



2021 Downtown Frederick Business Performance Survey

Executive Summary

To capture information on the changes that occurred in 2021, the Partnership continued administering the annual Business Performance Survey to gain insights into the downtown economy and pandemic related impacts. The survey, which was completed in January 2022, provides a unique opportunity to gauge the health and wellbeing of the resilient Downtown Frederick business community and the effectiveness of the Partnership. The 2022 survey is the tenth annual review of Downtown Frederick business performance.

The survey received significant participation from all sectors of the downtown retail economy. As in previous years, the survey is broken into sections that collect data on retail characteristics, business revenue, the business operating environment, the effects of the pandemic, Partnership performance, satisfaction with City services and a look ahead.

Overall, the statistics from 2021 point to positive signs for Downtown Frederick's recovery.

- ✓ In 2021, the percentage of businesses rating their revenue performance as excellent or above average (57%) exceeded the 2019 percentage (47%).
- ✓ A significant majority of respondents (79%) felt that the overall economic climate for businesses like theirs in the coming year would be "very good" or "good", an increase from 56% in 2020.
- ✓ Rental costs did not seem to have a strong impact on location decisions for the coming year. The overwhelming majority of respondents reported that they were likely to remain in the same locations (95%).
- ✓ Consistent with last year's rating, the overwhelming majority of respondents would recommend Downtown Frederick to other retailers, with 58% providing the strongest recommendation possible (10 on a 10 point scale).¹ An additional 35% rating downtown at an 8 or 9 for a total of 93% ranking downtown as an 8 or higher.

Downtown Frederick Partnership plans to continue to offer this survey in future years. The survey results and analysis inform the action planning process for the Partnership each year by helping to identify new projects where needed and amend existing work program activities on identified opportunities and needs.

¹ The scale asked respondents to report their responses on a 10 point continuum from "strongly recommend" to "strongly discourage".

2021 Downtown Frederick Business Performance Survey

Survey Background

In January 2022, the Partnership’s Business Development Committee launched the tenth annual Business Performance Survey to learn more about doing business in Downtown Frederick and the effectiveness of the Partnership. The survey was distributed via email to about 250 retail, restaurant and personal service businesses and was available throughout the month of January. Despite the myriad of challenges businesses are facing in these difficult times, a total of 92 businesses responded. The Partnership thanks them for their participation.

In the summary below, we review what businesses told the Partnership about their experience in 2021. For some statistics, comparisons to previous years are provided. The information provided below is just one way of gathering input from downtown businesses. As always, the Partnership invites feedback throughout the year.

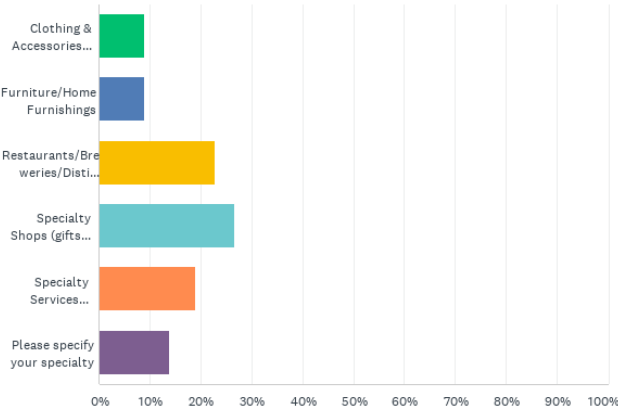
Characteristics of Responding Establishments

Downtown Frederick Partnership’s goal is to receive a response to the Business Performance Survey from all segments of the Downtown Frederick retail community. In broad categories, the Partnership looks for participation from the following retail sectors: clothing and accessories, furniture and home furnishings, specialty shops, specialty services and restaurants/breweries/distilleries. For the 2021 survey, most of the respondents (78%) were business owners followed by responses provided by business managers (19%).

In 2019, restaurants/breweries/distilleries and specialty shops reported in roughly equal numbers (30% each). This year restaurants/breweries/distilleries made up a smaller percentage of the total (23%) as compared to specialty shops (27%).

Business Tenure

This year, nearly the same number of businesses with 10 years or greater in tenure responded to the survey as compared to last year. A total of 12 new establishments with less than 2 years in operation responded to the survey in 2021 as compared to 5 in 2020.



Responding businesses by type

Staffing Outlook

- Most businesses employ two or fewer full time employees (53%) followed by 3 to 5 full time employees (24%). The remainder reported 6 or more full time employees.
- Among the businesses reporting that they employ part-time workers, the majority (47%) reported that they employed less than 3, 26% reported

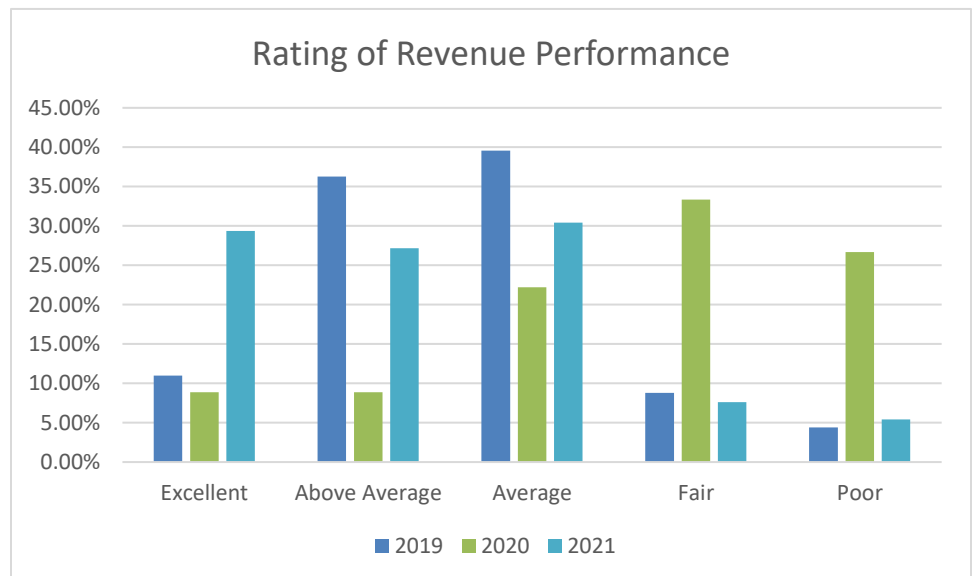
employing 3 to 5 and the remainder reported 6 or more.

- In a reversal from 2020, 61% of responding businesses reported that they anticipated hiring new staff (excluding filling existing positions) in the coming year. In 2020, 69% of the responding businesses reported that that *did not* anticipate hiring new staff in the year ahead.
 - Among the businesses that are anticipating new hires in 2022, most (73%) anticipate adding only 1 or 2 jobs.

Revenue Reports in a Challenging Year

Downtown Frederick Partnership’s Business Development Committee launched the Business Performance Survey to compare the success of the downtown retail community over time. Given the smaller scale of the downtown area, revenue performance data for the Downtown Frederick retail community is not available from public sources.

- In 2021, the percentage of businesses rating their revenue performance as excellent or above average (57%) exceeded the 2019 percentage (47%). In 2020, only 18% rated their performance as excellent or above average.



- Another significant change is that 13% of businesses rated their revenue performance as fair or poor in 2021 as compared to 60% in 2020, representing a 47% year over year improvement. 13% is consistent with 2019 reporting.

- As an additional positive, a significant majority of respondents (79%) felt that the overall economic climate for businesses like theirs in the coming year would be “very good” or “good”, an increase from 56% in 2020.
- Annual gross sales (defined as amount taken in by all transactions, excluding sales tax) is reported by category. This year’s distribution of sales differs from last year’s reporting, with fewer businesses reporting sales in the \$250,001 to \$500,000 range than the prior year. However, more businesses than last year report incomes in the \$500,001 to \$750,000 and the above \$750,000 ranges. Including all three ranges, the same total number of businesses (66%) had gross sales of more than \$250,001 in 2021 and 2020.

Assessments of the Business Operating Environment

Rental Rates and Other Costs

The Partnership's Business Development Committee keeps an eye on rental costs to understand whether businesses are under stress due to existing rental costs as well as learn about potential changes in the marketplace.

- The majority of respondents (66%, down from 75% in 2020) felt that the rental costs were "fairly priced", although a sizable percentage (29%, an increase from 24% in 2020) felt that they were "overpriced" or "very expensive".
- 41% of respondents reported that rental costs were stable when compared to last year, 35% reported a "slight increase" and 6% reported a "significant increase".
- 15% of survey respondents own their own building which is consistent with the 2019 survey results.
- Rental costs did not seem to have a strong impact on location decisions for the coming year.
 - The overwhelming majority of respondents reported that they were likely to remain in the same locations (95%).
 - This is true despite the fact that the majority of renting businesses (79%) anticipate an increase in rental cost of some kind.
- When asked about the most significant areas of cost increase, in the past year (holding rent aside), respondents ranked items in the following manner:
 - Inventory Costs – 74% (60% in 2020)
 - Wages – 62% (40% in 2020)
 - Energy Costs – 49% (26% in 2020)
 - Health Insurance – 32% (31% in 2020)
 - Property Insurance – 24% (16% in 2020)
 - Wages and Energy Costs had the highest year over year increase in level of concern
- The non-rental expense areas that respondents identified as having the greatest impact on net revenue were inventory costs (46%) and wages (36%).

Effects of the Pandemic

The negative impacts of the pandemic lessened in 2021. In 2020, businesses worked to implement changes that could make their businesses more resilient and improve revenue in the long run. The results of these efforts are seen in improvement in the 2021 statistics.

Assessing the Fallout

When asked to describe the change in their operating capacity compared to one year ago, 50% of respondents reported an increase in operating capacity with 22% reporting an increase of 50% or more and 28% with an increase of less than 50%. In 2020, 65% of businesses reported a decrease in operating capacity while only 7% reported a decrease in 2021.²

Cash Access

Despite the challenges experienced in 2021, many respondents reported strong availability of cash on hand.

- Fifty percent reported having sufficient funds to cover three or more months of operations (up from 34% in 2020). Eighteen percent reported having sufficient funds to cover 1-2 of months of operations (down from 36% in 2020).

Online Sales

In 2020, the Partnership learned as a result of the annual business performance survey that many retailers (65%) increased their online presence in response to the pandemic and intended to keep this change going forward (72%). As a result, a new question was added in 2021 related to online sales.

- Thirty seven percent reported that 1-5% of their total sales value comes from an online source and 19% reported 6-10% was from an online source. 29% reported \$0 online sales revenue.

Assessing Performance and Identifying Needs

The Partnership seeks retailer feedback to determine the effectiveness of the organization's action plan and services to local businesses. Below is a summary of the respondent assessments.

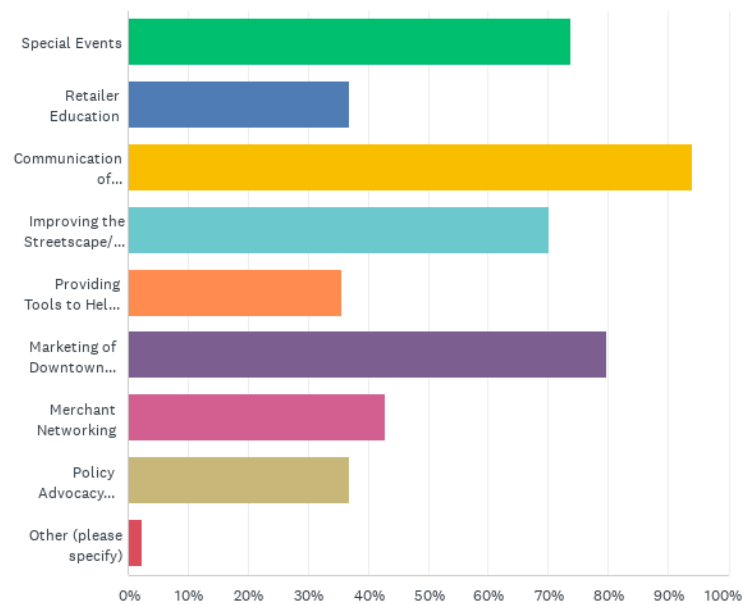
- Despite continued pandemic impacts, many businesses were able to maintain engagement with the Partnership. The majority of businesses responding to the survey said they were either active (41%) or very active (20%), with another 39% reporting that they read the email communication.
- 80% of businesses rated the Partnership's performance as a 9 or higher on a 10 point scale in 2021 as compared to 82% in 2020 and 81% in 2019. Comparing weighted averages, the Partnership achieved 9.25 in 2021 and 2020 and 9.14 in 2019.

² For this survey, respondents were asked to gauge operating capacity as "the maximum amount of activity the business could conduct under realistic operating conditions".

- Respondents were asked to rate eight different services provided by the Partnership and also were provided an option for describing how a service helped their business.³

Respondents rated "Communication of City/Community News" (94%), "Marketing of Downtown Frederick Overall" (80%) and "Special Events" (74%) as the most beneficial services offered by the Partnership.

The services that were cited the least were "Retailer Education" and "Policy Advocacy" at 37% and "Providing Tools to Help You Market Your Business" at 36%.



Among the 50 write-in responses for the Partnership services question, 13 referenced communications and 12 referenced marketing. Notable responses include:

"We appreciate the email communications with regard to changing COF policies and events or news in the neighborhood which helped us to run our business better."

"Your communication with the City and providing us with short detailed briefs have been wonderful and time saving."

"We are off the main streets so it is extremely helpful to have the communication from the Partnership."

"Tools to help market the business has helped me get acquainted with people and organizations to market more effectively."

"Marketing helps get the day-trippers from CD/Balt, MoCo to town. They are critical to the success of our business."

Respondents also provided feedback on potential areas of improvement. The same eight service areas listed in the customer satisfaction question also were provided for respondents to identify the services that most needed improvement.

³ Listed options were: Special Events, Retailer Education, Communications of City/Community News, Improving the Streetscape/Environment, Providing Tools to Help You Market Your Business, Marketing Downtown Area Overall, Merchant Networking, Policy Advocacy.

- The area that received the most recommendations for improvement was “Improving the Streetscape/Environment” (34%).

Respondents also listed the specific ways in which the Partnership helped them in the past year. While it is our pleasure to work with the amazing businesses in Frederick, the feedback on how the Partnership is making a difference for downtown businesses is great to hear. Below is a selection of quotes from the survey:

“Grant funds and information has been extremely helpful and appreciated.”

“We love all of the positive marketing, monitoring the aesthetic vibe in downtown, events, opportunities to get small biz sat materials, shopping bags, all of it! .”

“The Partnership really set me up for success right away. The email list has been extremely helpful in connecting me to other businesses. I’ve made a point to visit or shop at as many difference places as I can, in no small part because I feel a personal connection to the business owners from the emails and sharing.””

Satisfaction with City Services, Amenities and Overall Climate

- Respondents were asked to rate their satisfaction (on a five point scale) with city services, retail mix and city amenities in Frederick. Nine areas were listed for rating.⁴
 - The item that received the highest overall rating was “Current Number of Restaurants”, with 87% reporting that they were somewhat or very satisfied, followed by “Current Number of Retail Stores” with 82% reporting satisfaction and the “Number of Events in Downtown Frederick” with 78% reporting satisfaction.
 - The item that received the lowest overall rating was “Overnight Stay Opportunities in Downtown Frederick” with only 18% reporting that they were somewhat or very satisfied, followed by the “Cost of Retail Space” with only 32% reporting satisfaction.
- Respondents were asked to rate their satisfaction with various parking features in Downtown Frederick. Eight parking features were listed for rating.⁵
 - The parking feature that received the highest overall rating was “Free Holiday Parking”, with 88% of respondents reporting that they were somewhat or very satisfied. Free Holiday Parking consistently receives the highest ranking. The second highest rated parking feature was “Parkmobile” with 61% reporting satisfaction, followed by “Number of Garage Spaces” with 57%.
 - The parking feature that received the lowest overall rating was “Cost of On-Street Parking”, with 42% registering that they were somewhat or very

⁴ Listed response options included: Current Number of Retail Stores, Current Number of Restaurants, Cost of Retail Spaces, Security/Policing, Number of Events in Downtown Frederick, Cleanliness of Downtown Frederick, Overnight Stay Opportunities in Downtown Frederick, Number of Residence within Walking Distance, Number of Offices within Walking Distance.

⁵ Listed parking issues included: Cost of On-Street Parking, Cost of WEEKDAY Garage Parking, Cost of WEEKEND Garage Parking, ParkMobile, Number of Garage Parking Spaces, Park N Shop Program, Parking Costs During Events, Free Holiday Parking.

dissatisfied, followed by “Parking Costs during Events” with 17% reporting the dissatisfaction.

- Consistent with last year’s rating the overwhelming majority of respondents would recommend Downtown Frederick to other retailers, with 58% providing the strongest recommendation possible (10 on a 10 point scale).⁶ An additional 35% rating downtown as an 8 or 9 for a total of 93% ranking downtown as an 8 or higher.

Looking Ahead

Downtown Frederick businesses are asked to write in their biggest challenge in the coming year. People had a lot to say. We have done our best to group responses into categories but have also listed some of the text responses below for review.

Fifty eight respondents took time to write in. The main concerns listed among them were: pandemic related concerns (regaining customers, potential future surges and the potential impact of the surges on operating capacity), inflation both in terms of staff and inventory costs and finding employees. Quotes which further illustrate this emphasis are listed below:

“Maintaining consistent business operations and a staff shortage and inventory supply.”

“Supply chain issues; engaging customers as they begin to travel, eat out, etc. Our sales increased as customers were “nesting” but will they continue to spend with us?”

“Labor shortages/expenses and the increase in supply costs.”

“The uncertainty of COVID and how to keep our staff safe and our doors open.”

The Partnership will take the information learned in this report as well as from other sources to make changes to the plans and programs the organization will implement in FY23 (July 1, 2022 to June 30, 2023). The feedback is incredibly helpful to ensure the work of the Partnership has the greatest possible positive impact in Downtown Frederick.

⁶ The scale asked respondents to report their responses on a 10 point continuum from “strongly discourage” to “strongly encourage”.