



RETAIL PULSE SURVEY RESULTS APRIL 2021

 retail
alliance

INTRODUCTION

Retail is a major engine of growth and, in many ways, the backbone of the U.S. economy. We cannot meaningfully recover from the COVID-19 crisis without a resilient retail sector. It's important to understand just how vital retail is to the US economy.

According to the National Retail Federation (NRF), retail is the nation's largest private-sector employer, directly employing 32 million people (16% of US economy), and indirectly supporting 52 million people.

Retail has a \$1.6 trillion direct impact on our Gross Domestic Product which is 7.7% of US economy.

In Virginia, the retail industry employs nearly 827,000 direct retail jobs in 97,500 retail establishments throughout the State. That has a direct impact of \$37.6 billion on our GDP.

We've all seen the major impact of the pandemic on the retail, restaurant, and service industries, throwing challenges to business owners left, right, and center.

Specialized retailers and department stores were forced to close for months while grocers and mass merchants were allowed to stay open as essential businesses. Heavy restrictions were placed on small businesses, with restaurants closing dining rooms and a large number of retailers and restaurants changing operations to introduce online ordering, curbside pickup, and delivery options. All the time dealing with nervous consumers with high expectations of cleanliness and alternative shopping options.

The federal government came through several times, pumping trillions of dollars into the economy, much of it directly into consumers' pockets. Now, consumer confidence is on the rebound, well up in recent months, reaching a high in April not seen since February 2020, according to The Conference Board.

Even with the many challenges remaining, according to our Retail Pulse April survey, there are strong indicators that signal small businesses will be okay.

DETAILED FINDINGS

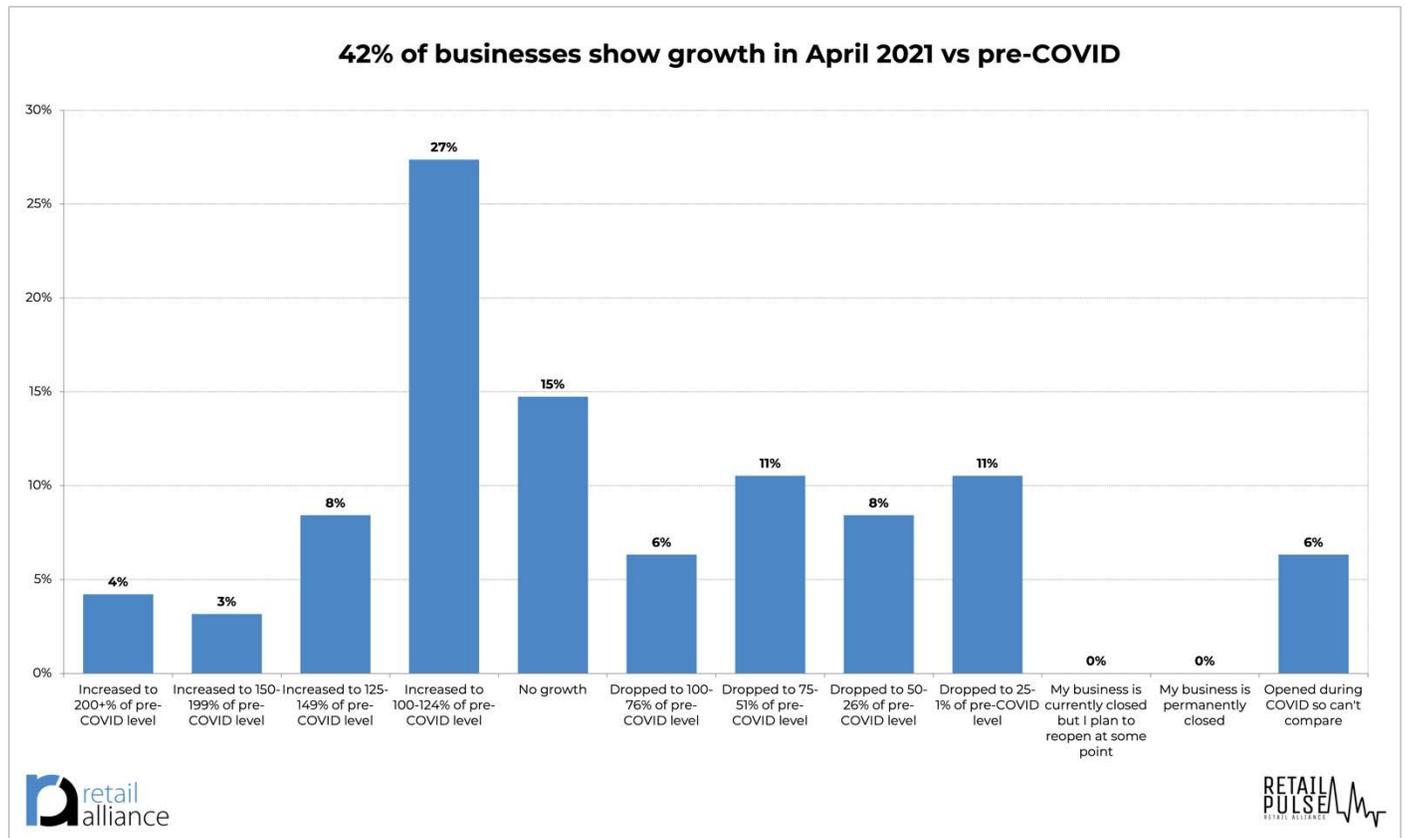
April 2021 sales vs pre-COVID: Overall

Back in October, 14% of small businesses surveyed reported that their current sales have recovered back to levels before COVID-19.

When we checked again in January, this had grown to 26%, driven by retailers and service industries over the holiday season.

Now, in April that figure has jumped to 43% reporting better than pre-COVID sales, which is certainly a positive trend and one we hope continues throughout 2021 and beyond.

Unfortunately, the flip side is that 51% reported either flat or fewer sales than they did prior to the pandemic, although this is still far less than January (65%) and October (84%) results.

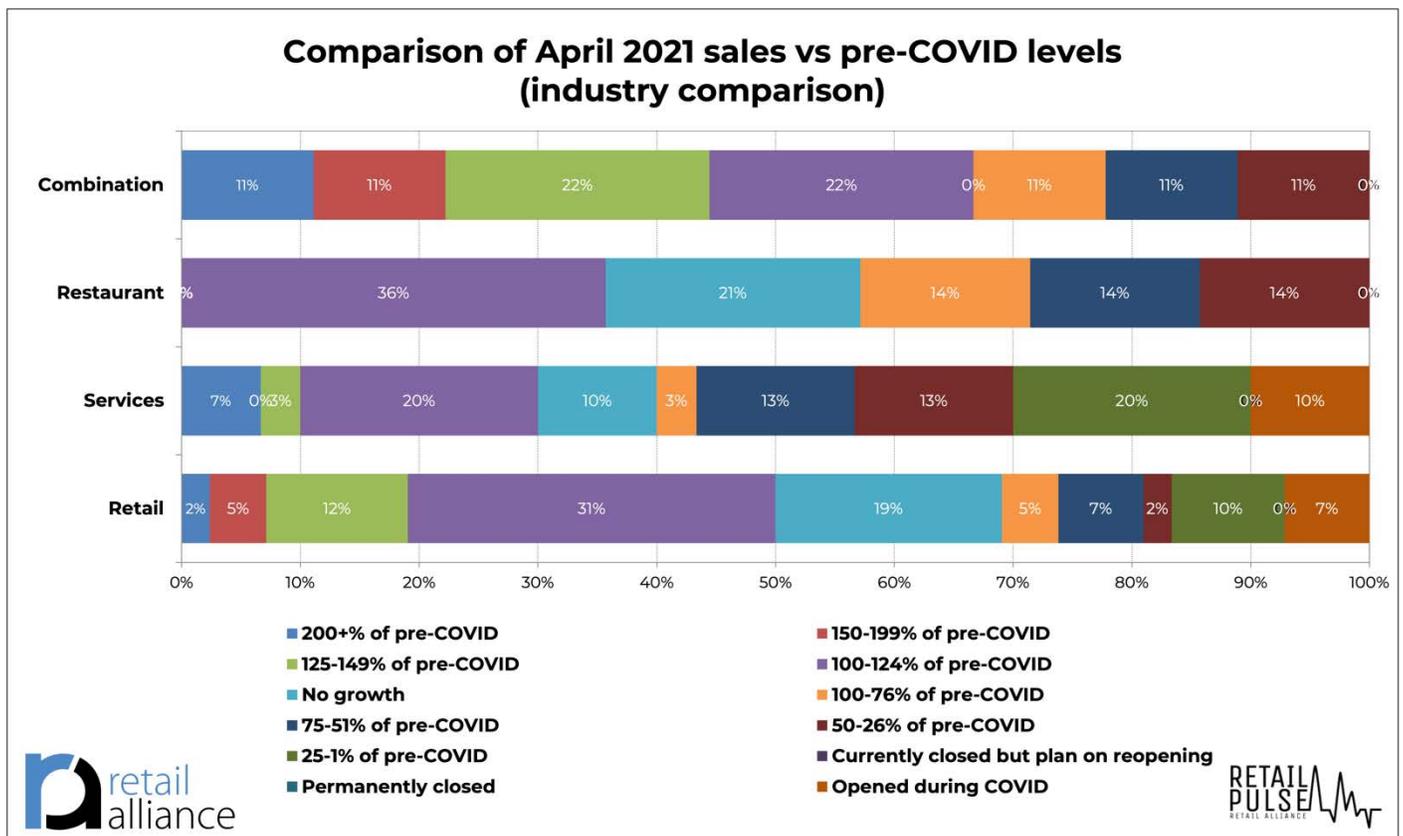


[Chart 1: April sales compared to pre-COVID levels. Note: these figures have been rounded to the nearest full number. n=95]

April 2021 sales vs pre-COVID: Segmented by industry

We split the data a little further by industry and we can see where the growth or lack of it is coming from.

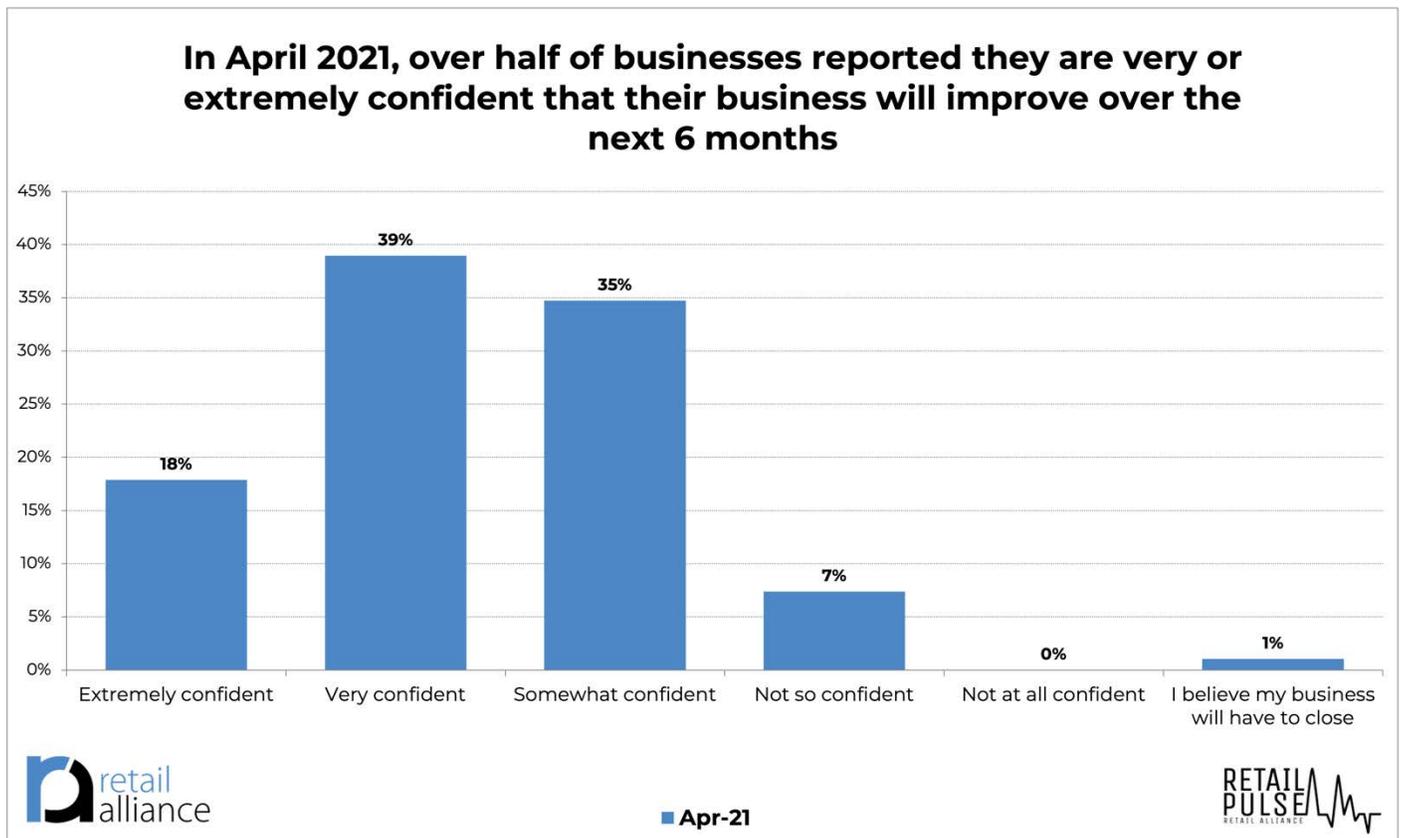
- Retailers are showing signs of recovery with half now reporting more sales than pre-COVID. 24% are still experiencing fewer sales and 19% had no growth since pre-COVID.
- Restaurants are slower to show signs of recovery with 43% reporting fewer sales than pre-COVID. 36% said they were now making more sales than prior to COVID and 21% have flat sales.
- Half of Service businesses had fewer sales than they did prior to COVID, higher than retailers or restaurants. As restrictions ease, we hope these businesses will recover quickly.
- Those that provided a Combination of services (such as a restaurant with catering or a retail store that also repairs) reported more sales than they had prior to COVID (67%).



[Chart 2: April sales compared to pre-COVID levels, segmented by industry. Note: these figures have been rounded to the nearest full number. n=95]

Confidence over next 6 months: Overall

The vast majority of current businesses are confident their business will improve over the next 6 months. 18% are extremely confident of improvement, with another 39% very confident. Only 7% are not confident.



[Chart 3: Confidence that business will improve over next six months. Note: these figures have been rounded to the nearest full number. n=95]

Confidence over next 6 months: Segmented by industry

Businesses that had a Combination of offerings were far more confident of recovery in the next 6 months than others. 100% were Extremely, Very, or Somewhat confident of improvement with not one respondent saying they were Not so confident or Not at all confident.

Restaurants were the least likely to feel confident that their business would improve with 14% choosing Not so confident, but they also had the largest number (50%) that were Very confident of improvement in the next six months.

None of the categories responded Not at all confident, a good sign.



[Chart 4: Confidence that business will improve over next six months, segmented by industry. Note: these figures have been rounded to the nearest full number. n=95]

Challenges: Overall

Respondents were asked to rank various business-related issues on a scale of 1 to 5, from Least concerned to Most concerned.

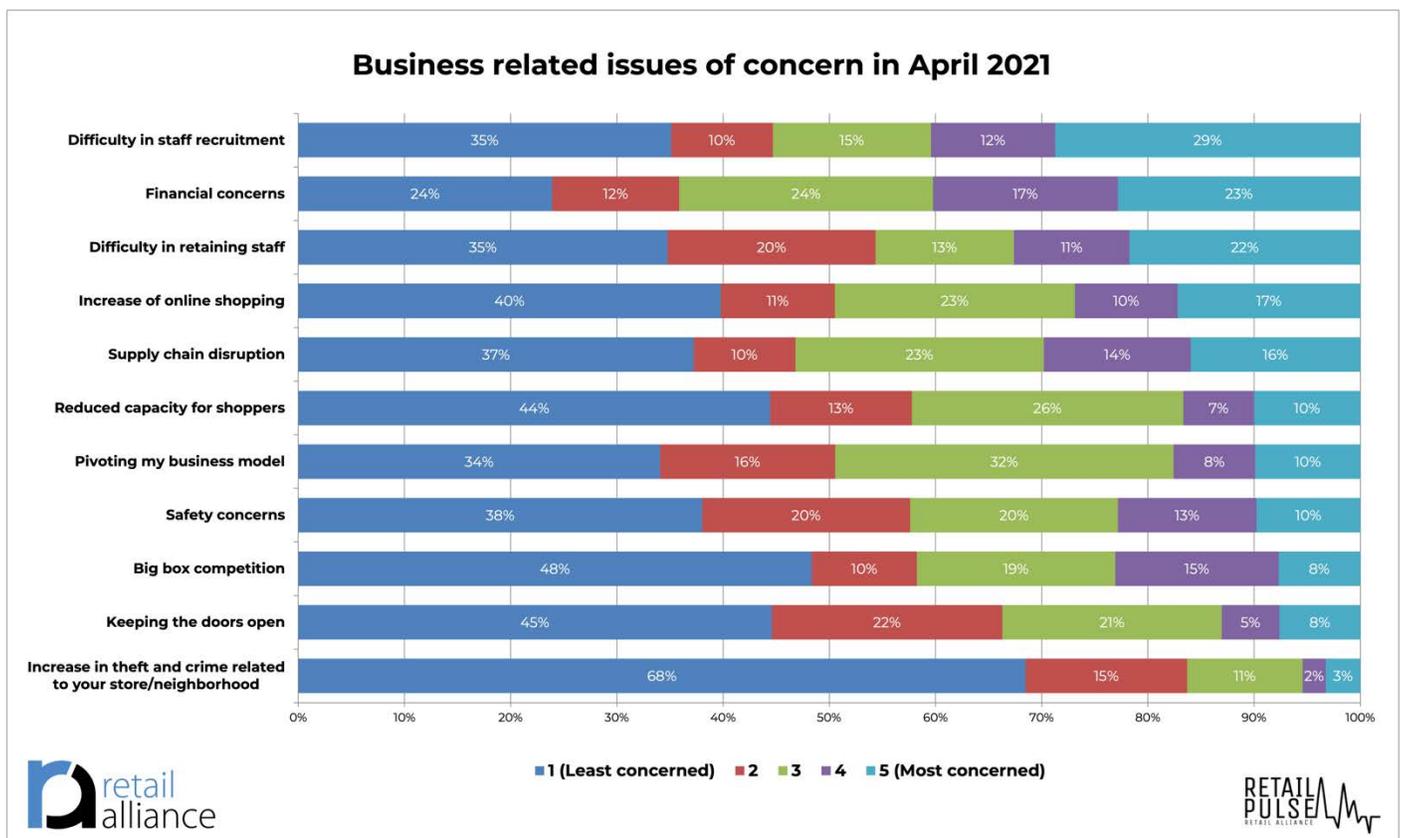
Two of the top three concerns were related to Staffing, an issue that is top of mind for a lot of local businesses struggling to find staff in the lead up to the summer months, especially when they are receiving extra unemployment payments until September.

29% were Most concerned about Difficulty in staff recruitment. Difficulty in retaining staff wasn't too far behind with 22% ranking it as Most concerned.

Financial concerns such as loss of revenue, securing funding, applying for the forgiveness of loans, cash flow concerns, etc.) were of the highest concern with just over three quarters (76%) of respondents concerned at some level.

At the other end of the scale was Increase in theft and crime related to your store/neighborhood. 68% of respondents had chosen Least concerned with this issue and only 3% Most concerned.

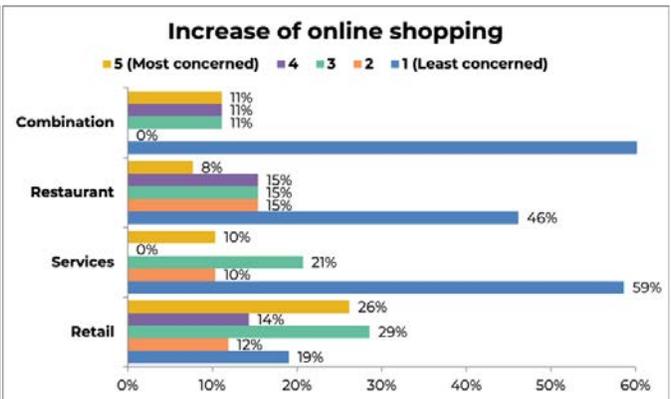
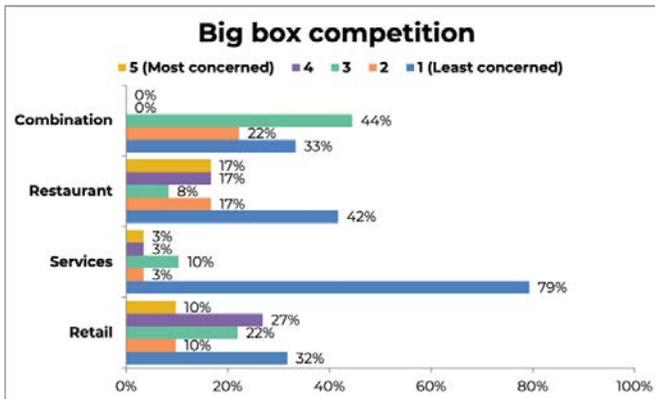
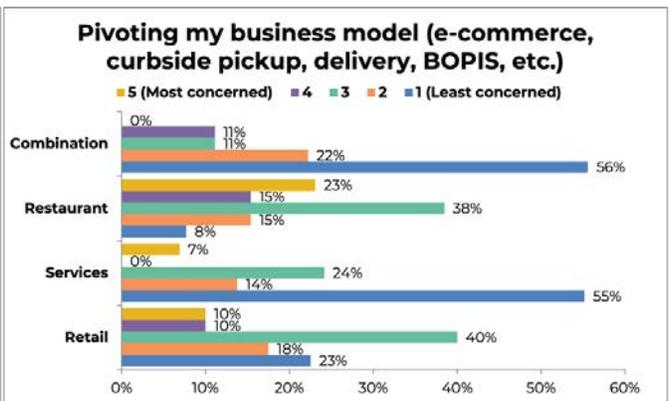
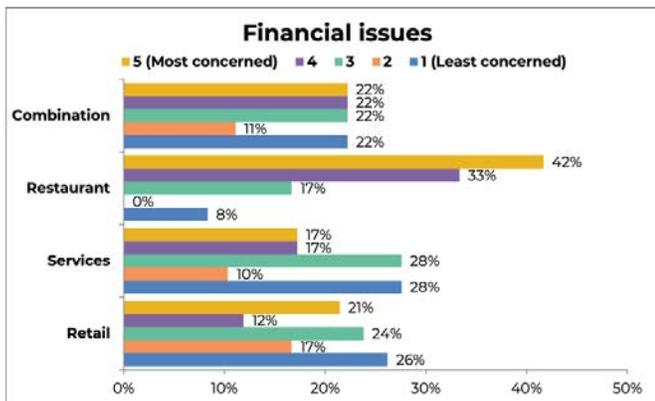
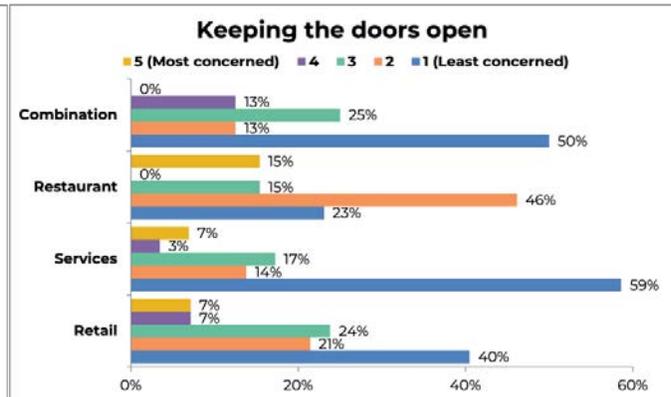
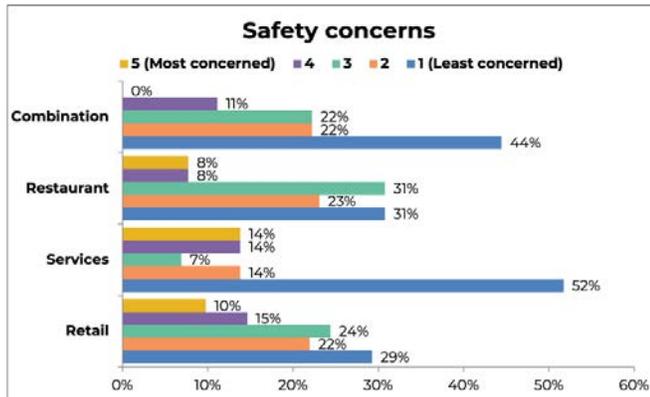
Another positive sign was that nearly half (45%) ranked Least concerned with Keeping the doors open and only 8% ranked Most concerned.



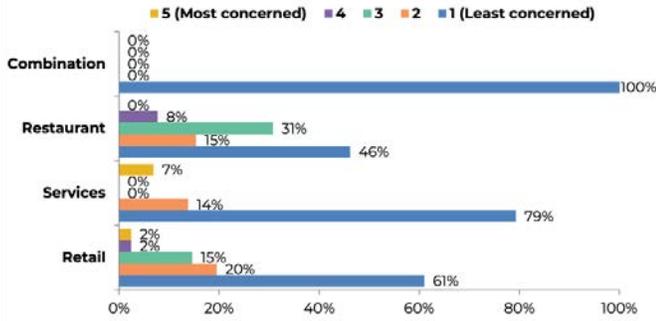
[Chart 5: Levels of business concerns in April 2021. Note: these figures have been rounded to the nearest full number. n=95]

Challenges: Segmented by industry

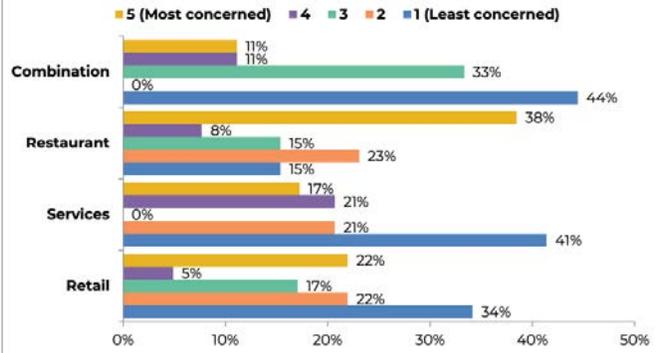
[Charts 6-16: Levels of business concerns in April 2021, segmented by industry. Note: these figures have been rounded to the nearest full number. n=95]



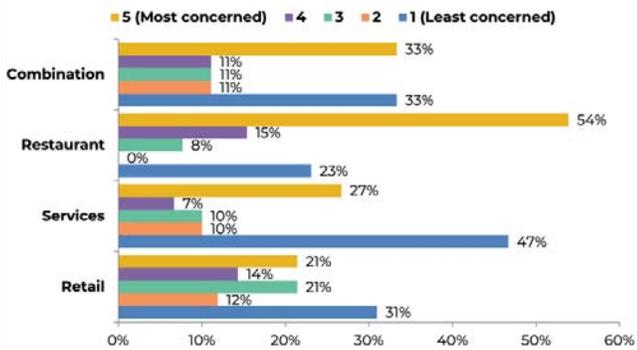
Increase in theft and crime related to your store/neighborhood



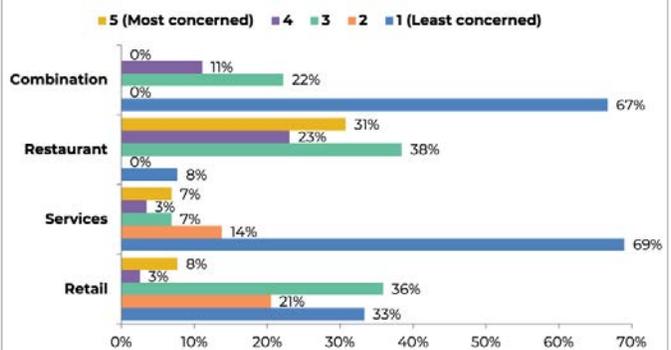
Difficulty in retaining staff



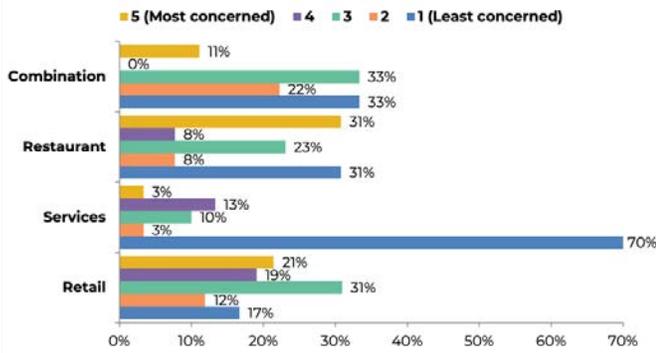
Difficulty in staff recruitment



Reduced capacity for consumers



Supply chain disruption



Operational Changes: Overall

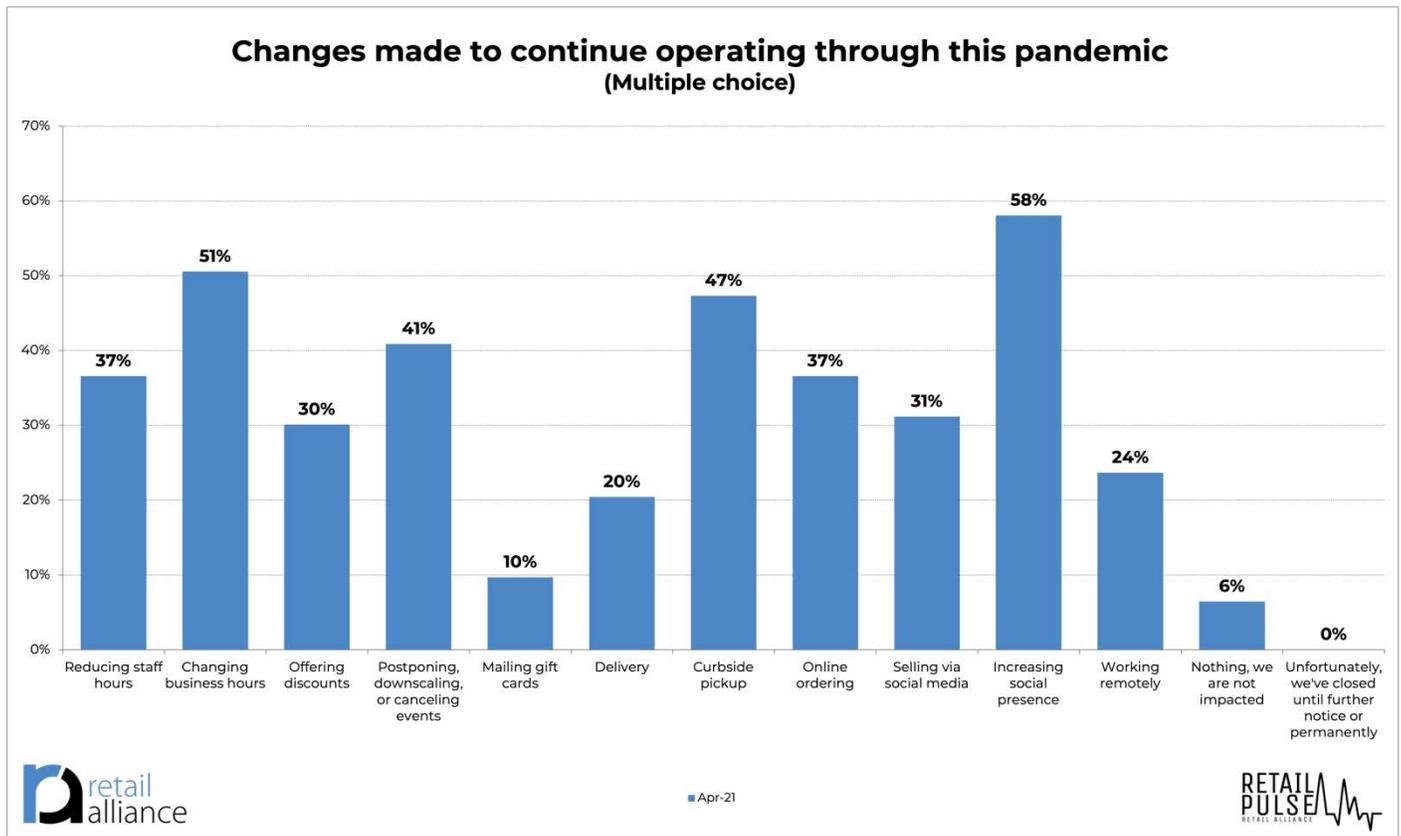
Businesses have had to adapt their operations to introduce new practices and expand existing ones to accommodate consumer's safety concerns and expectations.

Many services that may have been introduced as temporary such as curbside pickup, delivery, BOPIS, and e-commerce, that may have taken significant investment but have proven to be popular and successful have become permanent fixtures in their operations.

Our current survey results indicate several changes they've made to operations. During the pandemic, businesses knew they had to be where their customers were, and their customers were working FROM home or working ON their homes ... but throughout they were consuming social media. 58% of respondents ramped up their social presence, as well as selling via social media (31%).

Over half (51%) have changed their business hours due to the pandemic. This may also be due to staff shortages.

Nearly half (47%) implemented curbside pickup.

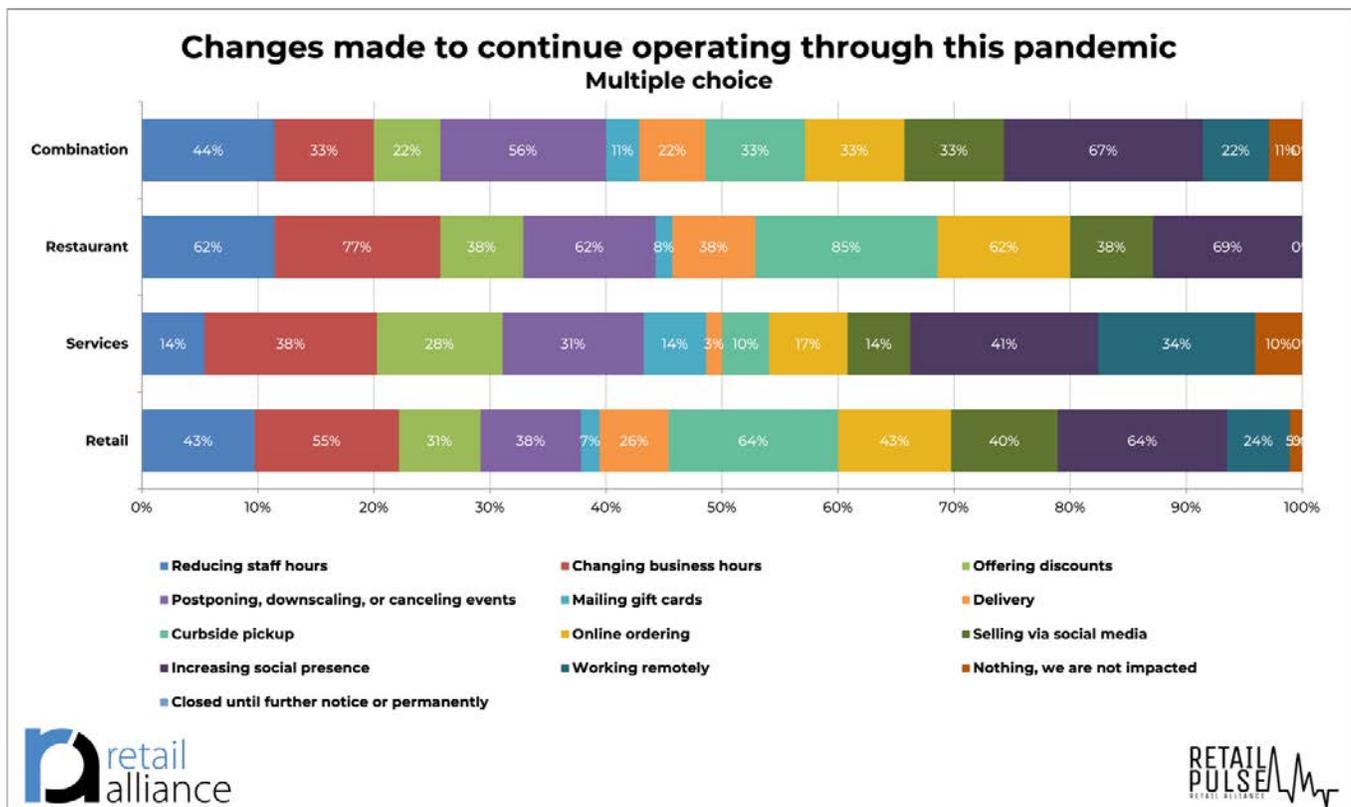


[Chart 17: Changes made to operations in April 2021. Note: these figures have been rounded to the nearest full number. n=95]

Operational Changes: Segmented by industry

We split the data further by industry and the story becomes clearer. The highest percentages across any operation changes were at restaurants. 85% introduced curbside pickup and 77% changed business hours.

- Retail:
 - 64% increased social presence
 - 64% offered curbside pickup
 - 55% changed business hours
 - 40% introduced selling via social media
- Restaurants:
 - 85% offered curbside pickup
 - 77% changed business hours
 - 69% increased social presence
 - 62% introduced online ordering
 - 62% reduced staff hours
- Services:
 - 41% increased social presence
 - 38% changed business hours
 - 34% worked remotely
- Combination:
 - 67% increased social presence
 - 56% postponed, downscaled, or canceled events



[Chart 18: Changes made to operations in April 2021, segmented by industry. Note: these figures have been rounded to the nearest full number. n=95]

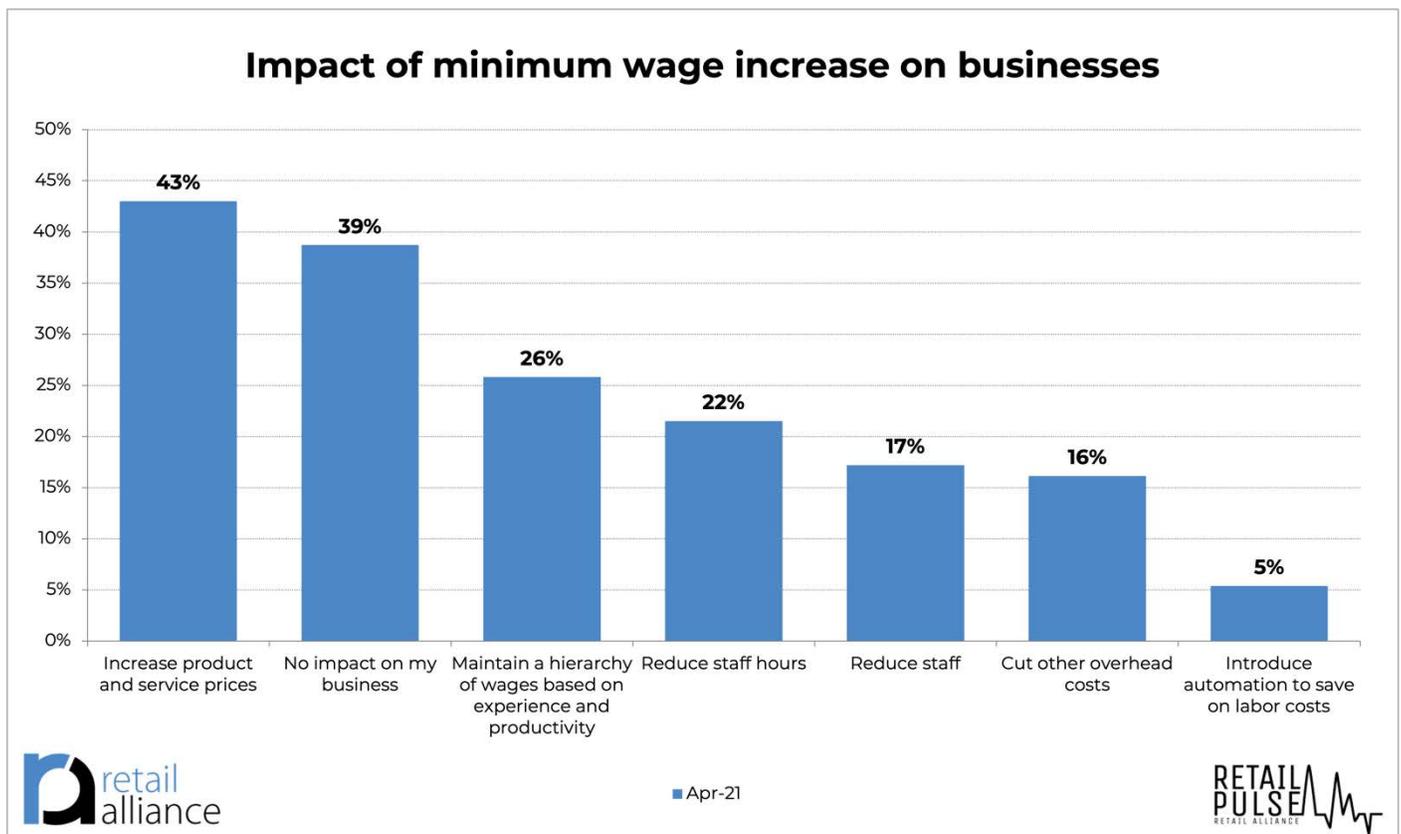
Minimum Wage: Overall

The minimum wage increase, as passed by the General Assembly during the 2020 session, took effect on May 1, 2021. This legislation was originally supposed to take effect on January 1, 2021, but was amended as a result of the COVID-19 pandemic.

The legislation increases the minimum wage in stages. Effective May 1, the hourly minimum wage in Virginia increased to \$9.50. It will increase again on January 1, 2022, to \$11 an hour, and will increase to \$12 an hour on January 1, 2023.

The impact on small businesses in Hampton Roads is huge.

- 43% have said they will need to increase the price of their products and services.
- 26% will need to adapt wages for wage compression as this could help them maintain a hierarchy of wages based on experience and productivity. A scenario they may have to face is if one of their employees was being paid \$9.00 per hour and is now being paid \$9.50, what happens to the person who was being paid \$9.50? Do they need to get bumped up to \$10.00 or more to acknowledge their experience or position? This puts extra pressure on finances that small business owners can hardly afford after the past year or more of the pandemic.
- 17% have indicated they will need to reduce staff and 16% cut other overhead costs.
- 39% believe there will be no impact on their business.

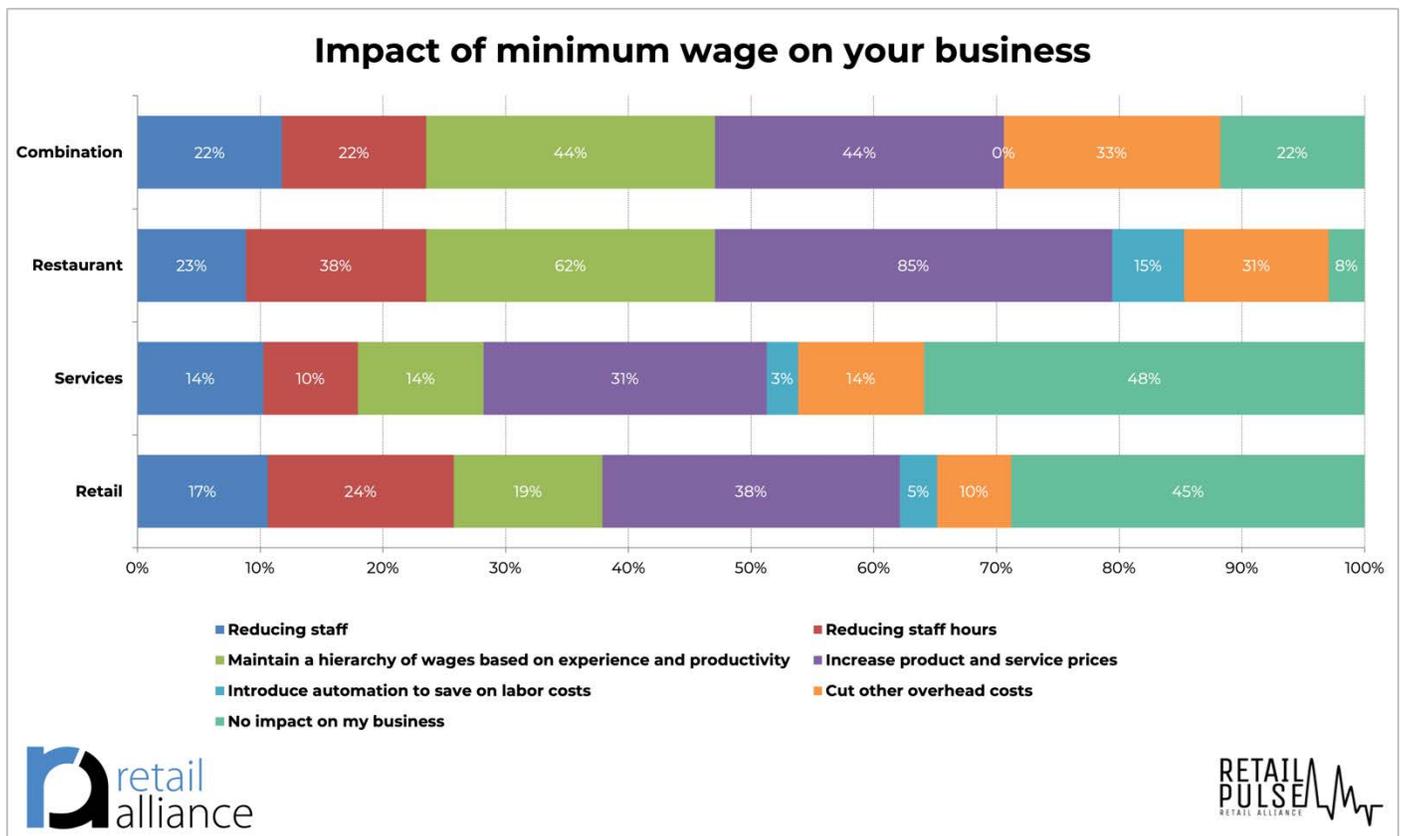


[Chart 19: Impact of minimum wage increase in April 2021. Note: these figures have been rounded to the nearest full number. n=95]

Minimum Wage: Segmented by industry

When we segment the numbers into industries, we can see that restaurants were the most heavily impacted with only 8% stating that there would be no impact on their business.

- 85% of restaurants have said they will need to increase the price of their products and services and 62% will need to adapt wages due to wage compression as this could help them maintain a hierarchy of wages based on experience and productivity.
- Nearly half (48%) of Service companies and 45% of Retailers believe there will be no impact on their business.



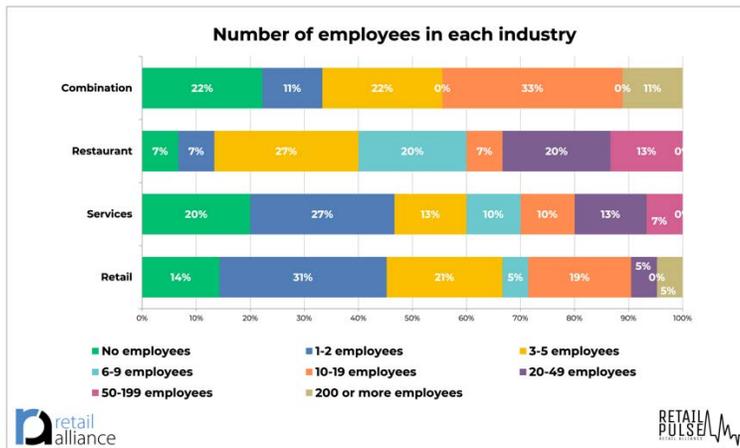
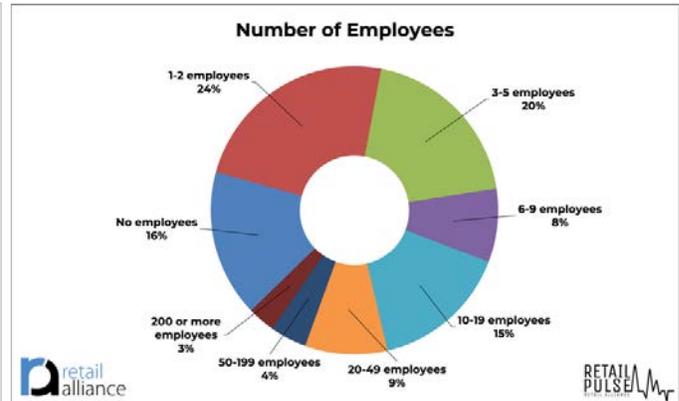
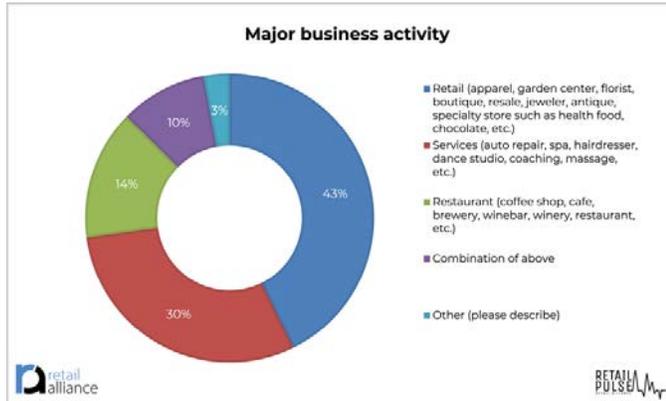
[Chart 20: Impact of minimum wage increase in April 2021, segmented by industry. Note: these figures have been rounded to the nearest full number. n=95]

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About Retail Pulse Survey

Retail Alliance's Retail Pulse survey was conducted in April 2021 with 103 small businesses (focusing on retail, restaurant, services) across Hampton Roads.

Business Classifications and Sizes:



About Retail Alliance

Retail Alliance is open for small business, whether it's a restaurant, retailer, or retail partner. Every city in Hampton Roads is covered by one of our dedicated member relations advisors who works to provide our members with trusted guidance, support, and up-to-date information to help them succeed. We're by their side every step of the way, championing for their success, educating them and their peers, advocating and lobbying on their behalf, negotiating group discounts, offering a variety of products and services to benefit their business, and helping them build lasting relationships far beyond their membership. Retail Alliance is a non-profit trade association serving the interests of local retailers in Hampton Roads since 1903. Visit www.retailalliance.com for more information.

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