



2023 Downtown Frederick Business Performance Survey

Executive Summary

The annual Business Performance Survey, which was completed in January 2024, provides a unique opportunity to gauge the health and strength of the resilient Downtown Frederick business community and the effectiveness of the Partnership. The 2023 survey is the twelfth annual review of Downtown Frederick's 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 financial health, the business operating environment, Partnership performance, satisfaction with services and a look ahead.

Overall, the statistics from 2023 point to strengths as well as potential concerns for Downtown Frederick.

- ✓ In 2023, the percentage of businesses rating their revenue performance as excellent or above average (49%) is slightly less than the 2022 percentage (51%) and is ahead of the 2019 percentage (47%).
- ✓ 23 percent of businesses rated their revenue performance as fair or poor in 2023 as compared to 15% in 2022 and 13% in 2021.
- ✓ The majority of respondents felt that their rental costs were "fairly priced" (68% in 2023 as compared to 71% in 2022, 66% in 2021 and 75% in 2020) .
- ✓ Respondents rated "Communication of City/Community News" (76%), "Improving the Streetscape/Environment" (71%) and "Marketing of Downtown Frederick Overall" (68%) as the most beneficial services offered by the Partnership.

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.

2023 Downtown Frederick Business Performance Survey

Survey Background

In January 2024, the Partnership's Business Development Committee launched the twelfth 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, craft beverage and personal service businesses and was available throughout the month of January. A total of 83 businesses responded, representing about 30% of the retail/restaurant/craft beverage/personal service community. The Partnership thanks each business for their participation.

In the summary below, we review what businesses told the Partnership about their experience in 2023. For some statistics, comparisons to previous years are provided. The information provided below is one way of gathering input from businesses. As always, the Partnership invites feedback throughout the year.

Characteristics of Responding Establishments

Downtown Frederick Partnership's goal is to receive a survey response 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 2023 survey, the majority of responses (81%) were provided by the business owner.

In 2023, restaurants/breweries/distilleries made up 25% of the survey respondents and 26% of the 250 retail, restaurant and personal service businesses in Downtown Frederick. Specialty shops represent 29% of the survey respondents and 40% of the Downtown Frederick retail business community.

The Partnership also has a goal of ensuring businesses in different locations within Downtown Frederick respond to the survey. New for the 2023 survey, the Partnership divided downtown into eight subareas. The most responses came from the subarea that includes the 0-99 blocks of S Market, W Patrick, N Market and E Patrick Streets as well as the 100-199 block of N Market. Between 1 to 36 responses were received from each of the identified eight subareas of Downtown Frederick.

Business Tenure

This year, nearly the same number of businesses with 10 years or greater in tenure (46%) responded to the survey as compared to last year. While fewer businesses report 2 to 5 years in tenure as compared to 2022, more report 6 to 9 years in tenure. Fewer establishments with less than 2 years in tenure responded to the 2023 survey.

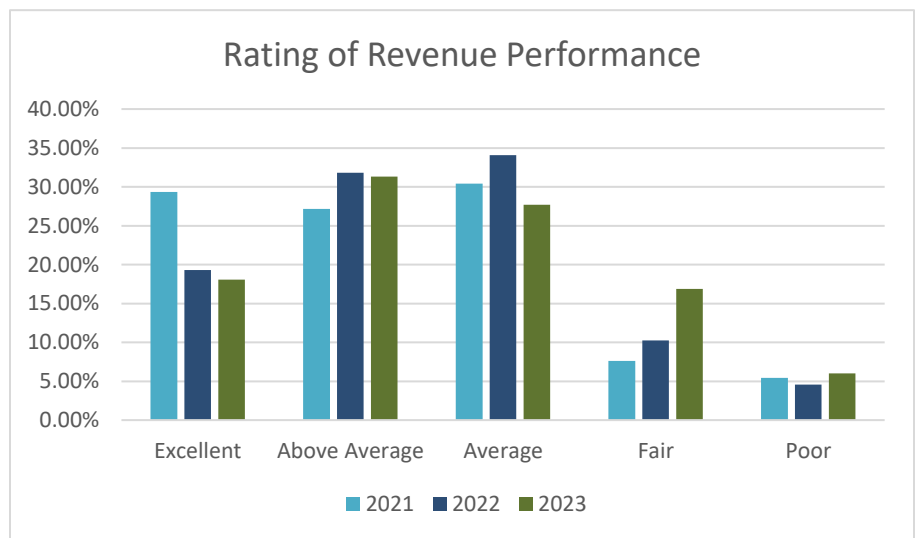
Business Staffing

- Most businesses employ two or fewer full-time employees (55%), followed by 3 to 5 full-time employees (27%).
- Among the businesses reporting that they employ part-time workers, the majority (47%) reported that they employed less than 3, 23% reported employing 3 to 5 and 15% reported employing 6 to 10.
- Significantly fewer businesses reported that they anticipated hiring new staff (excluding filling existing positions) in the coming year. 29% planned to hire new staff as compared to 43% in the prior year's survey.
 - Among the businesses that are anticipating new hires in 2024, most (88%) anticipate adding only 1 or 2 jobs.

Assessment of Business Financial Health

The 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 alone is not available from public sources.

- In 2023, the percentage of businesses rating their revenue performance as excellent or above average (49%) is slightly less than the 2022 percentage (51%) and is ahead of the 2019 percentage (47%).
- Twenty three percent of businesses rated their revenue performance as fair or poor in 2023 as compared to 15% in 2022 and 13% in 2021.



- Annual gross sales is defined as the amount taken in by all transactions, excluding sales tax. Of the survey respondents, 61% had annual gross sales of more than \$250,001 in 2023 as compared to 71% in 2022 and 66% in 2021 and 2020.
- New for the 2023 survey, businesses were asked to compare their business profit (income after expenses) in 2023 to 2022. 42% indicated slightly to much better profits, 21% indicated profits were about the same, 32% indicated profit was slightly to much worse and 5% were new businesses without prior year history.
- Most respondents (69%) felt that the overall economic climate for businesses like theirs in the coming year would be "very good" or "good", a decrease from 74% in the prior year's survey.

Cash Access

The availability of cash on hand, which can include financial assistance or loans, helps better understand the ability of businesses to weather disruptions in the economy.

- Thirty seven percent reported having sufficient funds to cover three or more months of operations (slightly down from 38% in 2022, down from 50% in 2021 and up from 34% in 2020). Twenty seven percent reported having sufficient funds to cover 1 to 2 months of operations (significantly up from 19% in 2022 and 18% in 2021).

Online Sales

As a result of the pandemic, many downtown businesses either began or improved their online sales capabilities. Earlier surveys revealed that the majority of businesses (72%) planned to keep this focus moving forward. As a result, a new question was added in 2021 and continued in 2022 and 2023 related to online sales.

- The number of businesses reporting that 1-5% of their total sales come from an online source increased to 42% as compared to 40% in 2022 and 37% 2021. However, the percentage reporting 6-10% of total sales from an online source continued to drop from 19% in 2021 to 9% in 2022 and to 6% in 2023.

Assessment of the Business Operating Environment

Rental Rates and Other Costs

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

- The majority of respondents (68% in 2023 as compared to 71% in 2022, 66% in 2021 and 75% in 2020) felt that their rental costs were "fairly priced." A sizable percentage (29%, the same as 2022 and 2021) felt that their rental costs were "overpriced" or "very expensive."
- Twenty one percent of respondents reported that rental costs were stable when compared to last year, as compared to 28% in 2022 and a significant reduction from 41% of respondents reporting the same in 2021; the same percentage (40%) reported a "slight increase" in rental costs in the last year in both 2023 and 2022; 13% reported a "significant increase" in rent as compared to 20% in 2022 and 6% in 2021.
- Twenty six percent of survey respondents own their own building which is significantly up from 13% in 2022 and 15% reported in the 2021 and 2019 surveys. However, the majority of survey respondents skipped answering this question in 2023.

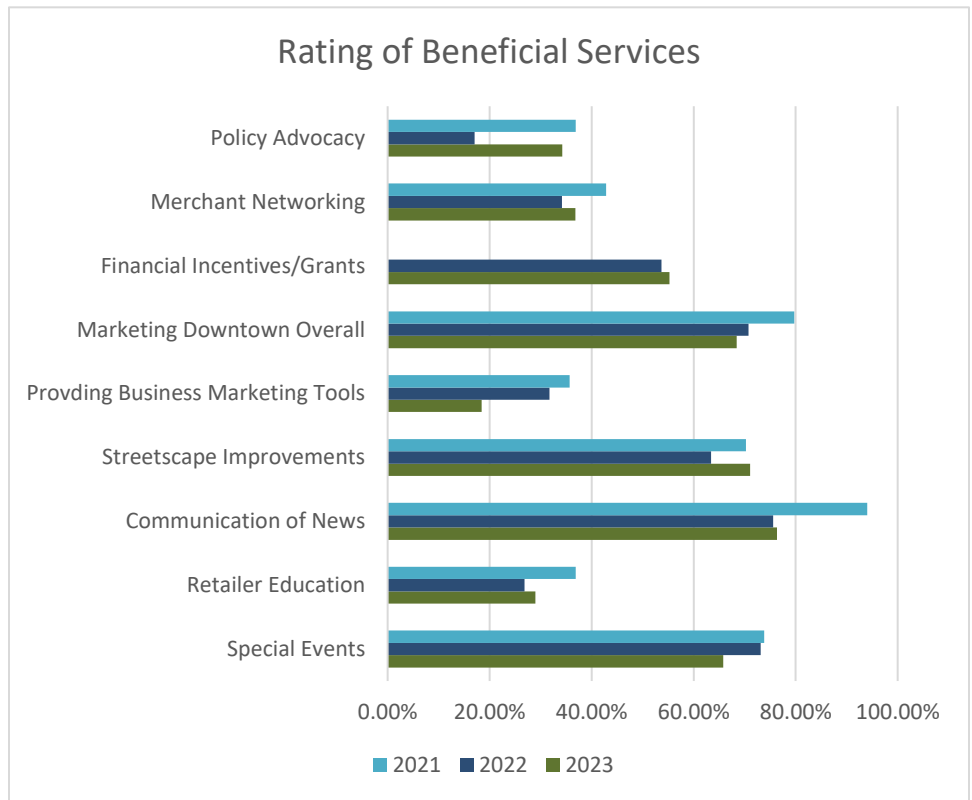
- Rental costs did not seem to have a strong impact on location decisions for the coming year.
 - The majority of respondents (69%) reported that they were likely to remain in the same location and an additional 23% will remain at the same location and consider other business changes.
 - This is true even though the majority of renting businesses (78%) anticipate an increase in rental cost of some kind at the end of their lease term.
- When asked about the most significant areas of cost increase in the past year (holding rent aside), respondents ranked the options as follows:
 - Wages – 60% (68% in 2022 and 62% in 2021)
 - Inventory Costs – 60% (82% in 2022 and 74% in 2021)
 - Energy Costs – 46% (50% in 2022 and 49% in 2021)
 - Property Insurance – 41% (13% in 2022 and 24% in 2021)
 - Financing/Loan Costs – 30% (first asked in 2023)
 - Health Insurance – 27% (21% in 2022 and 32% in 2021)
 - Inventory Costs had the highest year over year decrease in level of concern
 - Property insurance had the highest year over year increase in level of concern
- The non-rental expense area that respondents identified as having the greatest impact on net revenue was wages (41%). Inventory costs was next at 27%.

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 the hard work of running a small business, many businesses were able to maintain engagement with the Partnership. Most businesses responding to the survey said they were either active (37%) or very active (24%), with another 37% reporting that they read the email communications.
- With only 38 businesses responding to this question, 82% of businesses rated the Partnership’s performance as a 9 or higher on a 10 point scale in 2023 as compared to 70% in 2022, 80% in 2021, 82% in 2020 and 81% in 2019.

- Respondents were asked to rate nine different services provided by the Partnership and also were provided an option for describing how a service helped their business.¹
- Respondents rated “Communication of City/Community News” (76%), “Improving the Streetscape/Environment” (71%) and “Marketing of Downtown Frederick Overall” (68%) as the most beneficial services offered by the Partnership.



- The services that were cited the least were “Providing Tools to Help You Market Your Business” at 19%, “Retailer Education” at 29% and “Policy Advocacy” at 34%.

Samples of the write-in responses for the beneficial Partnership services question include:

“Special events brought foot traffic.”

“Grants have helped our historic building.”

“Promoting downtown as a whole has definitely brought more people to the area, and merchant networking events give us an opportunity to visit with other merchants when we may otherwise not have the opportunity to do so.”

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

¹ 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, Financial Incentives/Grants, Merchant Networking, Policy Advocacy.

- The area that received the most recommendations for improvement was "Marketing of Downtown Frederick overall" (37%). "Providing Tools to Help You Market Your Business" (30%) and "Improving the Streetscape/Environment" (26%) also were noted as areas where services could be improved.

Sample response for ideas for how the Partnership could improve included:

"Need to specifically promote the arts. Frederick is a designated Arts & Entertainment District."

"Develop programs that encourage shopping by local residents. There is a sector that thinks downtown is too busy, too successful to come to shop and dine."

"Continued focus on advertising toward tourists/weekend warriors. Support of downtown hotel and conference center."

"Extend foot traffic." "Have more events." Feedback noted N Market, S Market, E Patrick and other areas of Downtown Frederick as places where more foot traffic and/or events was desired.

Respondents listed the specific ways in which the Partnership helped them in the past year. Below is a selection of quotes from the survey:

"LOVE the Ambassador Program – they are so helpful and do such a great job."

"Grants, events, recommendations. We adore the Partnership"

"The overall promotion of Frederick and all of the events especially during the holiday season have been an incredible help for foot traffic downtown."

"Great communication with retailers about events, city ordinances, security issues. Very much appreciated."

Satisfaction with Services, Amenities and Overall Climate

Respondents were asked to rate their satisfaction (on a five point scale) with services, retail mix and city amenities in Frederick. Nine areas were listed for rating.²

- The item that received the highest overall rating was "Ambassador Program Services", with 95% reporting that they were somewhat or very satisfied, followed by "Current Number of Restaurants" with 84% reporting satisfaction, the "Current Number of Retail Stores" with 78% reporting satisfaction, the "Number of Residents within Walking Distance" with 76% satisfaction and the "Number of Events in Downtown Frederick" with 76% satisfaction.

² 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.

- The item that received the lowest overall rating was “Cost of Retail Space” with 22% reporting satisfaction, followed by “Overnight Stay Opportunities in Downtown Frederick” with 30% reporting that they were somewhat or very satisfied.
- Respondents were asked to rate their satisfaction with various parking features in Downtown Frederick. Eight parking features were listed for rating.³
 - The parking feature that received the highest overall rating was “Free Holiday Parking” with 95% 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 58% reporting satisfaction, followed by “Cost of Weekend Garage Parking” with 50% reporting satisfaction and “Cost of Weekday Garage Parking” with 42% reporting satisfaction.
 - The parking feature that received the lowest overall rating was the “Park N Shop Program” with 19% reporting satisfaction, followed by “Cost of on-street meter parking” with 32% reporting satisfaction.
 - Specific parking related feedback included:

“Parking is always a challenge.”

“The Park N Shop Program is not an easily accessible program.”
- Seventy six percent of respondents would recommend Downtown Frederick to other retailers with either a 9 or 10 on a 10 point scale.⁴

³ 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.

⁴ The scale asked respondents to report their responses on a 10 point continuum from “strongly discourage” to “strongly encourage”.

Looking Ahead

Downtown Frederick businesses were asked to write in their biggest challenge in the coming year. Fifty-two respondents took time to write in. The main concerns listed among these responses were increasing costs and staff. Additional notable responses include:

"Still recovering from COVID and paying off debt due to COVID."

"Decreased spending among shoppers and increased competition."

"Foot traffic"

"Finding a spot to expand"

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 FY25 (July 1, 2024 to June 30, 2025). The feedback is incredibly helpful to ensure the work of the Partnership has the greatest possible positive impact in Downtown Frederick.