



2020 Downtown Frederick Business Performance Survey

Executive Summary

Although 2020 was an extraordinary and difficult year in many respects, the Partnership continued administering the Business Performance Survey to gain more insights into the downtown economy and pandemic related impacts. The survey, which was completed in January 2021, provides a unique opportunity to gauge the health and wellbeing of the resilient Downtown Frederick business community and the effectiveness of the Partnership. The 2021 survey is the ninth annual review of Downtown Frederick business performance.

The survey received a strong response from all sectors of the downtown retail economy. As in previous years, the survey is broken into sections that collect data on retail demographics, business revenue, retail hours of operation, rental rates, overall satisfaction, economic outlook and Partnership performance.

As expected, 2020 saw significant negative impacts in revenue performance and operating capacity. The statistics also point to positive signs for Downtown Frederick's recovery.

- ✓ The majority of respondents (68%) reported that their revenue was worse than the previous year, with 18% reporting that it was slightly worse and 50% reporting that it was much worse.
- ✓ Forty-seven percent of the responding businesses reported that their operating capacity has decreased by "at least" 50%" and an additional 18% reported that it has decreased "more than 50%."
- ✓ Combining first and second time Paycheck Protection Program (PPP) applicants (the Partnership's survey includes only first time applicants due to the 2020 calendar year focus), the PPP application rate among respondents is 30% higher than the Maryland average.
- ✓ Despite the challenges experienced this past year, 36% of the businesses reported having sufficient funds to cover 1-2 of months of operations and 34% reported having sufficient funds to cover 3 or more months of operations. These figures are stronger than the average for Maryland small businesses in the January 2021 timeframe.
- ✓ On the plus side, the majority of respondents (56%) felt that the overall economic climate for businesses like theirs in the coming year would be "very good" or "good".
- ✓ An overwhelming majority of respondents would recommend Downtown Frederick to other retailers with 92% rating Downtown Frederick as an 8 or higher on a 10 point scale

Related to Partnership's work, 82% of businesses rated the Partnership's performance as a 9 or higher on a 10 point scale in 2020 as compared to 81% in 2019. For 2020, 70% of businesses rated the Partnership's performance as a 10 (excellent) as compared to 45% in 2019.

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 focus/amend existing work program activities on identified opportunities and needs.

This report was made possible thanks to the analysis and authorship of Carlos Manjarrez.

2020 Downtown Frederick Business Performance Survey

Survey Background

In January 2021, the Partnership’s Business Development Committee launched the ninth 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 retailers and was available throughout the month of January. Despite the myriad of challenges businesses are facing in these difficult times, a total of 90 retail businesses responded. The Partnership thanks them for their participation.

Last year was an extraordinary year in many respects, one that defies comparisons to previous years. In the summary below, we review what businesses told the Partnership about their experience in 2020. For some statistics, comparisons to previous years are provided. This year, new survey questions were added about the impact of the pandemic on revenue and business practices. The information provided below is just one way of gathering input from downtown retailers. 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. The distribution of respondents was similar to previous years with one exception. This year, fewer restaurants participated in the survey. For the 2020 survey, the vast majority of the respondents (90%) were business owners.

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 (25%) as compared to specialty shops (37%).

Business Tenure

This year, there were slightly more businesses with 10 years or more reporting (56% in 2020 compared to 46% in 2019) and slightly fewer new establishments, with less than 2 years in operation, reporting (7% in 2020 compared to 17% in 2019).

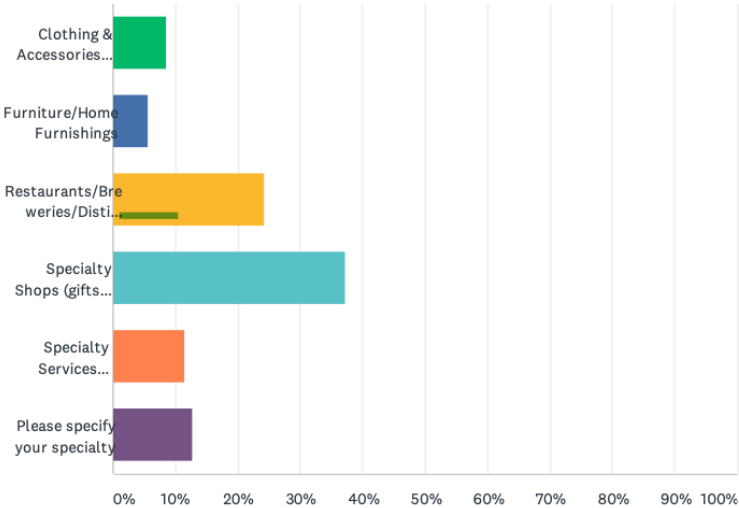


Figure A. Responding businesses by type

Staffing Outlook

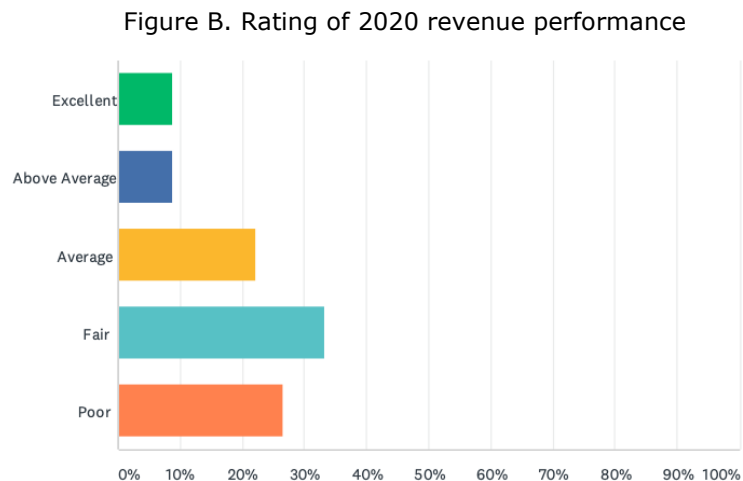
- There was no change in the distribution of FTEs among the respondents compared to the prior year. The largest category of businesses were firms with less than three employees (49%) followed by 3-5 (28%) and the remainder reporting 6 or more employees. However, this change is due to the smaller number of restaurants responding to the survey in 2020.
- Among the businesses reporting that they employ part-time workers, the majority (47%) reported that they employed less than 3, 27% reported employing 3-5 and the remainder reported 6 or more part-time employees.
- Sixty-nine percent of the responding businesses reported that that did not anticipate hiring new staff in the coming year (excluding filling existing positions).
 - Among the minority of businesses that are anticipating new hires in 2021, most (73%) anticipated 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.

- This year, the reporting distribution for revenue was the inverse of last year with 60% of the respondents rated their business revenue performance as fair or poor, compared to 13% in 2019.

- The overwhelming majority of respondents indicated that their business's revenue was "slightly worse" (18%) or "much worse" (50%).



- On the plus side, the majority of respondents (56%) felt that the overall economic climate for businesses like theirs in the coming year would be "very good" or "good".

- Reports of annual gross sales (defined as amount taken in by all transactions, excluding sales tax) is reported by category. This year the distribution of sales differs slightly from last year's reporting, with more businesses reporting sales in the \$250,001 to \$500,000 range than the prior year. Slightly fewer businesses reported sales above \$750,000 than in 2019. However, caution should be taken when interpreting change based on these figures since the survey is anonymous,

figures are reported in the aggregate and fewer restaurants responded to the survey.

Assessments of the Business Operating Environment

Retail Rental 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.

- As in previous years, the majority of respondents (75%) felt that the rental costs were "Fairly Priced", although a sizable percentage (24%) felt that they were "Over Priced" or "Very Expensive".
- Forty-six percent of respondents reported that rental costs were stable when compared to last year, with 38% reporting a "slight increase" and 7% reporting a "significant increase".
- 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 (94%).
 - This is true despite the fact that the majority of renting businesses (74%) 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 – 60%
 - Wages – 40%
 - Health Insurance – 31%
 - Energy Costs – 26%
 - Property Insurance – 16%

Several respondents referenced internet expenses and water expenses in a write-in option to this question.

- The non-rental expense areas that respondents identified as having the greatest impact on net revenue were wages (36% selected this item) and Inventory Costs (27%).

Effects of the Pandemic

Respondents reported significant negative impacts from pandemic. However, some changes to business practices could make organizations more resilient and improve revenue in the long run.

Assessing the Fallout

- Overall, 82% of the respondents reported that they experienced a negative impact from the pandemic, with 40% reporting it was somewhat negative and 42% reporting that it had a very negative impact.
 - When asked to report the areas that had the most significant negative impact, respondents highlighted negative impacts on revenue (63%) followed by supply chain management issues (40%).

When asked to describe the change in their operating capacity compared to 2019, the majority of respondents reported a significant reduction. Forty-seven percent of the responding businesses reported that their operating capacity has decreased by AT LEAST 50% and an additional 18% reported that it has decreased MORE than 50%.¹

Signs of Resilience

- Many respondents reported changes in business practice as a result of the pandemic, selecting the following responses in descending order:
 - Enhanced online presence – 65%
 - Store hour changes – 38%
 - Changes in inventory/products for sale – 32%
- Among the businesses with a web presence, 73% (46) reported an increase in the use of online platforms to offer goods and services.
 - Among these businesses, the services they felt were most effective were:
 - Shopping/purchasing aids and on-line transaction services (e.g. biermi.com, DoorDash, clover.com, e-gift cards)
 - Curating the social media presence (e.g. Facebook and Instagram)
- When asked about changes to the business operations that they anticipate sustaining beyond the pandemic, 90% of the respondents reported that they would sustain at least one change. The changes listed both positive and potentially negative changes including, changes to inventory/products for sale, enhanced online presence, changes to store hours and decreased staffing. Changes that would be sustained were:
 - Enhanced online presence – 72%
 - Changes to store hours – 42%
 - Changes to inventory/products for sale – 36%
 - Decreased staffing – 23%

¹ For this survey, respondents were asked to gauge operating capacity as “the maximum amount of activity the business could conduct under realistic operating conditions”.

Cash Access and Loan Program Participation

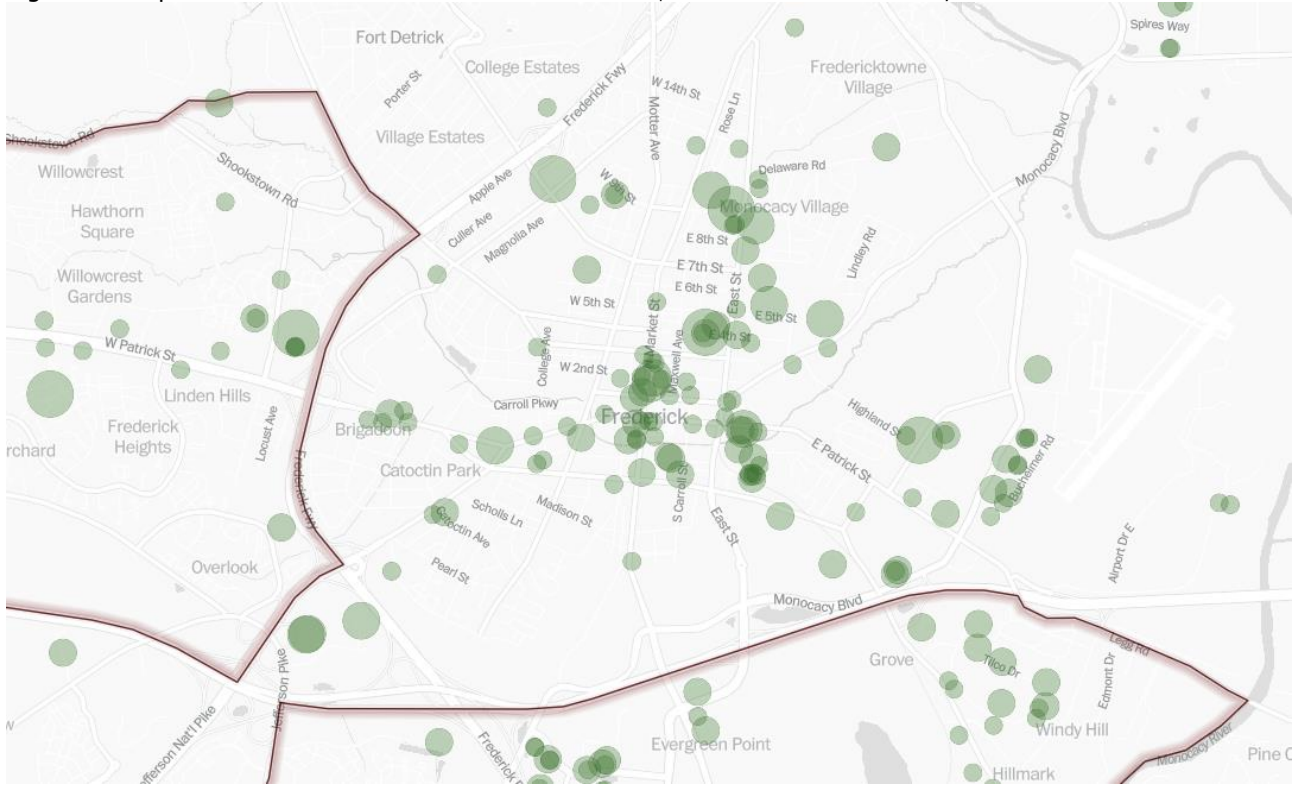
- Despite the challenges experienced this past year, many respondents reported strong availability of cash on hand.
 - Fourteen percent reported having sufficient funds for 3-4 weeks of operations, 36% reported having sufficient funds to cover 1-2 of months of operations and 34% reported having sufficient funds to cover 3 or more months of operations.
 - Downtown Frederick respondents are stronger in terms of cash on hand than the average Maryland small business responding to Census Small Business Pulse Survey in January 1-10, 2021.

- Participation in financial assistance programs was very strong. Below is the list of businesses that applied for assistance, followed by the percentage that reported receipt from each source. Combining first time and second time Paycheck Protection Program (PPP) applicants (the Partnership’s survey included only first time applicants due to the 2020 calendar year focus), the application rate among respondents is 30% higher than the Maryland average.

Table 1. Financial Assistance Participation and Receipt by Program Type, 2020

Loan/Assistance Program	Percent & Number Applying	Percent Reporting Receipt
Paycheck Protection Program	76% (53)	100%
Economic Injury Disaster Loans	51% (33)	92%
State or Local Government Loans	56% (39)	90%
Small Business Administration Loan Forgiveness	39% (27)	11%

Figure C. Map of the Distribution of PPP Loans Above \$150K in Frederick Area, Dec. 2020



Source: Washington Post, December 2, 2020

Note: Circles are scaled to loan size.

Interactive Map available at: <https://www.washingtonpost.com/graphics/2020/business/sba-ppp-data/>

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.

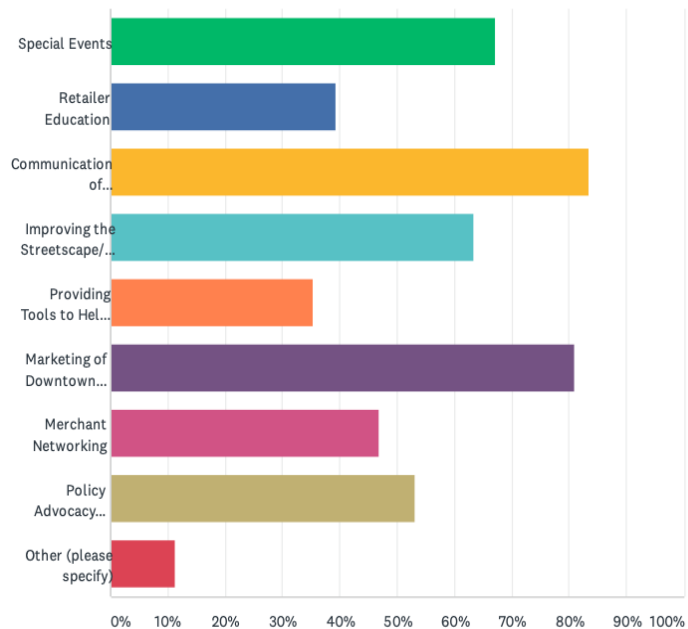
- Despite the pandemic, many business were able to maintain engagement with the Partnership. The majority of businesses responding to the survey said they were either active (50%) or very active (14%), with another 36% reporting that they read the email communication.
- 82% of businesses rated the Partnership's performance as a 9 or higher on a 10 point scale in 2020 as compared to 81% in 2019; for 2020, 70% of businesses rated the Partnership's performance as a 10 (excellent) as compared to 45% in 2019.

- Respondents were asked to rate eight different services provided by the Partnership, and were also provided an option for writing in a service they found beneficial.²

The two services that received the most attention were communications activities. Respondents rated “Communication of City/Community News” (84%) and “Marketing of Downtown Frederick (81%).

The services that were cited the least were “Retailer Education” at 39% and “Providing Tools to Help You Market Your Business” at 32%. There appeared to be no significant differences across business types.

Figure D. Assessment of Partnership Services



Among the 56 write-in responses for the Partnership services question, 20 referenced communications activity, with several referencing the value of COVID-19 related messaging. Notable responses include:

“This year the Partnership provided a constant flow of information regarding business resources during the pandemic, held our hands during the grant application process when needed.”

“The communication from the Partnership during this pandemic has been invaluable.”

“Excellent communication during the shutdown and passing along of useful responses available to merchants.”

“Partnership support communicating, updates, etc during the pandemic have been incredibly helpful.”

Respondents also provided feedback on potential areas of improvement. The same eight service areas listed in the customer satisfaction question also were

² 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.

provided for respondents to identify the services that most needed improvement.

- The areas that received the most recommendations for improvement were “Improving the Streetscape/Environment” (31%) and “Marketing of Frederick Overall” (22%).

This year, respondents were invited to write-in responses for areas where the Partnership could improve services to local businesses. A number of people wrote in with very helpful suggestions, including:

“I think helping business find a way to cross-promote – with other types of businesses, not just retailers and restaurants.”

“Would be nice if there were some resources about how to start each different kind of business in downtown. A road map for potential new business owners as to how to navigate our city and county regulations.”

“Some sort of loyalty program that would reward patronage to all shops or restaurants downtown.”

“Build future events and develop even stronger participation and support from store/restaurant owners

“Placing greater emphasis Patrick and Carroll Creek”

“Sidewalk, lighting and parking improvements.”

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 selection of quotes from the survey:

“I now have a business development consultant from the SBA to help me develop my business to new levels.”

“The “daily” business resources updates have been invaluable. The definitely had a HUGE impact on our ability to navigate this pandemic and find the help we needed.”

“Loved the connection that was set up for advice over the summer free of charge for services and advice. Helped us hugely. Also, the timely info on loans, grants and how to get them!!”

Satisfaction with City Services, Amenities and Overall Climate

- Respondents were asked to rate their satisfaction (on a five point scale) with city service, retail mix and city amenities in Frederick. There were nine listed areas for rating.³
 - The item that received the highest overall rating was “Current Number of Restaurants”, with 76% reporting that they were somewhat or very satisfied, followed by “Number of Residence within Walking Distance” with 75% reporting satisfaction.
 - The item that received the lowest overall rating was “Security/Policing”, with 49% reporting that they were somewhat or very dissatisfied, followed by “Overnight Stay Opportunities in Downtown Frederick” with 37% reporting dissatisfaction. In 2019, 26% reported dissatisfaction with “Security/Policing”.

- Respondents were asked to rate their satisfaction with various parking features in Downtown Frederick. There were eight listed parking features for rating.⁴
 - Consistent with prior years’ reporting, the parking feature that received the highest overall rating was “Free Parking During Holidays”, with 92% of respondents reporting that they were somewhat or very satisfied. The second highest rated parking feature was “Number of parking garages” with 58% reporting satisfaction, followed by “ParkMobile” with 57%.
 - The parking feature that received the lowest overall rating was “Cost of On-Street Parking”, with 37% registering that they were somewhat or very dissatisfied, followed by “Cost of Weekend Garage Parking” with 16% reporting the dissatisfaction.

- Consistent with last year’s rating the overwhelming majority of respondents would recommend Downtown Frederick to other retailers, with 54% providing the strongest recommendation possible (10 on a 10 point scale).⁵ An additional 38% rating it at 8 or 9.

³ 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.

⁴ 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 Parking During Holidays.

⁵ The scale asked respondents to report their responses on a 10 point continuum from “strongly discourage” to “strongly encourage”.

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 one respondents took time to write in. The main concerns listed among them were: regaining customer base and foot traffic, dealing with uncertainties of inventory and supply chains, making sense of the changing restrictions and basic safety for themselves, their employees and their customers. Common quotes are listed below:

“Getting normal foot traffic back in the store to increase sales and exposure to new business.”

“The unknown course of the pandemic and peoples' reaction.”

“Managing inventory and supply chain. Also managing COVID protocol in the shop for staff and customers.”

“Get foot traffic up and getting things finished that were started in last year.”

“Unknown consequences of tourism to Frederick due to COVID-19.”

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 FY22 (July 1, 2021 to June 30, 2022). The feedback is incredibly helpful to ensure the work of the Partnership has the greatest possible positive impact in Downtown Frederick.