



VIRGINIA RETAIL MATTERS

REPORT

Commissioned by Retail Alliance

Conducted in partnership with Main
Street America





Two Drummers Butcher Shop
Location: The Edge District, Williamsburg, Virginia
(Photo Credit: Consociate Media)

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Owners of Mango Mangeaux - A Simply Panache Bistro, Noir - A Simply Panache Lounge, The Hampton - A Simply Panache Venue
Location: Phoebus/Hampton, Virginia
(Photo Credit: Sara Harris Photography)

A Message from Jenny Crittenden

In an age of growing digital commerce and online marketplaces, the resilience and vitality of small brick and mortar retailers stand as a testament to the enduring spirit of local businesses. This study delves into the world of these small retail establishments, recognizing their significance as cornerstones of communities and the broader retail ecosystem.

The importance of this study is rooted in its ability to shed light on the unique challenges faced by small brick and mortar retailers and opportunities they can seize. The goal of the study was to place in the hands of retailers and those that support and serve them, the data and tools that will contribute to their success. This is not just a matter of local economic health; it is about the people behind the businesses and their valued place in each of our communities.

As we explore the findings within this report, we firmly believe that it offers practical applications for retail businesses of all sizes. Furthermore, it provides innovative ideas that can be harnessed by organizations dedicated to supporting and rejuvenating the vibrant tapestry of small brick and mortar retail. Retail Alliance commissioned this study to act as a guide in this ever-evolving commercial landscape because Virginia Retail Matters.



President and Chief Executive Officer
Retail Alliance



Juan Carrillo, owner of Juan's, Juan's Taqueria, Juan's Rooftop & Cantina.
Locations Hampton Roads Peninsula and Richmond, Virginia
(Photo Credit: Sara Harris Photography)

About the Study

The State of Retail

In February 2023, Retail Alliance commissioned Main Street America to conduct a major retail study to analyze current sales statistics and retail trends, blending them with national and state findings from Main Street America's Small Business Survey of micro and small brick-and-mortar retailers across the U.S., to provide an in-depth look at the State of Retail in the U.S. and, in particular, Virginia. Research was conducted in March 2023.

Main Street America mainstreet.org

Main Street America has been helping revitalize older and historic commercial districts for more than 40 years.

Today it is a network of thousands of neighborhoods and communities, rural and urban, who share both a commitment to place and to building stronger communities through preservation-based economic development.

Main Street America is a program of the nonprofit National Main Street Center, Inc., a subsidiary of the National Trust for Historic Preservation.

Since 1980, over 2,000 programs have used the Main Street Approach, our time-tested framework for community-driven, comprehensive revitalization.

The National Main Street Center conducts research to document our impact by annually collecting statistical information on the preservation, revitalization, and economic activities in local Main Street programs throughout the country.

Retail Alliance retailalliance.com

Since 1903, Retail Alliance has been a community of retailers and service providers meeting challenges, seizing opportunity, and providing unparalleled support for the purpose of growing retailpreneurs. These businesses are a key contributor to the local, regional, and state economy. Virginia Retail Matters because these people matter.

Retail Alliance are champions for the retail industry. We believe in creating relationships built on trust. We have proven that through our 120-year track record of demonstrating the ability to shift and meet the ever-changing needs of retailers.

With a new strategic plan underway, the primary goals of the organization internally are to grow the presence and relevance of Retail Alliance while solidifying Retail Alliance as a thought leader in the retail sector. This will be accomplished through programming that continues to focus on providing data and education on cutting edge retail trends, advocacy, and curating experiences that provide intentional networking. Retail Alliance will further build strategic partnerships and collaborations that deliver specialized retailer services contributing to the support, growth, and sustainability of the retail sector.

Biographies

Mike Powe, Ph.D. - Lead Consultant



Mike Powe, Ph.D. serves as the Senior Director of Research at Main Street America. In this role, Mike develops research projects that demonstrate the power and potential of Main Street communities. This includes

work managing research partnerships, steering research efforts from design through execution, and gathering and analyzing data related to the performance of Main Streets across the country.

Mike has more than 15 years of experience conducting groundbreaking research on the links between communities' physical fabric and their social, cultural, and economic vitality. Between 2013 and 2020,

Mike led research for the National Trust for Historic Preservation that empirically assessed

the contributions that existing buildings and commercial districts offer cities. Through the Trust's "Older, Smaller, Better" and "Atlas of ReUrbanism" projects, he demonstrated the statistical links between blocks of older, smaller, mixed-age buildings and an array of important community and economic development outcomes in more than 50 U.S. cities.

Mike also played a significant role in the National Trust's Partnership for Building Reuse with the Urban Land Institute, steering policy conversations focused on strengthening building reuse opportunities in Baltimore, Philadelphia, Chicago, Detroit, and Louisville.

He holds a Master of Urban and Regional Planning degree (2006) and a doctorate in Planning, Policy, and Design (2010), both from the University of California, Irvine.

Biographies

Matthew Wagner, Ph.D. - Lead Consultant



Matthew Wagner, Ph.D. serves as Chief Program Officer at the National Main Street Center, Inc. In this role, he is responsible for driving the Center's field service initiatives including the development and delivery of

technical services for Main Street America and Urban Main programs, directing the Center's new research agenda, as well as business development as part of growing new revenue streams for the organization.

Aside from his professional experiences, academically Dr. Wagner has completed his Ph.D. with a focus on economic development and entrepreneurship. He is a Fulbright Specialist Scholar, completing a teaching assignment on social entrepreneurship at the University of Hyderabad, India. He has also presented internationally on topics of economic

development and community revitalization in Japan, India, Canada, and Australia. Dr. Wagner also served as part of the U.S. State Department's Speakers Bureau program, working with the U.S. Embassy in rural Lithuania as part of a five-region tour on entrepreneurship and community development.

Furthermore, Dr. Wagner has a long history of program and service delivery in the area of small business development and place management. He currently serves on the Advisory Council at the Center for Transformative Placemaking at the Brookings Institute. As a testament to this work, he has been awarded the U.S. Small Business Administration's Wisconsin Champion for Women-Owned Businesses, for his efforts to support women entrepreneurs. He is also a former Executive in Residence at Cardinal Stritch University and faculty for the University's Mission Fuel: Social Entrepreneurship program.

Biographies

Emi Morita - Research Analyst



As the Research Analyst, Emi helps to build and manage Main Street's survey output as well as communications regarding research efforts, and contributes to the organization's overall research capacity.

Emi previously served as the Tony Goldman Fellow at the National Trust for Historic Preservation.

In this role, in support of the Preservation Priorities Task Force, she conducted research and identified strategies that preservation organizations can use to help create and retain affordable housing.

Emi's background also includes a Fellowship at the Small Center for Collaborative Design in New Orleans, LA, as well as an Internship at

the Cooper-Molera Adobe National Trust site in Monterey, CA.

She holds a Bachelor of Arts degree in Urban Studies with a minor in Architecture from Washington University in St. Louis, and a Master of Preservation Studies degree from Tulane University.



Shoofly Dairy Bar
Location: The Edge District, Williamsburg, Virginia
(Photo Credit: Consociate Media)

Chapter 1

State of National Retail

Breakdown of 2022 Retail Overall – Key Challenges, Leading Retail Sectors, Changes in Sales Year over Year

While US retail sales have grown steadily over the past decade, driven largely by the impacts of online shopping, during the three years of the global pandemic, we witnessed one of the greatest accelerations in retail sales. In 2012, total sales amounted to \$4.29 trillion. Last year, in 2022, that number grew to \$7.1 trillion—the highest US retail sales recorded in a calendar year so far. This is an amazing 6,523% increase in just a decade. (Source: Census.gov)

Surprisingly, even with a lot of the government spending during COVID in the form of direct individual payments to U.S. consumers winding down, total retail sales in 2022 also marked an 8.9% year-over-year

increase. Overall sales grew by more than half a trillion dollars from 2021. It's also the second-highest growth rate, after the 16.9% annual increase in 2021. The smallest year-over-year increase of the previous decade came in 2015, when total retail sales grew by 1.9%. (Source: Census.gov)

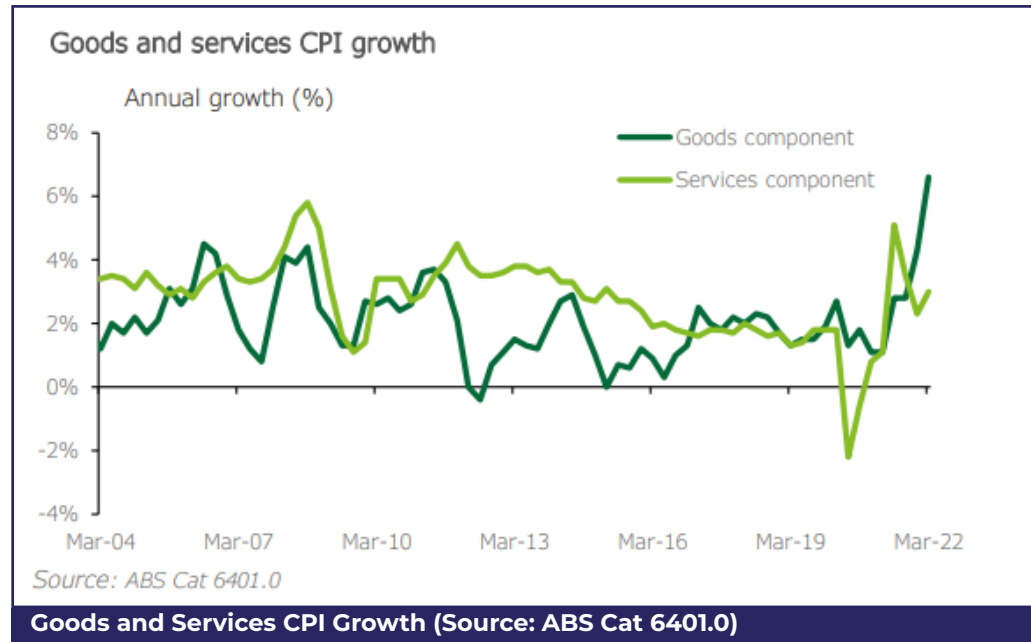
But economic headwinds caused by inflation at multiple levels and impacting both the supply chain and consumers directly, have led to a slowdown in overall U.S. retail sales in 2023. Looking at the first quarter of 2023, retail sales hit \$1.8 trillion. This marks a much smaller 0.9% increase over the previous quarter. (Source: Census.gov)

Retail in 2022 was also defined by some very unique challenges involving workforce shortages, many of which continue today. According to the U.S. Bureau of Labor Statistics, in May 2022 the quit rates for Retail Trade stood at 3.6. To provide some perspective, the national quit rate for all U.S. industries was 2.8 that month. In May of 2023, Retail Trade rose to 3.7, while the quit rate for all of U.S. industries dropped to 2.6. So, while rates are lowering for most, retail was still rising and still well above average across all industries. (Note: The quit rate is the number of quits during the entire month as a percentage of employment.)

“Economic headwinds caused by inflation...have led to a slowdown in overall U.S. retail sales in 2023”

Inflation has also been the story over the last year, greatly impacting U.S. consumer spending and creating large margin pressures for U.S. retailers.

The key concern can be summed up in understanding pricing elasticity. Economists define price elasticity as the ratio of the percentage change in quantity demanded of a product to the percentage change in price.



In other words, retailers are being squeezed with rising inventory expenses due to inflationary pressures from suppliers, while trying to balance the need to raise their own prices with what consumers are willing to spend for their product.

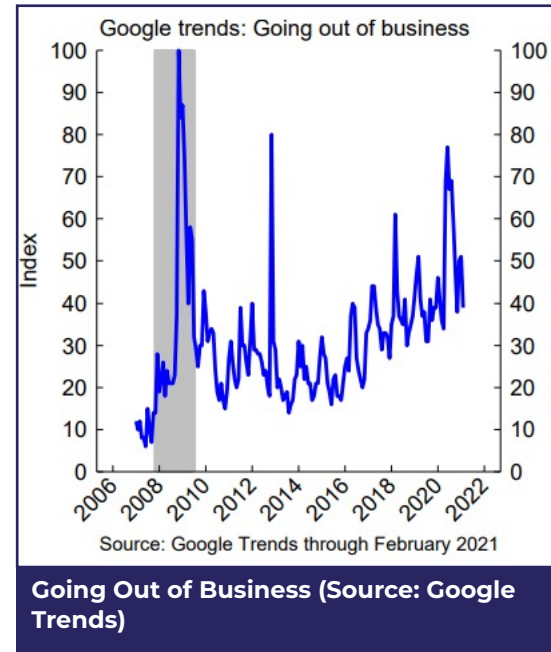
Impacts of the Global Pandemic – Changes in Consumerism, Sector Impacts, Changes with E-Commerce

In fact, according to EY's Future Consumer Index survey of 21,000 shoppers across 27 countries, 35% of respondents said "affordability" is now their leading concern when it comes to choosing what to buy. That's up 10 percentage points since October 2022, the numbers show. Concerns are most evident in apparel and shoe sales, where over the past year large retailers were able to pass along increases in expenses to consumers. That's not the case any longer with consumers now pulling back.

Even though sales have been growing steadily over the past decade, there was a short-term slowdown to this growth in 2020 as a result of the coronavirus pandemic in comparison to previous years. For instance, total retail sales in the first quarter of 2020 fell by 1.8% from

the previous quarter. It continued to fall by 3.5% in the second quarter, which was the biggest dip since the financial crisis in 2008.

The slowdown was most evident in the U.S. retail sales statistics from April 2020, when sales fell to \$377 billion. This was a 12.3% fall from the previous month and a 15.5% year-over-year decrease. I'm sure readers recall April and May of 2020 marking a time period when most businesses were shut down or had severely reduced occupancy levels, outside of those businesses deemed critical, like grocery stores. This had a large impact on retail sales and retail and restaurant sectors especially.



According to Google Trends, early 2020 marked some of the highest levels of businesses shuttering since the Great Recession and financial crisis of 2009.

During this time, we saw many accelerated consumer trends. Many remain “sticky” today, albeit perhaps at different levels but still higher than in 2019. In essence, new norms or baselines have been established. Let’s examine a few:

Stay-at-home orders and the shutting down of millions of small businesses across the country triggered one of the most sudden and global shifts in how and what we consume. And in many cases, the shutdown accelerated existing shopping trends. For example, e-commerce sales in the United States totaled more than \$600 billion and made-up 11% of all retail sales in 2019. U.S. ecommerce sales reached \$1.03 trillion

in 2022, according to a Digital Commerce 360 analysis of U.S. Department of Commerce figures. That marks the first-time e-commerce revenue had topped the \$1 trillion level. It’s also well above 2021’s \$960.44 billion.

E-commerce sales, however, have slowed as consumers still want experiences in shopping, beyond convenience. As such while e-commerce is at a new level much higher than it was in 2019, the pace and percentage of overall retail sales has dramatically slowed. In fact, toward the end of 2020 there was a drop and today it hovers generally around 15%.



What's Concerning for Retail

While e-commerce sales may pull back from their accelerated growth rate, Main Street America's research report *The Impact of COVID-19 on Small Businesses* (<https://bit.ly/MSA-covidreport>) revealed that more than two-thirds of mom-and-pop businesses did not have an e-commerce sales channel. Of the third that did, e-commerce sales represented less than one-quarter of overall business sales.

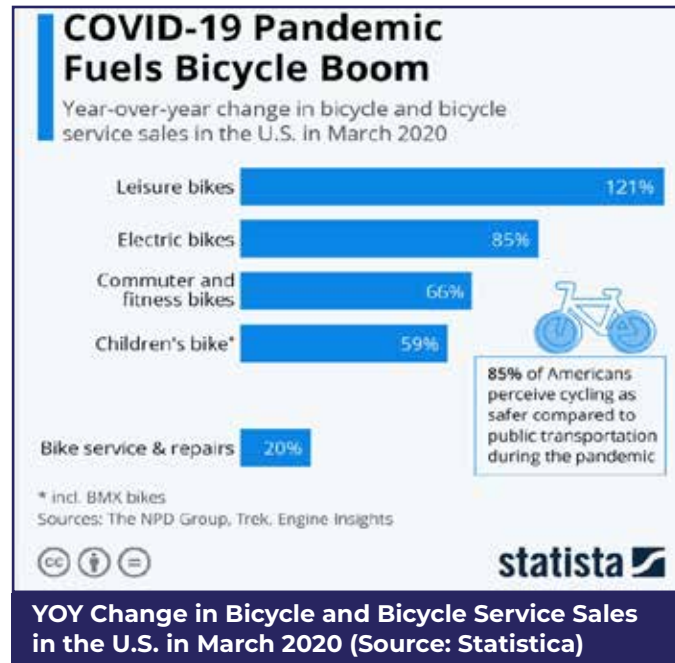
Over the last couple of years, we've seen a rise in small businesses creating both an e-commerce and social commerce presence. But more work remains. As such, Main Street America developed through support by GoDaddy, a useful tool for retailers to explore their e-commerce needs called <https://mainstreetonlinetool.org/>

Other Covid-Related New Norms

The following represent retail sectors that saw massive increases in sales during the pandemic. And while many have scaled back, new levels of sales activity and consumer interests have remained above 2019 levels.

During 2020 and 2021, perhaps no other sector of retail trade grew as fast as businesses within

the Health and Fitness Industry. Consumers were obviously much more concerned about their health and immune systems. This translated into several new interests and habits that ultimately will make for growth and/or new business opportunities for retailers in this sector. One of those in particular concerned Bike and E-Bike sales.



Bikes and E-Bike sales went through the roof, with leisure bikes and electric bikes having the strongest growth according to data gathered by Statista. This growth was coming from new, more casual bikers and as such indicates the broadening of this sector to the mass market. Many of these new riders were linking up with local and regional trail systems and using this form of recreation as part of family “staycations”.

Fitness Tech. Consumers that once went to gyms adjusted by creating home gyms, buying technology-infused exercise equipment, and participating in “Exergaming” – a term used for video games that are also a form of exercise. Exergaming has become so popular that Peloton, the tech fitness and equipment maker, increased sales by 66% in 2020 and virtual fitness gaming subscriptions rose more than 94% over 2019.

Nutrition Based Products. Consistent with an increased self-awareness of our health was a move to more organic and nutrition-based products. According to data compiled by the Organic Trade Association, organic produce sales were up more than 20% in the spring of 2020. This was also consistent with recent trends favoring locally grown foods.



Whether you lived in an apartment, condo, vacation, or single-family house, consumers during the global pandemic all became more informed about what they like and dislike about their homes.

Stay-at-home orders, coupled with remote work, caused profound shifts in how we use our houses. From home offices to increased kitchen time, the realities of COVID have resulted in new habits and functions of home life.

Home Office Equipment and Decor. Pre-COVID-19, only 10-15% of the apartment units Steinberg Hart Architects were building had some type of dedicated office space.

Going forward, this company expects that figure will be more like 75%. There are similar expectations for home sales, as the home office renews its spot as a need rather than a want.

As such, existing furniture and home decor stores should be evaluating growth opportunities through furnishing lines designed for the home office.

Consistent with this trend are opportunities for stores that provide home decorations and accessories along with value-add design services.

Kitchen and Cooking. In 2019, sales at restaurants, bars, and other food-and-drink establishments surpassed sales at grocery stores. COVID-19 dramatically reversed that dynamic.

This combined with a trend toward frugality and better nutrition provided enhanced opportunities for retail stores focused on kitchen equipment and cooking accessories.

Home Gardening. Aside from toilet paper and hand sanitizer, a third area that experienced hoarding was vegetable seeds.

Some of this was short-lived as the virus hit right as the spring planting season kicked off, leaving the supply chains with unanticipated demand.

However, another cause of this was supply chain breakdowns. This largely led to more business opportunities on niche seed markets, gardening accessories, and tools.

Another accelerated trend from pre-2020 that resulted from the global pandemic was the fact that consumers still wanted unique and experiential shopping opportunities.

Leisure-based retail that features locally made/grown products provides a unique purchasing experience (the ability to take a class, watch someone make a product, etc.) and speaks to the consumers' lifestyle remains an important and growing portion of the retail environment.

Some particular areas we saw fueled coming out of the pandemic:

Small Scale Production. As highlighted by the recent robust growth of Etsy, the online marketplace for artisans, artists, and makers, small-scale producers in all categories will have opportunities for growth post-COVID.



This lies not only in the demand for unique and locally oriented products, but also in the fact that small-scale producers are less dependent upon

local foot traffic and can leverage the growth in e-commerce and “staycation” visitors. In fact, Etsy estimates suggest a large number of Etsy vendors also have bricks-and-mortar locations.

And while overall e-commerce was up 18% in 2020, Etsy’s April 2020 sales exploded up more than 100% year over year to \$781 million. This drastic expansion represents the site’s largest sales increase since becoming public in 2015.

Restaurants. Yes, restaurants remained a critical part of our post-COVID culinary/foodie culture that was so prevalent on Instagram feeds.

However, what we saw during a number of reopening situations is that consumers discovered they really liked eating and drinking outside, didn’t mind ordering from QR Codes, and liked the convenience of ordering online and picking up food to go.

What has resulted is new concepts such as:

Food Truck and Other Forms of Mobile Retailing. Consistent with changes and potential losses in the restaurant industry, food remained a highly important experiential sector.



Milk District's food truck "food court" in Orlando.
Photo credit: Matthew Wagner, Ph.D.

According to IBISWorld, the food truck industry has grown by an average of 7.9% annually over the past five years, with revenue reaching \$1.2 billion in 2021.

A third and likely permanent shift will be the increasing separation between how consumers use e-commerce shopping versus bricks-and-mortar shopping. Over the past decade, consumers began to shop more aggressively online for a combination of price and convenience.

This trend started with electronics and books, although niches have formed to create a rise in

independent book sellers once again. Over this time, additional bricks-and-mortar stores carved out a shopping niche based on experience, community engagement, place assets (think breweries and historic architecture), and leisure fueled by restaurants, bars, and unique products. In fact, food away from home exceeded that of grocery store sales for the first time in 2019.

While consumers are likely to continue to focus on essentials rather than wants in the near-term, long-term e-commerce cannot serve as a replacement for what humans need and crave: connection to people, place, and products that speak to their individualistic nature.

We have seen some early indications to suggest the importance of the first two—connection to others and place—in people's lives, whether in the exuberance of hanging out in bars post-reopen proclamations, or the heart-felt commitment of local residents supporting local businesses through gift card and delivery/pick-up purchases during stay-at-home orders.

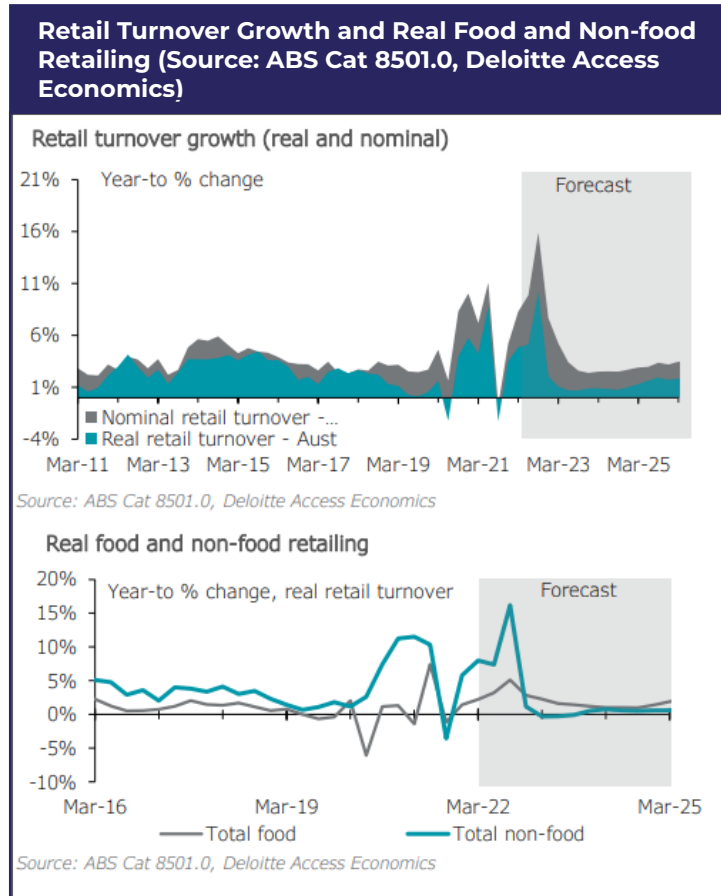
Look Ahead into 2024 Retail Sales

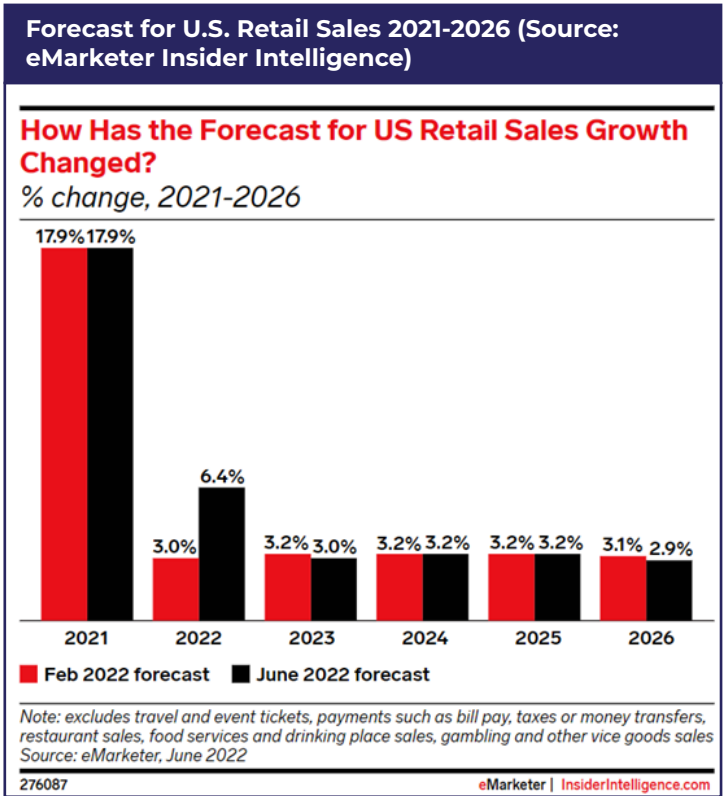
Looking into the crystal ball of 2024 and the near-term beyond, most economists are anticipating either no recession to a minor recession “soft landing.”

According to Deloitte Forecasts, retail sales seem to be headed to a period of limited to flat growth, averaging only 1.1% into 2025. For now, though, businesses may need to focus on cutting expenses and shoring up vendor pricing.

With wage pressures continuing to remain high, businesses may need to maximize staff retention as much as possible. The cost of replacing staff is high, and investing in systems such as training capabilities, talent pipelines and automation can help improve retention.

Overall, economists like those from the Deloitte report suggest the cost-of-living squeeze, higher interest rates and preference for spending on services are expected to lead to a slowdown in retail momentum, resulting in real per capita spend on retail falling over 2023 and 2024.





Taking all of this into consideration, U.S. consumers have been quite resilient, just looking over the past few years.

With unemployment at 3.9% in August 2023, employment and job growth have remained strong.

As long as any future losses tend to be sector driven rather than the market as a whole, retail sales could be stronger than forecasts.

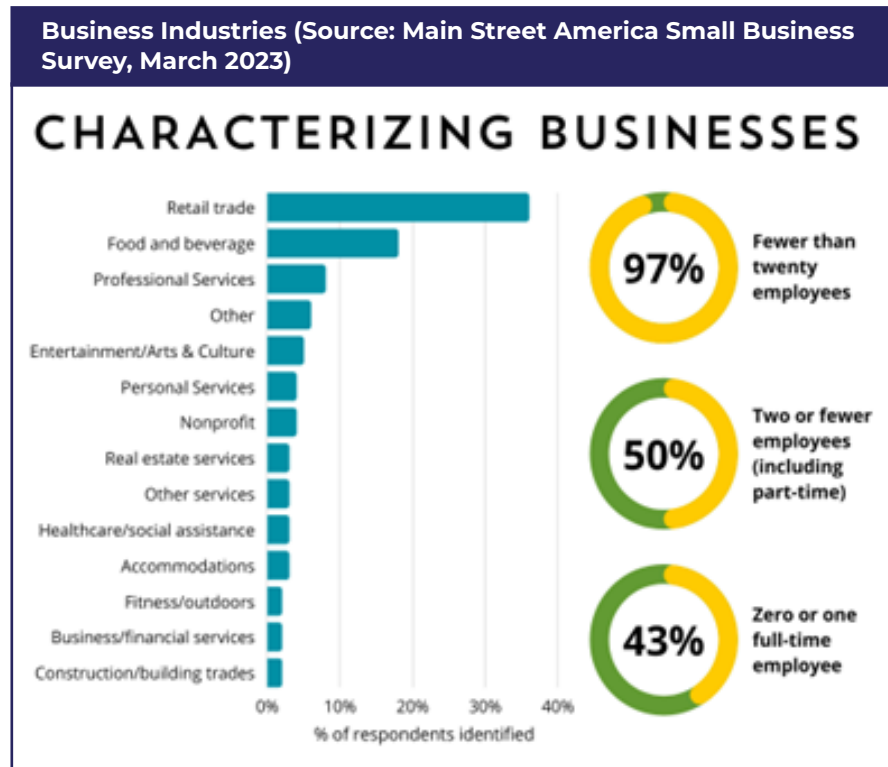
National Findings from Main Street America Small Business Survey – March 2023

Since Main Street America conducted its first major small business survey in March 2020, they have received more than 15,000 completed surveys from small business owners and entrepreneurs across the United States.

There is much gratitude for this network of place leaders working with independent small business owners and sharing these surveys to better understand their issues, challenges and needs.

The latest small business survey launched in March 2023 and included 1,385 business owners and nonprofit leaders.

The survey, conducted using the Qualtrics survey platform, was open for participation from March 8 to March 24. As a group, the 2023 respondents are very similar to respondents from their past small business surveys. Many respondents' own businesses with very few employees, and many have businesses that have been operating for a decade or more.

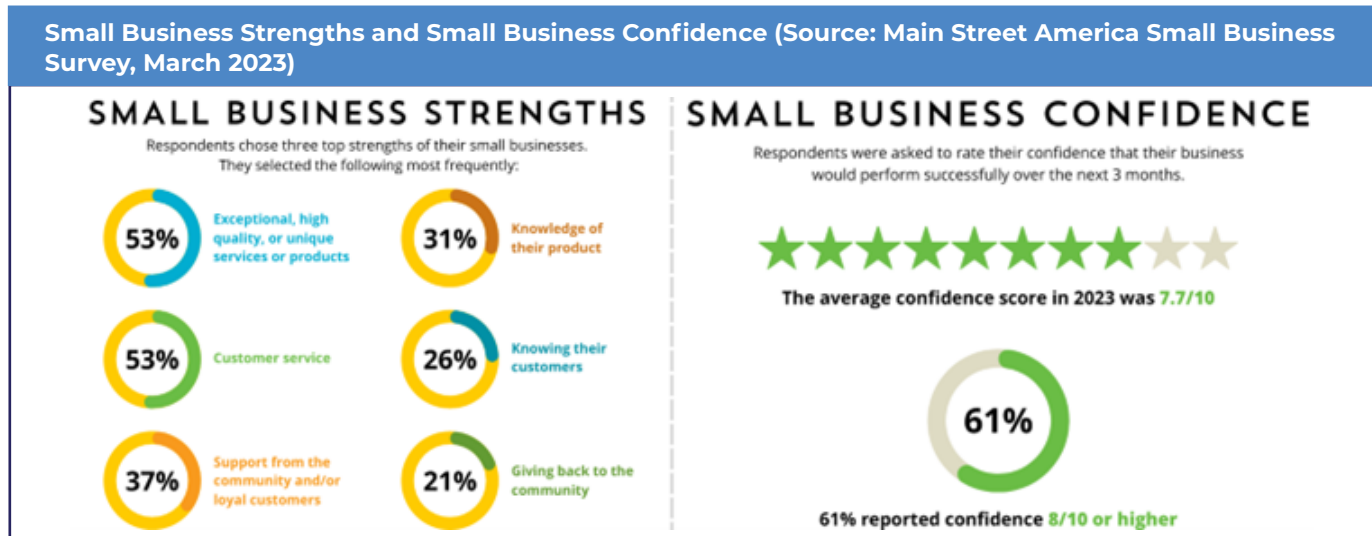


Some other striking notes about the small business owners who responded to our survey include:

- About 60% of small business respondents indicated that the enterprise is woman-owned. This is consistent across our surveys, and it is incredibly striking given that the U.S. Census Bureau estimates that about 41% of small businesses without employees and 21% of small businesses with employees nationally

are owned by women. Main Streets stand apart by a wide margin in this regard.

- Close to one-in-three respondents (32%) describe their business as family-owned.
- About half of respondents own businesses that have been in operation for less than 10 years (51%), and half own businesses that launched in 2013 or earlier (49%).



Small Business Strengths

For the first time, we asked respondents what they saw as the three greatest strengths of their business, and most respondents pointed to their products and services, as well as their customers and community as core strengths.

One less encouraging note on these self-reported strengths: Only 4% of respondents identified diverse sources of revenue as a key strength, which may be concerning as we consider potential economic challenges on the horizon.

Confidence and Expectations for Revenue Growth

Small business owners reported a very slight increase in business confidence in 2023 compared to 2022. This year, we repeated a question from our 2022 survey, asking: “As you think about the next three months, how confident are you that your business will perform successfully?” on a ten-point scale, where ten equals extreme confidence.

In 2023, the average confidence level was 7.7, just a tick higher than the 7.6-point average from 2022. In the current survey, 61% of respondents

reported confidence of 8 out of 10 or higher; in 2022, 59% said the same.

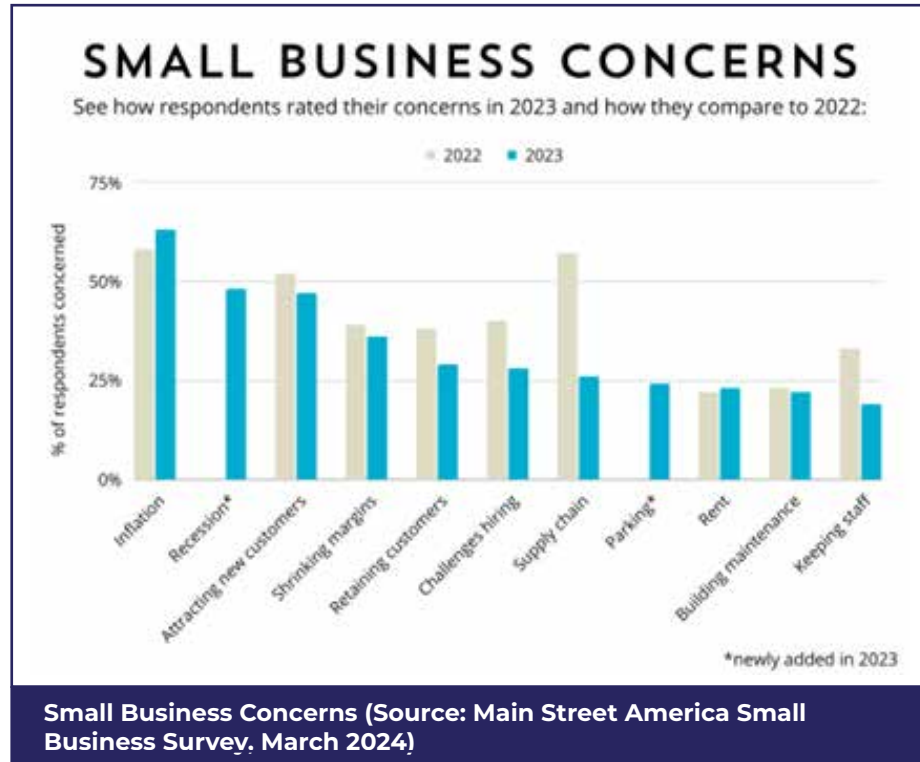
This confidence is likely related to the fact that 80% of respondents reported that their revenues had stayed about the same or increased from 2021 to 2022, and 72% of respondents expected that their revenues would increase in 2023.

Studying this data more closely, we see that confidence and expectations for future revenue are linked to other key data in clear ways:

- By relationship to Main Street:** 74% of owners of businesses located in Main Street districts or receiving support from a Main Street program expected their revenues would increase year-over-year in 2023, compared to 70% of business owners who weren't sure if their business was in a Main Street and 68% who said their business was not in a Main Street district. On the ten-point confidence scale, owners of businesses located in Main Street districts expressed an average confidence of 7.8, compared to a 7.7-point average for business owners unsure of their link to Main Street and a 7.6-point average for owners of businesses that are not linked to Main Street.

- By business type:** 84% of owners of food and beverage businesses expected that their revenues would increase year-over-year in 2023. In contrast, 67% of retail businesses had that optimistic expectation.
- By year established:** Owners of businesses in operation for more than 20 years were less optimistic that they would see increased revenues in 2023 compared to 2022.

Among business owners whose businesses were launched in 2004 or earlier, 64% believed their revenues would increase year-over-year in 2023, compared to 76% of owners of businesses in operation for less than 20 years.



Concerns

In the 2023 Small Business Survey, we see evidence that many major concerns from 2022 have lessened as sources of worry. Concerns about supply chain issues, staffing, and attracting and retaining customers were notably less pervasive this year compared to last year's survey results.

Inflation emerged as the one concern that increased by more than 1% from 2022, as 63% of respondents indicated it was a concern in 2023, compared to 58% in 2022.

Recession was not included as a potential worry in 2022 but was identified as a concern of 48% of respondents in 2023, representing the second most frequently cited concern.

Staffing

Very few small business owners—just 4% of respondents—expect that they will decrease their staffing in 2023. In sharp contrast, 62% expect their staffing will stay the same, and 26% expect to add staff. We found similar relationships between staffing expectations and other key variables as those between projected revenue change and these measures:

- **By relationship to Main Street:** Owners of businesses located in Main Street districts or receiving support from Main Street programs were more optimistic about adding staff in 2023 compared to business owners who weren't sure of their Main Street connections or business owners who said they were not linked to a Main Street program. 28% of owners of businesses connected to Main Street programs expect to add staff in 2023. 24% of owners who weren't sure whether their business was in a Main Street expect to add staff, and 18% who said their business was not linked to Main Street expect to add staff.
- **By business type:** Retail trade businesses were less optimistic about staffing (19% expect to add staff), compared to professional services businesses (27% expect to add staff), and food and beverage businesses (39% expect to add staff).
- **By year established:** Owners of long-operating businesses were less optimistic about adding staff in 2023. 16% of owners of businesses open for more than 20 years expect to add staff, compared to 25% of businesses open for 10-20 years and 31% of businesses open for less than 10 years.

Separately, we asked whether small business owners were considering ways to reduce their reliance on staff by using new technologies or changes to business operations. 19% indicated that they were considering this.

Looking again at our comparison variables:

- **By relationship to Main Street:** Greater proportions of owners of businesses located in Main Street districts or receiving support from Main Street programs were considering reducing reliance on staff (17%) compared to owners of businesses who weren't sure of their connection to Main Street (22%) or owners of businesses who were not connected to Main Street (22%).
- **By business type:** Lower proportions of owners of retail trade businesses were considering reducing reliance on staff (15%), compared to owners of professional services businesses (23%) and food and beverage businesses (26%).

We know that a variety of factors weigh on the minds of small business owners as they think about adding and retaining qualified staff, including housing affordability, housing

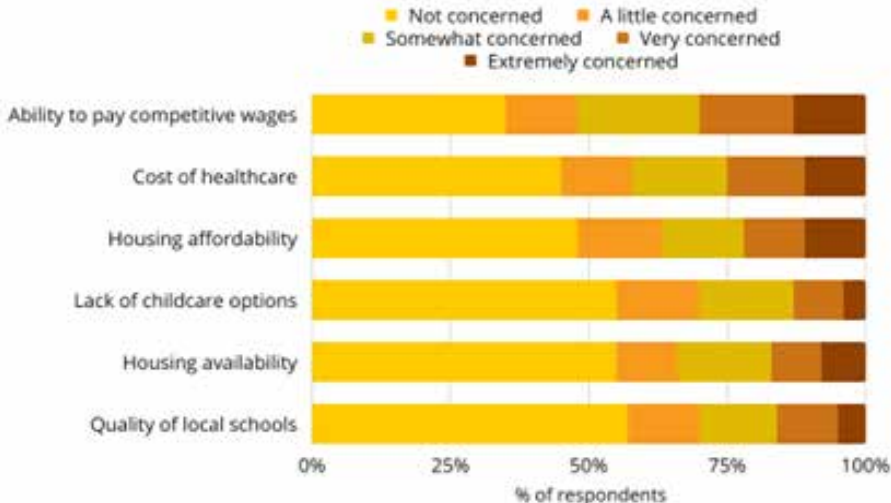
availability, the quality of local schools, availability of childcare options, cost of healthcare, and their ability to pay competitive wages.

Most respondents to this question indicated that they were concerned about their ability to pay competitive wages (65%), the cost of healthcare (55%), and housing affordability (52%).

Additionally, 45% of respondents indicated concerns that childcare options and housing availability impact their ability to locate, recruit, and retain qualified staff.

FACTORS THAT IMPACT STAFFING

Respondents were asked how concerned they were about factors that could impact locating, recruiting, and retaining qualified staff.



Factors that Impact Staffing (Source: Main Street America Small Business Survey, March 2023)

Six Key Conclusions/Recommendations

The Spring 2023 Small Business Survey highlighted some important strengths of small, independent businesses and opportunities for downtown, community/economic development programs and trade associations, interested in further supporting and uplifting their small businesses.

No. 1

Conclusion: The sources of pride for entrepreneurs are the high quality of goods, services, and customer service, and the exceptionally strong connections between business owners, customers, and the community.

Recommendations: Capitalize on these self-identified strengths and create or bolster the local entrepreneurial ecosystem. Remember that building strong connections and fostering pride among retail entrepreneurs and their communities takes time and consistent effort. The key is to create a supportive ecosystem that enables entrepreneurs to thrive while emphasizing the values of quality and community engagement.

No. 2

Conclusion: There is a growing wave of women-owned small businesses, especially concentrated within our downtowns and neighborhood commercial districts. Our small business surveys continually show that about 60% of businesses in Main Street districts are women-owned. We see on this survey that nearly a third (32%) are family-owned. (Note: Most businesses located in these districts have very few employees.)

Recommendation: Recognize that every woman entrepreneur is unique, and their needs may vary. A holistic approach that combines education, mentorship, networking, policy advocacy, and targeted resources will help create an inclusive and supportive ecosystem for women in entrepreneurship.

Six Key Conclusions/Recommendations

No. 3

Conclusion: Though the survey results suggest that macro-economic storm clouds and concerns over a potential recession loom in the minds of small business owners, the broad range of concerns seen in the 2022 Small Business Survey has lessened. Small business owners were much less concerned about supply chain issues and challenges hiring and retaining staff in 2023.

Recommendation: Stay on top of concerns and challenges within your local small business community. Conduct surveys, have conversations, and be ready as organizations to assist. For retailers, continue with technology adoption for operational efficiency, and develop supply chain resiliency with pre-planning. Remember, your employees are your greatest assets and place a focus on their wellbeing.

No. 4

Conclusion: Compared to owners of businesses disconnected or loosely connected to a defined downtown district, owners of businesses located in, or served by, a business support organization were more confident about their business success and more optimistic about their potential for revenue and staffing growth in 2023. This is no doubt a testament to the successful efforts of local business leaders.

Recommendation: For these organizations, keep up the good work! Continue to evolve responding to the needs of your community and don't be afraid to be bold. For retailers, if you don't have the resources you crave and need, seek out an organization in your community and gain that invaluable support.

Six Key Conclusions/Recommendations

No. 5

Conclusion: Our results indicate that owners of retail businesses and businesses that have been in operation for more than 10 years are feeling greater precarity and nervousness.

Recommendation: Offering extra support to these business owners could be especially beneficial. They have their own unique set of challenges such as needing to be more innovative, create new ideas, strategic and succession planning, responding to evolving market dynamics, and being willing and able to pivot a business model amongst an industry disruption, to name a few.

No. 6

Conclusion: Housing in and near business districts is important to retailers' success.

Recommendation: The results highlight small business organizations' opportunity to bolster their small businesses by supporting housing in their districts, as housing supports small businesses along our main streets and neighborhood districts in at least two chief ways. First, by adding housing, small business owners can be less concerned about housing affordability and housing availability for staff in their communities. Second, new residents living in housing added to Main Street districts will inevitably patronize the businesses operating in the storefronts lining the district, bringing revenue for the small businesses that can be recycled in the local economy. For more on how to bolster housing in your downtown or neighborhood commercial district, check out the *Housing Guidebook for Local Leaders* (<https://bit.ly/mainstreethousing>), published this March.

Chapter 2

The Ever-Changing Consumer Trends

The pandemic altered so many aspects of our daily lives, leading to new habit formation for many consumers and resulting shifts from small businesses.

On average, it takes more than two months before a new behavior becomes automatic — 66 days to be exact. And how long it takes a new habit to form can vary widely depending on the behavior, the person, and the circumstances.

In Lally's study, it took anywhere from 18 days to 254 days for people to form a new habit. (Source: James Clear. com)





As such, there were a number of early habits developed resulting from essentially homebound consumers.

Small businesses, many of which had not adopted digital components to their businesses, were left trying to compress what would take years into months.

Homebound consumers abandoned ingrained shopping habits, placing e-commerce into overdrive, compressing what had taken the previous decade of e-commerce sales growth into eight weeks!

Businesses responded to the digital-first marketplace by quickly pivoting and innovating to find new ways to connect with new customers, whether through order online and pick-up, delivery, or curbside services.

Now we enter a new period in which there are new norms created. During the pandemic, consumers discovered they enjoyed eating outside, for example. So outdoor spaces continue to be critical.

Consumers are much more attentive to online research, suggesting the digital integration between bricks and mortar and e-commerce is intrinsically tied together.

In fact, a bricks and clicks strategy is estimated to generate 1.5 times sales of businesses only focused on a solely physical business or e-commerce business. (Source: Salesforce.com)

Let's explore some of the broader trends that will impact retail businesses over the years to come.

Consumer Shifts/Trends Since the Pandemic

Spending Has Been Up

Americans have been on an outside home spending spree these last few years, essentially having been limited in their ability to leisure shop and travel. This pent-up demand led to sharp increases in retail and travel shopping post-2022. According to McKinsey Consulting, 51% of consumers reported a desire to splurge and indulge themselves in post-pandemic revenge spending.

And based on recent year-over-year comparisons from 2022 to 2023, there are reasons to be upbeat that despite 2nd quarter 2023 economic headwinds, consumers are still spending and generally optimistic.

Much of this has been generational. For example, higher-income millennials look to outspend all other groups on apparel, footwear, travel, and experiences such as dining, concerts, and spectator sports.

This comes from pandemic spending patterns in which discretionary spending was largely directed to home furnishings, fitness, and gardening.



Try Before You Buy

Researching products before you buy has been on the rise long before the pandemic (think *Consumer Reports*), with the internet and social media providing more ways for consumers to understand product performance from

professional evaluators to their friends and influences.

That trend is taking another step with a growing desire to “try before you buy.”

Much like taking that car for a test drive, consumers are increasingly looking for a way to enhance their experience.

Augmented reality and virtual “try-before-you-buy” features are meeting this need. This remains an area where physical stores remain highly competitive.

E-commerce will continue to explore technology integration to make this leap.

Industry leaders estimate 35% of people say they would shop online more if they could virtually try a product before buying it. (Source: BigCommerce.com)

And according to a survey of more than 30,000 consumers, more than 51% said the biggest drawback of online shopping was not being able to “touch, feel, and try a product”. (Source: Brizfeel.com)



This has led many of the largest retailers to simulate in-store shopping online. In fact, Kohl's recently announced a partnership with Snapchat, which enables the retailer to offer a Virtual Closet experience through the popular app. This new feature is expected to expand the company's market to the more than 75% of 13 to 34-year-olds that Snapchat reaches. Snapchat claims that their daily active users engage with AR content nearly 30 times a day, making them an ideal match for a retailer looking to include these offerings.

“Alexa Buy That Coat”

The need for convenience continues to be a top priority for consumers. According to a 2020 report by the National Retail Federation, 83% of consumers



value convenience when shopping more today than five years ago. In 2023, voice retail was expected to grow to \$19.4 billion in sales, up from \$4.6 billion in 2021, a 320% increase. (Source: Juniper)

According to voicebot.ai and Voysis' joint Voice Shopping Consumer Adoption Report

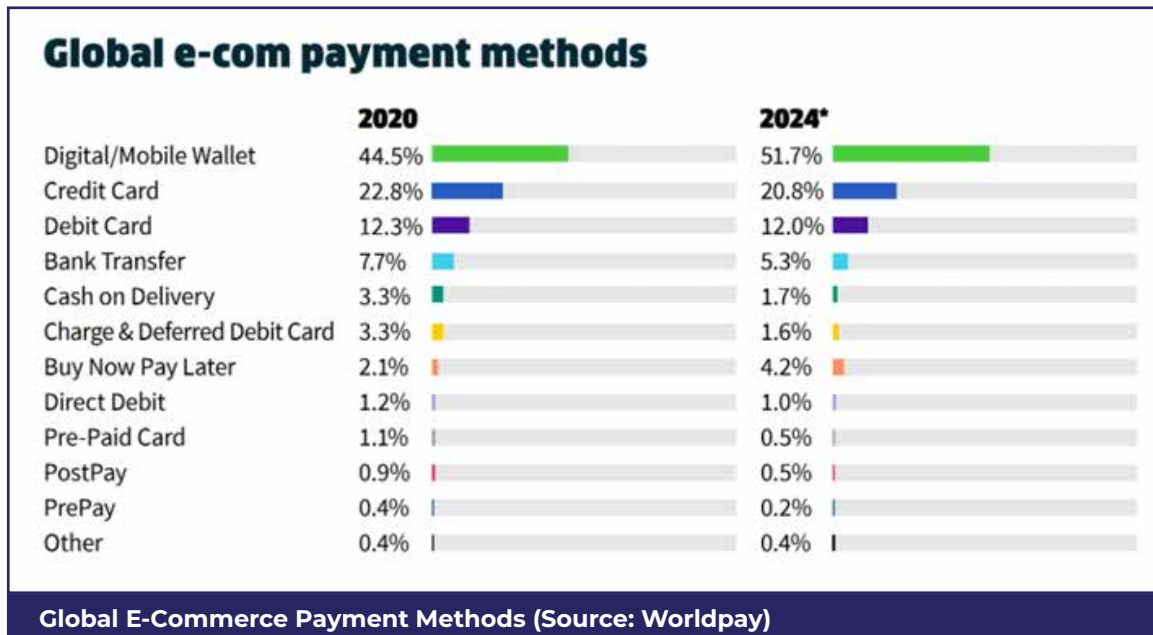
(<https://bit.ly/voicebot-shopping>), the top three reasons consumers are embracing voice shopping are:

- It's hands-free.
- You can do other things at the same time.
- It's faster to get answers and results.

Digital Wallet Use Will Only Expand

According to Worldpay, 44.5% of all US e-commerce transactions already take place through digital wallets. A digital wallet (or electronic wallet) is a financial transaction application that runs on any connected device. It securely stores your payment information and passwords in the cloud. Industry leaders

include Apple Pay, Google Pay, CashApp, PayPal, and Venmo. Much has changed over the past few years, with consumer acceptance scaling to new levels. In fact, recent surveys indicate that roughly two-thirds of consumers feel more comfortable making online payments through a digital wallet rather than traditional methods. (Source: Paysafe)



Hyper Local is in, but with a Twist

Consumers are increasingly shopping locally but doing much more research and using pandemic induced pick-up services as a form of convenience shopping.

This value-add situation positions local as the preferred option satisfying a need for the community as well as consumers seeking efficiency, sustainability, and convenience. While difficult for less dense communities, another expected trend is “hyper local delivery,” which is essentially the delivery of goods from close proximity. This typically involves a physical retailer that also offers delivery or omnichannel services to local consumers.

As more consumers are turning to digital-first product exploration, there is a chance for retailers to satisfy the need for convenience. There is also a profit upside for retailers. According to Business Wire, 41% of consumers say that they are willing to pay extra to receive same-day shipping.

Consumers Turning More to Reviews Prior to Purchases

When it comes to consumer buying habits, online reviews are affecting purchasing decisions more than ever.

A 2020 study by Trustpilot found that 89% of consumers worldwide read reviews before purchasing a product. And amazingly, more than half actually read at least six reviews before purchasing a product.

All of this can be extremely beneficial to local retailers who are building real relationships with their consumers and encouraging reviews – both for the product and services, as well as for their businesses.

In fact, according to Podium’s 2020 State of Reviews study, 21% of consumers said reviews played a big role in their discovery of local businesses.

Consumer Interest in Second Hand and Reuse Will Expand

Newsweek reports that more than 40% of retail executives say resale (also termed “recommerce”) will become an important part of their business within the next five years.

For many consumers, this shift has already arrived. Over the last two years alone, half of consumers were either buying or selling secondhand products. (Source: Euromonitor International)

This trend even held true during the holiday shopping season when 77% said they were likely to buy at least one secondhand item.

Consumers have a variety of reasons for buying secondhand. For some it’s

trendy, cost, stylistic, and/or environmental.

As expected, saving money is the top reason, but sustainability and avoiding supply chain issues are also important to consumers. Keep in mind that the secondhand apparel market

is where sales in this sector are most prevalent.

It’s anticipated that by 2026, experts say secondhand apparel sales will grow to \$218 billion.



Buy Now, Pay Later is Growing

Consumers choose BNPL for a variety of reasons: avoiding credit card interest, making purchases they couldn't otherwise make, avoiding a credit check, and others. Nearly 40% of people use BNPL to avoid credit card interest. (Source: The Motley Fool)

These benefits appeal specifically to young consumers who haven't had the time or means to save for big purchases or build up their credit scores.

Data from Insider Intelligence shows that more than 40% of BNPL consumers were Millennials in 2020 and this generation is expected to continue to account for the largest share of users through 2025, with Gen Z consumers

also anticipated to have a large uptick in BNPL usage over the next few years.

Shifting from Shopping for the Home to Experience Spending

What we saw during the pandemic was a sizable swing to online shopping for products largely used to improve the comfort of our homes.

For example, according to Google Analytics, searches for

outdoor sheds expanded 54% in 2020 over 2019. Everything from home furnishings to bicycles, to home gym and gardening supplies, demonstrated sizable increases.

Since that time spending levels have subsided and consumers are now switching to greater leisure services, such as dining out and travel.



For example, the food service industry is projected to soar in sales by the end of 2023, reaching a staggering \$997 billion (about \$3,100 per person in the US) according to Data Bridge Market Research.

Currently and over the next year to 18 months, there have been two primary shifts: Greater spending on services from travel and hospitality as well as healthcare to car repair. The second is the shift to other retail product sectors.



First, the shift toward services, reflecting consumers' thirst to resume their previous lifestyles, which is good for hotels, restaurants, and other travel-related businesses.

The change is evident throughout the economy. Retail sales in April 2023 were up 8% from a year earlier, according to the advance estimate from the Commerce Department, which does not take inflation into account.

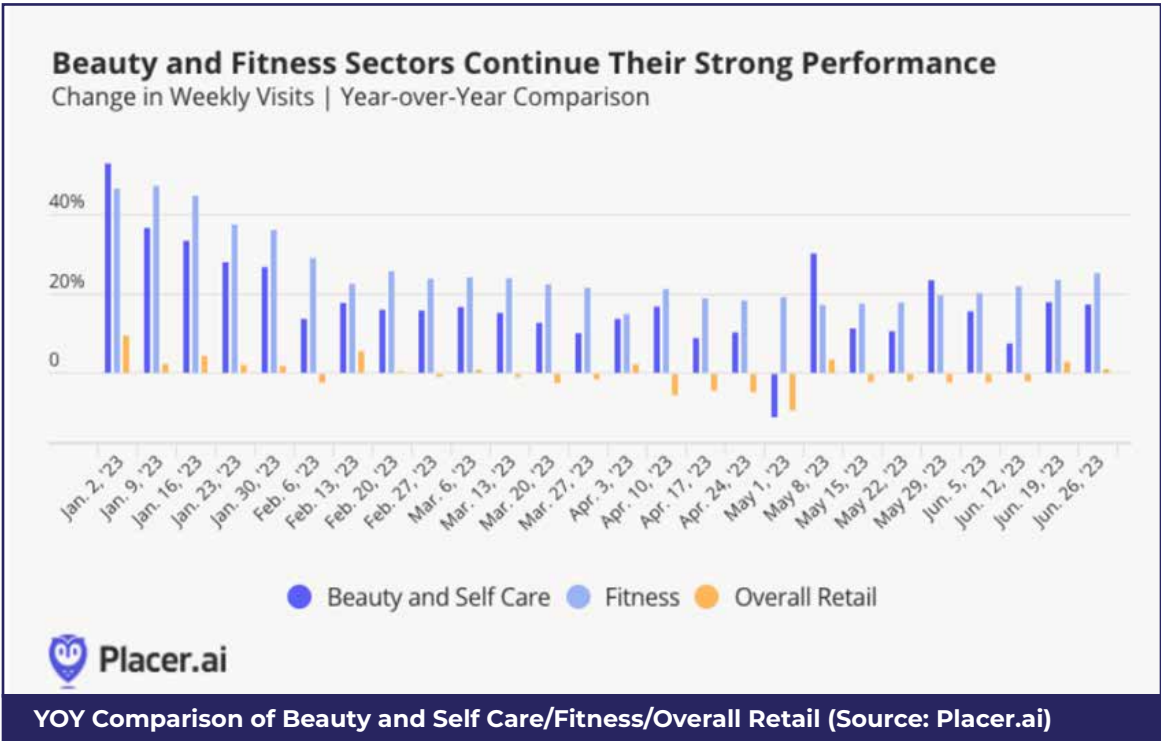
But spending at restaurants and bars jumped nearly 20%. Hotelier Marriott said global room demand from leisure travelers in the first quarter was 10% above 2019 levels.

And Southwest Airlines said its quarterly operating revenue by the end of June was above pre-pandemic levels.

What is evident is for the time being, we continue to see consumers spending more on services and leisure-spending as consumers recover in a sense from multiple years of feeling stuck in their homes.

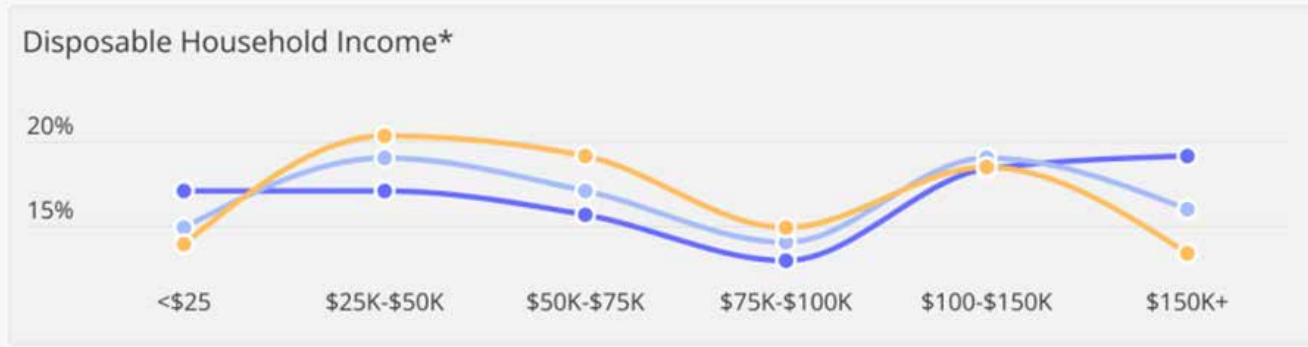
Spending shifting from our homes to ourselves: According to Placer.ai data, examining changes in the number of weekly visits, businesses positioned around “self-care” look to be big winners. Year-over-year visits are up from 20-40% in 2023 over 2022 in beauty and fitness sectors. In addition,

health foods are also seeing increases with restaurants featuring healthier menu options seeing the biggest increases in visits year over year. The interesting finding from Placer.ai data is the fact that demand is being fueled among all income levels.



Healthier Dining Options Attract Visits From a Range of Income Brackets

H1 2023



Disposable Household Income for H1 2023 (Source: Placer.ai)

The Generational Marketing Shift Becomes Much More Complex

Gen Z, Millennials, Gen X, and Baby Boomers, each generation's buying habits vary significantly.

Unfortunately, that means marketing to each and, considering product inventory and experience, can be complex to say the least.

For example, looking at retail marketing, many small businesses have gotten accustomed to posting pictures on Facebook and Instagram. However, there is great segmentation emerging in social media marketing.

TikTok's top demographic (21%) is 18–24-year-olds and even higher over at Snapchat where it's 34%. Whereas Facebook skews older with 30% of their

market made up of the 25-34 age group. (Source: Sprout)

As such, retail advertising will transition to higher levels of personalized content and on distinct

channels, referred now to as direct-to-consumer (D2C).

But retailers should not limit themselves to social media to reach their respective targets.

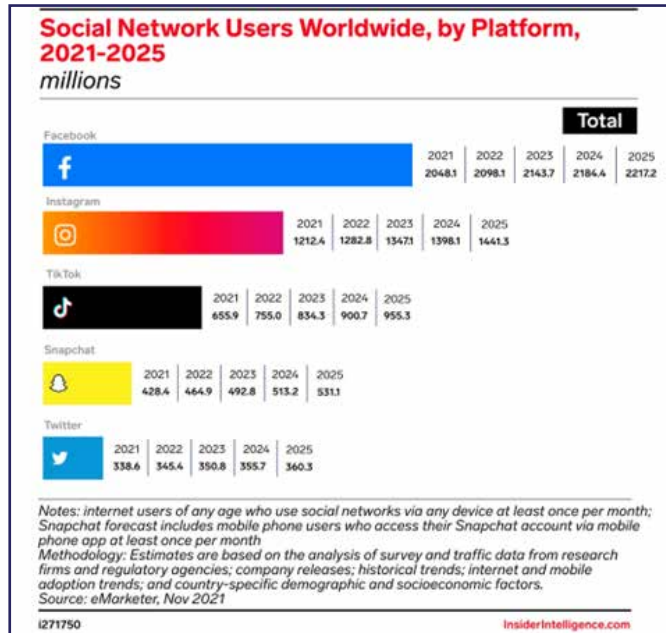
The chart on the following page by Data Axle highlights generational preferences for receiving information about their favorite brands and stores.

Email is a versatile channel since every generation wants to communicate with brands through email; 59% of them sign up for email newsletters to see sales, deals and offers.

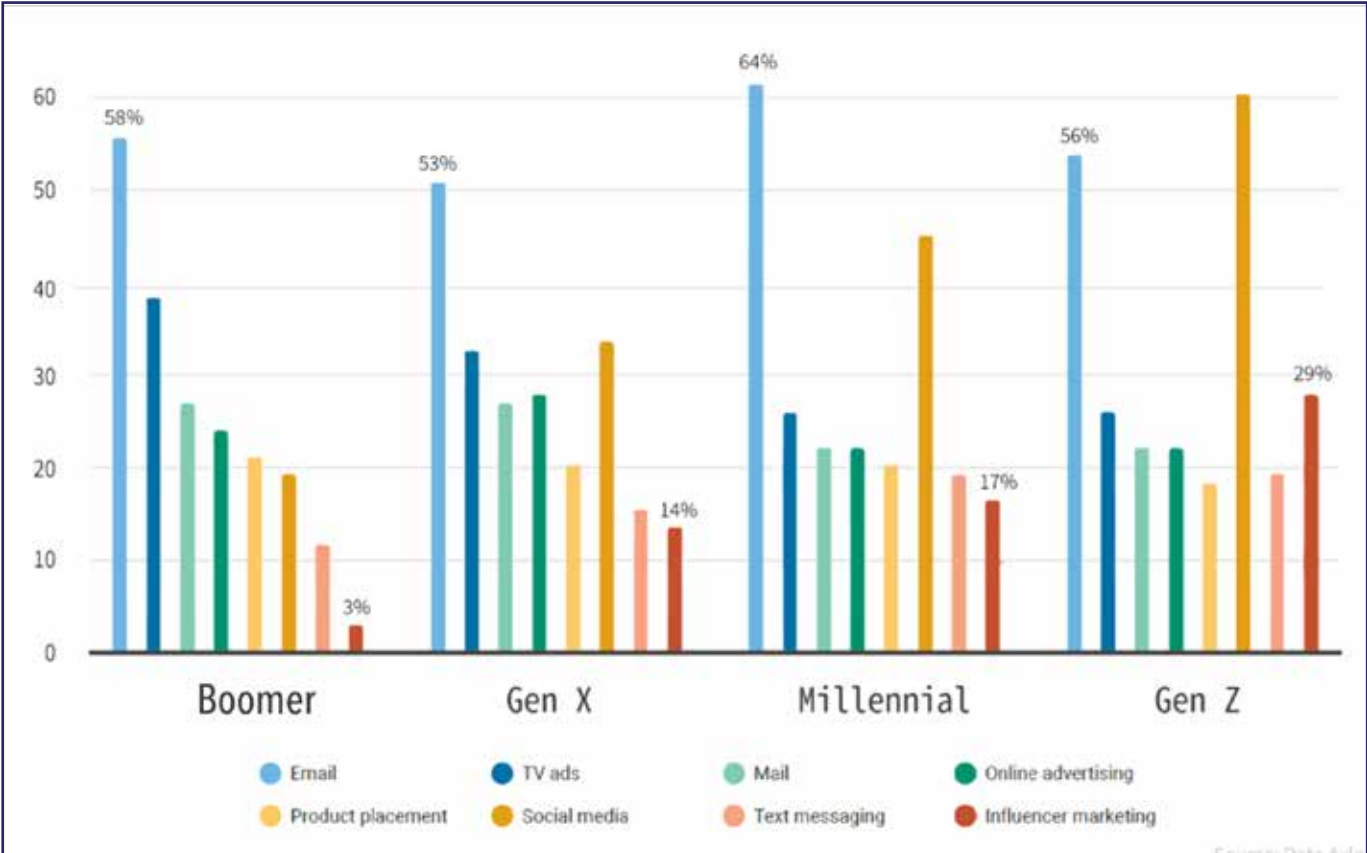
However, if your company is looking for a connection with the younger generation, social media would be a good choice.

63% of Gen Zers want brands to interact with them over social media and are closely followed by Millennials.

Gen Zers are also more willing to interact with brands through influencers than any other generation.



Social Network Users Worldwide by Platform 2021-2025 (Source: eMarketer Insider Intelligence)



Generational Preferences for Receiving Marketing Communications (Source: Data Axle)

SMS to Grow in Scale for Retail Marketing

For the past several decades, the focus on direct-to-consumer marketing has been on social media, email, traditional advertising, and leveraging influencers. And rightly so given the maturity of these markets.

But as consumers become overwhelmed with messages, one medium they continue to focus on is text messages. According to Gartner, SMS boasts an open rate as high as 98% and a response rate as high as 45%.

Feedback is nearly instantaneous, as Google Research suggests an average response time between 15 and 20 minutes to text messages overall. This makes SMS for retail one of the highest-performing marketing strategies.

Benefits of SMS for retail include improved customer engagement, increased customer acquisition, and soaring sales rates.

So, while we are collecting email addresses and asking for an “opt-in” the greater retail value-add will also mean requesting to text to their cell phones.



Chapter 3

A Look Ahead: Trends in Small Business Retail

As we reflect back on the global pandemic and its impact on retail currently and into the future, the most profound consequences involve the accelerated pace of change. One of the most pronounced examples occurred in simply the way we work.

In 2019, the U.S. Census indicated 5.7% of the workforce worked remotely. In 2023, Forbes estimates 12.7% of full-time employees work from home, while 28.2% work in a hybrid model.

As such, remote work has greatly impacted retail sales, from types of apparel purchased to home improvement products. In addition, we've seen booms in rural retail, due to increased local

population upticks in small towns to Airbnb visitors flocking to more remote regions. And more recently we see the acceleration of different forms of automation, but not in the traditional form of robotics and CNC manufacturing, but in automated ordering dashboards, cooking equipment, even now artificial intelligence.

All this is to say that retail businesses are not immune to these trends and must stay focused on how to leverage competitive opportunities.

The following examines several current trends in small business retail and how businesses might better position to leverage: *(Note: In no order of prioritization)*

Get Used to It – The Pivot Isn't Going Away

The return to bricks-and-mortar shopping has fully rebounded, with consumer exuberance pushing supply chains to near failure and inventories for many goods to all-time lows. In fact, according to the Bureau of Economic Analysis (BEA), overall consumer expenditure increased 11.3% in the first quarter of 2021. (<https://bit.ly/BEA-note>)

While it may feel and look similar to consumerism à la 2019, we cannot let the excitement mask the fact that interactions between businesses and consumers have fundamentally changed, creating new opportunities for how small businesses can generate revenues. And small businesses have gotten the message.

According to the inaugural American Express Entrepreneurial Spirit Trendex survey (<https://bit.ly/amex-article>) of U.S. small and mid-sized business owners, 76% of those polled have pivoted or are in the process of pivoting since the pandemic, and among those, 73% expect to pivot again in the next year. As such, the “pivot” is here to stay.

Main Street America, in conducting focus groups in both Virginia and across the United States, has found this state of flux remains and is most likely until post-first quarter 2024.



One of the more obvious shifts that occurred included the increase in the number of small businesses conducting sales through e-commerce platforms. And while we are making great strides with getting more businesses online, there are many more actions small businesses can explore as part of their long-term “pivot plan.”

To get started, let’s explore 11 shifts small businesses should take into consideration:

1. Add a Subscription Service

According to Forbes, from April 2014 to April 2018, subscription services grew by 890%. Small businesses can leverage this in two fundamental ways. (<https://bit.ly/subscription-box-biz>)

The first option is to offer a monthly or quarterly subscription box that contains a curated set of products tailored around a specific niche or theme. Small businesses can send the boxes directly to customers or make them available for local pickup.

According to Clutch, more than half of online shoppers (54%) say they subscribe to a subscription box service. The second option is to base your subscription service on a primary product or service draw. In 2020, Panera

launched their \$8.99 monthly coffee subscription, accumulating more than one million subscribers within seven months.



2. Transition a Core Skill/Expertise to Small-Scale Production

Etsy, the global platform for makers, artists, and artisans, grew the volume of sales on its marketplaces 118% in the last quarter of 2020, year-over-year, with overall revenue growing by 129% in 2020. From jewelry to jeans to bikes, the

opportunity to take a locally-made product and scale it globally has huge potential. The barriers relative to logistics, production costs, and access to markets continue to lower and place a small producer on par with larger manufacturers.

This shift shows no signs of slowing down as consumers continue to want products that speak to their lifestyles and enable storytelling. For downtown and neighborhood commercial districts looking to grow this sector, check out the new book “Recast Your City” by Ilana Preuss. <https://islandpress.org/author/ilana-preuss>



3. Launch a Pop-Up, Pushcart or Mobile Option – It's Not Just for Start-Ups!

A key ingredient for seeking growth opportunities is to minimize financial risk while obtaining consumer feedback. As an existing store, rather than seeking out a second location immediately, try an alternative that is flexible, much cheaper, and provides you with the ability to try out multiple geographies for testing. Participating in a pop-up, buying a pushcart and tracking local events, or setting up a mobile operation are perfect options to explore.



The MIC Market in Downtown Norfolk operates an artisan vendor market, curating selected artisans and designers offering handcrafted treasures,

unique fashion, artistic creations, and artisanal goods, giving vendors an opportunity to spread their consumer reach. www.themicmarket.com



4. Employ Tactics including Line Extensions, Complementary Product Mixes, or Adjacent Markets Opportunities in Growing Sectors

While typically a domain of much larger companies, small businesses can use these tactics to remain agile during economic downturns and/or consumer trends shifts:

- A line extension is taking a product that you make from a core ingredient and expanding

that into a faster growing sector. For example, you might take the lavender that you are using to make soap and expand that into producing lavender supplements addressing anxiety and sleep difficulties.



- Consider adding complementary product mixes to your inventory. For example, a business selling lawn and garden supplies should take note that shed sales were up 400% in 2020. Rather than start a stand-alone shed business, the business could add a few sheds to its inventory given that they are complementary to many of its other product offerings.
- Finally, expanding into adjacent markets focuses more on complementary consumers that are not core but represents unique

geographic segments (using e-commerce, mail order, subscriptions) or represent similar psychographic (e.g., lifestyle, attitudes, purchasing habits) characteristics to your current consumers.

5. Create a Third Space for Your Business

Given the rise in remote work, coupled with human instinct to want to be around other people, there is an opportunity for businesses of all types to leverage the rising demand for places to socialize and work remotely. Whether it's through a parklet or in-store seating areas, third spaces can help a business build on engagement and connection to their consumers.



A third space parklet created by Molly Moons Homemade Ice Cream in Seattle's Wellingford neighborhood. Photo credit: Abby Armato

6. Allow for In-Store Pop-Ups or Shared Space with Complementary Businesses

With current supply chains constraining store inventories, coupled with bricks and clicks that may result in lessening the need for volumes of inventory on-site, we may continue to see the shrinking of retail footprints.

Given the very nature of our downtown and older neighborhood commercial district buildings, leverage this shift as an opportunity to create in-store pop-ups or as a shared space with another business.



Photo Credit: Deb Brown (Meraki Studio in Webster City, Iowa, includes a clothing store called Funky Zebras) Main Street America blog

In doing so, you bring new uses and functions to your store, without necessarily having to make the investment on your own. Previous business coupling examples had often involved food and drink in combination with products (i.e., bike store with a coffee café).

Going forward it is more important to think through your current inventory and customer mix and look for other businesses that can encourage engagement in either off-cycle times or attract a unique customer mix different than your own.

7. What was Temporary is Now New Norms

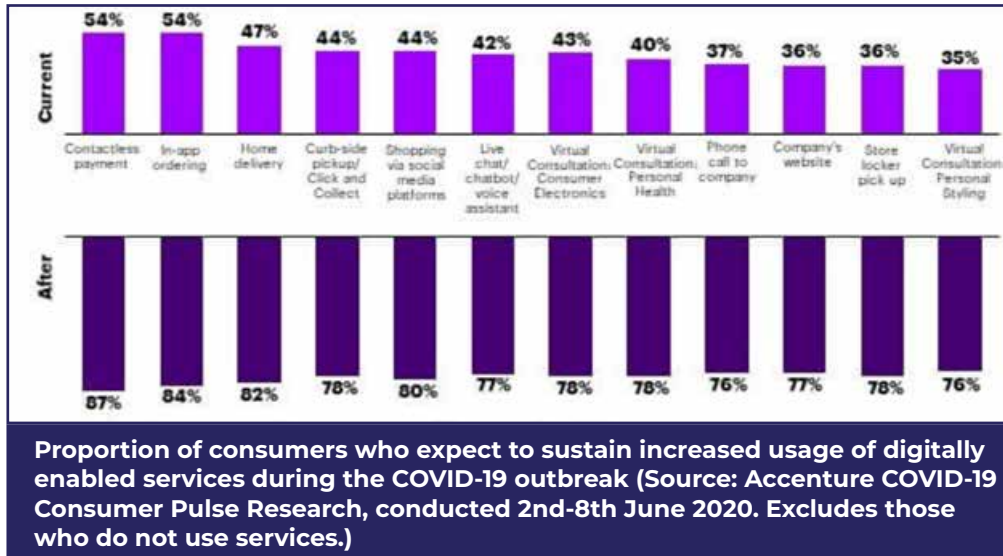
During the height of the global pandemic, many businesses started delivery and pick-up services and offered outdoor dining and shopping options.

While in some communities, these shifts may have been projected as temporary, the writing is on the wall. Consumers are not turning back to 2019.

If you were one of the millions to utilize these often-new services or experiences, most studies indicate that new habits have been formed.

As such, small business owners and new entrepreneurs will need to incorporate as part of their overall business models.

MSA research suggests that small businesses not engaged with e-commerce dropped from 63% to 53%.



However, of those businesses, less than one-third are conducting more than 10% of their business sales online.

So, while we must continue to generate more small businesses with “bricks and clicks” options through tools like MSA’s newly released *Main Street Online Tool* (<http://www.mainstreetonlinetool.org>), we must also link our small businesses

8. Having a Website is Different from e-Commerce

Likely obvious, but while great strides have been made by small businesses and entrepreneurs to add an e-commerce sales channel, there is still a long way to go. From April 2020 to January 2021,

with the skillsets to leverage these opportunities for broader sales generations. Using something like Grow with Google tools (<https://grow.google/>) represents a great starting point.

9. Watch for Emerging Social Media Platforms for Business

Numerous small businesses leveraged social media platforms like Instagram and Facebook as effective, free tools for reaching consumers during the pandemic.

Two others you may want to consider as emerging platforms for showcasing your business are TikTok and Snapchat Spotlight.

Given that both are newer, they do not currently have the same algorithms that require a strong following before your videos are highlighted for users.

As such, it is easier to build a following in a relatively quick period for those small businesses presenting interesting content, whether demonstrations, something educational, or showcasing a personal story that connects to consumers.



Photo: Screenshot of The VB Picnic Co. TikTok page

10. Cut Costs while Gaining Time and Efficiency

Any tactic to reach new customers or gain additional revenue channels takes some time and resources.

The shift to engage in new technology tools may help in the long run to create more efficiencies in your business operation and cut costs allowing for additional scaling resources.

Four areas that are most likely to impact cost and time include:

- Email Marketing/CRM software
- Accounting Software
- Cloud-Based Ecommerce
- POS software.

To understand what software packages might be most advantageous to your particular/unique situation, consider taking the *Main Street Online Tool assessment* (<http://www.mainstreetonlinetool.org>).

11. Think Creatively About Labor

While this is not a commentary as to the issues surrounding workforce hiring issues--especially in retail, restaurants, and the hospitality sectors--solutions for addressing labor in the near-term will require creative approaches. A few ideas to consider:

- **Shared employment with like-type businesses** – e.g. Owosso Michigan's Foster Coffee developed an agreement with other food businesses to train and share food service employees.
- **Raise wages.** While there is no federal law requiring minimum wage changes, small businesses that have raised their wages to or near \$15/hour have resulted in many more applicants and full staffing.
- **Tell a story about your business.** Employees want to work for a business in which they share a value set.
- **Offer a sign-on bonus.**
- **Adjust hours for the near-term.** This will allow you to better balance available staff with the greatest concentration of consumer demand. Thus, rather than closing just on Monday, consider Monday and Tuesday. For most retailers and restaurants Wednesday through Sunday represents peak demand.
- **Offer more value-adds to increase prices allowing for higher wages:**
 - Classes
 - Demonstrations
 - Options to Wholesale.

Automation and Artificial Intelligence are Coming

Throughout history, economic sectors, such as manufacturing and agriculture, where there have been workforce and labor cost constraints have infused greater use of technology and often automation to address labor expense, productivity and overall margin pressures.

Retail is undergoing this transformation currently and will accelerate over the next years. (Mordor Intelligence): The retail automation market is expected to grow at a CAGR of 15.41% over the forecast period (2021-2026).

National chain examples include Starbucks, for partnering with Amazon on automated checkout technology. McDonalds even announced that it has been testing artificial intelligence through automated voice ordering at its drive-throughs in 10 Chicago locations. This is on the heels of installing more automated cooking equipment such as fryers and soda dispensaries.

And Walmart has removed nearly all staffed check-out lanes. However, as automated technology comes to scale, smaller retail businesses will leverage to offset labor challenges. The Grind, a downtown coffee house in Wytheville, VA opened with self-order/check-out stations.

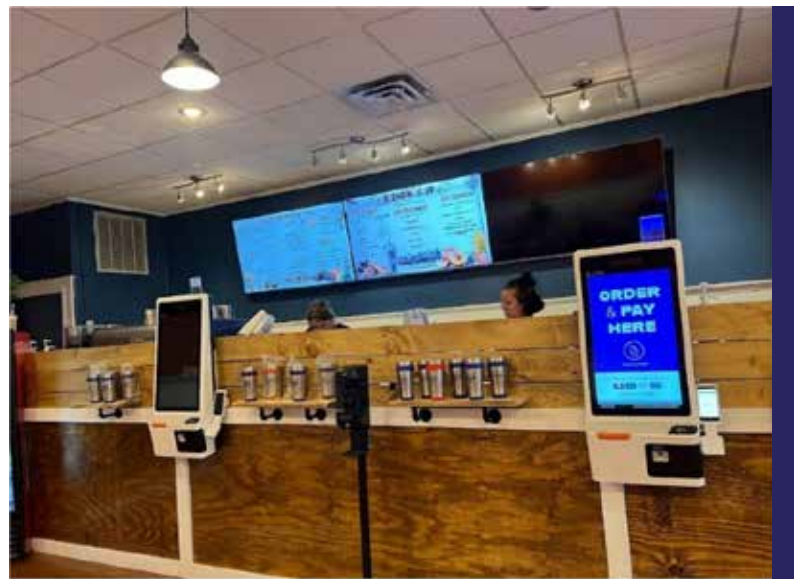


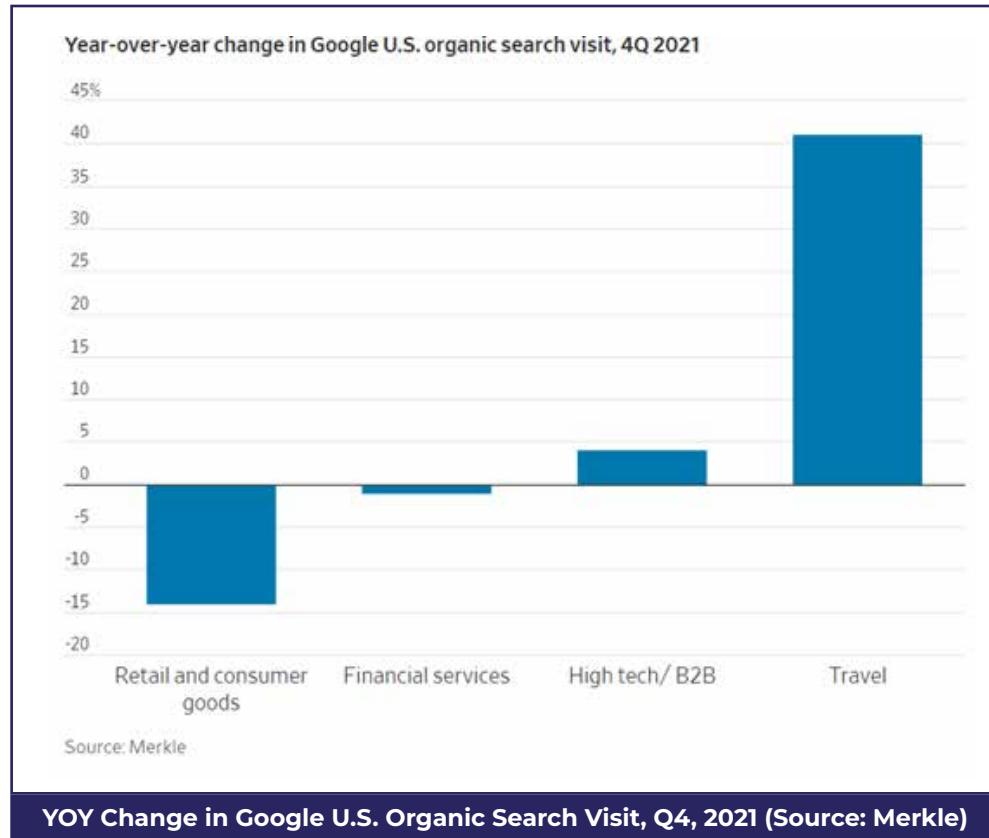
Photo appears on Google Search for “The Grind Wytheville”.
Photo credit: Jonathan Gies

Brick Proves its Strength with Consumers

Online-only stores are seeing the light and moving with great pace to physical stores or through third party wholesalers like department stores. Online searches for e-commerce retail stores are in fact on the decline.

This also mirrors Main Street America's community entrepreneur surveys throughout the country. When asked where you are located now and your future preference, the greatest movement is from home to an independent storefront.

The reality is that an overall bricks AND clicks strategy returns greater



retail sales. (note previous Salesforce.com study). Consumers, while wanting to evaluate and research retail goods online, the global pandemic has ultimately created a new norm in which consumers value experience and engagement that only bricks, and mortar can provide.

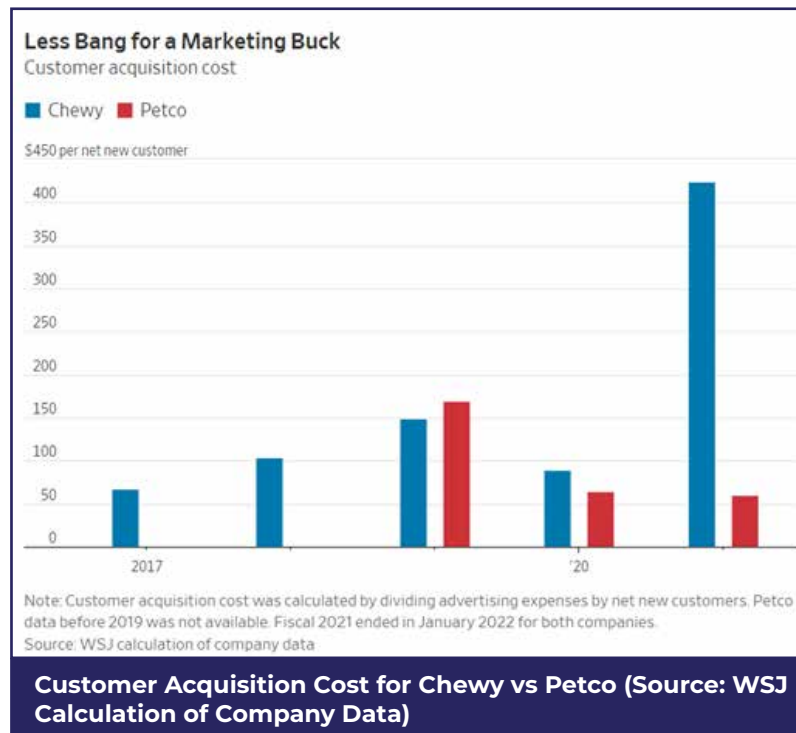
Online furniture seller Wayfair, which saw a decline in active customers last year, is placing new hopes in the physical world: It plans to open three bricks-and-mortar stores in Massachusetts this year.

Some direct-to-consumer brands which started out as online sellers have continued to add physical stores, citing better profitability, including Warby Parker and Allbirds. (Source: WSJ)

The cost of gaining additional customers is also a growing factor. It's simply getting much more expensive to acquire customers purely online, due to the amount of competition and online "clutter" that makes it difficult and costly to get your message to consumers. A perfect example is comparing Chewy (a pure online pet store retailer) versus Petco that has a national bricks and mortar presence along with online

retailing. The new customer acquisition cost for Chewy is nearly 8 times that of Petco.

Retail, in short, is about to get a lot less bifurcated. Some of the most successful merchants will be those that understand how to bridge the worlds of bricks and clicks.



Retail Bets on More Services

Walk into any Staples store these days, and not only will you find a wide array of office supplies and equipment, but now services ranging from federal government enrollment services for TSA PreCheck and Passports, to even business services like sign printing.



Photo credit: Staples Midlothian, VA - Google Page

Research from Square and Wakefield found that 59% of consumers are likely to buy an item from a restaurant or retail store that isn't a part of its main offering. Retail mixes in more services to provide additional reasons for consumers to come into their stores, provide a different mix of customers, as well as differentiation from pure e-commerce businesses.

This combination often works in reverse as well. Service businesses began offering retail products many years ago. Think of beauty salons selling shampoos and other hair and personal care products. Or pet groomers selling brushes, pet treats, and pet apparel.

Moving forward, as McKinsey notes in their commentary, we are moving to a place of creating retail ecosystems in which their businesses are offering retail goods, services, and data monetization as part of their overall strategy. (Source: <https://mck.co/3Rcb12m>)

The Right Sizing of U.S. Retail Space

Retail space trend lines suggest further shrinkage in square footage per capita. However, retail is not an especially monolithic sector.

For example, there are geographic and workforce trends impacting big city central business districts' retail as we see in major cities such as Seattle and Chicago.

There also continue to be struggles within place-based retail like U.S. regional malls and their ability to transition and serve as shopping destinations.

Over the last couple of years with the rise of remote work, shopping districts in San Francisco have seen growing retail vacancies.

Given the size of those two physical retail zones

in particular, it's no surprise we are seeing considerable square footage decreases on a per capita basis, even as sales are projected to maintain or even gain in the near future.

Changes in San Francisco sales tax revenue by supervisorial district and industry, 2019-2022

Totals do not include businesses with multiple locations.

Industry	Districts 3 and 6 (Downtown)	Other districts
Autos and transportation	2.1%	28%
Building and construction	-31.3%	-17%
Food and drugs	-42.9%	-6.9%
General consumer goods	-14.1%	-13.5%
Restaurants and hotels	-40.3%	-16.1%
Total sales tax	-32.2%	-11%

Table: Christian Leonard / The Chronicle • Source: HdL Companies

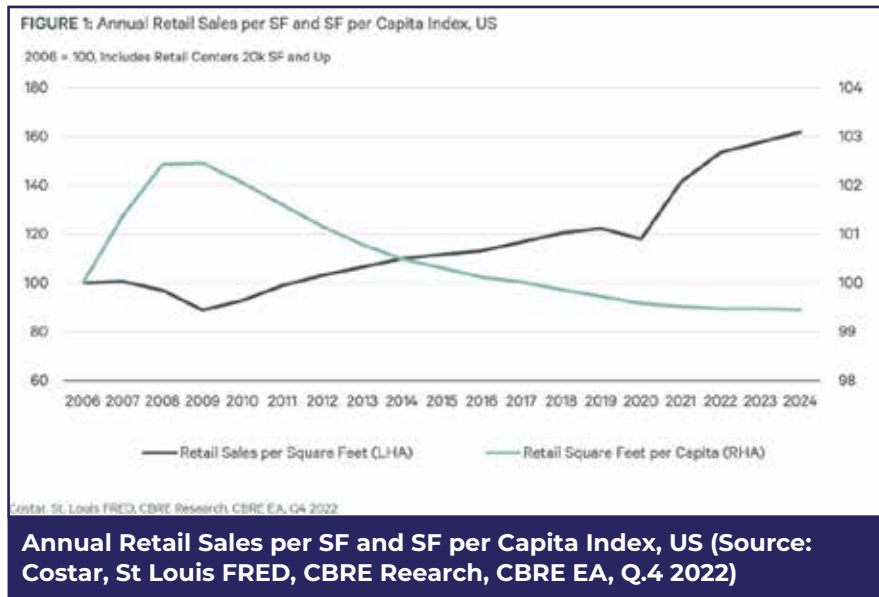
Changes in San Francisco Sales Tax Revenue by Supervisorial District and Industry, 2019-2022 (Source: HdL Companies)

For additional national context, the amount of retail space per person in the United States has fallen to where it was two decades ago, a sign of a stabilizing market as malls around the country (<https://bit.ly/MallRedevelopment>) are knocked down or redeveloped into other uses.

There was 56.8 SF of retail space per person in the U.S. at the end of last year. By comparison, in 2000 there was 53.8 SF per person.

CBRE predicts a 20% reduction in total U.S. retail square footage by 2025 from the current 56 sq. ft. per capita according to a CoStar analysis (https://bit.ly/store_easing).

By comparison, in 2000 there was 53.8 SF per person. CBRE predicts a 20% reduction in total U.S. retail square footage by 2025 from the current 56 sq. ft. per capita.



However, this has not necessarily proven to be the case with locally, independent-owned retail in small and suburban communities. (Source: MSA Director Trends Study, Dec 2020)

Retail vacancies remain low and there is high demand from the entrepreneurial “pipeline” that exists resulting from the rise of the “Covidpreneur.”

That does not mean that we will not see shrinking retail square footage in these communities as well. But, for far different reasons.

Many smaller retailers, due to additional e-commerce sales as part of their business, or supply chain easing allowing for more just-in-time delivery and less inventory on hand, are allowing more current and new retailers to seek smaller spaces while generating higher sales/sq.ft.

Given that physical spaces and leases are often set, we anticipate greater movement

toward micro-retailing, cooperative retailing among complementary tenants or even day-night conversations because of this new space “freedom.”



**Amber Ox Public House chef David McClure,
Williamsburg, Virginia**
(Photo credit: Consociate Media)

Chapter 4

What Characterizes Retail Trade Businesses in Virginia?

While in so many ways, the retail sector in Virginia parallels national trends and data points, there are some subtle differences and thus approaches to policy and programming that should be considered moving forward. The following takes a deeper dive into Virginia-specific retail sector data points.

- According to data from Data Axle, Inc., and Esri, there are 34,766 retail trade businesses in the State of Virginia, which represents about 12.5% of the state's businesses overall. Those retail trade businesses have a total of 467,089 employees—about 11.5% of the state's jobs. That equates to an average of 13.4 employees per business.
- Compared to other Mid-Atlantic states, Virginia has fewer retail businesses per capita overall and fewer retail businesses by type. Only the District of Columbia had lower counts of most types of retail businesses per capita, compared to Virginia. It's also interesting to note that like all other Mid-Atlantic states, Virginia is most represented with retail stores per capita in the areas of “sporting goods/hobby/book/music” and “food and beverage” stores.

- Paycheck Protection Program (PPP) data from 2020 and 2021 gives us some further insights into the characteristics of Virginia retail businesses. From a total of 225,736 loans distributed to Virginia businesses over two cycles of the program, 28,491 loans (12.6%) were distributed to Virginia retailers.

The PPP data suggests that retailers generally have fewer jobs than the Data Axle / Esri data indicates. PPP recipients operating in the retail trade sector reported an average of 8.6 jobs per business, and nearly a third (32%) indicated that they had just one employee. The median number of employees in Virginia



retail businesses was 3, according to the PPP data.

- The PPP data and the Data Axle / Esri data both clearly indicate that some industry groups within the Retail Trade sector have more employees than others. Building material and garden equipment and supplies dealers, motor vehicle and parts dealers, general merchandise stores, and food and beverage stores tend to have more employees. Gas stations, clothing and clothing accessory stores; and sporting goods, hobby, musical instruments, and bookstores tend to have fewer employees.
- A comparison of PPP loan data from loans distributed in 2020 and 2021 suggests that retail employment shrunk considerably during that period. Whereas Virginia-based retailers reported an average of 11.5 employees on 2020 PPP loans applications, in the 2021 PPP data, the average number of employees per retail trade business dropped to 4.6. In the 2020 data, 15% of retailer PPP recipients had one employee. In 2021, 55% reported having just one employee.
- It is important to note that though businesses were eligible to receive a loan in each PPP cycle, many received only one loan. Comparisons must be understood as suggestions of a possible trend but given that the businesses receiving loans in the first and second cycles may have been different, we caution against reading these trends as a clear point of fact.
- As one potential explanation, businesses receiving loans in the first round of PPP funding (2020) may have been larger in terms of staffing, had deeper banking relationships, and had financial paperwork ready for their loan application. The second round of PPP funding was promoted to smaller businesses, including sole proprietors, independent contractors, and self-employed individuals, and distributed through a higher proportion of Community Development Financial Institutions (CDFIs) and Minority Depository Institutions. Thus, one could reasonably expect that the reduced number of employees reported in the second-round loans can be explained, in part, by these changes.

Main Street America Analysis of PPP Loan Data for Virginia Retail Trade Businesses, 2020-2021

NAICS 3-digit Industry Code	NAICS 3-Digit Industry Description	Total Loans 2020-2021	Avg Jobs 2020-2021	Median Jobs 2020-2021	Total Loans 2020	Avg Jobs 2020	Median Jobs 2020	Total Loans 2021	Avg Jobs 2021	Median Jobs 2021	Change in Avg Jobs 2020-2021	% Change in Avg Jobs 2020-2021
441	Motor Vehicle and Parts Dealers	2214	19.7	5	1551	24.8	7	663	7.8	3	-17	-69%
442	Furniture and Home Furnishings Stores	740	8.1	4	503	9.2	4	237	5.8	3	-3.4	-37%
443	Electronics and Appliance Stores	290	9.5	4	197	10.2	4	93	8	3	-2.2	-22%
444	Building Material and Garden Equipment and Supplies Dealers	628	13.7	7	493	15.5	8	135	7.2	4	-8.3	-54%
445	Food and Beverage Stores	2160	9.5	5	1534	10.3	6	626	7.4	3	-2.9	-28%
446	Health and Personal Care Stores	1332	5	1	595	8.2	5	737	2.3	1	-5.9	-72%
447	Gasoline Stations	1468	9.9	6	1032	10.3	6	436	9.1	6	-1.2	-12%
448	Clothing and Clothing Accessories Stores	2306	4.2	1	793	6.3	4	1513	3.1	1	-3.2	-51%
451	Sporting Goods; Hobby; Musical Instrument; and Book Stores	742	6.9	4	449	8.4	4	293	4.6	2	-3.8	-45%
452	General Merchandise Stores	229	7.2	3	136	9.9	4	93	3.2	1	-6.7	-68%
453	Miscellaneous Store Retailers	4103	5.9	2	2290	7.6	3	1813	3.7	1	-3.9	-51%
454	Nonstore Retailers	1139	5.5	1	463	8.5	2	676	3.5	1	-5	-59%

Main Street America Analysis of PPP Loan Data for Virginia Retail Trade Businesses, 2020-2021 (Source: PPP Loan Data, Small Business Association, 2021)

Businesses and Employees, USA and Virginia, by NAICS Sector / Industry

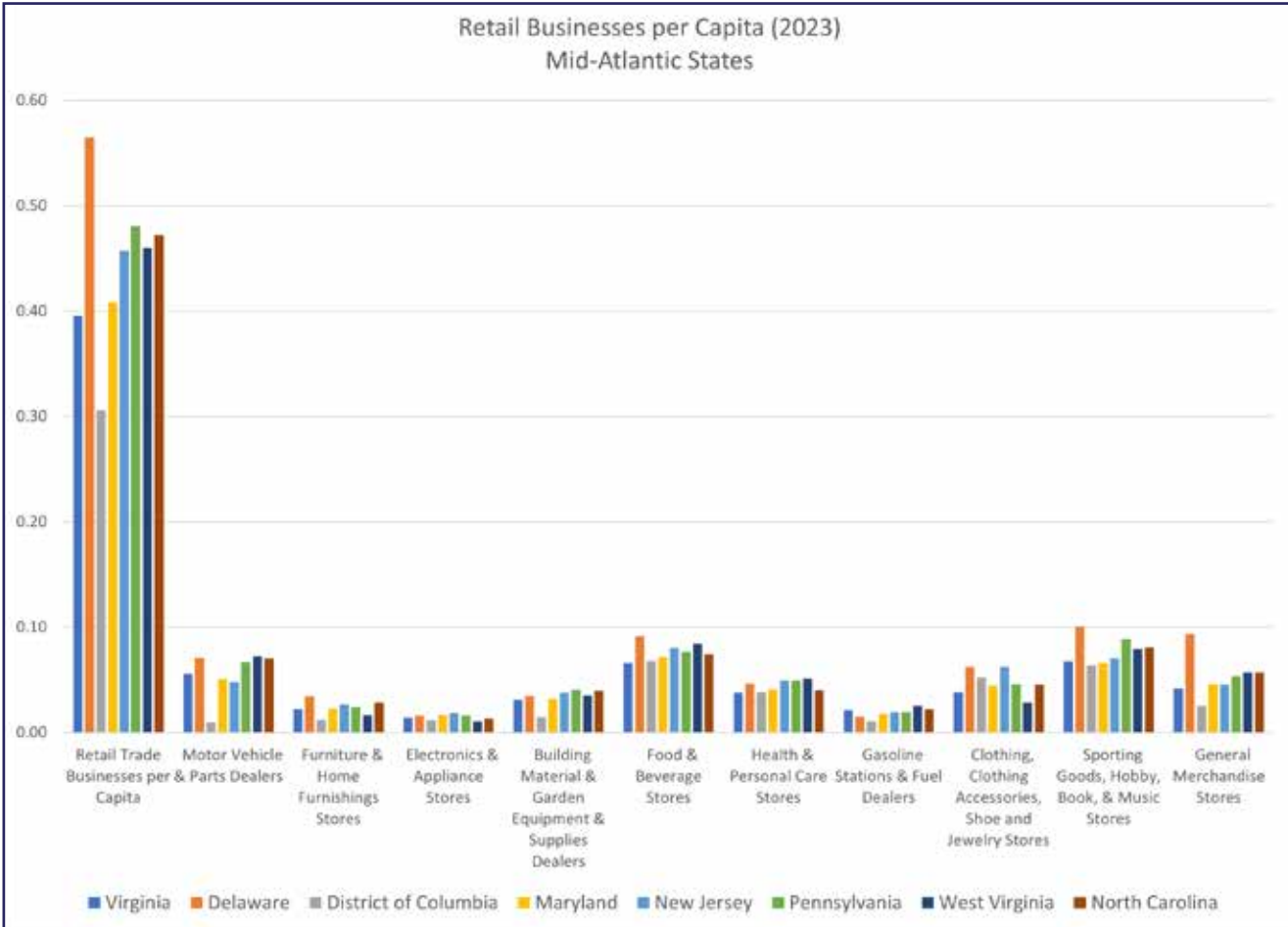
NAICS Sector / Industry Description	USA Businesses		USA Employees		VA Businesses		VA Employees	
	#	%	#	%	#	%	#	%
Agriculture, Forestry, Fishing & Hunting	92,954	0.8%	716,479	0.5%	1,477	0.5%	10,615	0.3%
Mining	19,277	0.2%	394,572	0.3%	284	0.1%	6,532	0.2%
Utilities	22,117	0.2%	589,705	0.4%	317	0.1%	14,579	0.4%
Construction	842,124	6.8%	7,071,257	4.6%	20,096	7.2%	192,594	4.7%
Manufacturing	415,157	3.4%	11,741,155	7.7%	7,277	2.6%	278,425	6.8%
Wholesale Trade	390,110	3.2%	6,047,237	3.9%	7,045	2.5%	130,569	3.2%
Retail Trade	1,583,823	12.9%	18,692,297	12.2%	34,766	12.5%	467,089	11.5%
Motor Vehicle & Parts Dealers	214,229	1.7%	2,649,165	1.7%	4,866	1.7%	73,908	1.8%
Furniture & Home Furnishings Stores	81,182	0.7%	712,477	0.5%	1,954	0.7%	21,191	0.5%
Electronics & Appliance Stores	55,121	0.4%	580,444	0.4%	1,223	0.4%	15,090	0.4%
Building Material & Garden Equipment & Supplies Dealers	137,057	1.1%	1,935,149	1.3%	2,729	1.0%	45,101	1.1%
Food & Beverage Stores	250,240	2.0%	3,869,807	2.5%	5,800	2.1%	99,514	2.4%
Health & Personal Care Stores	147,107	1.2%	1,435,952	0.9%	3,333	1.2%	31,488	0.8%
Gasoline Stations & Fuel Dealers	76,118	0.6%	538,267	0.4%	1,874	0.7%	14,017	0.3%
Clothing, Clothing Accessories, Shoe and Jewelry Stores	172,736	1.4%	1,336,585	0.9%	3,362	1.2%	28,710	0.7%
Sporting Goods, Hobby, Book, & Music Stores	277,555	2.3%	1,933,921	1.3%	5,936	2.1%	43,117	1.1%
General Merchandise Stores	172,478	1.4%	3,700,530	2.4%	3,689	1.3%	94,953	2.3%
Transportation & Warehousing	271,244	2.2%	3,957,450	2.6%	5,601	2.0%	77,581	1.9%
Information	256,608	2.1%	4,008,058	2.6%	6,419	2.3%	112,850	2.8%
Finance & Insurance	611,476	5.0%	6,205,783	4.0%	12,995	4.7%	141,627	3.5%
Central Bank/Credit Intermediation & Related Activities	232,086	1.9%	2,415,759	1.6%	5,586	2.0%	72,613	1.8%
Securities & Commodity Contracts	169,576	1.4%	1,489,786	1.0%	3,075	1.1%	26,810	0.7%
Funds, Trusts & Other Financial Vehicles	209,814	1.7%	2,300,238	1.5%	4,334	1.6%	42,204	1.0%
Real Estate, Rental & Leasing	619,902	5.0%	4,318,399	2.8%	13,623	4.9%	113,842	2.8%
Professional, Scientific & Tech Services	1,130,725	9.2%	11,331,020	7.4%	27,360	9.8%	387,486	9.5%
Legal Services	281,827	2.3%	2,008,904	1.3%	5,715	2.1%	47,480	1.2%
Management of Companies & Enterprises	33,103	0.3%	372,429	0.2%	333	0.1%	5,179	0.1%
Administrative, Support & Waste Management Services	417,835	3.4%	4,026,507	2.6%	9,599	3.4%	109,458	2.7%
Educational Services	322,465	2.6%	13,232,656	8.6%	7,687	2.8%	419,257	10.3%
Health Care & Social Assistance	1,112,211	9.0%	22,868,130	14.9%	27,358	9.8%	587,538	14.4%
Arts, Entertainment & Recreation	266,430	2.2%	3,679,763	2.4%	5,930	2.1%	79,736	2.0%
Accommodation & Food Services	915,745	7.4%	13,909,283	9.1%	21,079	7.6%	356,826	8.8%
Accommodation	113,890	0.9%	2,545,444	1.7%	2,661	1.0%	64,517	1.6%
Food Services & Drinking Places	801,855	6.5%	11,363,839	7.4%	18,418	6.6%	292,309	7.2%
Other Services (except Public Administration)	1,499,632	12.2%	9,284,835	6.1%	39,269	14.1%	265,970	6.5%
Automotive Repair & Maintenance	257,904	2.1%	1,281,422	0.8%	5,726	2.1%	31,958	0.8%
Public Administration	396,682	3.2%	9,885,394	6.4%	9,639	3.5%	261,535	6.4%
Unclassified Establishments	1,077,589	8.8%	990,750	0.6%	20,394	7.3%	51,646	1.3%
Total	12,297,209	100.0%	153,323,159	100.0%	278,548	100.0%	4,070,934	100.0%

Business and Employees, USA and Virginia by NAICS Sector/Industry (Source: Esri and Data Axle, Inc., 2023. Note: The business counts shown here reflect those in Esri/Data Axle business records and are not exhaustive of all businesses in these areas)

Retail Trade Businesses and Employees per Capita, Mid-Atlantic States, by NAICS Industry, 2023

NAICS Retail Sector / Industry Description	Virginia		Delaware		District of Columbia		Maryland		New Jersey		Pennsylvania		West Virginia		North Carolina	
	Biz per Cap.	Emp. per Cap.	Biz per Cap.	Emp. per Cap.	Biz per Cap.	Emp. per Cap.	Biz per Cap.	Emp. per Cap.	Biz per Cap.	Emp. per Cap.	Biz per Cap.	Emp. per Cap.	Biz per Cap.	Emp. per Cap.	Biz per Cap.	Emp. per Cap.
Retail Trade	0.40	5.32	0.56	6.02	0.31	3.63	0.41	5.26	0.46	5.40	0.48	5.76	0.46	5.17	0.47	5.64
Motor Vehicle & Parts Dealers	0.06	0.84	0.07	0.97	0.01	0.10	0.05	0.81	0.05	0.68	0.07	0.79	0.07	0.84	0.07	0.81
Furniture & Home Furnishings Stores	0.02	0.24	0.03	0.27	0.01	0.09	0.02	0.21	0.03	0.25	0.02	0.20	0.02	0.11	0.03	0.26
Electronics & Appliance Stores	0.01	0.17	0.02	0.13	0.01	0.11	0.02	0.17	0.02	0.20	0.02	0.17	0.01	0.08	0.01	0.15
Building Material & Garden Equipment & Supplies Dealers	0.03	0.51	0.03	0.59	0.01	0.19	0.03	0.54	0.04	0.50	0.04	0.58	0.03	0.53	0.04	0.63
Food & Beverage Stores	0.07	1.13	0.09	1.27	0.07	0.91	0.07	1.20	0.08	1.20	0.08	1.35	0.08	1.09	0.07	1.18
Health & Personal Care Stores	0.04	0.36	0.05	0.41	0.04	0.42	0.04	0.38	0.05	0.52	0.05	0.49	0.05	0.41	0.04	0.39
Gasoline Stations & Fuel Dealers	0.02	0.16	0.01	0.11	0.01	0.05	0.02	0.13	0.02	0.11	0.02	0.15	0.03	0.19	0.02	0.14
Clothing, Clothing Accessories, Shoe and Jewelry Stores	0.04	0.33	0.06	0.47	0.05	0.40	0.04	0.42	0.06	0.55	0.05	0.39	0.03	0.21	0.05	0.35
Sporting Goods, Hobby, Book, & Music Stores	0.07	0.49	0.10	0.58	0.06	0.79	0.07	0.49	0.07	0.48	0.09	0.58	0.08	0.49	0.08	0.52
General Merchandise Stores	0.04	1.08	0.09	1.22	0.03	0.56	0.05	0.92	0.05	0.93	0.05	1.06	0.06	1.23	0.06	1.21

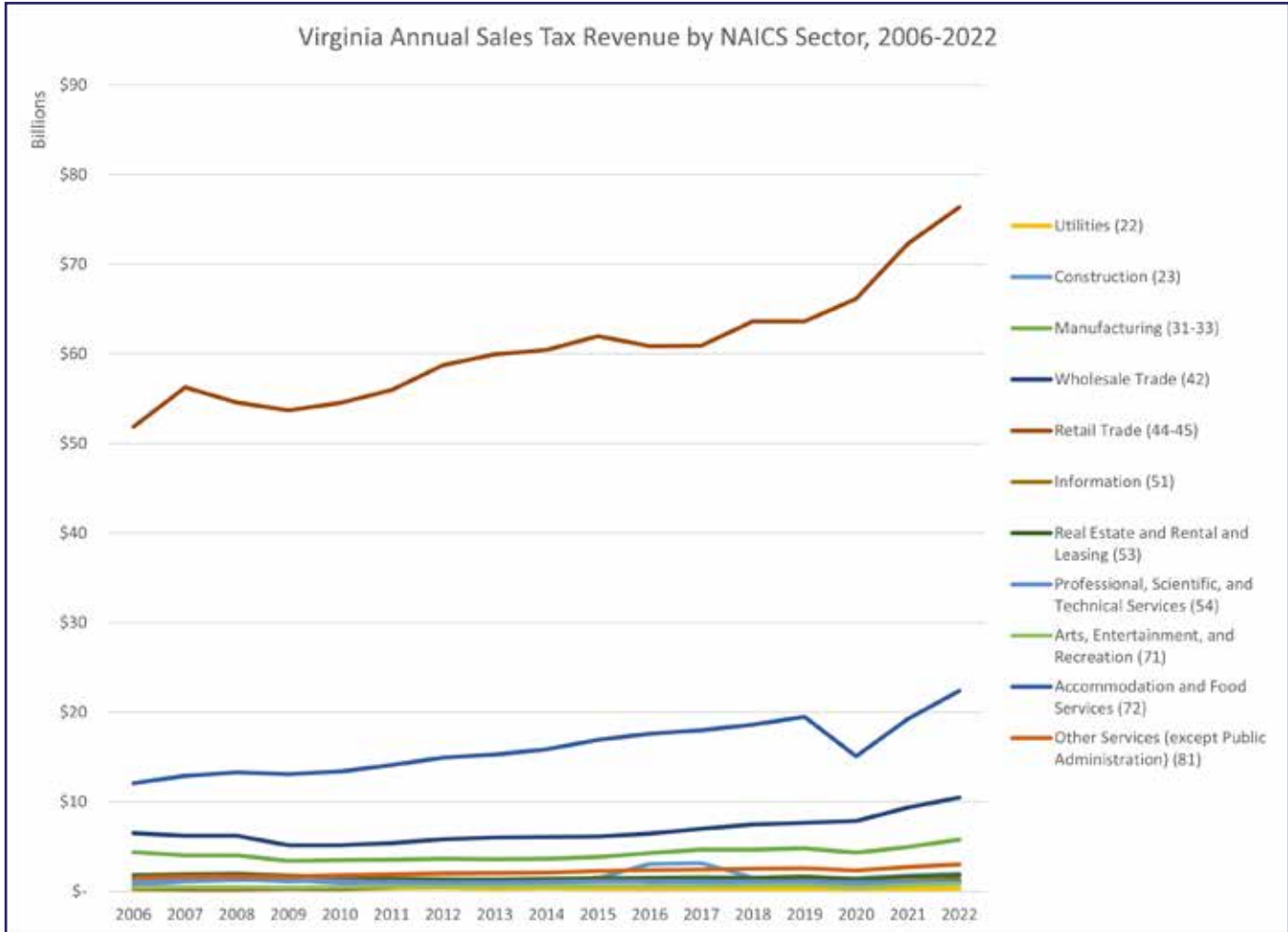
Retail Trade Business and Employees per Capita, Mid-Atlantic States, by NAICS Industry (Source: Esri and Data Axle, Inc., 2023. Note: The business counts shown here reflect those in Esri/Data Axle business records and are not exhaustive of all businesses in these areas)



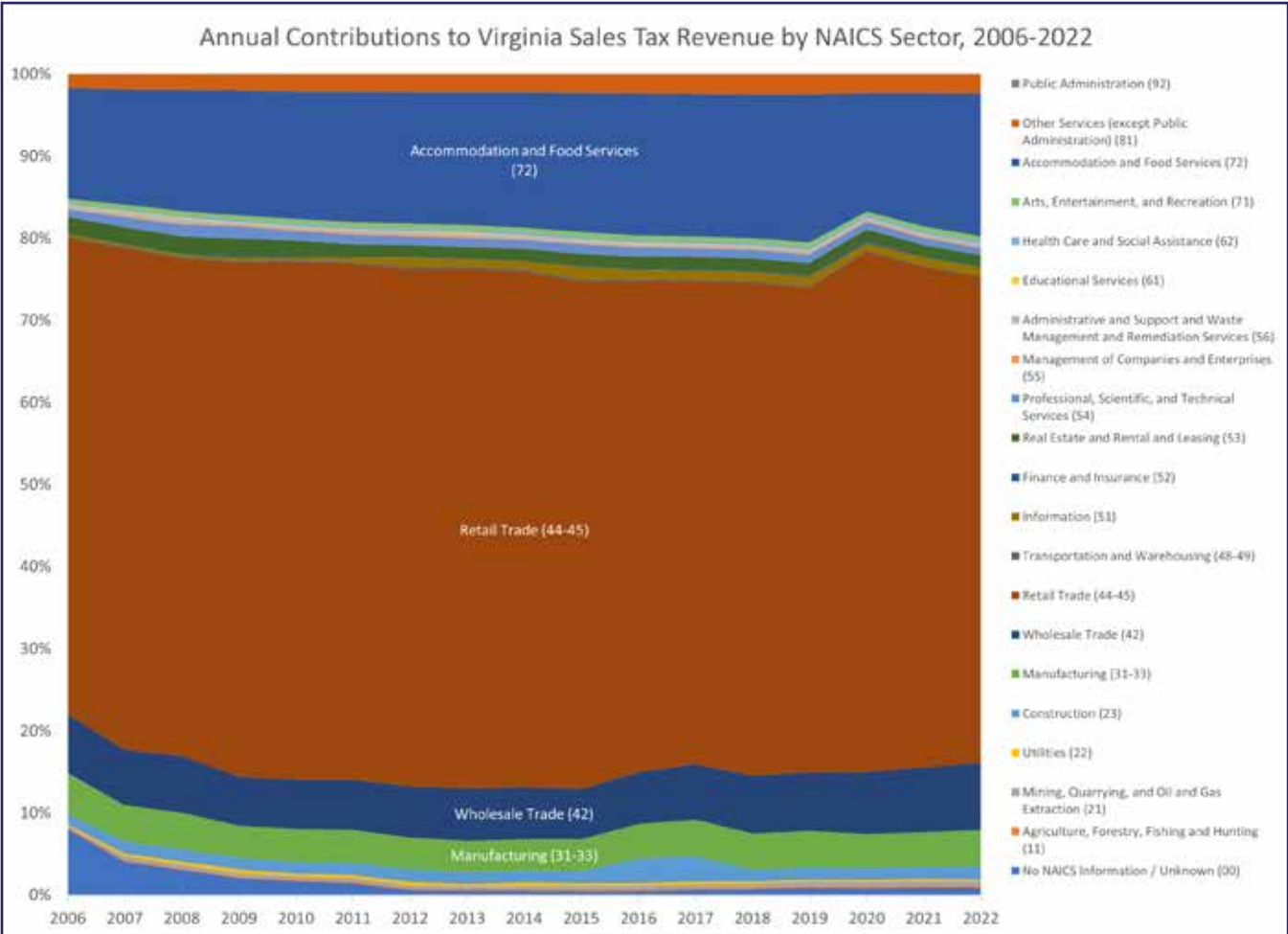
Retail Businesses per Capita (2023) Mid Atlantic States (Source: Esri and Data Axle, Inc., 2023. Note: The business counts shown here reflect those in Esri/Data Axle business records and are not exhaustive of all businesses in these areas)

Virginia Sales Tax Revenue Data

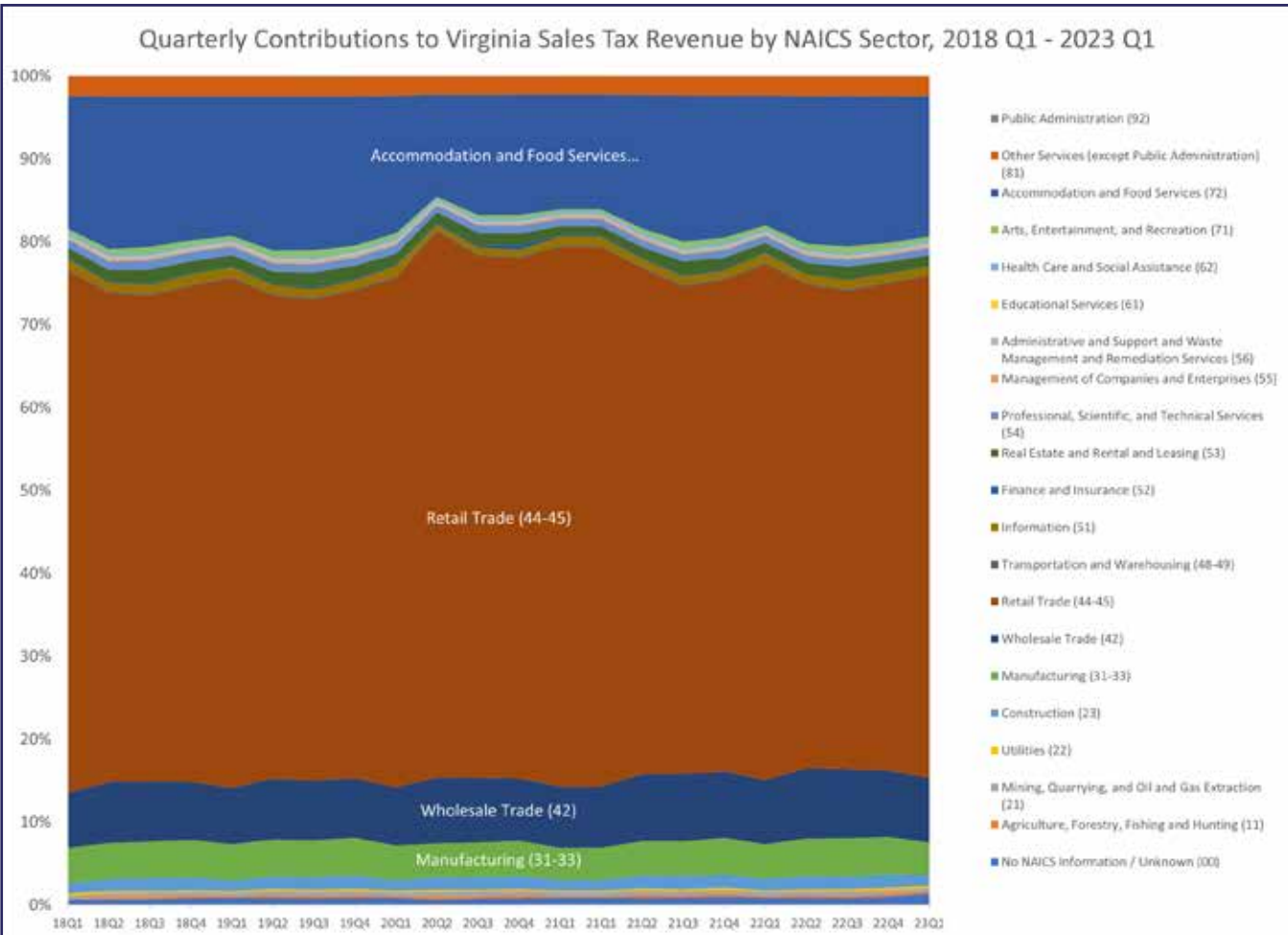
- The retail sales sector (NAICS 44-45) raises most of Virginia's sales tax revenue, ranging between 58% and 63% of the state's totals on an annual basis. In the peak of the COVID-19 pandemic in 2020, retail sales accounted for \$66.2B in sales tax revenue, 63% of the state's total.
- The sales tax revenue generated by the retail sales sector (NAICS 44-45) has generally followed an upward trend over the past 17 years, with the only pronounced decrease occurring with the Great Recession between 2007-2009. Sales tax revenue from the retail sales sector skyrocketed during the COVID-19 pandemic in 2020-2022. Quarterly data from the past five years show the steady contributions of the retail trade sector to the state's sales tax revenues, which ranged from 58% to 66% of the quarterly totals. The proportion of the state's total that came from the retail trade sector peaked at 66% in the second quarter of 2020.
- Within the retail trade sector, food and beverage stores account for between 21% and 31% of the sector's total sales tax revenue contribution. General merchandise stores are another major industry, accounting for between 25% and 29% of the retail trade total. Between 2020 and 2022, building material and garden equipment and supplies dealers emerged as another key industry, accounting for 12% of the state's total sales tax revenues from retail trade in 2020 and 2021 and 13% of the sector's total in 2022.
- Quarterly sales tax revenue data from the pandemic shows the extent to which the performance of different industries within the retail trade sector varied considerably over time. During the second quarter of 2020, sales in multiple industries dropped by more than 25% year-over-year, including clothing and clothing accessories (-73% YOY), electronics and appliances (-43% YOY), and furniture and home furnishings (-35% YOY). Meanwhile, building material and garden equipment and supplies increased in 2020 Q2 by 13% YOY and by 27% YOY in Q3. By the first quarter of 2021, many of these trends reversed, with clothing and clothing accessories up 220%, electronics and appliances up 88%, and sporting goods, hobby, book, and music stores up 69% YOY.



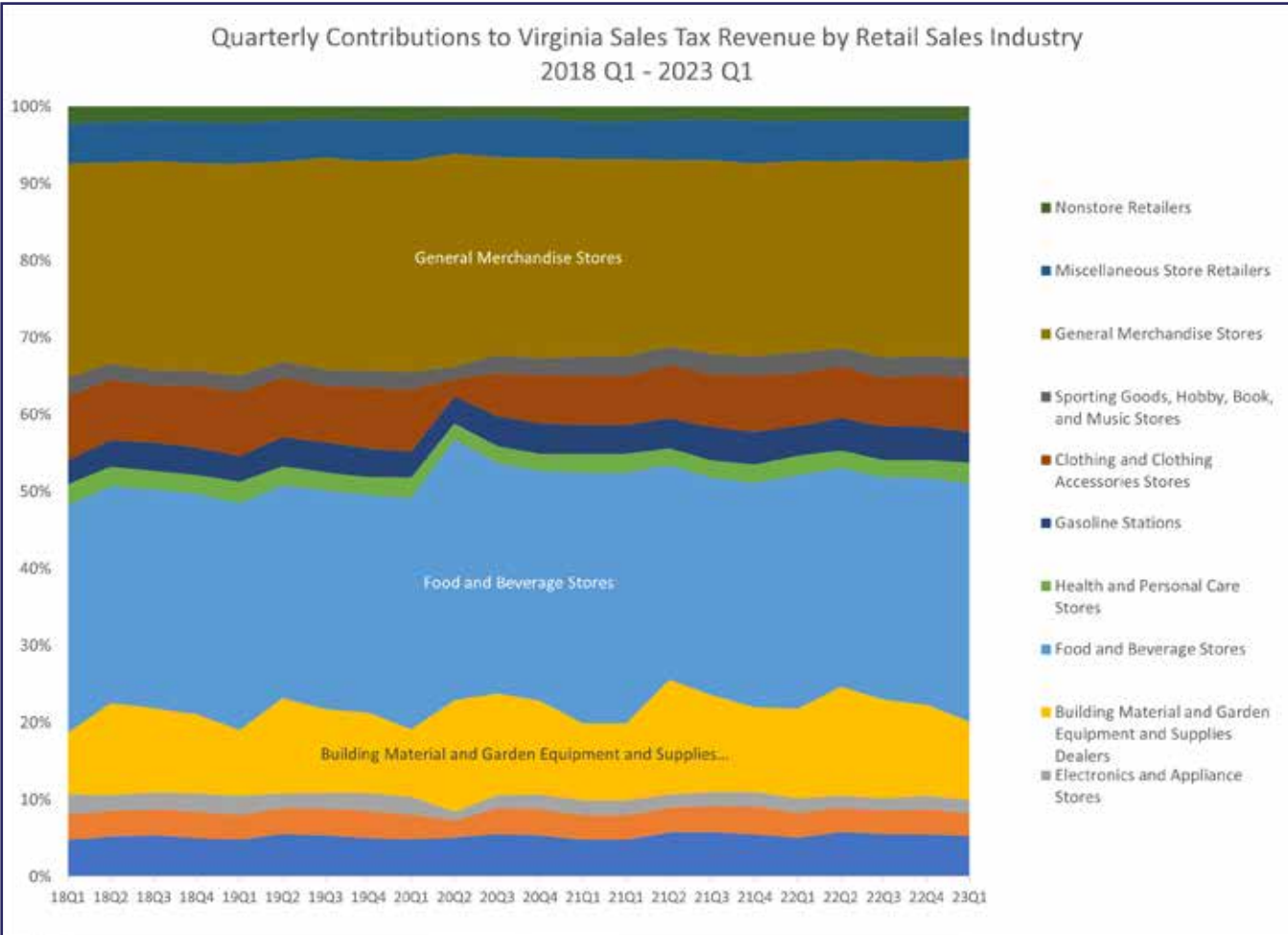
Virginia Annual Sales Tax Revenue by NAICS Sector, 2006-2022 (Source: Esri and Data Axle, Inc., 2023).



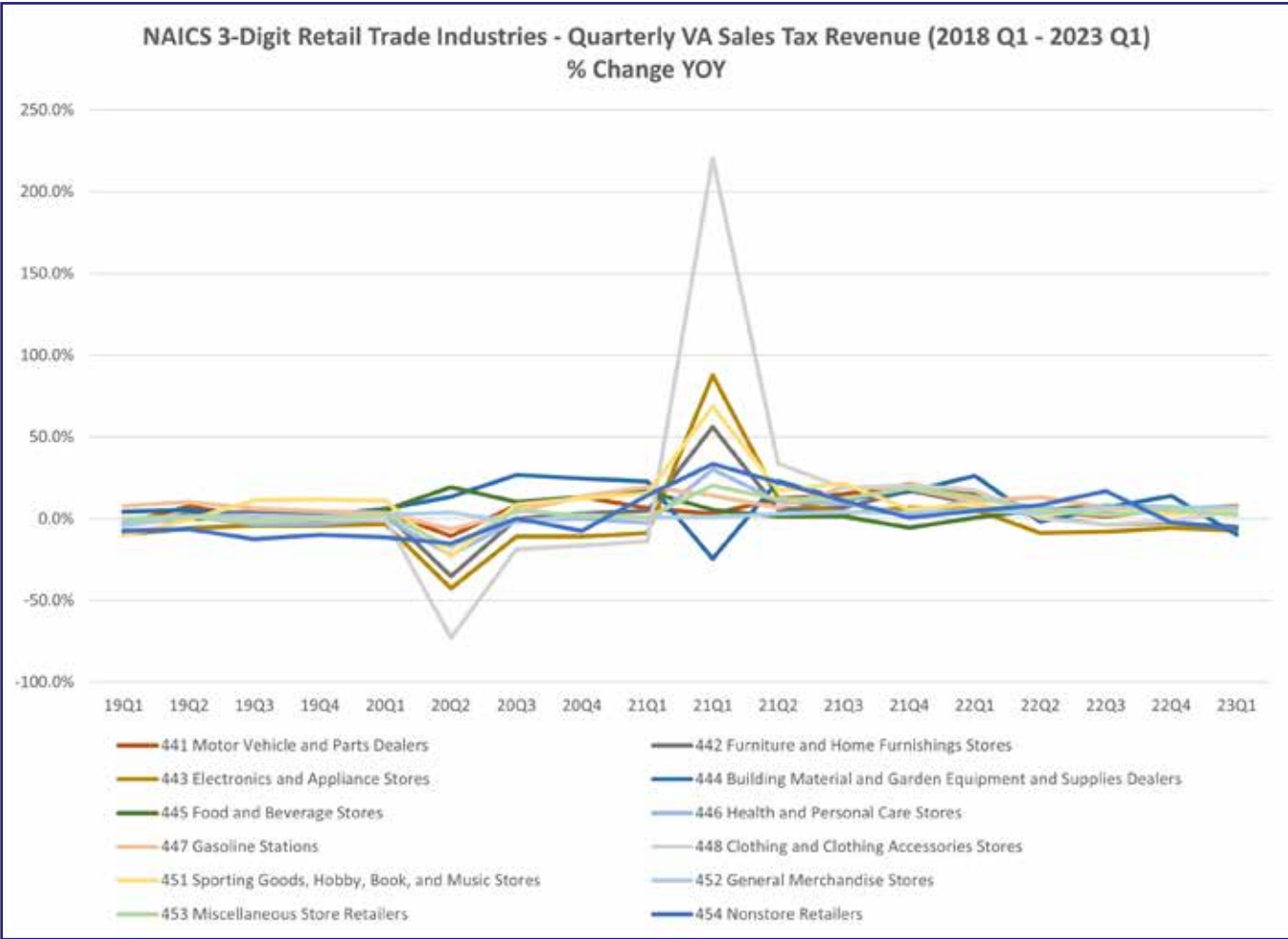
Annual Contributions to Virginia Sales Tax Revenue by NAICS Sector, 2006-2022 (Source: Esri and Data Axle, Inc., 2023).



Quarterly Contributions to Virginia Sales Tax Revenue by NAICS Sector, 2018 Q1-2023 Q1 (Source: Esri and Data Axle, Inc., 2023).



Quarterly Contributions to Virginia Sales Tax Revenue by Retail Sales Industry, 2018 Q1-2023 Q1 (Source: Esri and Data Axle, Inc., 2023).



NAICS 3-Digit Retail Trade Industries - Quarterly VA Sales Tax Revenue (2018 Q1 - 2023 Q1) \$ Change YOY (Source: Esri and Data Axle, Inc., 2023.

Insights from Main Street America's Small Business Survey - Virginia Findings

Main Street America has been running national surveys of small business owners since the start of the COVID-19 pandemic.

- In response to the March 2023 survey, we heard from 1,385 small business owners across the United States, including owners of 417 retail trade businesses.
- **Virginia respondents:**
 - **Business types:** We heard from a total of 78 businesses based in Virginia, including 30 owners of Virginia-based retail trade businesses. 43% (n=13) of the Virginia retail trade respondents owned businesses that sold boutiques and gifts. 14% (n=4) were bookstore owners. 5% (n=2) indicated they sold home goods, 5% (n=2) indicated they sold clothing, and 5% (n=2) sold antiques or vintage goods. The remaining 29% (n=9) indicated they operated another type of retail store.
 - **Number of employees:** Respondents to Main Street America's small business

surveys tend to represent very small, locally owned businesses. Virginia-based retailer respondents to the February 2023 survey had an average of 6.5 full-time employees and 5.2 part-time employees, but the median number of full-time and part-time employees was 2. Compared to the PPP and Data Axle / Esri data cited above, Main Street survey respondents from Virginia retail trade businesses were smaller.

- **Business ownership and business entity characteristics:** We included questions in our latest survey that were focused on identifying characteristics of business owners and business entities. Virginia-based retail businesses in our sample were often women-owned (70%) and structured as LLCs (50%). 41% were owned by someone who is white. 27% were launched in the community where the owner resides. 27% were family-owned. For comparison, 56% of all Virginia businesses represented in our survey results were

women-owned, 41% were owned by someone who is white, 29% were launched in the community where the owner resides, and 27% were family-owned. In other words, Virginia retail respondents were typical of Virginia respondents (and typical of the sample as a whole).

- **Business locations:** 73% of Virginia retail businesses in our survey results were in an independent ground floor storefront. 33% of business owners said their business was in a historic building. Only 10% said they occupied a shared space with a ground floor storefront.
- **Business strengths:** We asked survey respondents to indicate their business's three greatest strengths from a list of 11 options.
 - Among all survey respondents from different business types across the U.S., 53% of business owners indicated a strength in their business's services or products that are exceptional, high quality, and/or unique. The same proportion pointed to their strong customer service. 37% indicated they had strong support from the community or loyal customers, and 31% indicated a strength in how well they knew their product.
 - Virginia retail business owners indicated the same top strengths in slightly different proportions. 69% pointed to their exceptional, high quality, and/or unique products, 48% pointed to strong customer service, 28% indicated their product knowledge represented a strength, and 28% were proud of the strong support from the community.
- **Revenue change over the previous year:** Lower proportions of Virginia businesses and Virginia retailers reported revenue growth over the previous year, compared to retailers across the U.S., and businesses across the country. About a third of Virginia retail businesses (32%) reported that their revenue had increased by 5% or more in the previous year. In contrast, 42% of all Virginia businesses reported a revenue increase of 5% or more, 52% of all retailers among survey respondents reported that revenue increase, and 57% of all American business respondents

reported that revenue increase. Meanwhile, 30% of Virginia retailers reported a revenue drop of 5% or more, which was greater than the proportions of all American retail respondents (27%) and that of all respondents from all business types (21%).

- **Expected revenue change in the year ahead:**

In contrast to the points above, higher proportions of Virginia retailers expected a revenue increase in the year ahead (69%) than among retail respondents from across the country (67%). Among all Virginia business owners, 75% expected a revenue increase, and in comparison, 72% of all American respondents expected increasing revenue.

- When Virginia retail business owners said they expect increasing revenue in the year ahead, they attributed that optimism to an expectation that their business would reach new customers (50%), improvements to inventory and the supply chain (39%), and improvements or adaptations to their business model (33%).

- In contrast, when Virginia retail business owners said they did not expect increasing revenue in the year ahead, they pointed to an expectation the economy overall would likely worsen (63%), worsening political climate (25%), and expectations that credit conditions and interest rates would worsen (25%).

- **Expected staffing changes:** Most Virginia retail business owners indicated either that they expected their staffing would stay the same (67%) or that they would add staff in 2023 (27%). No Virginia-based retail business owners indicated they expected to reduce staff.

- Virginia retail business owners also generally indicated that they were not considering ways to be less reliant on staff (83%) or that they weren't sure about whether to consider ways to be less reliant on staff (7%).

- **Factors impacting staffing:** We asked respondents to the survey to indicate whether and how much several issues were concerns as they thought about

their business's ability to hire and retain qualified staff.

- Among Virginia retail business owners, two concerns were highlighted by at least half of respondents: concerns about their ability to pay competitive wages (53%) and concerns about housing affordability (50%).
- **Web-based tools used to support businesses:** The majority of Virginia-based retail trade business owners highlighted five web-based tools that they used: Facebook (90%), Instagram (80%), ensuring basic information about the business was accurate and current on search results and websites (77%), a business website (70%), and e-commerce or online sales (50%). These figures were nearly identical to those for all American retailers.
- **E-commerce:** To the 15 Virginia retailers who indicated they used e-commerce for their business, we asked what proportion of their revenue comes through online sales. 60% of these business owners (n=9) indicated that online sales represented less than 10% of their total revenue. 27% of

the Virginia retail businesses (n=4) made 10-25% of their revenue online. Only two respondents (13%) said they made more than that 25% of their revenue through e-commerce, and both those respondents said they earned between 26% and 50% of their revenue online.

- **Sources of information for insights and new ideas on business operations:** About two-thirds of Virginia retail trade businesses (67%) indicate they leaned on industry or trade groups for insights and new ideas about how to operate their business successfully. Just over half (53%) said they used information accessed online or located through internet searches. Large proportions also indicated using social media (40%) or leaning on neighboring businesses in their community (37%).
- **Business concerns:** We asked small business owners to identify factors that concerned them as they thought about the next six months.
 - Five factors were selected by at least a quarter of all Virginia-based retail business owners: challenges with

inflation (62%), shrinking margins (48%), fears of an overall economic downturn or recession (45%), challenges attracting new customers or clients (38%), challenges with the political climate (28%).

- When asked about the single greatest concern for the six months ahead, 32% of Virginia retail business owners indicated that challenges with inflation were top of mind. Fears of a coming recession (16%) and challenges hiring and filling open staffing positions with qualified candidates (16%) were the second and third rated concerns.
- **Small business confidence:** Virginia retail trade business owners indicated higher levels of confidence in their business's success for the next three months, compared to retailers throughout the U.S. On average, Virginia retail trade businesses rated their confidence at a score of 7.6 out of 10. 66% of Virginia retail trade respondents indicated a score between 8 and 10.
 - In comparison, the average confidence of all U.S. retail respondents was 7.4,

and 56% of retail business owners indicated a score between 8 and 10.

Using Survey Tools to Diagnose Small Business Challenges

For “place” professionals seeking to support the retail sector in Virginia, there are more diagnostic and survey tools being developed that are more specific and at scale for many independent, local retail businesses. The following is a review of some of the developments and resources in this area:

- Over the past three years, Main Street America has developed questionnaires aimed at identifying and troubleshooting small business challenges.
 - The “Main Street Online” tool focused on challenges related to e-commerce and aimed to support business owners organizing an online strategy for their small, independent businesses. <https://mainstreetonlinetool.org/>
 - More recently, we built and began testing a “Small Business Resiliency Audit Tool” using the Qualtrics platform.

- Our Small Business Resiliency Audit Tool includes questions about five types of strengths and challenges that entrepreneurs may leverage or encounter through their businesses:
 - Workforce, human resources, and legal issues – Includes everything related to recruiting, hiring, retaining, and managing employees, including payroll, benefits, and HR/legal assistance.
 - Issues with finance – Includes challenges related to capital, cash flow, credit, and accounting.
 - Sales, marketing, technology, and customer service and success issues – Relates to supply and demand, profit margins and pricing, social media and branding, methods of payment and e-commerce, and opportunities to automate portions of the business's operations.
 - Issues with business operations and business model shifts – Includes business operations, expansion, and succession planning; inventory and supply chain management; and business model flexibility / adaptability in response to changing economic and societal conditions.
- Issues with business location, locale, network, and relationships – Relates to the business's location(s), licensing and permitting, business hours of operation, and opportunities to network and learn from business leaders and peers.
- For each topic, we ask business owners to identify the specific challenges they're facing and the challenges that are currently of greatest concern. For the most concerning issue in each type, we solicit a sentence or two about how the business owner has seen the challenge emerge.
- To understand small businesses' strengths, we then refer again to the five types of issues and ask entrepreneurs to identify the challenges that they feel they have been able to handle without worry. For each type, we then ask the business owner to describe their strengths and offer insights into the experiences and resources they've drawn upon.

- Though we are still in a beta phase in testing and rolling out the Small Business Resiliency Audit tool, we see early indications that the questionnaire component yields clear insights on local business challenges. For instance, in our early testing, more than half of small business owners indicated that “cash flow challenges” were among their top finance issues, with 43% of all respondents indicating that it was the most concerning finance issue.

In topic areas, 43% of business owners indicated that they struggled “adapting [business] hours to better meet the needs of customers,” and nearly 1/3 of respondents were challenged by “finding employees who

are a good cultural fit” with the business owner and business. We are currently conducting focus groups and interviews to better understand these challenges and potential solutions to overcome them.

- Our early results indicate that small business owners—even owners from different backgrounds and operating in different types of geographies—face the same types of issues. As we refine our understanding of these challenges, we plan to build out a database of resources and potential solutions to support local businesses and strengthen local economies.

Chapter 5

Building Resilient Businesses – Recommendations

Over the past three years, we've witnessed what has felt more like a lifetime of transitions within the U.S. economy, with the retail sector one could contend experiencing the most impacts.

Examples are closures and shutdowns, business model pivots like curbside pick-up and a rush to online, the labor force challenges, inflationary pressures, and most recently recession fears.

However, small retailers have demonstrated strong resiliency in the face of immense change. As consumers, community supporters and policy makers, we have also adapted and in many ways demonstrated a greater appreciation for our small businesses and the contribution to our economy and communities.

Moving forward, with new tools, learnings and gained experiences, we now can establish retail businesses and the support structures that form more resiliency in the retail sector.

According to the U.S. Small Business Administration, there are more than 33 million small businesses in the country.

However, nearly 90% of those small businesses fall into that category of Main Street businesses with less than 20 employees (U.S. Census). And for the retail sector, the National Retail Federation suggests 98% of retail businesses have less than 50 employees.

The reality is during a crisis, whether a natural disaster, a strong downturn in the economy or a global pandemic, much of our economy - Main Street retail businesses - are least prepared with a clear and concise plan to execute and successfully emerge from either an internal or external crisis.

The following seeks to provide retail businesses, policy makers and community managers with the tools and examples to build more resilient businesses, craft policies in support, and create the community environment that further shapes a successful climate for Virginia's retail sector.

A. Recommendations for Retail Businesses

Preparation

Being proactive and preparing in advance of a challenge, economic downturn or crisis should be part of any small business's operating plan. The critical nature of preparation can be found in just thinking about the global pandemic.

Many businesses were simply not prepared. For example, in an April 2020 survey of nearly 7,500 small businesses, Main Street America found that 63% of respondents didn't have an e-commerce component to their businesses. While for some this may not have been necessary, with so many businesses having to be closed, these businesses had no real way to reach customers.

And it's not only during a pandemic in which this can quickly become a crisis. There may be a building fire, tornado, hurricane or a host of other natural and non-natural crises that can temporarily impact business operations.

Being a resilient retail business means not only being able to recover, but taking the necessary preparatory steps to ensure that your business is best prepared to survive, recover and thrive

regardless of an internal crisis or one that is far more macro. The following represent various steps to take to help guide your preparation:

Step 1: Create a list of ready-made resources that includes areas concerning technical assistance providers like:

- Small Business Development Centers
- local financial providers like banks
- key connectors like a Chamber of Commerce, Main Street Program, or retail trade association like Retail Alliance
- local emergency management offices
- and state and federal resources such as the U.S. Small Business Administration (SBA) and Federal Emergency Management Agency (FEMA).

Step 2: Document and review with your staff, mentors, peer network, and/or technical assistance providers the “Reimagining Your Small Business Model” Covid Recovery Planning Tool.

Whether there is another pandemic or some other crisis that impacts your business, having a

thorough understanding of your business model and potential shifts/opportunities is critical to being more prepared and resilient. While not template driven, the tool is a model to use several inputs (many contained herein) to evaluate as part of your planning journey. The graphic below builds on many of the small business tools and recommendations found within this chapter. Each business should look for themes within each one of these inputs to better understand their:

- Existing products and services and how those may need to be adapted, for example for not only local sales but for e-commerce.

- The overall Business Model shift(s) may involve staying with pick-up and delivery rather than going back to a full-service, sit-down dining model.
- A revamp of your business' promotions and marketing may have resulted from new consumers you discovered through an enhancement of your social media presence during the disaster.
- And finally, any one of the first three may have resulted in changes to both expenses and revenue projects.



- To complete the Reimagining Your Small Business Plan, as many of you are aware, having a successful plan in place means tracking your strategies and outlining metrics that define success for your business. The following template can be used as a one-page

“dashboard” to focus on priority activities to be addressed and define next steps. This plan could be shared with a local SBDC to review for further assistance, a commercial lender seeking to understand overall strategic direction, etc.

Small Business REIMAGINATION Plan				
OUTCOMES	BUSINESS MODEL	PROMOTION/MARKETING	PRODUCT/SERVICES	FINANCIALS
KEY BUSINESS GOALS: 1.	<u>Current State:</u> 1.	<u>Current State:</u> 1.	<u>Current State:</u> 1.	<u>Current State:</u> 1.
METRICS: 1.	<u>Priority of New Initiatives:</u> 1.	<u>Priority of New Initiatives:</u> 1.	<u>Priority of New Initiatives:</u> 1.	<u>Priority of New Initiatives:</u> 1.
MARKET POSITION DEFINED: (Statement)				

Step 3: Build a Preparedness Culture for Your Business

Attend or check out an online disaster preparedness webinar and/or workshop with local and regional emergency response management personnel.

The following link includes a number of free courses ranging from establishing an exit plan to the basics of first aid. <https://bit.ly/emergency-courses>

Step 4: Make Sure Your Financials are in Order

One of the biggest frustrations for business owners during the pandemic was trying to access PPP or EIDL financial programs. Both required financial and tax records.

In nearly every situation, whether seeking a loan or yes, when a natural or some other disaster takes place, it's crucial to have good financial and tax records.

In fact, the Internal Revenue Service (IRS) has created a preparing for disaster tips section on their website. <https://bit.ly/preparing-disaster>

Step 5: Take the MSA's Main Street Online Tool and Review Recommendations

We know from the experience of the pandemic that a crisis situation can impact a brick-and-mortar store from being able to serve customers due to closure and/or dangerous structural conditions. Part of business redundancy should include building your retail business in a way that further provides an ability for your business to reach consumers via social media and/or e-commerce sales channels.

To assist with this effort, walk your business through Main Street America's "Main Street Online" tool. This tool provides recommendations covering more than 40 different business variables relating to supporting your businesses' virtual performance.

Each recommendation includes three to four software applications specific to your business' characteristics along with educational resources and direct links to your local Small Business Development Center or Main Street organization for further technical assistance and resources. <https://mainstreetonlinetool.org/>

Main Street Online
with GoDaddy

Build, Grow, and Boost Your Small Business Online

Navigating how to effectively start or develop your business online can be overwhelming. We are here to help guide you through this process by identifying the best solutions for your unique e-commerce needs and providing you with a roadmap to implement an effective online strategy.

Simply answer a series of questions and receive a customized list of tools and resources on everything from POS systems, website platforms, and content creation software to help your business succeed.

[Get started](#)

Step 6: Build Your Customer Database

Your customers are the bedrock of business resiliency. Create a safe database and backup of your customers’ names, addresses, and email and phone if available. Get into the practice of requesting that information not only for marketing purposes but in the case of a crisis in which you want to make your customers aware of the situation and any further details requiring action.

Step 7: Ensure You are Aware of Disaster-Related Resources

It’s important to recognize that while the following are outlining tips for a broad set of crisis types, there may be specific items to consider that may be more apt to impact your area’s small businesses. As such the Federal Emergency Management Agency (FEMA) has developed a whole set of resources called “Ready Business Toolkits” unique to a broad range of disaster types. Those can be found at their website: <https://www.ready.gov/business>

Companies need to think and act across five horizons.

The five horizons				
1	2	3	4	5
Resolve	Resilience	Return	Reimagination	Reform
Address the immediate challenges that COVID-19 represents to institution's workforce, customers, technology, and business partners	Address near-term cash-management challenges and broader resiliency issues during virus-related shutdowns and economic knock-on effects.	Create detailed plan to return business to scale quickly as COVID-19 situation evolves and knock-on effects become clearer	Reimagine the next normal: what a discontinuous shift looks like and implications for how institutions should reinvent	Be clear about how regulatory and competitive environments in industry may shift
McKinsey & Company				

Companies Need to Think and Act Across Five Horizons (Source: McKinsey & Company)

Short-Term Recovery

During the global pandemic, the global consulting firm McKinsey & Company documented how businesses create a process building initial resiliency in the face of disasters, but then continuing through to reimagination and business reform post-recovery.

In the short-term recovery, which aligns to the resiliency phase below, the important elements begin to address challenges that would prevent you from survival. This would of course be items such as having to forego any customer sales for a long period of time.

As such for small businesses, having a business continuity plan in place is paramount. As a business owner be sure as part of your short-term recovery to run through the following checklist with your team and technical and financial assistance partners:

Short-Term Business Continuity Check List

- Examine which staff, materials, procedures, and equipment are necessary to keep the business operating.
- Identify and document suppliers, shippers, and resources.
- Plan for the building, plant, or store being inaccessible, i.e., do you have items in the cloud or copies in storage for the business.
- Plan for payroll continuity for your team.
- Share contact information with key business stakeholders i.e., your bank, accountants, vendors, etc.
- Keep copies of important records such as site maps, building plans, insurance policies, employee contact and identification information, bank account records, supplier and shipping contact lists, and computer information in multiple secure locations.

- Include co-workers from all levels in planning and as active members of the emergency management team, and
- Review your emergency plans semi-annually.

Long-Term Recovery

By its very nature, a disaster or crisis situation of any magnitude will likely establish some new norms for small business owners.

Perhaps nothing like the global pandemic, but nonetheless depending upon the time to recover, consumers may have developed new habits, or you as the business owner may have had time to reevaluate the state of their businesses.

As such this should also be a time for not only return, but for reimagination as highlighted in the McKinsey & Company “five horizons” outline.

As businesses return to operation, small businesses should be prepared for the following:

- Move beyond “survival” grants to greater levels of financing that positions the business not only for a return, but for growth. This may come in the form of microlending through a

Community Development Finance Institution (CDFI) or greater connections with local and community banks.

- Disasters can also create a sense of isolation for small businesses. Consider joining an industry group like Retail Alliance or a local networking group that provides training and other networking activities. <https://www.retailalliance.com/member-benefits->
- As mentioned previously, new norms for consumers may have been created during this time. Conduct a customer survey to better understand whether any of their shopping patterns have shifted. Are they seeking different kinds of products? Do they still shop during the same time/day? Do they still engage with you and your marketing efforts in the same way?

B. Recommendations for Policy Makers

According to the National Retail Federation, retail supports one in four American jobs and drives a large percentage of job creation. (Note: when accounting for food services and accommodations).

Based on our analysis of ESRI data (from Chapter 4), Virginia is about 1% below U.S. employment in retail and food/accommodations as a percent of total employment.

Based on current employment levels, just to be equal to the U.S. average would suggest an additional 8,239 more jobs created.

Given that Virginia is only .2% below U.S. average on number of businesses in retail and food services/accommodation, it would suggest that policies should be directed that help to grow and scale current businesses so that they can accommodate additional employment opportunities.

Retail Alliance co-spearheads the Virginia Retail Federation (VRF) with Richmond based InUnison. The VRF mission is to proactively present and support the legislative interests of Virginia retailers at Federal, state, and local levels.

The VRF makes sure your voice is heard in the legislative process and keeps you informed on issues impacting your business on the local, state, and Federal levels.

We take a pro-business approach to legislative issues to ensure there is representation for retailers that serve the Commonwealth.

C. Recommendations for Place Makers - Building a Resilient Business Community

For this last phase of building a more resilient retail business enterprise, there are a number of both community and internal business activities that need to be reviewed and ultimately aligned and implemented. So, in this section we will review what Virginia communities and regions can be doing to support their retail businesses.

As part of building a foundation with your retail businesses, the best first step is to simply have a 1:1 conversation and/or use a tool to help facilitate a conversation to assess their current situation and firm up the areas of their businesses that may create barriers to both surviving and recovering from a disaster.

Main Street America has developed a diagnostic tool that place professionals, Main Street Directors and local/regional supporters can use and review with their small business owners and develop an appropriate implementation plan to address with resources and technical assistance.

Review and walk through with yourself, mentors, technical assistance partners or employees

the Main Street America Insights Diagnostic Tool. (See in Appendix).

This tool is set up to help you identify areas of strength and weakness relative to a host of operational issues, including workforce, virtual commerce, physical space, etc.



Communities Building Resilient Economies

There are several, in essence, paradigm shifts communities can undertake to build more resilient economies in the face of the growing frequency of disasters.

- Economic development, for example, has largely concentrated resources and time on large business recruitment, often focused on a narrow cluster of the economy. However, resiliency is actually best created by diversifying the economy.

A quick approach is to actually focus on growing and scaling your existing businesses and nurturing your local residents eager to launch new ventures in your community. Recall data that has demonstrated a rapid rise in the number of new business formation within the U.S.

In fact, GoDaddy compiled research from a set of EIG indicators that investment and support from small ventures can increase economic resiliency by 40 percent. <https://bit.ly/micro-bizz-data>

- Be proactive and create a more sustained Buy/Support Local campaign effort to build

local small business awareness and data around impacts on supporting locally owned businesses can have on a community's quality of life and the local economy.

The American Independent Business Alliance has created a Buy Local Primer you can download for assistance in positioning your campaign and related messaging. <https://bit.ly/buy-local-primer>

- Deciding whether to own or rent your building space, may now be more of a “depends on what kind of business you are” for the next time there is a disaster.

For more office users who could pivot to working out of the home, renting may be a more resilient choice. But for most restaurants and retail small business owners, the ability to own one's own building can greatly enhance and ensure displacement doesn't occur.

- During the pandemic, many small businesses and retailers sought out Retail Alliance and Main Street programs for their ability to connect owners to resources and assistance as well as to convene around issues and solution topics.

For any small business partner organization, it's important to build out its broader economic development partnerships and become that communications hub for local businesses.

- Expand your own community's digital presence to highlight small business resources and technical assistance. Leverage your website to serve as a disaster recovery virtual directory. Share links with all of your local stakeholders and partners.

And finally, host on-demand training content keeping in mind that many business owners may have conflicts with any training that requires presence at a certain time and place.

Short-Term Recovery Programming Opportunities for your Community

Small business-supporting organizations can also build a strong short-term recovery response through a host of locally supportive activities. Consider the following:

- Transition where possible technical

assistance programs or low-interest loan programs to small grants. <https://bit.ly/main-street-strong>

- Launch a local crowdfunding initiative to support small business grants. Example from Lake Orion, Michigan: <https://bit.ly/snap-retail>
- Launch a local marketing campaign designed to communicate to consumers the status of your downtown businesses and tips on how they can support them. <https://bit.ly/cash-mobs>
- Help facilitate a shared business space with the basic resources needed to keep operating – electricity, internet, copier/ printers.
- Establish a volunteer team of local accountants, bankers, etc. as part of your Economic Vitality team that can support businesses in applying for emergency loan and grant programs.

Map and Develop your Local Small Business Ecosystem

In 2021, Main Street America, with support from the Kauffman Foundation, developed a new resource guide entitled, "Building a Community Entrepreneurial Ecosystem: A

Self-Guided Training for Communities.” A link to that guide is attached and provides a number of tools for getting started to assess your current entrepreneurship environment, bring together key stakeholders, and begin to develop a plan toward activating your own ecosystem that is supportive to new and growing entrepreneurs. <https://bit.ly/eecommunity-guide>

Recent data gathered from Main Street America suggests that more than 70% of all small businesses were started by people from that very same community. In essence, one should question why we spend so many resources on business recruitment from a policy and program perspective, when most of our returns will be from investing locally.

As small business supporting organizations, retail diversification and supporting opportunities for growth and scaling can be paramount for both new start-ups and existing businesses regardless of the stage of their life cycle. The following are some tactical activities

to explore resiliency at various stages of a retail business:

- **Micro Retail Spaces.** The space would host a cohort group of microventures over an 8 to 12-week period of time for example and receive wrap around services. A great example exists in Lansing, Michigan called the Middle Village Micro Market. <https://www.downtownlansing.org/middle-village-micro-market/>.

This concept may not work for every community but could operate as a standalone initiative or in concert with an existing business. In Virginia, this program could be connected with the



Department of Housing and Community Development's Community Based-Launch program. <https://www.dhcd.virginia.gov/cbl>

- **Co-op Retailing** is simply a concept in which existing businesses will offer a small portion of their store for a complementary business to showcase their products/services. This could be conducted in a variety of ways: an event, short-term, or more of a permanent arrangement.
- **Off-Hour Conversations.** These efforts involve matching businesses together that have totally different hours and concepts that allow them to be open at different times. The most obvious would be a day and night concept. The following is from New Buffalo, Michigan in which during the day, a deli operates out of the front half the building, and in the evening a speakeasy operates. Both have totally different business owners. Another example is from Chesapeake, Virginia. Two businesses operate within Big Ugly Brewing. The brewery operates at different hours to Taxus Street Coffee that operates inside plus they have different owners.



- **Underutilized Civic Structures.** In this case former or existing civic buildings such as Masonic Lodges, Lions Clubs facilities or even churches with commercial kitchens used infrequently could offer new start-up or scaling spaces for new ventures.
- **Tiny House/Cottage Style Spaces.** This concept is typically for infill locations such as an underutilized parking lot and works best with a dedicated niche, such as the arts. The following is from Batavia, Illinois in which they developed the “Boardwalk Shoppes” which are dedicated for local and regional artists and artisans. This concept is largely seasonal from the Summer through holidays. https://bit.ly/batavia_boardwalkshops



- **Mobile Food and Retail Truck Parks.** Given the expense of starting a food business along with demand for greater food options by the local and visiting consumers (but no space), mobile retailing provides a quick and cost-efficient strategy.

To discourage issues with existing businesses, having a more permanent set-up in which there are rental fees, or a narrower event strategy is best practice. The image is from a developing food truck park ‘The Glades’ in Henrico County.



Photo Credit: The Glades

A “Dispersion Economy” Further Builds the Interdependence of Community and Local Retailers

Much of our economic attention over the last few years in the retail world has been focused on the “experiential” economy; one in which people shop with small businesses because it speaks to their particular lifestyle, gives them the ability to tell a story, or leads to a highly unique purchase.

Over the last few years, we have spent considerable time understanding impacts and trends inherent within the new norms following a COVID-induced economy.

However, the reality is that both forms have existed as a microcosm within a much larger emerging era that Professor Scott Galloway of New York University hailed the “Great Dispersion.” <https://www.profgalloway.com/the-great-dispersion/>.

The Dispersion Economy, which follows an era defined by globalization and then digitization, is described as “the distribution of products and services over a wider area where and when they’re needed most, bypassing gatekeepers and removing unnecessary friction and cost.”

Examples exist all around us from the growing trend of releasing movies on streaming platforms instead of theaters to the emergence of telemedicine, which is 38 times more prevalent now than in February 2020.

And while both may seem like outcomes from the global pandemic, they were simply accelerated forms of dispersion happening well before COVID – think Blockbuster to Netflix, and of course the growth of Amazon.

The Dispersion Economy is as disruptive to our lives as other economic eras, creating challenges along with presenting unique benefits.

More familiar benefits include the ability to decouple one’s job from a particular location, emerging access to health care (telemedicine), and growing education options with online degrees making it more convenient and likely available at a lower cost.

However, there are immense consequences of dispersion that we are seeing firsthand resulting in tribalism and social isolationism. For example, the office is more than a place of work, it is an equalizer, as Esther Perel said. Meeting people from different backgrounds, seeing people

on your commute, or having a spontaneous lunch with someone you barely know create opportunities for chance connections that can result in understanding, future partnerships, to ideation and innovation.

These are the kinds of encounters we witness every day along our Main Streets. In many ways, dispersion represents another form of silo making, further reducing the opportunity for the cross pollination of ideas, and creating group think leading to stagnation.

What the Dispersion Economy provides by way of opportunity, it lacks in any form of connectiveness. While consumers have grown

appreciative shopping online, being able to talk to their doctor online, or even curbside pick-up at a local restaurant, as humans we gain energy, reflection, and contentment from being around one another. Why else go and pay six dollars for a cup of coffee so you can work at your laptop at your local café?

As such, during down times in the economy, whether in the near term or future, dispersion will actually cause consumers to pause and reflect on the importance of locally owned retail as more than just a transaction, but a quality-of-life factor and way to further fill the gap of community and personal engagement.

Conclusion

The State of Virginia Retail report highlights the incredible importance of the retail sector's contribution to Virginia's overall economy, making up 12.5% of the state's overall business and adding more than \$66 billion in sales tax revenues annually.

However, there remain further opportunities for growth. Virginia lags behind other Mid-Atlantic states when it comes to number of retail businesses per capita at .40, while our neighbor to the south, North Carolina for example, stands at .47 retail businesses per capita.

And while numbers are important, the Retail Alliance study underscores the role retail

businesses play in support of local economies and Main Streets across Virginia, often serving as the economic foundation for our communities, providing residents and tourists alike with a unique and quality of life driven experience that make these places special.

When it comes right down to it, as we saw during the global pandemic, when our independent stores are closed, there is a profound loss of the very experiences that make shopping, supporting local, and being part of a community so special. Local retail shopping is more than just a transaction, it's at the foundation of our civic life.

Appendix

Main Street Small Business Resiliency Audit Tool



**Appendix: Main Street Small Business
Resiliency Audit Tool**

Please provide your name and your preferred method(s) of contact (email address and/or phone number).

- Name _____
- Email Address _____
- Phone Number _____

What is the name of your business?

Where is your business located or headquartered?

- City _____
- State _____

Which of the following best describes your business type?

- Agribusiness
- Arts and Entertainment
- Business Services (Accounting, Advertising, Law, etc.)
- Construction
- Eating and Drinking Establishments
- Finance / Insurance / Real Estate
- Healthcare
- Lodging (Hotel, Motel, or Airbnb)
- Manufacturing / Small-Scale Production
- Non-profit
- Personal Services (Hair, Nail, Massage, Tanning, etc.)
- Retail
- Wholesale
- Other (please specify)

What is the current stage of your business?

- Still in formation / Existence
- Launched / Survival
- Success / Growth
- Maturity / Steadiness
- Settled / Thinking of Retirement or Succession

What year did you launch your business?

What is the legal structure of your business?

- Sole Proprietorship
- General Partnership
- Limited Liability Company
- S-Corporation
- Corporation
- Employee-Owned / Cooperatively-Owned
- B-Corporation
- Tax Exempt

How many people work in your business?

- Full-time _____
- Part-time _____
- Contract-based or temporary _____

Please select all descriptors that apply to your business.

- Black-owned
- Asian-owned
- Hispanic or Latino/a/x-owned
- American Indian or Alaska Native-owned
- Native Hawaiian or Pacific Islander-owned
- White-owned
- Immigrant or refugee-owned
- Female-owned
- Family-owned
- Veteran-owned
- LGBTQ+-owned
- Home-based
- Franchise unit
- Owned by person(s) with a disability

Which of the following words or phrases could describe your current business location(s)? (Please select all that apply.)

- Independent ground floor storefront
- Ground floor storefront shared with other businesses
- Office on an upper floor of a commercial building
- Basement
- Home-based business
- Mobile business
- Pop-up business
- Farmers market, trade show, flea market, etc.
- Historic building
- Strip mall
- Remote commercial / industrial building away from other businesses
- Commercial shopping center with a large parking lot
- Other (please specify) _____

Which of the following workforce, human resources, or legal issues are you and your business currently facing? (Please select up to three.)

- Retaining employees
- Recruiting employees
- Providing benefits to your employees
- Managing employee schedules
- Finding employees who are a good cultural fit with you and your business
- Identifying and paying for business insurance
- Identifying and working with a lawyer for business-related questions or issues
- Finding employees who have the needed skills / experience for the work
- Finding workforce assistance in my area
- Finding human resources in my area
- Finding legal assistance in my area
- Managing hourly payroll increases for employees
- Other (please specify) _____

Which of the following finance issues are you and your business currently facing? (Please select up to three.)

- Separating my business financials from my personal financials
- Accessing needed capital to launch or expand my business
- Identifying and working with good sources of capital / lending
- Dealing with past bankruptcy
- Dealing with personal credit challenges
- Dealing with business credit challenges
- Generating my own business financial reports
- Cash flow challenges
- Identifying and working with a CPA or accountant
- Other (please specify) _____

Which of the following sales, marketing, technology, and customer service / success issues are you and your business currently facing? (Please select up to three.)

- Differentiating my business relative to my business's competitors
- Overcoming limited profit margins on my goods/services or related product pricing issues
- Unstable or declining demand from primary customers or industries
- Understanding of the market for my business and/or who my customer are
- Engaging customers and potential customers using social media, websites, and other online tools
- Developing strong branding, logos, signage, etc.
- Establishing or growing revenues from e-commerce sales
- Taking a variety of forms of payment
- Bringing in enough revenue to pay myself enough to meet my needs and lifestyle
- Considering parts of my business that could be automated with technology (e.g., Reservations, deliveries, check-out, cooking equipment, ordering and pick-up, etc.)
- Other (please specify) _____

Which of the following business operations and business model shift issues are you and your business currently facing? (Please select up to three.)

- Developing or updating my business plan
- Securing inventory from vendors based locally or in the nearby region
- Securing inventory from vendors elsewhere in the U.S. and around the world
- Developing and executing expansion plans
- Adapting my business model to changing economic and societal conditions
- Developing a succession plan
- Going into small-scale production
- Participating in a pop-up to test a new concept for my business
- Launching a subscription service
- Other (please specify) _____

Which of the following business location, locale, and network and relationships issues are you and your business currently facing? (Please select up to three.)

- Identifying location(s) for your business
- Finding an affordable commercial space to purchase
- Finding an affordable commercial space to lease
- Adapting commercial space to fit your business needs
- Developing a good relationship with city/county staff and elected officials as they relate to my business location and operations
- Identifying and developing a relationship with a mentor(s)
- Identifying and working with aligned group(s) for networking and peer-to-peer learning
- Getting proper permits for starting my business / adapting the business location to the business's needs
- Adapting my hours to better meet the needs of my customers
- Expanding my business to a second or additional locations
- Other (please specify) _____

Display This Question:

If If Which of the following workforce, human resources, or legal issues are you and your business currently facing? (Please select up to three.) q://QID9/SelectedChoicesCount Is Greater Than 0

Carry Forward Selected Choices - Entered Text from "Which of the following workforce, human resources, or legal issues are you and your business currently facing? (Please select up to three.)"

Of the workforce, human resources, or legal issues you and your business are facing, which are most concerning right now? (Please rate your greatest concern as a 1 and your lesser concerns as 2, then 3, if applicable.)

- Retaining employees
- Recruiting employees
- Providing benefits to your employees
- Managing employee schedules
- Finding employees who are a good cultural fit with you and your business
- Identifying and paying for business insurance
- Identifying and working with a lawyer for business-related questions or issues
- Finding employees who have the needed skills / experience for the work
- Finding workforce assistance in my area
- Finding human resources in my area
- Finding legal assistance in my area
- Managing hourly payroll increases for employees
- Other (please specify)

Display This Question:

If If Which of the following finance issues are you and your business currently facing? (Please select... q://QID10/SelectedChoicesCount Is Greater Than 0

Carry Forward Selected Choices - Entered Text from "Which of the following finance issues are you and your business currently facing? (Please select up to three.)"

Of the finance issues you and your business are facing, which are most concerning right now? (Please rate your greatest concern as a 1 and your lesser concerns as 2, then 3, if applicable.)

- Separating my business financials from my personal financials
- Accessing needed capital to launch or expand my business
- Identifying and working with good sources of capital / lending
- Dealing with past bankruptcy
- Dealing with personal credit challenges
- Dealing with business credit challenges
- Generating my own business financial reports
- Cash flow challenges
- Identifying and working with a CPA or accountant
- Other (please specify)

Display This Question:

If If Which of the following sales, marketing, technology, and customer service / success issues are yo... q://QID11/SelectedChoicesCount Is Greater Than 0

Carry Forward Selected Choices - Entered Text from "Which of the following sales, marketing, technology, and customer service / success issues are you and your business currently facing? (Please select up to three.)"

Of the sales, marketing, technology, and customer service / success issues you and your business are facing, which are most concerning right now? (Please rate your greatest concern as a 1 and your lesser concerns as 2, then 3, if applicable.)

- Differentiating my business relative to my business's competitors
- Overcoming limited profit margins on my goods/services or related product pricing issues
- Unstable or declining demand from primary customers or industries
- Understanding of the market for my business and/or who my customer are
- Engaging customers and potential customers using social media, websites, and other online tools
- Developing strong branding, logos, signage, etc.
- Establishing or growing revenues from e-commerce sales
- Taking a variety of forms of payment
- Bringing in enough revenue to pay myself enough to meet my needs and lifestyle
- Considering parts of my business that could be automated with technology (e.g., Reservations, deliveries, check-out, cooking equipment, ordering and pick-up, etc.)
- Other (please specify)

Display This Question:

If If Which of the following business operations and business model shift issues are you and your busin... q://QID12/SelectedChoicesCount Is Greater Than 0

Carry Forward Selected Choices - Entered Text from "Which of the following business operations and business model shift issues are you and your business currently facing? (Please select up to three.)"

Of the business operations and business model shift issues you and your business are facing, which are most concerning right now? (Please rate your greatest concern as a 1 and your lesser concerns as 2, then 3, if applicable.)

- Developing or updating my business plan
- Securing inventory from vendors based locally or in the nearby region
- Securing inventory from vendors elsewhere in the U.S. and around the world
- Developing and executing expansion plans
- Adapting my business model to changing economic and societal conditions
- Developing a succession plan
- Going into small-scale production
- Participating in a pop-up to test a new concept for my business
- Launching a subscription service
- Other (please specify)

Display This Question:

If *Which of the following business location, locale, and network and relationships issues are you...*
 q://QID13/SelectedChoicesCount Is Greater Than 0

Carry Forward Selected Choices - Entered Text from "Which of the following business location, locale, and network and relationships issues are you and your business currently facing? (Please select up to three.)"

Of the business location, locale, and network and relationships issues you and your business are facing, which are most concerning right now? (Please rate your greatest concern as a 1 and your lesser concerns as 2, then 3, if applicable.)

- _____ Identifying location(s) for your business
- _____ Finding an affordable commercial space to purchase
- _____ Finding an affordable commercial space to lease
- _____ Adapting commercial space to fit your business needs
- _____ Developing a good relationship with city/county staff and elected officials as they relate to my business location and operations
- _____ Identifying and developing a relationship with a mentor(s)
- _____ Identifying and working with aligned group(s) for networking and peer-to-peer learning
- _____ Getting proper permits for starting my business / adapting the business location to the business's needs
- _____ Adapting my hours to better meet the needs of my customers
- _____ Expanding my business to a second or additional locations
- _____ Other (please specify) _____

Thank you. We'd like now to learn a little more about the toughest challenges you and your business are facing.

You indicated that you have some significant concerns about your business. For each, please offer 1-2 sentences explaining what you and your business are going through.

The next questions will shift to thinking about things that are **not** issues for you and your business. Please share with us a little more about what you see as your strengths.

Carry Forward Unselected Choices from "Which of the following workforce, human resources, or legal issues are you and your business currently facing? (Please select up to three.)"

You indicated that you do not currently have any of the following workforce, human resources, and legal issues issues. Which of these feel like particular strengths of you and your business? (Please choose up to three.)

- Retaining employees
- Recruiting employees
- Providing benefits to your employees
- Managing employee schedules
- Finding employees who are a good cultural fit with you and your business
- Identifying and paying for business insurance
- Identifying and working with a lawyer for business-related questions or issues
- Finding employees who have the needed skills / experience for the work
- Finding workforce assistance in my area
- Finding human resources in my area
- Finding legal assistance in my area
- Managing hourly payroll increases for employees
- Other (please specify) _____

Carry Forward Unselected Choices from "Which of the following finance issues are you and your business currently facing? (Please select up to three.)"

You indicated that you do not currently have any of the following finance issues. Which of these feel like particular strengths of you and your business? (Please choose up to three.)

- Separating my business financials from my personal financials
- Accessing needed capital to launch or expand my business
- Identifying and working with good sources of capital / lending
- Dealing with past bankruptcy
- Dealing with personal credit challenges
- Dealing with business credit challenges
- Generating my own business financial reports
- Cash flow challenges
- Identifying and working with a CPA or accountant
- Other (please specify) _____

Carry Forward Unselected Choices from "Which of the following sales, marketing, technology, and customer service / success issues are you and your business currently facing? (Please select up to three.)"

You indicated that you do not currently have any of the following sales, marketing, technology, and customer service / success issues. Which of these feel like particular strengths of you and your business? (Please choose up to three.)

- Differentiating my business relative to my business's competitors
- Overcoming limited profit margins on my goods/services or related product pricing issues
- Unstable or declining demand from primary customers or industries
- Understanding of the market for my business and/or who my customer are
- Engaging customers and potential customers using social media, websites, and other online tools
- Developing strong branding, logos, signage, etc.
- Establishing or growing revenues from e-commerce sales
- Taking a variety of forms of payment
- Bringing in enough revenue to pay myself enough to meet my needs and lifestyle
- Considering parts of my business that could be automated with technology (e.g., Reservations, deliveries, check-out, cooking equipment, ordering and pick-up, etc.)
- Other (please specify) _____

Carry Forward Unselected Choices from "Which of the following business operations and business model shift issues are you and your business currently facing? (Please select up to three.)"

You indicated that you do not currently have any of these issues with business operations and business model shifts. Which of these feel like particular strengths of you and your business? (Please choose up to three.)

- Developing or updating my business plan
- Securing inventory from vendors based locally or in the nearby region
- Securing inventory from vendors elsewhere in the U.S. and around the world
- Developing and executing expansion plans
- Adapting my business model to changing economic and societal conditions
- Developing a succession plan
- Going into small-scale production
- Participating in a pop-up to test a new concept for my business
- Launching a subscription service
- Other (please specify) _____

Carry Forward Unselected Choices from "Which of the following business location, locale, and network and relationships issues are you and your business currently facing? (Please select up to three.)"

You indicated that you do not currently have any of these issues with business location, locale, and network and relationships. Which of these feel like particular strengths of you and your business? (Please choose up to three.)

- Identifying location(s) for your business
- Finding an affordable commercial space to purchase
- Finding an affordable commercial space to lease

- Adapting commercial space to fit your business needs
- Developing a good relationship with city/county staff and elected officials as they relate to my business location and operations
- Identifying and developing a relationship with a mentor(s)
- Identifying and working with aligned group(s) for networking and peer-to-peer learning
- Getting proper permits for starting my business / adapting the business location to the business's needs
- Adapting my hours to better meet the needs of my customers
- Expanding my business to a second or additional locations
- Other (please specify) _____

Thank you! We'd like now to learn a little more about your strengths and the strengths of your business.

Display This Question:

If If You indicated that you do not currently have any of the following workforce, human resources, and legal issues issues. Which of these feel like particular strengths of you and your business? (Please... q://QID21/SelectedChoicesCount.Is Greater Than or Equal to 1

You indicated the following strengths with regard to workforce, human resources, and legal matters.

To what do you attribute your successes in these regard? What experiences or resources have you accessed that have led to these successes? (Please provide 1-2 sentences of insights on these strengths and successes.)

Display This Question:

If If You indicated that you do not currently have any of the following finance issues. Which of these feel like particular strengths of you and your business? (Please choose up to three.) q://QID25/SelectedChoicesCount Is Greater Than or Equal to 1

You indicated the following strengths with regard to finance.

To what do you attribute your successes in these regard? What experiences or resources have you accessed that have led to these successes? (Please provide 1-2 sentences of insights on these strengths and successes.)

Display This Question:

If If You indicated that you do not currently have any of the following sales, marketing, technology, and customer service / success issues. Which of these feel like particular strengths of you and your ... q://QID26/SelectedChoicesCount Is Greater Than or Equal to 1

You indicated the following strengths with regard to sales, marketing, technology, and customer service / success.

To what do you attribute your successes in these regard? What experiences or resources have you accessed that have led to these successes? (Please provide 1-2 sentences of insights on these strengths and successes.)

Display This Question:

If If You indicated that you do not currently have any of these issues with business operations and business model shifts. Which of these feel like particular strengths of you and your business? (Please ... q://QID27/SelectedChoicesCount Is Greater Than or Equal to 1

You indicated the following strengths with regard to business operations and model shifts.

To what do you attribute your successes in these regard? What experiences or resources have you accessed that have led to these successes? (Please provide 1-2 sentences of insights on these strengths and successes.)

Display This Question:

If If You indicated that you do not currently have any of these issues with business location, locale, and network and relationships. Which of these feel like particular strengths of you and your business... q://QID28/SelectedChoicesCount Is Greater Than or Equal to 1

You indicated the following strengths with regard to business location, locale, and network and relationships.

To what do you attribute your successes in these regard? What experiences or resources have you accessed that have led to these successes? (Please provide 1-2 sentences of insights on these strengths and successes.)

Thank you for sticking with us through these questions. We have just two questions left!

When you're faced with issues, who or what do you turn to first for assistance and solutions? (Please select up to three.)

- Industry associations
- Industry news
- Neighbor small business owners
- Typical agencies
- Banker
- Accountant
- Friends
- Family
- Social Media
- Web Searches
- Other (please specify) _____

What are the barriers preventing you from getting the support you need? (Please check all that apply.)

- Cost
- Time
- Isolation / limited network
- Lack of nearby assistance
- Unfamiliarity with nearby resources

- Discomfort or unease leveraging resources
- Good technological infrastructure (fast, reliable internet; 5G mobile; etc.)
- Other (please specify) _____



Norma Dorey
Owner, Changes City Spa
Proud Retail Alliance and
TowneBank Member

Your Dreams. Your Community. Your Bank.

TowneBank helps
local families and businesses
achieve their dreams
and build futures.



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