Matt Wagner:

Welcome to the Main Street Business Insights Podcast. I'm your host, Matt Wagner, Chief Program Officer at Main Street America, a nonprofit leading a collaborative movement ... communities through place-based economic development and community preservation. Each week, join me as I travel the country and take a deep dive into the personal journeys of downtown and neighborhood entrepreneurs, the stories that far too often go unheard. Whether you're a small business owner who wants to learn from your peers or a community leader looking to better support your local business base, Main Street Business Insights is here to provide you with the tools, strategies, and personal stories to help you ... businesses thrive. Subscribe now and tune in every Wednesday to get inspired by the individuals driving our communities forward.

Hey, everyone. Welcome back and happy 2025 to all of you. Thanks for joining me for ... Main Street Business Insights Podcast. I'm your host, Matt Wagner, Chief Innovation Officer at Main Street America. And for the last couple of years we've kicked off sort of the new year with my annual predictions and 2025 is no different. ... role. I've had this sort of wonderful, unique opportunity to participate and observe really firsthand what's been happening in small business and entrepreneurship across the country and participate in a lot of our primary research through Main Street America's research work and combining these experiences and really, observations in macroeconomic technological and social trends. I share annual predictions that will impact our work in downtowns and neighborhood commercial districts and really the businesses we seek to nurture and support in these places. Now, I've got to admit, making predictions is always pretty risky and you can go back ... check. I'll say it's pretty humbling to see where I've missed and hit over the years.

And for example, last year, if we look at one of my predictions, I predicted AI, as you can imagine, would have a much greater impact on small businesses, and our fall ... small business survey, which we've provided in a link in the show notes, demonstrates that there's still a lot of limited use and growing disparities in technology adoption when it comes to mainstream businesses and that we're going to need to overcome moving forward. Perhaps I should have waited maybe till 2025 for that prediction, but nonetheless, I hope these can be valuable tools for you, even if they may be a little bit off ... help you to ponder what's ahead and plan around likely issues, topics and shifts in the coming year. Why don't we go ahead and let's get started with my seven predictions for 2025 and what can main ... business owners expect?

All right, so number one's really going to focus on what I'm thinking is going to be retail sales slowing below 3% growth. That one's a hard one to sort of take in given the really post-COVID sales rise in all sectors of the retail economy as well as food and hospitality ... really been on a win streak, one could say, especially as we came out of really 2021, hit our stride in 2022 and '23, sort of had peak in 2024 with slowing growth. And what I'm seeing in 20 ... few reasons is that I fully anticipate that we're going to see some slowing here below 3% growth. Let's talk about that. I think number one, of the canary in the coal mine is frankly ... and during the first nine months of 2024, lenders were first forced really to write off 46 billion in credit card balances.

Now, taking that into consideration, that's a 50% jump ... '23 and the highest rate since 2010, which some of you may recall was really at the height of The Great Recession, so put those two things together. And in the third quarter of 2024, 10.75% of ... card accounts paid only the minimum balance. The consumer is starting to show some strain and really that's the highest rate in 12 years according to the Philly Federal Reserve Bank. The next thing is, you can't shy ... every day is tariffs and what's going to happen there. Potential tariffs, of course, are unknown at this point, no decisions yet, but again, a lot of talk, but even smaller main street businesses have global ... pains. Even if the disruption is not direct, it could obviously impact inventory deliveries and further inflationary pricing measures across the economy, which certainly would impact mom-and-pop businesses along our Main Street. It's something certainly to be on the lookout for and might certainly inhibit retail growth this year.

Lagging technology adoption, I mentioned it in my 2024 ... its impact on small businesses, there may be faster growth potential, but the bulk of the retail sector is primarily made up of smaller retailers and much of limited growth gains in 2025 ... you're going to be able to extract some further revenue growth, it's really going to take the ability to harness technology like strengthening your e-commerce presence or AI adoption to drive hyper personalization through social media. I think these three things or the things I'm going to be looking out for, and I think we all should, relative to where will sales growth come from and what's it going to look like headed into 2025.

All right, so let's hit prediction number two here, and that's really what I'm calling the Ozempic ripple effect. Now, you probably didn't expect that coming from me as we're talking about small business ... We're looking at more macro trends in lots of different parts economically, technology, societal, and one of the big rises has been in the use of Ozempic or GPL ... weight loss drugs and this increase is really what's been expected and predicted is market forecasters are suggesting that nearly 10% of the U.S. population, that's 30 million, will be on ... of GPL weight loss drugs by 2030. Essentially, five years into the future, not a long time. This increase in usage may have multiple impacts on Main Street communities and businesses.

Let's ... I think one will just be greater support and demand for public outdoor recreation in sport complexes. Two, I think you could see the food market restaurants feeling the pressure to really add healthy options and publish greater nutrition and ingredient data, as research suggests that weight loss drugs lead to a heightened awareness of nutritional content in ingredients. Also, I think we should expect ... in apparel demand with weight loss drugs, greater need for standard sizes and fitness gear along with likely opportunities for resale as clothing sizes shift and that becomes more accelerated ... cost as well. And then finally, I think we should expect to see increases in especially personal care products and maybe even non-invasive or lower grade medical treatments as a result. Watch for that in 2025 and some of the impacts in outdoor recreation, food, and personal care. Those would be the three big areas that I think we can see impacted in both the retail and the service markets.

Number three, and this one's really talking about what we call as welcome to the Fijital world era and I almost said that right. Fijital world era part two. All right, take two. What we're talking about here in this particular prediction is, if you look at this chart, hopefully you can see it, if not download it, we'll attach the chart ... notes. But what this chart is outlining is really that the shopping experience overall, we're seeing a convergence between an in-store experience experience and digital offering through each stage. You have a sequencing that the consumer is going through and making the decision from their initial research to the actual transaction, and then of course, follow-up that is getting blended realm and the physical realm. For example, let's talk this through.

A Main Street small business, could actually improve the customer journey, and ensure there are both in-store and digital touch points by, for example ... strong social media strategy while also participating perhaps in traditional media, like advertising on a local radio or newspapers or offering a newsletter or something you could pick up ... or things like selling through a third-party app like Etsy is a small-scale producer while also wholesaling through a series of independent specialty stores. In that example you ... find presence through a third party, and then you're also selling in the physical realm. As you're thinking about the stages of selling your product or selling your service, there's going to be those key intersections where you can leverage both your physical presence, but also the digital realm to expand out your market reach as a result. That's going to be pretty big. I think going in we're going to see an added convergence or ... into 2025.

All right, number four. Yes, I did it again. I went back to AI, but in a slightly different way. I didn't stay with the small business ... in 2024, I certainly expect us to close some of that gap. That's my hope in terms of technology adoption for small businesses, but in thinking about all of our interface with ... across the country and other entities out there, I actually think in 2025, yes small business, but I think the nonprofit sector is also going to see a big impact. I know we're already starting to ... certainly having that dialogue within my own organization as we focus more on data collection and reporting and how AI can really impact that through efficiencies and even some cost savings. Twilio's research shows that 90% of organizations surveyed in their nonprofit education and healthcare sectors leverage AI for one or more engagement in marketing use cases including ... platforms, contact centers. On their surveys, customer analytics, and at Main Street America I've even used it occasionally to help me write a podcast intro or think through an outline of a project plan.

It just kind of helps you to get started and I think we'll see more of that and frankly is a huge time saver on the front end. One of the most frequent comments I've received over the years is communities talking with Main Street directors or out-state conference or something like that is really the need to address the amount of data and information that is required of many to collect and then report on. And I think AI is really going to impact data collection significantly and reporting for small nonprofits by helping to automate data entry. You'll see more software that has AI integration, so it doesn't have to be a standalone, it's really like AI tools being more embedded in the very software that we're using for data entry, which will obviously impact that. ... analyze large volumes of data.

I was able to take some qualitative analysis more recently where there were hundreds and hundreds of written entries and really put that into Excel and then run an AI to think about what are ... covered here, which was a huge time saver, and then kind of go back and re-examine it and make sure it collected, but on the upfront it saved a lot of time. I think it's going to help us to then identify trends and insights, create more targeted reports and streamlining. Here's some of the ways. Let's get to some of them. One is just automated data entry, which I think you can pick up on. AI can extract information from a lot of various sources like emails or forms, social media, and automatically populate databases with that data reducing the manual entry. I think we'll see more personalized donor engagement. If you look through your fundraising history, your current ... or even event ticket sales, AI can identify individual giving patterns and preferences can help you to tailor your communication that's that hyper-personalization that you see and even make fundraising appeals or the initial thinking that again, that is hyper-personalized.

I think we'll see a lot in improving grant writing. Now, hopefully because we've seen this in some of our own grants that come in through our grant funding where you can ... it was written in AI. Again, remember AI is not the end-all. It can really help and maybe in starting and maybe thinking through or organizing your thoughts, but I think grant writing will be one of those areas, but make sure that you're tailoring it ... program and what you're looking to accomplish. It's simply a starter. Predictive analysis, this might be towards the tail end of 2025. Right now, we've got a lot of generative AI, which is it needs data input. AI becomes more sophisticated. It will help in predicting where we going and that might involve market analysis work and understanding current markets and where might they be going. I think while that's still a little bit down the predictive AI with trends based on historic data could really allow your organization to plan for resource needs and program adjustments much more proactively perhaps than in the past.

And for example, Microsoft Excel did AI functions including features like analyze data, which uses AI to provide insights about your own data sets and forecast sheets, which are predictive data trends, so you might want to experiment. And then finally, is just streamlining reporting. AI can generate standardized reports with all kinds of now visualization and graphics. Again, a lot of that is built into things like Canva or Excel as I mentioned before where these embedded AI tools are really improving functionality and even in the graphic sense as well. Pitfalls along the way that we can anticipate is, like data quality, our own technical ... and our time to learn is valuable. There's cost considerations in some of this and I think privacy concerns we always have to be aware of are important considerations as we think about the use of AI ... or our small businesses out there.

All right, so that was number four. Let's look at number five. This is really about the falsehood of wanting more choices, and what I'm getting at there, if you've ever found yourself sitting in a diner with that huge 10-page menu and you're struggling to choose what to order or how many of you dread sifting through page on a Google search for instance. Yes, there's lots of content out there. It's wonderful, but I suspect most of you don't go past two pages. One of the greatest falsehoods in marketing, I think is that ... more choices. And I guess I just fundamentally disagree when it comes to shopping and I think what we're seeing more and more of is that, with the infusion of technology, with lots of information and research, consumers are moving more towards hyper-personalization, and as such, I would contend that curation will become a winning business formula.

Rather than being the Walmart of your ... or what have you, think really about how do I create something in which my customers are truly looking for, rather than having to sift through so much, which takes a lot of time, it's inefficient ... carry lots of inventory as a result. Focusing in on your core strengths, knowing your customer as a business model is just much more efficient. It eases inventory control and increases customer service and satisfaction. You can even go further and the potential is to save on space, which is a direct cost from a lease perspective, but the nice thing is, it doesn't necessitate ... knowing that you've got to have greater sophistication around knowing your customer. There is some analytics that are there. As we look ahead, I think more businesses are going to be dedicated ... to really understanding that, looking at your POS system, recognizing what's moving, what's not, who is it linked to? Just getting more sophisticated in terms of data collection is going to help you ... personalization and focus curation, which is really going to win the day I think in 2025.

Even using social media analytics to understand what messages are hitting so it can go further than just on ... and not being afraid to then slim down on inventory and replace it with maybe testing or pop-up displays. As things don't work, even though you're shredding, it's also an opportunity to learn more through other ... sales concepts. All right, so number six. This is the silver tsunami impact and I'm sure most of you can guess what I'm getting at here. The silver ... a term used to describe the aging of our population, particularly the retirement of baby boomers. Some have also called the last couple years peak-sixty-five to describe the aging of more people ... retirement. In fact, according to the U.S. Census in 2020, there were 55.8 million people aged 65 and over in the U.S. 16.8% of that total population up ... 8.6 and from, I guess it was 40 million back in 2010. From 40 million to 55 million, you get the point? It's really expanded over the past ...

Share of population age 65 and older is more than doubled from 1940 to 2020. From less than 7% to nearly 17%. So huge shifts that impact all kinds of things within our economy, but there's two that I really want to hit on that I think are pertinent to Main Streets and small businesses alike. The first one is the impact on the housing market. Only a couple ... as people age, they typically downsize to a smaller home or entered maybe a plus 55 community or even a senior living facility, thus freeing up housing for new entry ... But over the past 20 years we've seen a rise in more aging in place, and while I don't foresee a tsunami, I suspect there will be greater developer interest in transitional housing near walkable downtown neighborhoods. As we sort of study that boomer market, they're much more active, want to be close to family and friends, want walkable communities as perhaps they downsize.

One of the greatest risks ... overall health of seniors is frankly loneliness and which when you look at it, loneliness from a demographic perspective impacts seniors much more than other demographic groups ... will seek out. Thus, I think places where they're not isolated but feel connected to the community, and Main Streets are great places for that because they offer all kinds of things from walkability to stores, restaurants, even the ability to volunteer be part of something, whether it a civic organization, the library, of course your Main Street program. The second area is in the consumer spending, which is certainly one of the areas ... more directly impact Main Street in small businesses. According to Statista, despite representing only around 21% of the U.S. population, Baby Boomers own roughly half the nation's ... Now, this concentration has many potential impacts as you can imagine.

Retail demand shifts to things like comfortable apparel, more travel, and leisure products and services ... products on the rise, even things like mobility aids and mobility stores or specialized food options tailored to older consumers. And even price point sensitivity depending on fixed income as people leave the workplace. I think some other sort of impacts on consumer spending will be following more senior consumer social media usage patterns and understanding how to better ... and how do we blend, this goes back to the other prediction around the physical and the digital intersections is, how do we blend our strategy between reaching seniors in the digital realm as well as traditional ... where there still may be a tie to those, especially local media if that exists?

And then finally, is the number of older customers increase, I think retailers might need to just how to more effectively engage with and assist them with specific needs because there may be subtle differences in technology use or engagement or just finding things or inventory really key about how to use better serve from a customer service perspective in aging population. All right, I wish I had a drum roll on here. I'm not even going to try to make one up, but let's go on to ... the prediction, and that is prediction number seven that really gets to loneliness and solitude in the role of Main Streets. There's been a great deal of dialogue ... 2024, and I think we'll sort of reach, not a crescendo, but I think becomes more commonplace to have this dialogue in the health and civic sectors and I think reaching more mass, mass markets, instead of these more defined sectors where there's more discussions around the loneliness epidemic centered on really what came out of the U.S. Surgeon General last year, which was called the epidemic of loneliness in isolation.

There was even a more recent article that's actually just coming out in early February in The Atlantic by Derek Thompson, Anti-Social Century. Okay, it's going to be the featured article. It was already released, suggesting that there may be more conscious choice at work is we think about the quest and desire for more solitude, that ... loneliness or solitude, solitude being more of a focused choice than a result from something else that's occurring. But either way, I think there's impacts in our downtowns ... Obviously, that's going to cause shifts in retail, restaurants, and services. For example, in 2023, 74% of restaurant traffic came from off premises customers from ... in delivery. That was up from 61% during COVID according to the National Restaurant Association and I don't know if you've noticed, but boy, you walk into a lot of restaurants these days and you'll see the big carts pick ... or you're ordering off of a kiosk, and then just picking up. There's very little interaction now and I think that will start to have profound impact for the physical layout and design of spaces in our downtowns and in businesses.

This can impact obviously restaurant design and layout relative to sitting and waiting space even. Do you need as many people as a result of these off premises customers? But more profoundly, I think what it does is it decreases the potential for activity because these are the places, even if you weren't having a conversation with someone at the next table, you were still around other people in this eating space or a cafe or what have you. And I think this is a consistent data that's highlighted declines, drinking and dining out with friends, dating even, waiting to obtain a driver's license or just not getting a driver's license, time spent and the number of friends, annual cinema ticket sales, additional impacts are likely to be felt in increased sales of home furnishings and decor and even kitchen gadgets as more individuals kind of like burrow into their home as well as fitness equipment and connected exercise programs for at home, so you're connected to the gym, but you're still in your home.

I think this was a sort of a fear during COVID and while I think over the last couple of years there's been some rebounding. I think it's really key that we look for greater ways to have impact. And I think that starts at the civic realm. Main Streets have a significant role I think to play ... fostering social cohesion. And I would go a step further, not only Main Streets, and I say Main Streets in terms of the civic infrastructure, but small businesses alike. If you go back and listen to some of the podcasts, you'll see where I've interviewed where that loneliness and social cohesion are actually part of the mission of these small business owners. Bringing people together, cultivating community is part of their overall brand identity. Now, according to Thompson, this ... families and friends give us love and security while our community gives us a shared affinity.

These diverse connections help us to kind of bridge the gaps and have ... one another. And I see Main Streets as critical places for everyone to engage with one another and see their neighbor and understand their circumstances and differences and similarities. These are things that you can't capture in the home ... capture at the national realm. It's only in your community when you're coming together, whether it's attending an event or a parade, volunteering on a board or a committee, bumping in ... or locals in a park or on a trail or at the library or even a local cafe. Main Street's purpose goes beyond economics. It's critical for renewing our human connections. I think that's really ... and I hope as we go into 2025 that we recognize this as a role, an important role, for not only our main streets but our small businesses in and rebuilding that bridge of ...

All right, so looking ahead. Over the year as we move forward, there's going to be a few changes. I've mentioned those coming up. I'm going to continue to monitor ... and the underlying trends, taking opportunities to expand in other forms with upcoming blogs and on the Main Street Business Insight podcast. We'll continue to have guests on the show, do some solo things like this. My hope is that we can also do some sort of mailbag podcast with you all where we answer some of the listener questions or viewer questions as you might ... If you have some of those or you maybe from this podcast video, that maybe you have some of your own predictions you want to share. Would love to hear them and they may make their way onto a future show. That's going to do it for ... Remember to check out our growing library of podcast recordings. Don't miss it and hope to see you back on another show.

And thanks for listening as always, and if you don't mind my ... sort of soap box that you hear here at the end of my shows, if you'd rather hear these stories, this discussion about small business and their journeys and not the constant and kind of singular drumbeat of ... these global business titans, please hit the subscribe button, rate and review us. It really helps. And as always, tell your friends, family, and neighbors, and colleagues. We're going to see you next time when I'll be back with, actually I'm going to call them the two Dottie's. Yes, they're both named Dottie. They're not related. They both own the Monogram Shop in Woodbury, New Jersey. We're going to be chatting about a really important subject ... like after 30 years in business to sell, to exit that business. I think it's pretty profound given what I just discussed in this silver tsunami and some of the big changes that are happening with boomers there. I think it's really top of mind of a lot of small businesses as they're reaching that retirement stage of their careers. Don't miss it. We'll see you then, and thanks again for all the support.