Foods implemented a horizontal strategy by acquiring six stores in 2013 that originally were owned by another company and four stores in 2014. Market Realist, a market research provider, reported that the company owns a produce center, seafood facilities, coffee operation, baking facilities and regional distribution centers. McComas said that big box stores like Whole Foods are able to operate more efficiently because of their greater buying power, such as creating long term contracts with manufacturers and farmers to make products unavailable for independent stores.

“The corporations have come in and bought up a lot of the independent stores,” McComas said. “Whole Foods is kind of intent on taking over the retail aspect of it.” However, shopping local and organic is a regular part of many Eugenean’s lives. “I think here in Eugene it’s just part of our culture to support local businesses and to support our local farmers,” said Angela Davis, director of the Eugene Farmer’s market.

The Eugene Farmer’s Market sees 10,000 to 11,000 people on a busy Saturday, Davis said. “Not much effects them doing their weekly routine; you see the same beautiful faces every Saturday – rain or shine.”

The Eugene Farmer’s Market is open 11 months out of the year through a combination of four markets: the winter market, main season market, the Tuesday market and the holiday market. The market has around 90 small businesses and local farms that participate weekly. “We’re proud of being that business incubator for these small places to come and have direct access with the customers and get that direct feedback,” Davis said. “There is something that happens at market that is just intangible, you can’t really describe it.”

Although Sundance Natural Foods has seen a decline in sales since the Whole Foods moved in, they are still working to provide people a great shopping experience. “We have a relationship with our customers so it’s not as de-personalized as the big box stores,” McComas said. “By staying true to our values and our visions and bringing integrity is what keeps us going and our customers and our staff know that we are walking our talk.”