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**NH Retail Association Presentation to the
Governor's Office for Emergency Relief and Recovery
Legislative Advisory Board Meeting
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Good afternoon. My name is Nancy Kyle and I am the President/CEO of the NH Retail Association. We were founded in 1966 and our mission is to advocate for, promote and support New Hampshire Retailers. Our members range in size from one person stores to large, multi-location businesses. Most importantly, 95% of our members are NH based, independent businesses.

Thank you for the opportunity to present to the Legislative Advisory Committee of the Governor's Office for Emergency Relief and Recovery.

Retail is America's largest private sector employer, and most retail companies are small businesses. An overwhelming majority of retail businesses (99%) employ fewer than 50 people. Retail trade establishments have the largest # of employees, 94,410, among all industry sectors in New Hampshire. The state has over 18,000 retailers, and 6 out of 10 of the largest NH-based private companies are retailers.

As America enters a second month in hibernation, the crushing effects of the covid-19 pandemic on retailing are becoming dramatically apparent. For retailers that do not sell groceries and household goods, sales have dried up, not so much overnight as within hours. For those without much in the way of online operations, sales have vanished altogether. And for those that were already struggling, including some of our larger, well-known names, the future looks especially bleak.

In March America's total retail sales fell by 8.7% from the previous month, the biggest decrease in the three decades the government has been recording them. But the worse is to come. Most states did not shut non-essential businesses until the second half of March. April is shaping up to be a solid month of closures and job losses, it will be devastating.

The stories of NH's independent businesses are so much worse and heart wrenching. Thank you to the State and Governor Sununu for allowing non-essential stores to do curbside pickup and delivery. This is letting some businesses at least have a trickle of sales. This is something that a lot of states do not have - curbside is not allowed in VT, MA, RI, NY, NJ. CT and NH have it, and ME just got it this week.

The numbers are staggering for both essential and non-essential businesses in New Hampshire. Retail stores have seen their sales fall anywhere from 60% to 100%.

- I'm an essential business because I have food, and my business has fallen 60%. But that number will rise quickly as I'm coming into my busy season and each day is getting worse and worse. - Jan Desmond, Kilwin's Portsmouth

- We are a furniture store that sells appliances, so we are essential and open. The only business we are doing is appliances, and that is only 24% of our overall business so it is very difficult. Sales are down 80%. - Donna Goodrich, Top Furniture, Gorham.

Many retailers have seen their business fall off so much, that they have just totally closed. Even with offering online sales, curbside pickup and delivery, their businesses have fallen off up to 90%. Or their suppliers have closed and they can't get product. The wise choice in some cases has been to totally close rather than to risk their employee's health.

Many retailers are season specific, carrying items for specific seasons that have been ordered months in advance. This is especially true of clothing and apparel stores. They will not be able to sell their spring merchandise as stores are closed or sales are so low. So they will have no money to buy the next season's inventory.

Although employers are trying to keep their staffs on, it is impossible for many of them. Layoffs have been 70% - 100%. Many family owned businesses are staying afloat with family members doing the staffing, and not taking any pay. Or they have cut hours for employees to keep them on. Owners are taking salary cuts.

From another member -

- Everyone is on full pay now as 75% of the Payroll Protection Program loan has to be used for payroll in order to be forgiven. I would have more flexibility if the window to use the money for payroll was 12 - 16 weeks. After the 8 weeks, I may have to furlough some employees. - Dutille Jewelers, Lebanon

We heard from members of the New Hampshire Retail Association who are concerned that the CARES Act unemployment benefit of \$600 a week is a disincentive to get people back to work or to take a paycheck. Granted, it is only for 8 weeks, but it still is raising concerns.

For example.....

An employer lays off their employees because the business is closed or they are open and sales have fallen so much. The employee is receiving unemployment benefits of around 60% of their normal pay, which amounts to approximately \$360/week for a \$15/hr. person on a 40 hour workweek. On top of this, the CARES Act grants an additional \$600/week as an add-on to the unemployment benefit until July 31. So that person making \$15/hr. would receive their \$360/week, then he/she will get another \$600 boosting their total benefit to \$960/week which equates to a wage rate of \$24.00/hr.

Business owners have had employees ask them NOT to re-hire them until the \$600 extra per week is done.

Many retailers have applied for stimulus programs such as the Payroll Protection Program or an Economic Injury Disaster Loan through the Small Business Administration. Some members even have advisors through SBA and SBDC to help them. The application process was challenging. Applicants were frustrated because there was no back button to recheck information and no way to "save" or print the application other than "screenshots" all along the way. We realize that this was done quickly to get money out as soon as possible, but many banks were unprepared and the process changed from day to day.

Although some retailers have gotten PPP loans, many more have not. And they haven't heard anything back.

These comments are prevalent.

- I filled out the EIDL loan questionnaire over 3 weeks ago and all we received was a confirmation that they received the application. Nothing else has come of this process, nor have I received any PPP funds.

- I applied for both PPP and EIDL - have not heard anything.
- I applied for the PPP - it's been 10 days and there's no word yet.
- We tried to apply for all that was available through the SBA, but because we went through a C11 bankruptcy several years ago we are not eligible for any the SBA's program. So far we haven't found anyone at SBA that can resolve the issue. I know they are very busy, but our entire business is at risk of closing after 35 years in business. - Rob Nadler, Ragged Mountain Equipment, Inteveral.
- Just received this morning as businesses are applying for the second round of PPP dollars. I have some big concerns with all of this "Legalese" that seems one-sided and a potential nightmare going forward. This has blown up into the bureaucratic red tape that most hard-working, small business fear. There is NO MENTION of the forgiveness after 8 weeks of this program loan to keep staff employed or brought back. If we take this money, hire people back to operate a business that is running below 40% of norm, and we pay our employees to do work that doesn't exist, or we don't get our payroll back to 2019 levels, then we are stuck with this oppressive ball and chain to our livelihood. - David Lurie, Plymouth Furniture

Leases and property taxes are a real concern for retailers. Many retailers rent prime real estate in their markets, with very high rents. Some landlords are deferring rent payments, and tacking them onto the end of the lease. Or offering one or two months of 50% rent payments. But this help can't go on month after month.

Many retailers that own their buildings are in no position to pay property taxes this year. Simon Property Group has asked Salem, Manchester and Merrimack to defer for a year paying nearly \$6 million in property taxes due in July for their malls. They are also asking for a 40% reduction in assessed value of their properties. Simon is already suing the city of Nashua to reduce the assessed value of the Pheasant Lane Mall. Just imagine the impact this will have these towns?

In normal times, many retailer's shops are destinations and they have a lot of impulse buying. Downtown businesses get a lot of foot traffic in their stores. Now, with the Stay at Home order, no one is even walking by their businesses, never mind coming in to shop.

Overhead expenses are causes for concern for retailers. With no money coming in, they can't pay their suppliers, utilities, insurance, workers' comp or health insurance premiums. Some are making partial payments for utilities. They are using credit cards for their business expenses, but don't really have any way to pay those debts off.

We have heard time and time again that the health of our member's employees comes first. Retailers that remain open, either that are essential or that are non-essential and operating with a curbside and / or delivery model, are and from the outset have been, engaging in best practices. They are doing their part to stop the spread of COVID-19 by protecting both customers and employees while keeping employees working and their businesses viable.

Many retailers have installed plexiglass shields at points of sale to protect employees and customers and created special hours for at-risk populations. Some are operating under reduced hours, closing earlier to provide additional time to replenish essential products and thoroughly clean and sanitize stores daily. Making hand sanitizer and disinfecting wipes available to customers and employees, and providing masks and gloves to employees are also common practices. Stores are limiting customers inside where applicable, have added overhead announcements, store signage, floor markers, badges and customer and associate guidelines to emphasize the importance of social distancing. All these things and practices add to the overhead costs of running a business, but this is our world now, and we don't see it changing anytime soon. Welcome to the new normal.

Some retailers believe that even without specific guidelines for reopening, they will operate in a manner that will keep their employees and customers safe. Although they want to be able to open their businesses, they realize that if NH opens up too early, they may have to close again if a second wave of the virus comes. And their businesses will not rebound if they have to close a second time. The first time reopening must work. Consumers must be able to shop and feel safe. You can't have a successful opening of the economy if consumers are afraid to shop.

New Hampshire businesses fear for their very survival. The thought of going into the busy summer season, especially those businesses dependent on tourism, and still being closed is chilling. They want their businesses to be open and are worried about operating on borrowed money long term.

They really need financial help right now. They will not survive this if they can't obtain financing to overcome what they are living through and facing. Grants and low-interest loans are all vital. Many feel that even if they open fairly soon, that it will take months and even years to recover, if they can even recover.

From a member -

- We are very concerned that we can't continue in business as money is running out. The SBA has been slow to respond to our request for the EIDL Loan. I wish I knew the outcome of this as it keeps us up nights. Right now it is critical that we get some help. We are an almost 70 year business in downtown Nashua. I hope the fourth generation will be able to survive this. Sy Mahfuz, PRG Rugs, Nashua

The one lasting impact of the pandemic that all of us here can confidently predict is a change in consumer behavior. For independent retailers, who typically operated on a brick-and-mortar model only, the increased reliance on delivery is a cause for concern. Online sales have been increasing recently at a pace of about 14% per year. With the pandemic come news stories of Amazon stock soaring, and other retailers who utilize a bricks-and-clicks model are viewed as positive investments in the near future. Where does that leave the local hardware, or jewelry, or bookstore?

E-commerce will be the biggest winner. Amazon has seen such a rapid rise in demand that its infrastructure has shown signs of buckling. Last month it temporarily blocked third-party sellers from shipping non-essential products to its warehouses to allow it to process new demand. Having taken on more than 100,000 new staff in the past month, last week it said it was hiring a further 75,000.

All of this suggests that the pandemic will change shoppers' habits in ways that are likely to be lasting. By the time America is open for business again, more consumers than ever will be comfortable shopping online, for everything from clothes to food and more. Safety concerns may drive them to continue shopping from home long after shops have reopened. And that will be horrific for New Hampshire's local retailers.

The N.H. Retail Association has members who utilize a bricks-and-clicks model, all our major retail members as well as many independents do. Besides offering online sales, they have made the investment in physical stores and have employees here in New Hampshire. The real danger, however, comes from online-only retailers, which have a distinct advantage in not having the costs associated with physical locations.

NH Retailers, and we on their behalf, are not looking to state government for help with business models. What we do ask, however, is that government, particularly the legislature, keep in mind the increasing pressure that independents have in an economy, both before, during and after the COVID-19 pandemic, that relies more and more on remote sales and delivery. We ask that the legislature not exacerbate the advantage that online-only retailers possess by adding costs to brick and mortar businesses, whether it be labor costs, mandates or other kinds of regulation.

This is a time for all New Hampshire citizens to shop local and help their neighbors. Thank you for this opportunity and I'm happy to answer questions.

