The Retail Sector on Long Island
Overlooked... Undervalued... *Essential!*

A Preliminary Report from the Long Island Business Council

May 2021
Long Island
“LI”
The Sign of Success
Long Island Business Council
Mission Statement

The Long Island Business Council (LIBC) is a collaborative organization working to advocate for and assist the business community and related stakeholders. LIBC will create an open dialogue with key stakeholder groups and individuals to foster solutions to regional and local economic challenges. LIBC will serve as a community-focused enterprise that will work with strategic partners in government, business, education, nonprofit and civic sectors to foster a vibrant business climate, sustainable economic growth and an inclusive and shared prosperity that advances business attraction, creation, retention and expansion; and enhances:

- Access to relevant markets (local, regional, national, global);
- Access to a qualified workforce (credentialed workforce; responsive education & training);
- Access to business/economic resources;
- Access to and expansion of the regional supply chain;
- A culture of innovation;
- Commitment to best practices and ethical operations;
- Adaptability, resiliency and diversity of regional markets to respond to emerging trends;
- Navigability of the regulatory environment;
- Availability of supportive infrastructure;
- An attractive regional quality of life
The intensity of the challenge presented by COVID-19 has meant that a critical mass of Long Island businesses has had to remain fully fixated on navigating the pandemic’s most immediate impact. To a large degree, rather than focus on building for tomorrow, they needed to prioritize surviving today in hopes of getting to tomorrow.

At the Long Island Business Council, we saw a need to pivot from our usual operations and turn our attention fully to building for tomorrow. But, where to begin? We chose to initially focus on the region’s the retail sector.

The manufacturing and construction sectors get a lot of attention from government and economic developers. The attention is justified. Both industry sectors are dynamic contributors to the regional economy, and deliver impressive multiples on public investments in sector initiatives. Both of these sectors have dedicated regional organizations successfully working on their behalf, while retail does not.

If you were to build an economic skyscraper, the spire sitting above the clouds would be the regional economy, manufacturing and construction would be the walls rising skyward. Service-related sectors would live and work on each of the floors throughout the building. The foundation of that skyscraper, however, would be the retail sector. You don’t give it much thought. You take it for granted. But, every visitor to the building stands on it, and the building falls without it. Directly or indirectly, every American participates in the retail trade.

Because it’s not the “sexy” sector, it does not receive the same attention as manufacturing and construction, nor does it receive commensurate investment from government and economic developers. Yet, the retail sector is a robust job source, and even though it is a relatively lower paying sector, it still makes a significant payroll impact throughout the region. It is also a sector that was profoundly impacted by COVID-19, with different impacts for different subsectors within the retail trade. The challenges posed by the pandemic, short term and long term, are another reason we made retail our first subject, and we propose actions to meet those challenges.

Our recommendations are based on an intensive review of best practices, emerging trends and market strategies seen through the prism of decades of experience in the public and private sectors. Our hope is that by curating and disseminating this information, we can advance a conversation among regional business, government and civic leaders, and prompt actions on behalf of this vital sector.

We are designating this report “preliminary” because we hope the upcoming conversations can yield enhancements, tweaks and more highly detailed steps to advance the report’s recommendations, as well as help localize and tailor them to individual regional and local businesses. We look forward to “finalizing” this report upon the culmination of these conversations.

The report is geared to multiple audiences, from those with a peripheral understanding of retail to the retail veteran. Parts of the report will be remedial to experienced retailers who may skip the summary and the stats in favor of the challenges and to-do sections. The to-do section is the essence of this report, and we hope you will join us in collaborative conversation and concerted action to refine and bring these recommendations to fruition.

It’s time for business, government and community leaders to take a fresh look at retail and work together to fortify this foundation of our economy and lifestyle. We hope this report can be a catalyst to action. Let’s get to work.
A Message from the LIBC Co-Chairs

A little over a year ago, the Long Island Business Council (LIBC) was coming off a successful advocacy trip to Albany and was preparing for a membership meeting with the county executives of both Suffolk and Nassau. We had done a series of media events and were preparing to announce a full slate of prominent Board members. We had just participated in a well-attended meeting of the Jericho Chamber with New York Islanders owner Jon Ledecky, and had a long to-do list from that event. Then everything changed.

COVID-19 did not affect the LIBC with the same kind of devastating consequences it did for so many Long Island businesses. We had no payroll, no rent and no lost sales to make up. But, for an organization dedicated to the success of our local businesses and regional economic development, we had some decisions to make about how we could best be of service.

We thought we might act as the conduit between businesses and government COVID coordinators, Small Business Administration and other emergency assistance entities; but it quickly became apparent that every other business group was naturally seeking to do exactly the same thing for their member businesses. From our perspective, replicating the work of so many others would bring a redundant clutter to the marketplace. Rather than add to the clutter, we encouraged our members to participate in the COVID-related events of the Suffolk County Alliance of Chambers, Nassau Council of Chambers, Long Island Association, LI African American Chamber and LI Hispanic Chamber. We’re glad we did as those organizations performed admirably in a difficult time.

When LIBC reconstituted in 2019, we committed to not merely replicate the work of other organizations, but to find gaps of need and try to fill those gaps. During the COVID crisis, LIBC saw our nonprofit agencies struggling. We saw what the world saw in terms of racial challenges. We saw the housing and construction markets ready to lead our economy out of difficulty. Seeing this, we produced timely webcasts on these topics in lieu of our standard general meetings. Then, as we saw people becoming “Zoomed Out,” we were moved to fill a different gap.

This report is the first initiative related to that change. We believe by combining our expertise with that of other experts around the country, LIBC can look beyond the pandemic and prompt the structural and systemic changes that can help ensure when recovery comes, it will be complete and sustainable.

We’re pleased that our first report is in support of Long Island’s retail sector which has been so affected by the pandemic, and whose workers have proved just how essential they really are, even if we all had taken them just a bit for granted in the past. It is long past time for this important sector to get a little recognition and TLC. We hope this report helps make the difference that is so needed.
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- Providing Customer Experiences
- A Hypercompetitive Sector
- Rapidly Changing Technology
- An Evolving Retail Workforce
- Need for Local Fulfillment Options
- Increased Marketplace Noise
- Susceptibility to External Factors

Challenges Abound, but They Can be Overcome

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# What to Do: Engage Customers & Add Value

2021 To-Do List for Retailers

- Renew and Reignite Proven Business Practices
- Incorporate or Intensify E-Commerce Commitment
- Embrace an Aggressive Omnichannel Strategy
- Adopt and Leverage Relevant Technology
- Prioritize Convenience and Create Experiences
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- Create an Integrated Regional Microfulfillment Infrastructure
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If You Read Nothing Else:  
A Quick Summary of this Report’s Recommendations

Action Item Summaries

This report endorses twelve action items, which should be implemented by individual retailers, business associations, Chamber organizations, government, economic developers and/or other regional stakeholders alone or in combination. These items range from enhancements of business strategy to coordinated stakeholder initiatives to government support or new legislation. These action items are:

- Establish the Long Island Virtual Trade Show
- Boost E-Commerce Commitment
- Create a Long Island Regional Retail Council
- Adopt and Leverage Relevant Technology
- Reimagine the Retail Workforce
- Create an Integrated Regional Microfulfillment Infrastructure
- Enact Sales Tax Fairness
- Strengthen and Modernize Physical and Support Infrastructure
- Renew and Reignite Proven Business Practices
- Embrace an Aggressive Omnichannel Strategy
- Prioritize Convenience & Create Customer Experiences
- Coordinate and Conduct Retail Advocacy

Virtual Trade Show

The Long Island Virtual Trade Show (LIVTS) should be established as a public-private partnership. The online platform would serve as a sortable and searchable database of all regional businesses and a coalescing mechanism for regional supply chain network engagement, industry promotion, procurement and contracting, hiring a skilled workforce, business resources, sharing best practices and business development.

The LIVTS would be modular in structure and scalable in size, scope and features so that it, at its most comprehensive level, it would be the ultimate one-stop, interactive stakeholder resource, the foundation for a BuyLI e-commerce platform, a census of business activity and trends, a knowledgebase of business development resources and industry best practices, and a regional prospectus for business attraction. Consumers could use the LIVTS to search for local merchants who carry products or offer services they are looking for 24/7/365.

Boost E-Commerce Commitment

The long and steady growth of e-commerce accelerated during the pandemic both in terms of volume and expansion to new product categories. Those who were well invested in e-commerce reaped the benefits during the worst periods of the virus and should emerge from the pandemic in a stronger position. One important lesson for retailers from the pandemic is that they must accept, rather than resist, the reality of e-commerce, and incorporate e-commerce or intensify their commitment to it.

An expanded e-commerce strategy does not mean abandoning physical locations. In fact, it is an omnichannel combination of physical and digital that best positions today’s retailer for success. Business associations and Chamber groups should convene with economic developers, government, SBDCs and industry experts to develop an accessible regional approach to e-commerce literacy that can assist businesses in creating or expanding their e-commerce presence.
Regional Retail Council

Given the economic and lifestyle impacts of the retail sector on Long Island, it is surprising that there is no one organization for which the advancement of retail businesses is the sole focus. There are organizations representing manufacturing, construction and development, public relations, various professional services, hospitality, farming, wineries, human services, and more. All ably represent their respective constituencies. Retailers, despite their importance to the region, lack such a dedicated forum.

The major business and Chamber associations should convene to create and support a regional retail council that can collaborate with those organizations, monitor trends, proliferate best practices, develop regional strategies and provide peer support; as well as ensure the needs and impact of retailers are represented and articulated to government officials, economic developers and other stakeholders.

Adopt and Leverage Relevant Technology

Technological advances create possibilities for retailers. However, it can be challenging to keep pace with technological change. Technology choices can be confusing, and costs can be significant. There can be a tendency to want the latest shiny object, but tech for the sake of tech is not a sound approach. Only purposeful technology that aligns with and advances a retailer’s purpose and business schematic should be targets for investment.

The most promising new tech uses in the near term should come from artificial intelligence and augmented reality to help enhance and personalize customer experiences. Retailers must also remain aware of cyber threats. Cybersecurity is an essential investment since retail is an inviting target for identity thieves and cyberterrorists due to the wealth of customer data, transaction volume, economic impact and social pervasiveness.

Regional technology and retail leaders, along with other business leaders, educators, college interns and IDAs should convene and collaborate to develop and publish a plain-language, online guide to evaluating and implementing new technologies. This online guide would require regular and relatively frequent updates.

Reimagine the Retail Workforce

COVID’s challenges put retail workers in grocery, drug and general merchandise stores alongside first responders and health care workers as essential workers and local heroes who sustained us during crisis and uncertainty. The newfound respect for retail workers comes as the sector needs to rely on its workforce to a greater degree, and in ways never imagined. The quest to keep pace with competitors by intensifying customer service, leveraging technology and enhancing data collection and analyses; they will require a newly skilled workforce.

To prepare the workforce to meet the challenges of the new marketplace, retailers need to elevate employees through more rigorous orientation and training programs. Joint workforce strategies should be developed with the appropriate labor unions or employee advisory councils. Retailers should work with BOCES, colleges, private sector agencies and labor unions to develop external curricula and training programs that prepare the future workforce on a larger scale. High schools and colleges should also be encouraged to offer retail internship programs.

Salary pressure has long been an issue for retail businesses, but a livable wage is critical for the workers who sustain those businesses. Relatively low wages have resulted in a sector typified by high turnover leading to decreased productivity and lost revenues. Retailers will need to demonstrate respect for employees through a safe and supportive work environment and equitable wages commensurate with newly required skills.

Beyond compensation, training and workplace safety, retailers should enhance employee engagement to facilitate the flow of frontline customer feedback, and create opportunities to tell employees how much they are appreciated, what they are doing well and where improvement is needed. In concert with equitable compensation, viable career paths and enhanced training; employee engagement is a vital tool for workforce retention.
Integrated Regional Microfulfillment Infrastructure

The inability to manage and scale a cost-effective fulfillment operation can be a barrier to meaningful e-commerce activities for small local retailers. Local residents must be able to get their goods as fast or faster from local retailers than from out-of-state competitors. Navigating the "buy-now-get-it-fast" environment requires access to a budget-friendly fulfillment infrastructure that right sizes to the needs of businesses and scales as needed.

This will require a regional microfulfillment capacity that mobilizes the collective regional resources to create a viable, accessible, and integrated regional microfulfillment infrastructure. This is a prerequisite if the region’s small to mid-sized retailers are to become a relevant and viable e-commerce force.

Retailers sharing a downtown, business district, shopping center, etc. should convene with elected officials and relevant Chambers of Commerce, merchant or business associations to evaluate, recommend and implement improvements in fulfillment capabilities in their respective localities. These groups should consider all local delivery and storage assets (no matter how small), and determine how to utilize the collective potential of those assets in a cohesive microfulfillment initiative. Collectively, these components would form the foundation of an infrastructure to be replicated in as many localities as possible, and then connected across the region in a hub-and-spoke system.

A regional microfulfillment infrastructure can be implemented in stages. When combined with an initiative such as a Virtual Trade Show, this infrastructure would form the basis of a Shop Long Island e-commerce platform.

**REGIONAL MICROFULFILLMENT INFRASTRUCTURE SCHEMATIC**

**Stage 1: Local-to-Local, hyperlocal, direct-to-consumer, first mile is last mile, door-to-door**

- Stage one deals with the hyperlocal economy typified by local retailers selling to local customers within a limited neighborhood radius.
- In this stage, the local retailer receives an order with a same-day or next-day delivery request. The retailer pulls the product(s) from the shelf or stockroom, and a store employee delivers to the local customer, or a local on-call delivery partner would pick up the item(s) from the retailer and deliver to the customer.
- If a customer orders a product(s) for same-day pickup, the retailer can set the item(s) aside in-store, or use staff or the on-call local delivery partner to deliver the item(s) to a designated local pickup location.

**Stage 2: Local-to-Regional, hub-and-spoke, first mile to last mile, door-to-hub-to-door**

- Stage two focuses on regional sales by local retailers.
- It connects localities via a hub-and-spoke system of designated transfer points (e.g., shared space in an existing store or warehouse, repurposed vacant space) at key geographic intersections and corridors.
- Rather than door-to-door, it is door-to-hub(s)-to-door. Orders from one locality are transported to the transfer point for pickup by a customer, or transfer to the next deliverer for transport to the next locality.
- Product(s) travels the region relay-style, until reaching the destination. Where an order is to be sent beyond the region, the “transfer point” may be the nearest FedEx, USPS, UPS or trucking company.

**Stage 3: Right-sizing and solidifying for the long term**

- Scaling and “harden” the fulfillment infrastructure by broadening the scope of and adding a permanence.
- Microfulfillment centers (MFCs) replace in-store or pop-up warehouses.
- MFCs could be placed in underutilized space in malls, stores/office space or new construction.
- Local deliverers and delivery partners may be supplemented or replaced by dedicated deliverers.

Sales Tax Fairness

Retailers in New York State remain at a competitive disadvantage versus out-of-state e-commerce businesses due to the understandably cautious approach New York State took in response to the 2018 U.S. Supreme Court’s (SCOTUS) Wayfair decision that finally allowed states to collect taxes on sales made to their residents on e-commerce transactions by out-of-state vendors provided the system does not create an undue burden, is not applied retroactively and is administered in a simplified and streamlined manner.
The inequity is in the threshold adopted by New York to remain safely within SCOTUS parameters. The threshold mandating sales tax collection for New York State businesses is defined in Do I Need to Register for Sales Tax? NYS Tax Bulletin ST-175 as “… if you sell taxable items at a craft fair only once a year, you are required to register, and to collect and remit sales tax …” However, the threshold for out-of-state e-commerce vendors is New York sales of $500K and 100 transactions. This gives out-of-state retailers an unfair advantage over New York businesses.

New York must reassess its position and adopt legislation that expands New York’s ability to capture lost sales taxes in a way that complies with the spirit of SCOTUS-recognized principles. This can be accomplished through existing technology. Amazon, for example, has collected and remitted sales taxes across the nation’s many municipal jurisdictions for years. New York could license the technology from an existing vendor for a flat or per transaction fee, or develop an app/software “in-house.” The app/software would be made available nationwide to every secretary of state, county clerk, town clerk and village clerk for free download and use by businesses within their jurisdictions. This approach would appear to comply with SCOTUS guidance because:

- **It does not create an undue burden for small businesses**: The app/software would be widely accessible and distributed free of charge so that there is no undue burden. **It is simplified and streamlined**: The process would be fully automated, easy to use, with no unnecessary paperwork. When an online order is placed, sales tax liability is automatically calculated by item type, type, cost and delivery zip code; and remitted to the appropriate taxing jurisdiction at the time of the transaction with no subsequent payment or filing required. Statements would be automatically generated and sent to the vendor. **It is not applied retroactively**: The system would not be retroactive, and would be fully implemented only after a penalty-free adoption period.

**Strengthen and Modernize Physical Infrastructure**

Regional vitality depends upon Infrastructure, including structures and systems for Transportation, Housing, Broadband, Telecommunications, Energy, Public Safety, Water, Wastewater and Sanitation, Education and Health Care. Retailers rely on the regional infrastructure for the ability to move product through the supply chain to the consumer, move workforce and customers to and from retail locations, move messages from retailer to consumer and consumer to retailer, house consumers and workforce, house product, train workforce, sustain markets, and protect consumers, workforce, product and business locations.

Infrastructure forms the foundation for economic capacity, productivity, growth, inclusivity, sustainability and accessibility. It must be responsive and adaptable to accommodate changes in market demand and scale. It must connect Long Island downtowns, community shopping centers, malls, industrial, office, health care, residential and leisure assets.

To ensure infrastructure is optimized for economic capacity, the business community needs to be continuously engaged by government officials and regional planners on infrastructure issues, with a formal role in the evaluation process, that should also include business impact analyses/statements as part of that process.

**Renew and Reignite Proven Business Practices**

The crucial first step retailers can take to navigate the “new normal” is the remedial, but essential exercise of taking stock with an institutional “soul-search” that challenges the status quo, reexamines the business model in context with the marketplace, and reacquaints itself with the primacy of the customer. Four essential areas for this review: customer service, marketing research, marketing and operations.

**Customer Service**: Retailers should take a fresh inventory of all touchpoints and optimize each of these points of customer interaction to consistently provide exceptional service and a memorable experience that adds value, inspires confidence and promotes convenience.
Marketing Research: In times of change, marketing research is invaluable. Smaller retailers do not have resources to do the same type of research as retail giants, but they do have the ability to conduct the most meaningful marketing research—talking to their customers. Today, customer connectivity is more accessible than ever.

Marketing: Current technology allows retailers to market to an audience of one (by the hundreds or by the thousands), and the personalized messaging that can be delivered with one-to-one marketing is what consumers have increasingly come to expect from retailers. One-to-one marketing is the path to differentiation and providing clarity as to why a product or vendor is the right choice for each prospective customer.

Operations: With strained resources further taxed by the pandemic, it is critical to meet customer demand with an efficiency of effort and cost. Achieving efficiencies may mean having to reengineer productivity models, streamline operations, aggressively manage the supply chain, automate certain functions, right-size real estate and reduce unproductive costs. Savings should be reinvested in revenue producing activities and workforce enhancements.

Embrace an Aggressive Omnichannel Strategy

To navigate an increasingly omnichannel retail landscape, it is essential to have an understanding of what omnichannel is. It is useful to think of channels as pathways connecting the retailer and its customers. These pathways are two-way routes, from customer to retailer and retailer to customer.

Consumers determine where, when and how they want to shop. It is up to the retailer to provide pathways to meet those preferences and optimize each of the touchpoints along these pathways. The perfect omnichannel strategy does not require the retailer to be everywhere; just everywhere its customers may be. Making the customer journey frictionless and making moves from path to path seamless comprises the essence of a functioning omnichannel strategy.

Omnichannel benefits from a well thought out e-commerce strategy integrated with a solid brick-and-mortar foundation. Integration is key. Retailers that view e-commerce and brick-and-mortar as distinct silos work against themselves. The goal needs to be to have one channel support and feed the other.

An effective way for retailers to implement an omnichannel strategy is to create shopper personas that reflect characteristics and traits of actual customer categories. They then can create customer journey schematics for each persona and “follow” those personas through the customer journey to determine 1) where touchpoints occur and 2) what might be needed to provide appropriate service at those touchpoints for the specific persona.

For business associations and Chamber groups engaging in Shop Local campaigns, it is important to understand the concept of “local” means “closest in proximity” to many of today’s consumers, and “closest in proximity” may not mean the local Main Street business to them, but rather the shopping tools that are closest in proximity to them—their laptop, tablet, voice search or cell phone. An omnichannel strategy that includes an e-commerce option is the best means of capitalizing on this phenomenon.

Prioritize Convenience and Create Customer Experiences

Convenience reigns supreme for today’s customers. Retailers should make shopping simple, and help customers save time, money, worry and effort; while increasing choice and value. They should also reduce friction at all touchpoints across the continuum. The Amazon Effect has conditioned consumers to expect increasing levels of convenience that allow them maximum control with minimum effort throughout all phases of the customer journey, including product search, transaction, fulfillment, post-purchase and customer maintenance phases.

Product Search Phase: Retailers should work to optimize the consumer experience by creatively incorporating the most desirable aspects of online shopping into the in-store experience, and bringing the most preferred features of the in-store experience to online shopping. Once a prospective customer is in-store or online, retailers need to
establish a connection and marshal resources to keep the customer engaged. Whether in-store or online, retailers need to provide pre-purchase support; primarily easy access to products and relevant product information.

**Transaction Phase:** Once customers have made their purchase decisions, they believe they have completed what should be the most difficult part of the shopping journey. They do not want the in-store or online checkout process to be complicated, cumbersome or unnecessarily time-consuming.

**Fulfillment Phase:** With the proliferation of e-commerce, speed and quality of the shipping delivery experience has become paramount. Customers have come to expect a variety of pickup and delivery options. What is most evident is that customer-directed fulfillment is here to stay. Customers want to choose their delivery or pickup option, and they want it accurate and guaranteed. They want to be kept informed of the progress of their order as it moves from purchase to delivery or pick-up.

**Post-Purchase Phase:** A retailer’s job does not end with the sale. Once customers have their purchased products at home or in the office, they may have questions about their purchase. Post-purchase support and easy returns are critical assets.

**Maintenance and Retention Phase:** Retailers should stay engaged with customers by communicating with them well beyond the sale. Engagement is best facilitated when retailers collect information about customers at every phase of the customer journey. A customer preference and buying habits database is a valuable tool for helping retailers “mind meld” with customers. Data-infused customer engagement strategies help retailers deliver highly personalized shopping experiences and exceptional customer service, and increased customer retention.

**Retail Advocacy**

Both statistically and socially, retail is not only relevant, but essential. Retail has been an historical and consistent growth sector. On Long Island, as in the nation, retail is a major employer. Whether buying food, gas, electronics, clothes, medicines, household items, cars, toys, sporting goods, furniture, and on and on; families access the sector every day. It is not just an economic force; it is part of the fabric of our daily lives. Despite this impact, retail has lagged other sectors in relative attention and support from government and economic developers.

One reason is a lack of coordinated advocacy on behalf of retailers. Creating a Regional Retail Council will help focus advocacy, but there is more to be done by the business community as a whole in concert with retailers. Since retail is so intricately intertwined with all forms of regional commerce and quality of life, joint advocacy is in the mutual interest of all stakeholders. A coordinated strategy will help advance economic development as a whole, and make it more difficult to set one sector against another, or even one retail category against another.

*All* types of retail are important to the economic viability of their localities and the region as a whole. Government officials and economic developers must support the entire retail mosaic: downtowns, shopping centers, freestanding retail shops, home businesses and e-commerce. True retail advocacy requires a common strategy that supports retail communities of all types, and integrates them into the overall economic development tapestry.
Executive Summary

Directly or indirectly, every American is a consumer of goods and a participant in the retail trade. The sector is a major contributor of jobs and employee payroll. Federal and state budgets benefit from income taxes generated by that payroll. State and local governments fund essential services with retail sales taxes. Manufacturing and wholesale jobs are sustained through the purchase of goods for resale. Still more jobs are supported by sector spending on professional services, rents and other business expenses. Employee purchases create even more jobs.

In recent years, the news has been peppered with reports of closings, reorganizations and consolidations throughout the retail sector. This could cause a casual observer to believe retail is dying. But, is that actually the case? People buy things. People will always buy things. People buy what they need. People buy what they want. Depending on income and other circumstances, people will buy more or less, but they still and will buy—a lot.

A Most Impactful Sector
Between December 1992 through December 2019, retail sales grew by 200%. During the 10-year period from December 2009 thru December 2019, the U.S. retail sector enjoyed consecutive years of growth with sales increasing 50% over the period. The National Retail Federation (NRF) enlisted PwC to estimate the total economic impact of the retail sector in 2018. PwC calculated that while the retail sector generated 32 million jobs, $1.0 trillion in direct labor income and $1.6 trillion in GDP in 2018; its total direct, indirect and induced impact was 52 million jobs, $2.3 trillion in labor income and $3.9 trillion in GDP.

The COVID-19 Pandemic Takes its Toll
Even facing a pandemic, retail sales for 2020 tallied an unprecedented $5.58 trillion, which was an increase of 3.2% over 2019. That growth was not without its challenges. 2020 began in promising fashion with 4.5% growth in total retail sales for both January and February versus the same periods in 2019. As COVID began to wreak its havoc, monthly sales successively dropped -2.6%, -15.3% and -1.0% in 2020 from 2019 for March, April and May. Sector sales rebounded with 2020 versus 2019 gains between 5.6% and 8.9% from June through December.

A deeper dive into the impact of the pandemic shows mixed results across categories. Some retailers were better able to adapt or were more highly prioritized by consumers because of the nature of their product line. Others were less equipped to adapt, or were reprioritized downward. There were also many retailers that had no opportunity to adapt since they were deemed “nonessential” and were temporarily closed.

Subsectors and categories with the largest 2019 to 2020 sales decreases were Clothing and Clothing Accessories Stores (-23.8%), Electronics and Appliance Stores (-16.1%), Gasoline Stations (-15.8%), Department Stores (-15.6%) and Furniture and Home Furnishing Stores (-4.6%). Those that fared best, and outpaced the 3.2% year over year growth in total retail sales were Sporting Goods, Hobbies, Musical Instruments & Book Stores (5.9%), Grocery Stores (11.3%), Food & Beverage Stores (11.5%), Building Materials, Garden Equipment & Supply Dealers (13.5%), and Nonstore Retailers (21.0%).

E-Commerce: COVID Amplifies & Accelerates Long-Term Trends
Consumers adapt to their circumstances. They adapted to COVID-19 by making greater use e-commerce, which already had long and uninterrupted pre-pandemic growth. In 2000, e-commerce retail sales tallied $27.4 billion. In 2019, these sales had risen to $595.7 billion, an increase of 2073% over the 19-year period. This far outpaced total retail sales for the same period, which increased 91%. As a percentage of total retail sales, e-commerce grew from a 0.6% share in the fourth quarter of 1999, increasing each year to an 11.3% share in the fourth quarter of 2019.

The new year began with no sign of the upheaval to follow. First quarter retail sales rose 2.1% and e-commerce sales grew 14.8% year over year in line with previous results. However, total retail sales saw its first quarter-to-quarter drop (-1.2%) since the fourth quarter of 2015 (-0.3%). Despite this dip in total retail sales for the first quarter of 2020 from the fourth quarter of 2019, e-commerce sales actually increased 2.4% over the same period.
COVID impacted the second quarter as total retail sales dropped -3.9% from the first quarter and -3.5% year over year. E-Commerce sales, however, grew 31.8% over the first quarter and 44.5% from the prior year.

The increase in e-commerce utilization was notable and was amplified by the acceleration in digital shopping adoption in categories not previously considered fertile ground for e-commerce. Many foods and beverages, over-the-counter medicines, certain dry goods, paper goods and personal protective equipment became commonplace targets of online shopping. While some of the gains will return to the brick-and-mortar domain, this could be a glimpse into the future.

Third and fourth quarter 2020 retail sales grew 12% and 0.5% quarter-to-quarter, while e-commerce sales pulled back a modest -1% in each quarter, which could be early signs of sales receding slightly from overaccelerated highs. Before reading too much into this quarter-to-quarter decline, however, it is important to note that e-commerce sales actually increased a robust 36.6% and 32.1% over the same period in the prior year. The fourth quarter of 2020 concluded with e-commerce holding a 14% share of retail sales, while significant.

The fact that brick-and-mortar entities still commanded 86% of the retail sales space suggests many consumers retain an affinity for in-store shopping, and this “traditional” experience is not likely to completely disappear any time soon. Still, for brick-and-mortar retailers, a loss of 14% in sales is significant given tight retail margins.

### Why the Retail Trade is Important to Long Island

In 2019, retail employers accounted for 12.3% of all employment on Long Island with 158,994 full and part-time employees, and an annual payroll of more than $5.2 billion. Retail is superseded only by the Health Care sector as a provider of jobs for Long Islanders and ranks fifth among sectors in total payroll. Within the retail sector, the Food & Beverage Stores, General Merchandise Stores and Clothing Stores subsectors accounted for more than half of all retail employment on Long Island in 2018. Food & Beverage Stores led that list by providing 22.7% of all retail jobs. Motor Vehicle & Parts Dealers (19.1%) and Food & Beverages Stores (19.1%) are responsible for nearly 40% of all retail payroll for Long Island.

In addition to the jobs impact, Nassau and Suffolk Counties rely on sales tax collections as the largest revenue source for their budgets. In Suffolk County, sales taxes accounted for 48% of total revenues in 2019 and are projected at that level for the years 2021 thru 2024. Nassau County’s 2021 NIFA approved budget projects sales taxes at 35% of revenues. These taxes are vital since they help fund the services and quality of life residents expect. A tumultuous 2020 ended with sales tax collections down only -2.5% for Long Island as a whole, with Nassau dropping -4.4% and Suffolk nearly flat with a -0.9% dip from 2019. These results were better than what had been anticipated when COVID-19 first began to take its toll. Long Island fared better than New York State as a whole, which dropped -10% from 2019; and far outpaced New York City, which saw a -18.7% decline.

### Retail: A Profitable but Challenged Sector

Even as an economic powerhouse, the retail sector has historically faced longstanding and continuously emerging challenges to the success, and sometimes survival, of its component businesses, categories and markets. The sector also has a long history of responding, often effectively, as decades of documented sales growth attests.

### Evolving Consumer Preferences

The ultimate function of the retailer is to provide its customers with what they want, when they want it, where they want it and how they want it. Consumer preferences are never static because circumstances affecting consumers are not static. A retailer’s ability to anticipate, recognize and navigate these changes in consumer preferences, and the factors that influence them, can be the difference in whether a business thrives, survives or dies. Three notable consumer priorities that have emerged as part of the most recent consumer evolution are 1) an increased willingness to make purchases via e-commerce, 2) a clear desire for increased levels of convenience in the customer journey, and 3) a strong preference for an enhanced and customized customer experience.
The Growth of E-Commerce
Some retailers think e-commerce is the Satan of retail. Others believe it is the savior. Consumers don’t care what retailers think about it, and have made it plain that e-commerce is here to stay and will continue to grow. It is not a surprise that the pandemic has changed the way consumers shop and accelerated the already burgeoning e-commerce marketplace. The question is to what degree these new behaviors will become permanent habits. Consumers still make most of their purchases in-store, but the impact of digital disruption continues to build.

E-commerce spawned a cottage industry of sales tax evasion by out-of-state vendors on sales to in-state customers. This resulted in a competitive disadvantage for in-state retailers that were required to collect and remit the tax. This issue was addressed to some degree by the 2018 U.S. Supreme Court South Dakota v. Wayfair decision that finally gave states the permission to collect these taxes with some restrictions, but a cautious response by New York State to this decision still exempts many out-of-state vendors from sales tax requirements.

The Convenience Imperative
Today’s consumers place a premium on convenience. They want product search, availability, purchase, delivery or pickup, service and returns to be easily accessible, navigable and frictionless. They want to shop when, where and how they want—and with digital commerce; they can. Consumers want to move seamlessly between in-store and digital platforms and maintain a consistency of attentive service at all touchpoints. They equate value with quick, on-time, and often free guaranteed delivery or pickup (a particular challenge for small Long Island retailers given a lack of local microfulfillment options to build capacity).

Providing Customer Experiences
In today’s omnichannel environment, consumers are demanding seamless, convenient and personalized experiences across all channels in that environment. With so many choices for products of similar quality at similar prices, the customer experience can be the point of differentiation that engenders some degree of brand affinity.

Consumers want experiences tailored to them with little or no wasted effort throughout the customer journey. The most effective way for retailers to deliver this is by personalizing each customer shopping and service experience. Effective personalization requires active and substantial use of customer data to facilitate a more relevant experience for the individual consumer. As such, the retailer must direct efforts at data collection, maintenance and analysis. At the same time, the retailer must consider privacy and security issues.

Technology can add to product presentation and the buying experience, but it must be relevant to the customer’s connection with the product. The challenge is to find the right mix of enhancements that create an immersive and sensory experience without devolving into pure retailtainment that interferes with the customer’s attention to the product. Retailers need to add in-store personal touch to digital experiences, as well as digital’s convenience to in-store experiences. They should also adopt new technologies that enhance the experience, but not overstimulate, oversaturate or depersonalize. Above all, customers want their experience to reflect that the retailer listens to them, remembers them, values them, understands what they want, and will work to meet their expectations.

A Hypercompetitive Sector
The competitive intensity of the retail environment has existed since the advent of retail. Time has only added to the number of competing products and vendors. As more choices have emerged, consumers have shown a willingness to explore those alternatives. As a result, brand loyalty has been challenged. Many retailers respond by matching low priced competitors. This accelerates the race to the bottom in terms of price point; a phenomenon that works well for consumers, but not so much for retailers. Additionally, the “Amazon Effect” prompts a degree of price uniformity as virtually anyone in any region, regardless of the regional cost of living, can make purchases from that region at a nationally normalized price on an online platform. This pressures local brick and mortar retailers to sell near a similar price point, even when it might not sustain the cost of living in their own region.
Rapidly Changing Technology
Technology creates possibilities for retailers, especially technology that helps merchants meet customers where they are. Research, assessment and implementation of rapidly changing tech options can be daunting for the layperson. Whether seeking to address basic business functions such as customer relationship management, marketing systems, supply chain management, fulfillment, warehousing and inventory management; or looking to introduce artificial intelligence or machine learning systems that can be used to enhance the customer experience; the options can be overwhelming and range wildly in cost and complexity. The benefits of technology investment can be rewarding, but a wrong choice that wastes valuable resources can set a business back, or even be fatal in a hypercompetitive marketplace where margins are tight and businesses are vulnerable.

An Evolving Retail Workforce
Retail workers will become even more important to the retailers that will increasingly rely on them to deliver exceptional customer service at all touchpoints across all channels. As the retail world continues to become more technology reliant, employees will require new skills to properly use these technologies. Developing these skills and ensuring a commensurate level of compensation for newly skilled workers will present challenges for many retail businesses in a sector known for lower wages and high turnover. Retailers, educators, government and communities have the challenge of mobilizing to meet a pressing need for increased workforce investment that helps provide a safe work environment, ample supply of skilled workers, appropriate levels of compensation, retail-specific preparatory and continuing skills training, optimal staff utilization and desirable retail career paths.

Need for Local Fulfillment Options
A major hurdle to small local businesses achieving a robust e-commerce presence is difficulty managing and scaling cost-effective fulfillment operations. Fulfillment is crucial for e-commerce success, and excellence in fulfillment has been one of the greatest contributors to Amazon’s success. Fortunately, small to mid-size businesses need not surpass Amazon in efficiency or completeness. They need only do well enough to be regionally or locally relevant and provide a sufficient income for the business owner and employees. Even this more modest pursuit, however, requires access to a budget-friendly fulfillment infrastructure that right sizes to the needs of the businesses, scales as needed, and provides cost-effective same-day and next-day delivery locally, regionally and beyond.

In recent years, considerable focus has been placed on “last mile” delivery. This final stage of delivery has a relatively high per mile cost compared to earlier segments of the process. Fulfillment systems are being redesigned and re-networked to prioritize last-mile delivery. This has been geared mostly to the needs of large firms with a wide distribution, rather than to the needs of smaller local businesses. Local retailers face the same last-mile challenges as out-of-state e-commerce competitors. For many local retailers last-mile challenges also exist in the first mile of fulfillment, and the vast majority of these small retailers lack the resources to scale warehousing and delivery operations to be commensurate with their e-commerce competitors.

Increased Marketplace Noise
In today’s marketplace, there are not just more channels in which to transact business, but also more through which to communicate with consumers. Many of these channels are easily accessible with few barriers to entry. The more accessible they are, the more voices there will be to fill those channels, with more noise generated. This unfiltered noise serves to dilute and interfere with the quality and resonance of messages that get through to customers. Retailers must strategically and creatively overcome the noise to ensure their messages are heard.

Susceptibility to External Factors
Geopolitical and economic factors, natural and manmade disasters, and public health events are beyond the control of businesses and customers. Each takes its measure of impact on the retail sector in its own way and in its own time. We are living, in real time, with the market disruptions of the COVID-19 pandemic and the resultant closures, capacity limits, lockdowns, safety redesigns of stores, in-store distancing and product availability issues it has caused. As a nation and as a region, we have come through recessions, hurricanes and terrorist attacks bruised, but intact. At every instance, the retail sector eventually recovered its losses and resumed its growth.
What to Do: Engage Customers & Add Value

Renew and Reignite Proven Business Practices
In the wake of COVID, retailers should undertake a rigorous self-examination that goes beyond an internal audit and is more of an institutional “soul-search” with a challenge to the status quo. They must determine who they are and how they fit into this changing retail picture. Four functional areas provide a fertile foundation for this review: customer service at all touchpoints, marketing research through customer engagement, marketing based on experiences and personalization, and operations optimization that frees up resources for revenue producing and workforce enhancing investments. Most importantly, retailers must reacquaint themselves with the primacy of the customer. They must adapt to consumers; not the other way around. Some retailers expend significant resources trying to change consumers’ minds when they should actually be reading them.

Incorporate or Intensify E-Commerce Commitment
The most important lesson for retailers from the pandemic is that they must accept, rather than resist, the reality of e-commerce. There is a long-term and growing consumer preference for the benefits afforded by online shopping. Those who were well invested in e-commerce reaped the benefits during the worst of COVID, and they should emerge from the pandemic in a stronger position as we eventually exit from the pandemic. Pursuing a more vibrant digital presence does not mean brick-and-mortar retailers need to abandon their physical locations. The increasing number of e-commerce businesses seeking a brick-and-mortar presence for themselves is evidence of the value of combining physical with virtual. Brick-and-mortar retailers, however, will likely need to incorporate e-commerce to some meaningful degree to optimize market competitiveness.

Embrace an Aggressive Omnichannel Strategy
To navigate an omnichannel retail landscape, it is essential to understand what omnichannel is and what it is not. Omnichannel strategies help customers shop where they are, how they want and when they want. This is the modern consumer and technological revolution. Omnichannel is often misunderstood to mean a retailer needs to be everywhere. Retailers do not need to be everywhere, just everywhere their customers are. It is useful to think of channels as bidirectional pathways connecting the retailer and its customers throughout the customer journey. We can define the customer journey in terms of five phases: 1) Product Search and Evaluation, 2) Transaction, 3) Fulfillment, 4) Post-Purchase and 5) Maintenance/Retention. It is up to the retailer to optimize each of the touchpoints along these pathways; making the journey frictionless, and making moves from path to path seamless.

A well-executed e-commerce strategy, integrated with a brick-and-mortar foundation, is the core of omnichannel. Integration is essential. Too many retailers view e-commerce and brick-and-mortar as distinct silos. The goal needs to be to have one channel support and feed the other. The retailer should assume customers will move, with some frequency, between the virtual and the physical at their discretion as they map out their own journey. Since the retailer does not know when customers will access online or physical channels, it must assume that either can be accessed at any time and ensure perpetual cohesiveness and connectedness from the perspective of the customer.

Adopt and Leverage Relevant Technology
The application of existing and emerging technologies in retail is limited only by the creativity of the retailer using those technologies, and the possibilities for retailers can be exciting. It is important to remember, however, that technology is a strategic tool and not a panacea for addressing all the challenges facing retailers today. Technology options should be considered for acquisition and deployment only if they align with the business schematic and help the business 1) stay connected with the customer, 2) improve the customer’s the in-store or online experience, 3) improve productivity, or 4) efficiently manage operations.

Technology choices are numerous and can be confusing and costly. A prudent adoption strategy is to mirror the technology adoption of the customer base to help ensure options pursued are marketplace relevant. Additionally, regional tech and retail leaders, along with other business leaders, educators and students should collaborate to
develop a plain-language guide to evaluating and implementing new technologies. In implementing these technologies, retailers must be mindful there is still a critical need for a human role. Retail is a people-first sector. Machines must serve their masters. It is important remember this as we are on the cusp of significant marketable advances in augmented reality and artificial intelligence with increasing implementation by retailers nationwide.

Prioritize Convenience and Create Experiences
The customer experience is the convergence of customer focus and engagement, omnichannel strategies, convenience, data collection and analysis, technology implementation and touchpoint optimization. Retailers should do all they can to make shopping simple and help customers save time, money, worry and effort; while increasing choice and value. Retailers should also optimize the experience by incorporating the most desirable aspects of online shopping into the in-store experience, and bringing the most preferred features of the in-store experience to online shopping. This cross-pollination is the essence of a fruitful omnichannel experience.

Product Search Phase: There are many strategies and techniques to attract prospective customers to a website or physical store, but an equally important priority is keeping them engaged once they get there. Whether in-store or online, retailers need to provide pre-purchase support, easy access to products and relevant product information.

There are a number of things that can be done to bring some of the advantages of online shopping to brick-and-mortar venues. Retailers can assign QR codes to products so that shoppers can scan those codes to receive product information, offers, comparative prices and customer reviews on demand while in the store. They can deploy store sensors that connect to the retailer’s app so that loyalty program members can receive messages about products in which they may have interest, current sales or coupons, and other promotional messages while in store.

E-commerce retailers can incorporate a more traditional in-store feel that infuses their digital platforms with the high-touch quality of the in-store experience by making liberal use of video or virtual shopping trips to establish a visual connection, and enhancing website FAQ sections with chatbots to allow a more customized Q&A. Artificial intelligence capabilities can be used to provide a premier online shopping experience by employing virtual shopping assistants. Augmented reality and virtual reality can give retailers the option to provide customers with the try-on/try-in experience without them ever having to leave their computer or smartphone.

Transaction Phase: Once customers have made their purchase decisions, they believe they have completed the most difficult part of the shopping journey. They do not want the in-store or online checkout process to be complicated, cumbersome or unnecessarily time-consuming. The actual transaction, whether physical or virtual, is a critical touchpoint since an overly adverse checkout experience can negate an otherwise positive shopping experience and reduce the opportunities for customer retention. Brick-and-mortar and e-commerce retailers have a variety of tools at their disposal to improve the checkout process by enhancing ease, speed and accuracy.

Fulfillment Phase: Customer-directed fulfillment is here to stay. They want fulfillment of their orders to be fast, accurate and guaranteed, and they want to be kept informed of the progress of their order as it moves from purchase to delivery or pick-up. Common actions retailers can take to improve fulfillment include automating the fulfillment process to streamline processes and gain real-time accuracy, exploring outsourcing the fulfillment function to a third party to overcome staffing or spatial issues, optimizing inventory management to improve warehouse layout, efficiency and product flow; and offering a range of delivery and/or pickup options, guaranteeing delivery terms, while keeping customers informed of delivery status.

Post-Purchase Phase: Retailers can establish a phone or online help line, video chat option or video library to help customers with post purchase questions such as installation or setup issues. This can head off problems at the critical touchpoint of early product evaluation. Retailers should follow up with customers to ascertain satisfaction with their purchase or encourage posting a positive product review. Retailers should also ensure an easy reorder process with past orders maintained as part of an online account with reorder reminders sent to customers.
**Maintenance and Retention Phase:** Retailers should stay engaged with customers by communicating with them well beyond the sale. This works best when retailers collect information about each customer at every phase of the customer journey to create a customer preference and buying habits database that can help retailers “mind meld” with customers. The retailer can then have data-infused communications with the customer via e-mail, text, social media or loyalty program to maintain constructive customer engagement that can nurture customer retention.

**Reimagine the New Retail Workforce**
The ever-evolving customer demand for better and technology-assisted shopping experiences, will require a workforce that can deliver higher levels of service when and where the customer demands it, is tech savvy, can collect and analyze customer data, and can adapt and exercise situational judgment in real time. Retailers will need to demonstrate respect for employees through a safe and supportive work environment, equitable wages commensurate with the new skills and ongoing employee engagement.

They will need to elevate their employees through rigorous orientation and training programs. Joint workforce strategies should be developed with the appropriate labor unions or by forming an employee advisory council. Ongoing, two-way employee engagement will be vital. To relieve some of the burden of training responsibilities, retailers should work with BOCES, colleges, private sector agencies and labor unions to develop external curricula and training programs to help prepare the future workforce on a larger scale. High schools and colleges should also be encouraged to offer retail internship programs in concert with regional retailers.

**Create an Integrated Regional Microfulfillment Infrastructure**
The inability to manage and scale a cost-effective fulfillment operation is a barrier to meaningful e-commerce activities for many small to mid-sized local retailers. Last-mile and first-mile delivery obstacles and the lack of inexpensive local storage options are hindrances to e-commerce success. One way to address this is by developing a locally-centric, regional microfulfillment infrastructure geared to serve these small to mid-sized retailers.

The first step in pursuing an industry-driven microfulfillment infrastructure is for proximate businesses throughout the region (those sharing a downtown, business district, shopping center, etc.) to convene with fellow businesses, elected officials and the relevant Chamber or business association to evaluate, recommend and implement improvements in fulfillment capabilities in each of their respective localities. These local groups should then determine how to share and collaboratively utilize the collective potential of all local storage and delivery assets.

This inventory of fulfillment assets would include large operations such as UPS, USPS, FedEx, Purolator, and even Amazon itself; third-party operations such as DoorDash and Uber Eats, and small local delivery functions such as pizzerias, takeout restaurants, auto parts dealers, pharmacies and office supplies stores. Any entity that engages in deliveries, no matter how small or local is a potential asset. The inventory should also include storage assets such as the individual retail store, nearby stores with unused capacity, vacant storefronts or offices and large-scale warehouses. Buy-online-and-pick-up assets could include the individual retail store, designated partner stores and manned or lockered community pick-up locations.

Collectively, these components would form the foundation of an infrastructure that could be replicated in as many localities as possible within the region. The infrastructure would rely on shared access to these delivery and warehousing options, and each local system would connect with the other local systems to create an accessible network for local businesses seeking to engage in e-commerce with local and regional customers.

This task of assembling a regional microfulfillment infrastructure can be implemented in stages. Stage one would focus on the hyperlocal economy with local retailers selling to local customers within a limited neighborhood radius. Stage two would focus on regional sales by local retailers and involve connect localities via a hub-and-spoke system of transfer points (e.g., shared space in an existing store or warehouse, repurposed vacant space) at key geographic intersections and north-south and east-west corridors. The third stage would entail scaling and hardening the infrastructure by widening the scope to accommodate volume and adding a degree of permanence.
Combined with a digital platform such as a Virtual Trade Show (see section), this fulfillment infrastructure would form the basis of a Shop Long Island e-commerce platform that helps customers who value shopping with local merchants do so with the same ease, convenience and speed as when shopping online at Amazon or Walmart.

**Bolster Support Systems and Policies**
Governments and economic development agencies must support the broad base of retail entities without favoritism for one platform, channel or venue over another. Shopping centers, downtowns, malls, freestanding facilities, online and home-based retail businesses are all contributing components of Long Island’s retail community and all are community assets. All deserve support. Policies, programs and funding should reflect that reality. Individual businesses, Chambers, business associations and communities at-large need to work in a coordinated manner to hold elected officials and government agencies accountable in this regard.

**Regional Retail Council**
There is no one regional organization for which the advancement of retail businesses is the sole focus. Long Island Association, LI Business Council, Nassau Council of Chambers of Commerce, Suffolk County Alliance of Chambers, local chambers and unions all contribute to the support of retailers, but there is a need for an industry supported organization that specializes in the unique needs of the region’s retail businesses large and small. Industry leaders should form a regional retail council that would include representation and participation by individual businesses from across the retail spectrum. This regional retail council would work to raise public consciousness and maintain awareness of sector needs and concerns, monitor trends, proliferate best practices, develop regional strategies, provide peer support, and liaise with government and other business and community organizations.

**Long Island Virtual Trade Show (LIVTS)**
The LIVTS should be established as a public-private collaborative that creates a sortable and searchable database of all regional businesses, business resources and support infrastructure. It would be scalable in size, scope and features so that, at its most comprehensive level, it would be a one-stop, interactive stakeholder resource, census of business activity and trends, knowledgebase of business resources and best practices, and regional prospectus for business attraction. Consumers could use the LIVTS to search for local vendors who offer needed products or services. Businesses would be able to use the LIVTS for sourcing, peer networking, best practices, procurement and contracting, hiring a skilled workforce, and enhancing knowledge and skills through an accessible business library. It would serve as the ultimate regional resource for businesses and consumers, and be available 24/7/365.

**Advocacy**
Despite its impact, retail has lagged other sectors in relative attention and support from government and economic developers. One reason for this is a lack of coordinated advocacy on behalf of retailers. The creation of a Regional Retail Council will do much to help focus retail-intensive advocacy, but there is more that can be done by the business community as a whole in concert with retailers. A coordinated strategy will help advance economic development as a whole, and make it more difficult to set one sector against another. Advocacy must be inclusive and support the entire retail mosaic—downtowns, malls, shopping centers, freestanding retail shops, home businesses and e-commerce. True retail advocacy requires a common strategy that envisions how to enhance retail communities of all types and connect and integrate them into the greater economic development tapestry.

**Sales Tax Fairness**
The U.S. Supreme Court’s 2018 Wayfair decision finally allowed states to collect sales taxes on sales made to their residents on e-commerce transactions with out-of-state vendors provided there is no undue burden on small businesses, the process is simplified and streamlined, and taxes are not enforced retroactively. New York’s response enabled taxes to be collected on many transactions, but not all. Until sales taxes apply to all e-commerce transactions conducted with out-of-state vendors, New York retailers will continue to suffer from a competitive imbalance, and state and county budgets will continue to fall short of realizing all potential revenues.
The technology needed to design a sales tax collection system that could apply to all transactions and conform with the spirit of the Wayfair guidelines already exists. Amazon has been collecting and remitting sales taxes on sales in the many municipal jurisdictions across the nation for years. One option for states such as New York is to license the technology from Amazon or another major e-commerce platform for a flat fee or per transaction fee. A second option is to license the software from a proprietary company that has been providing services of this type on a large scale such as Avalara. The third option is to develop the app/software “in-house.”

The app/software would be made available to every secretary of state or state economic development agency, county clerk, town clerk and village clerk in the country for use by businesses within their jurisdictions. It could also be freely downloaded directly by e-tailers around the country. The app would be easily accessible and free of charge so that there is no undue burden. The process would be fully automated, easy to use, with no unnecessary paperwork to address simplification. When an online order is placed, sales tax liability would be automatically calculated by item type, type, cost and delivery zip code. A transaction debit would immediately be issued for the amount of tax to the appropriate taxing jurisdiction with no subsequent payment or filing required. The system would not be applied retroactively, and would be fully implemented only after a penalty-free adoption period.

**Strengthen and Modernize Physical Infrastructure**

Infrastructure is the foundation for economic capacity, productivity, growth, inclusivity, sustainability and accessibility. It allows a region to move, house, protect, communicate and meet emergencies. Business leaders cannot create and sustain infrastructure. Governments and their economic developers, have an obligation to support the business community by including the business community in all infrastructure decisions, assessing business impacts, and ensuring regional infrastructure supports and facilitates economic growth.

**The Starting Point for a Must-Do To-Do List**

The to-do list outlined in this report should be a regional imperative. It is not presumed to be an exhaustive inventory of actions that can be taken, and there is no one-size-fits-all approach. The big ideas will always need to be adapted to best suit the specific needs of individual businesses. More ideas are needed and encouraged, but this report represents a productive and constructive starting point. The next step to support the retailers that are so vital to our economic vitality and so intrinsically connected to the fabric of our quality of life, is to convene leaders from business, government at all levels, labor, and regional and local planners to work collaboratively and further refine these recommendations, build upon them and implement them. The Long Island Business Council is prepared to work with all partners of good faith, who are ready to rally on behalf of all retailers-- large and small, wherever they may be located and within whichever retail categories they ply their trades.
The Retail Sector on Long Island
Overlooked...
Undervalued...
*Essential!*
The Retail Trade: Our Universal Sector

In some way, shape or form; directly or indirectly, every American is a consumer of goods and, thus, a participant in the retail trade. Everyone buys something at some time. This is no surprise as the sector has great breadth with subsectors spanning food & beverage, building materials, sporting goods, health & personal care, motor vehicles, furniture & home furnishings, electronics and appliances, clothing & accessories, gasoline stations and general merchandise.

At its simplest, retail trade is defined as the activity of selling a product to the final consumer. As basic as this definition may be, retailers understand that the retail process can be far more complicated and involved.

Retail is an essential component in the traditional linkage from manufacturer to wholesaler to retailer to consumer, as well as the feedback loop from consumer to retailer to wholesaler to manufacturer. As a critical element in this commerce continuum, retail advances profit enhancing efficiencies for manufacturers and wholesalers by allowing them to focus almost exclusively on their primary functions without having to engage in the more diffuse, less efficient and more localized function of direct consumer interaction.

Retailers are also sources of market research for manufacturers and wholesalers with regard to consumer preferences and behaviors. By facilitating the relay of this grassroots market research, this again, allows manufacturers and wholesalers to focus on the more cost-efficient analysis of aggregate market research, rather than the more voluminous and labor-intensive process of direct consumer data collection.

Retail’s role in this continuum is not only advantageous to sister sectors, but it also provides a benefit to consumers, not just in access to products, but in a more personal buying experience than a manufacturer could give. This remains true even as more manufacturers have cultivated direct-to-consumer options in addition to traditional retail channels.

In recent years, the news has been peppered with reports of closings, reorganizations and consolidations throughout the retail sector. Familiar retail giants have left the scene, while one-time mainstays such as Sears and JCPenney teeter on the brink.

This is not a new phenomenon. Long Islanders of the current and prior generations will surely recognize at least some of the names in the table below. The stores on this very partial list of bygone names were once part of the fabric of the lives of today’s shoppers, their parents and/or their grandparents. Now, having left the scene, they are relegated to fond reminiscences.

The high-profile closings that are so conspicuous in the media, as well as the Main Street closings that are equally conspicuous in their respective communities; could easily give a casual observer cause to believe that retail is dying. But, is that actually the case?

People buy things. People will always buy things. People buy what they need. People buy what they want. Depending on income and other circumstances, people will buy more or less, but they still and will buy—a lot.
Bygone Retail Stores

A&P  
A.C. Moore  
Abraham & Straus  
Alexander’s  
B. Dalton  
Borders Books  
Caldor  
Casual Corner  
Century 21  
Channel Home Ctr  
Chess King  
Circuit City  
Comp USA  
Crazy Eddie  
Dress Barn*  
Frank’s Nursery  
Genovese Drugs  
Gimbel’s  
Golfsmith  
Herman’s  
KB Toys  
Kinney Shoes  
Korvette’s  
Levitz Furniture  
Linens ’n Things*  
Lord & Taylor  
McCrory’s  
Modell’s*  
Newmark & Lewis  
Pathmark  
Pergament  
Pier1 Imports*  
PlayWorld  
Record World  
Rickel  
Sam Goody  
Seaman’s Furniture  
Service Merchandise  
Sports Authority  
SteinMart*  
Stern’s  
Steve & Barry’s  
Sweezy’s  
Syms  
The Wiz  
Tower Records  
Toys R Us  
TSS Seedmans  
Two Guys  
W.T. Grant  
Waldbaum’s  
Waldenbooks  
Wilson’s Leather  
Woolworth  

*Brand continuing as online store

A Most Impactful Sector

Available data from the U.S. Census Bureau dating back to 1992 shows year over year growth in total retail sales for every year except 2008 and 2009 during the Great Recession. During the 28-year period from December 1992 through December 2019, retail sales grew by 200% (U.S. Census Bureau, Monthly Retail Sales 1992-present, Total Retail, Adjusted). When adjusted for inflation, total growth for the period was 66% (U.S. Bureau of Labor Statistics Inflation Calculator). Growth varied across subsectors, but retail as a whole was a reliable source of gain.

During the 10-year period from December 2009 thru December 2019, the U.S. retail sector enjoyed consecutive years of growth with sales increasing 50% over the period (U.S. Census Bureau, Monthly Retail Sales 1992-present, Total Retail, Adjusted). After adjusting for inflation, total growth for the ten-year period was 26% (U.S. Bureau of Labor Statistics Inflation Calculator).

The National Retail Federation (NRF) enlisted PwC to estimate the total economic impact of the retail sector in 2018. PwC identified number of jobs, labor income and share of gross domestic product (GDP) as the key components of economic impact. PwC further considered these three categories as they related to direct impact, indirect impact and induced impact on the economy.

PwC classified direct impact as jobs, income and GDP within the retail sector. Indirect impact referred to operational and capital impacts from purchases made by the retail sector in other sectors. Induced impact was defined as household spending from income derived directly or indirectly from the retail sector. They calculated that while the retail sector generated 32 million jobs, $1.0 trillion in direct labor income and $1.6 trillion in GDP in 2018; its total direct, indirect and induced impact was 52 million jobs, $2.3 trillion in labor income and $3.9 trillion in GDP.

PwC asserted that this translated to 25% of U.S. jobs, 18.7% of labor income and 18.7% of GDP. One caveat is that PwC included food services and drinking places, adjuncts to retail establishments, in the retail sector totals. While this may overstate total impact to some degree, it remains apparent that the retail sector is a significant contributor to the U.S., regional and local economies.
The COVID-19 Pandemic Takes its Toll

Even in the face of the COVID-19 pandemic, retail sales for 2020 totaled an unprecedented $5.58 trillion, which represents an increase of 3.2% over 2019 (U.S. Census Bureau, Monthly Retail Sales 1992-present, Total Retail, Adjusted). Not only were losses recouped, but sector-wide gains achieved record levels. To paraphrase Mark Twain, it would seem reports of the death of retail have been greatly exaggerated.

That most recent growth, however, has not been without its challenges. 2020 began in promising fashion with 4.5% growth in total retail sales for both the months of January and February versus the same periods in 2019.

As the pandemic began to wreak its havoc on the lives of Americans, however, uncertainty and chaos took hold. The upheaval was exacerbated by conflicting messages from government officials and health care leaders. Unsurprisingly, monthly retail sales successively dropped -2.8%, -15.3% and -1.0% in 2020 from 2019 for the months of March, April and May in the face of retailer, consumer and supply chain disruptions.

Sector sales rebounded and these declines were more than reversed after 2020 versus 2019 gains of 5.6%, 6.1%, 6.0%, 8.9%, 8.5%, 6.8% and 5.8% in respective months from June through December. Hopes have been raised for 2021 based on first quarter sector sales showing growth of 16.4% over 2020 including gains of 12.9%, 9.8% and 27.0% for January, February and March, respectively. Since the pandemic losses of 2020 may skew 2021 growth higher, it is useful to also compare 2021 results to 2019 for additional perspective. 2021 quarterly growth over 2019 was 18.7% with gains of 18.0%, 14.7% and 23.4% for January, February and March indicating elements of skewing, activity based on pent-up demand and legitimate organic growth.
Despite the overall gain, a deeper dive into the impact of the pandemic on the retail sector shows mixed results across categories. Some retailers were better able to adapt to the “new normal” or were more highly prioritized by consumers because of the nature of their product line. Others were less equipped to adapt, or were reprioritized downward as their products were perceived as less necessary given the levels of crisis and uncertainty.

There were also many retailers that had no opportunity to adapt to the crisis since they were deemed “nonessential” and were temporarily closed. Clothing stores, department stores and shopping malls were among businesses shut down early in the pandemic. Others could remain open only for curbside pickup.

The brunt of the impact was felt in March, April and May of 2020 as the lockdowns, temporary closings, reduced hours and supply chain disruptions combined with virus spread and communities on edge to create unprecedented challenges across the spectrum of economic and social structures.

Subsectors and categories with the largest 2019 to 2020 sales decreases were Clothing and Clothing Accessories Stores (-23.8%), Electronics and Appliance Stores (-16.1), Gasoline Stations (-15.8%), Department Stores (-15.6%) and Furniture and Home Furnishing Stores (-4.6%).

Those that fared best, and outpaced the 3.2% year over year growth in total retail sales were Sporting Goods, Hobbies, Musical Instruments & Book Stores (5.9%), Grocery Stores (11.3%), Food & Beverage Stores (11.5%), Building Materials, Garden Equipment & Supply Dealers (13.5%), and Nonstore Retailers (21.0%). Nonstore Retailers includes e-commerce merchants, so it is no surprise that this subsector was best positioned to thrive under the prevailing conditions of pandemic response. This subsector and others deemed essential sustained our economy and provided a foundation for its ultimate recovery.
Clothing & Accessories Stores

Gap, Banana Republic, Express, Claire’s, Marshalls and Foot Locker are examples of stores in the Clothing & Accessories Stores subsector.

Clothing and accessories store sales had been running relatively flat from 1996 thru 2019. There was measured optimism as 2020 began, with the category seeing gains over 2019 for January (4.0%) and February (2.5%). The January and February sales tallies were the highest figures ever for those months.

The pandemic, however, led to three consecutive months of steep declines, including a devastating -87.3% drop in April bookended by declines of -48.7% and -61.9% in March and May. The precipitous decline was largely fueled by widespread subsector shutdowns due to clothing stores primarily being classified as nonessential businesses. Sales made a slow climb from its April low, but with fewer people leaving the house for work or social functions, there was less of a need for new clothes and shoes, and sales figures never approached figures from recent years.

This subsector was the hardest hit on a percentage basis, with a sales drop of -23.8% in 2020 versus 2019. The onset of 2021 showed a quarter-to-quarter gain of 6.3% in January over December, but still -6.8% below sales figure for January 2020 and -10.3% versus February. March, however, saw record monthly sales and a gain of 108.0% from the pandemic hit period in 2020. The March 2021 figure also represented a 6.7% gain from 2019, and put total subsector sales back on par with the plateaued sales trends of 2016 thru 2019.

It is reasonable to expect a sustainable return to this recent historical range as normalcy returns to the marketplace. As clarity emerges as to what the new normal will be regarding a return to the office or a long-term continuation of remote work, resumption of family vacations, and the return to dining out and other entertainment activities; consumers will likely accelerate clothing and accessories purchases to coincide with these activities.

Clothing & Clothing Accessories Stores
Annual Sales 1992-2020
(in millions of dollars)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series (Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21
Electronics and Appliance Stores

Merchants in the Electronics and Appliance Stores subsector include stores such as Best Buy, PC Richard and Game Stop. Like most retail subsectors, it has also been impacted by the pandemic. For businesses in this category, that impact was an adverse one with a drop of -16.1% from 2019.

For the past quarter century, subsector sales have displayed a relative stability, with year over year changes beyond 5% being the relatively rare exception. The last period of strong growth occurred from 2004 to 2006. A hard drop occurred in 2009 as the Great Recession took a heavy toll. The subsector regained a portion of sales lost in that recession before entering a period of slow decline beginning in 2014, interrupted only by a 1.9% gain in 2018. 2020 sales started off with a continued retreat from recent historical levels, with a January decline of -2.0% and a February loss of -1.7% from 2019.

Sales of electronics and appliances hit their nadir in April and May 2020 with drops of -53.1% and -43.7% versus 2019. These drops were surrounded by decreases of -19.0% and -20.5% in March and June. Stores in the subsector suffered from a lack of clarity and consistency as to whether they were or were not classified as essential businesses. Initially, Best Buy opted to close its stores to customers, and relied on curbside pickup before reopening for customers by appointment, and ultimately a full reopening.

Year-over-year monthly declines for the remainder of the year ranged from -4.5% to -13.9%, including an extended, but disappointing holiday shopping season.

Some optimism may be warranted as January 2021 sales gained a modest 0.8% from 2020 and were 16.6% above December 2020 sales. February sales, however, were down -2.8%. March sales exceeded 2020 by 30.3% and 2019 by 5.6%, most likely fueled by pent-up demand. The gains put sales back on par with 2016-2019 levels. Best Buy and other subsector firms, however, are preparing for any growth to slow later in 2021.
Gasoline Stations

Unsurprisingly, the Gasoline Stations subsector includes gas/service stations such as Sunoco and BP. Leaders in this subsector are accustomed to sales being affected by the whims of the marketplace and circumstance, with little that can be done on their end to increase product demand other than wait out the latest trend.

2020 began on a positive note with monthly sales for January exceeding the prior year by 8.6%. February saw 0.4% growth before the pandemic took its most severe toll. Despite being an essential business category and able to remain open and operating, drivers responded to the virus by driving less. Whether confined to their homes because they were working remotely, canceling vacations or making fewer shopping trips; with less travel, there was significantly less demand for gasoline.

In comparison to 2019, 2020 monthly sales were down -18.9%, -39.9%, -32.1% and -19.6% respectively from March thru June. Monthly declines for the final six months of 2020 ranged between -11% and -17% contributing to an annual decline of -15.8% from 2019.

Of note, the declines during the final six months of 2020 put subsector sales on an equivalent pace with 2016 sales figures. January 2021 saw a drop of -5.3% while February generated a 1.6% gain. March sales grew 34.3% over 2020. Even with the inflated percentage due to a COVID-depressed 2020, the March gain was still 8.9% above 2019 and the first quarter of 2021 was 8.6% above 2020 and 4.7% above 2019.

That recent upward trend, combined with the knowledge that the industry recovered from annual declines of -22% in 2009 and -18% in 2015, gives reason for hope should there be a return to more customary driving habits as we emerge from the pandemic. Should remote work continue to be a widely preferred option, however, there will likely be a ceiling on the degree of any recovery.
Department Stores

Entities in the Department Stores category include stores such as Target, Walmart, Macy’s, Kohl’s, JC Penney and Sears. The category is actually part of the General Merchandise Stores subsector. It is presented on its own, in addition to the larger subsector, because of its drag on that subsector. This has been a category in steady regression since the turn of the 21st century with sales declining each year since its record high in 2000 despite the growth of big box giants Target and Walmart.

While the category has long suffered from a stale image resulting from self-inflicted injuries in terms of strategy and neglect, 2020 was particularly unkind to this once bedrock category. After beginning the year with two months that showed expected declines in line with previous trends, department stores were faced with the same pandemic-related issues as clothing stores as many department stores were classified as nonessential. This included a -44.6% year-over-year decline for April. Sales losses were not as dramatic as with the clothing subsector, but were still significant as 2020 saw a -15.6% annual drop versus 2019.

January 2021 yielded a glimmer of hope as sales were down “only” -2.9% from 2020, however, February sales were down -9.6%, dampening hopes of a robust recovery. March saw a rebound as monthly sales increased 12.6% from February, and increased 24.7% over 2020. Subsector sales for the first quarter were up 2.7% from 2020, but were down -10.1% from 2019. At that level, the subsector returned to the historical level of decline prior to 2020 decline—steady, but not precipitous.

This return to the trend line, if sustained, could provide category leaders a relative reprieve, compared to how bad 2020 could have been, as they work to adapt business strategies in order to bring department stores more in tune with current and future market demands. Whatever steps are taken, consumers will find successful department stores looking different than their progenitors, and those that do not successfully adapt, will likely not be found at all.
Department Stores
Monthly Sales 2016-2021
(in millions of dollars)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21

Department Stores
% Change in Monthly Sales
2020 vs 2019 (+J/M 2021)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21
Furniture & Home Furnishings Stores

Companies in the Furniture and Home Furnishings subsector include Bob’s Discount Furniture, Mattress Firm, Lifetime Brands, HomeGoods and The Container Store.

The good news is that the subsector had its highest total sales ever in 2019, and despite being hit hard in March, April and May of 2020, annual sales dropped only -4.6% from those record levels of 2019.

In fact, the subsector had been enjoying a sustained decade-long period of growth since suffering a precipitous Great Recession drop during which sales decreased 24%. That growth seemed poised to accelerate in 2020 with 7.0% and 6.0% growth in January and February (breaking monthly sales records of their own) versus the same months in the record breaking 2019. The three months that followed showed dips from 2019 of -17.8%, -58.7% and -27.0% respectively for March, April and May.

The remainder of the year returned the Furniture & Home Furnishings subsector growth over the prior year with monthly gains ranging between 0.3% and 7.4%. That level of recovery included all-time sales records for each of the final seven months of 2020. This recovery ensued despite the subsector not being a dominant e-commerce presence in the marketplace, but likely aided by the need to furnish home offices and the desire to replace old furniture that became more noticeable by homebound homeowners.

January 2021 increased 15.5% over 2020. Total sales in January 2021 were more than 11% higher than any previous month. February sales were 9.9% above 2020 and March was 47.5% better than the pandemic-influenced 2020 (21.2% above 2019). First quarter growth for 2021 was 22.5% above 2020 and 20.4% above 2019. While some regression can be expected, this positions the subsector well for a 2021 return to the pre-pandemic trendline that was typified by sustained, albeit sometimes modest growth.
Furniture & Home Furnishing Stores
Monthly Sales 2016-2021
(in millions of dollars)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21

Furniture & Home Furnishing Stores
% Change in Monthly Sales
2020 vs 2019 (+J/M 2021)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21
Motor Vehicle & Parts Dealers

The Motor Vehicle & Parts Dealers subsector includes entities such as Toyota, Honda, Carvana, Goodyear, Pep Boys and Advance Auto Parts.

The subsector has been typified by steady and persistent growth. Since 1992, year over year sales have increased every year except 2008 and 2009 when the category was pummeled, as were most retailers, by the Great Recession.

Despite dips of -24.4% in March and -33.3% in April from 2019 sales figures, the subsector rebounded quickly and ran essentially level, showing a 0.3% increase in 2020 annual sales versus 2019. Even with this minimal growth, 2020 sales were the highest on record.

Total sales were aided by a good start to the year with 5.6% and 5.1% year over year sales in January and February, respectively, as well as the fact that the subsector faced only two months of pandemic induced decreases as opposed to the three or four encountered by many other subsectors. The rapid recovery proved to be sustainable as the final seven months of 2020 showed growth ranging from 4.4% to 10.3% for each month over 2019 monthly totals. The rebound seems to indicate that sector sales were delayed rather than dissolved by the pandemic.

Just as 2020 started in optimistic fashion, so too has 2021 as January sales figures came in 14.2% higher than January 2020. After a 9.7% increase in February, record monthly sales in March yielded growth of 70.6% over depressed 2020 sales and 34.0% over 2019 sales. First quarter sales were 27.8% above 2020 and 21.7% above 2019. The subsector seems well positioned for continued growth with the caveat that supply is presently falling shy of demand due to computer chip shortages that are slowing manufacturing.
Motor Vehicle & Parts Dealers
Monthly Sales 2016-2021
(in millions of dollars)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series (Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21

Motor Vehicle & Parts Dealers
% Change in Monthly Sales
2020 vs 2019 (+J/M 2021)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series (Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21
Miscellaneous Store Retailers

The Miscellaneous Store Retailers subsector is more than just a catch-all category. It includes merchants that are important to consumers and communities such as florists, office supply stores, gift & novelty stores, pets & pet supply stores, art dealers and tobacco stores.

While some components of this subsector were deemed nonessential and needed to close for significant portions of the pandemic response, others remained open and operating.

Sales for the year ran virtually flat with 2019 as the subsector generated a small gain of 0.8% in 2020. Two months of significant decreases (-31.3% and -18.6% in April and May), followed a more modest -5.3% in March as the pandemic emerged. These declines came amidst monthly gains that outpaced corresponding months for all previous years.

December sales were impressive, jumping 13.0% over the 2019 figure. Additional encouraging news for the sector is that the robust December gain was followed up by a 6.9% year over year increase in January 2021, 5.4% in February and 34.0% in March. First quarter results for 2021 exceeded 2020 by 15.3% and 2019 by 22.7%.

Even with some regression, sales can be reasonably expected to outpace the record level of subsector sales achieved in 2019 if some measure of normalcy returns to the marketplace since the subsector is populated by stores of need or occasion for consumers. These stores have historically seen significant drops in sales only when severe economic conditions necessitate a curtailment in spending.

For stores in this category, most of which are small businesses, this is most welcome news.
Miscellaneous Stores Retailers

Monthly Sales 2016-2021
(in millions of dollars)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21

Miscellaneous Stores Retailers
% Change in Monthly Sales
2020 vs 2019 (+J/M 2021)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21
Health & Personal Care Stores
The Health & Personal Care Stores subsector includes companies such as Walgreens, CVS, Ulta, Bath & Body Works and GNC.

2020 began in pedestrian fashion for the subsector with small increases of 0.8% and 1.1% in January and February. As the pandemic hit, March 2020 sales rose by 4.8% over the previous month and 6.1% over 2019 as Americans stocked their medicine cabinets and cosmetics drawers in anticipation of the uncertainties posed by COVID. It was not until April that the subsector saw its most significant drop from the prior year when sales fell -9.1%. Sales began to creep back up in May, but still trailed 2019 by -8.5%. Two central components of the subsector, health products and cosmetics, faced very different challenges.

Pharmacies and drug stores found their products in great demand, but supply chain issues affected the ability to keep many over-the-counter medicines and personal protective items such as gloves, masks, sanitizer and alcohol in stock and on the shelves. Cosmetics found a decreased demand since there was less call for make-up or perfumes with consumers not leaving the home as frequently, and when they did, they found difficulty wearing a mask over make-up.

Still, the subsector managed record annual sales and a 1.5% annual increase over 2019. By June, sales had pulled nearly even followed by six months of growth ranging from 3.7% to 5.5% per month. The increases in sales at these levels likely included a continuing element of stocking up and hoarding given the future unknowns related to the pandemic.

The onset of 2021 continued in much the same manner as the last half of 2020, as year over year sales grew by 4.6%, 3.0% and 4.2% for the first three months of the year. Total first quarter growth was 3.9% over 2020 and 6.7% above 2019. It remains to be seen if this represents a new baseline for sales, or if increases continue to be artificially elevated by the pandemic.
The Retail Sector on Long Island: Overlooked, Undervalued, Essential!

Health & Personal Care Stores
Monthly Sales 2016-2021
(in millions of dollars)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21

Health & Personal Care Stores
% Change in Monthly Sales
2020 vs 2019 (+J/M 2021)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21
General Merchandise Stores

The General Merchandise Stores subsector includes department stores such as Macy’s, Kohl’s, Target and Walmart; Wholesale Clubs such as BJs Wholesale Club and Costco; and discount stores such as Dollar General and Big Lots.

Although part of the General Merchandise subsector, department stores were discussed in an earlier section due to their distinct divergence from the trendlines of the subsector as a whole. Additionally, department stores, which were once the core of this subsector, have become a much smaller component over the years. In 1992 department stores comprised 71% of the General Merchandise sales. That dropped to -58% in 2000, -31% in 2010, -19% in 2019 and -15% in 2020.

While 2020 sales for the subsector as a whole showed an increase of 3.1% from 2019, the department stores category was down nearly -16%. This is despite the 2020 success of big box giants Target and Walmart. If department stores are subtracted from the mix, the 2020 General Merchandise Stores subsector sales grew 7.4% over 2019.

Subsector sales showed modest increases in January and February 2020 over 2019, and then experienced 10.2% year-over-year growth in March as anxious consumers quickly began to stockpile household essentials, over-the-counter medicines and nonperishable foods. This was followed by a drop of -5.1% in April. Sales through the summer of 2020 were 2% to 3% higher than 2019, running parallel to trend lines from recent years. After a strong September with 6.7% growth, sales began to level then fall, eventually coming in nearly flat for December versus 2019.

January 2021 sales were up 10.5% over 2020, followed by February and March increases of 3.6% and 4.6%. First quarter growth was 6.2% over 2020 and 11.7% above 2019. While encouraging, it is difficult to project similar growth for the remainder of 2021, although moderate growth over 2020 would not be an unexpected outcome with a return to recent trendlines.
General Merchandise Stores
Monthly Sales 2016-2021
(in millions of dollars)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21

General Merchandise Stores
% Change in Monthly Sales
2020 vs 2019 (+J/M 2021)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21
Sporting Goods, Hobby & Book Stores

The Sporting Goods, Hobby, Musical Instruments & Book Stores subsector includes companies such as Dick’s Sporting Goods, Michaels, Barnes & Noble and Sam Ash. The subsector enjoyed a 5.9% annual increase in year-over-year sales from 2019, but 2020 was really a tale of two years within a year.

January and February saw moderate growth of 3.3% and 2.7% over 2019 tallies that had represented 5-year and 9-year lows, respectively. This was followed by March thru May declines of -14.9%, -44.3% and -2.0% while many stores were closed and consumers focused on more acute COVID issues.

The news improved in the final seven months of the year as monthly year-over-year growth ranged between 11% and 25% with historical sales figures eclipsed during each of the seven months. This mid- to late-year rebound saved 2020 for the subsector, and was followed by further good news when January 2021 sales outpaced 2020 by 26.9%, February grew by 18.3% and March by a COVID-skewed 75.4%. First quarter results were 38.2% better than 2020 and 34.0% higher than 2019.

The gains, however, were likely not part of a sustainable long-term trend, but fueled by pent up demand, as well as fitness customers opting to furnish home exercise rooms to compensate for the inability to utilize their gym memberships due to COVID-related closures. Consumers also turned to physical activity, books and hobbies as do-it-yourself leisure and entertainment options in the absence of travel and dining alternatives that were unavailable or perceived as unsafe.

Some giveback of the COVID windfall should be expected moving deeper into 2021 as consumers return to previous gym, dining, travel and other leisure/entertainment activities.

Sporting Goods, Hobby & Book Stores
Annual Sales 1992-2020
(in millions of dollars)

SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21
Sporting Goods, Hobby & Book Stores
Monthly Sales 2016-2021
(in millions of dollars)

SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21

Sporting Goods, Hobby & Book Stores
% Change in Monthly Sales
2020 vs 2019 (+J/M 2021)

SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21
Food & Beverage Stores

The Food & Beverage Stores subsector consists of entities such as grocery stores (e.g., Stop & Shop and ShopRite), beer/wine/liquor stores, convenience stores and candy stores. Grocery stores comprise the lion’s share of the subsector, accounting for 90% of 2020 subsector sales.

Due to its outsized role in the subsector, grocery store sales are graphically depicted in this section in addition to total Food & Beverage sales.

The subsector began 2020 in unremarkable but promising fashion with 2.2% and 4.5% sales growth over 2019 for January and February. These gains were consistent with a decades long trend line of steady and uninterrupted sales growth.

The onset of the pandemic fueled a consumer stockpiling effect that brought an unprecedented spike in sales. March 2020 sales were 29.9% higher than the previous March and 26% higher than any previous month.

April sales retreated -12.9% from March, but were still 12.7% higher than the previous April. From that point monthly sales largely paralleled trend lines from recent years, but at a level between 8.7% and 15.1% above figures for the 2019.

In addition to the stockpiling of necessities, one particular factor that sustained sales at a level above 2019, was a severely reduced access to dining out options for consumers. As a result, more meals were eaten at home.

For the year, 2020 subsector sales finished 11.5% above the 2019 number. Grocery stores showed a 11.3% increase year over year.

One factor that led the subsector to incrementally stronger growth than its foundational grocery store category was a decision by many state and local governments to deem beer, wine and liquor stores as essential businesses. This decision had a practical genesis as it considered the unintended consequences those who suffer from alcoholism would face if forced to essentially quit cold turkey.

For all the gains realized by the subsector, there was a cost attached to the increased sales. Food stores needed to implement costly safety measures for employees and customers. Stores were rewarded as customers proved willing to wait on long lines before entering grocery stores; and seniors and other at-risk customers adjusted their patterns to shop during special hours that often were designated for 6am.

Moving forward, 2021 began with sales increases of 11.3% and 10.8% versus January and February 2020. A natural correction from inflated COVID-infused sales took place in March as sales decreased -11.8% from 2020. First quarter sales were 2.2% above 2020, while they were 14.7% better than 2019. It would not be surprising to see a continued regression where sales run closer to the long-term trend line putting sales above 2019 figures, but trailing 2020.
Food & Beverage Stores
% Change in Monthly Sales
2020 vs 2019 (+J/M 2021)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21

Grocery Stores
Annual Sales 1992-2020
(in millions of dollars)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21
The Retail Sector on Long Island: Overlooked, Undervalued, Essential!

Grocery Stores
Monthly Sales 2016-2021
(in millions of dollars)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21

Grocery Stores
% Change in Monthly Sales
2020 vs 2019 (+J/M 2021)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21
Building Materials, Garden Equip. & Supplies
The Building Materials, Garden Equipment & Supplies Dealers subsector consists of businesses such as Home Depot, Lowes, Ace, flooring stores, lumber yards and garden centers.

2020 was a difficult year for many Americans and challenging for most retailers, but a good year for this subsector, which trailed only Nonstore Retailers in annual growth. Annual sales surged a record 13.5% beyond 2019. It was only the third year since 1992 with double digit growth.

The subsector had been following a consistent growth line from 2011 through 2018 before leveling in 2019. That plateau looked likely to extend into 2020 as January saw only 1.4% growth over 2019. Monthly sales then grew 7.0% in February and 5.7% in March over the same periods in 2019. Growth moderated somewhat in April with a 4.7% year over year increase despite the onset and spread of the pandemic.

Sales spiked in May, rising 12.4% over April 2020 and 19.8% versus May 2019. For the remaining seven months of 2020, sales paralleled recent year trend lines, but did so at a range of 16% to 20% higher than the corresponding months in 2019.

The subsector benefited from lockdowns that forced consumers to stay at home and work from home. In addition to purchasing products needed to construct home offices, consumers had more time to notice flaws in their homes and took the opportunity to address them.

The strong subsector sales have continued into 2021 with growth of 21.5% in January, 15.5% in February and 28.9% in March over 2020. First quarter growth for the sector was 22.0% versus 2020 and 27.7% higher than 2019. That growth is likely not sustainable in the long term, but there are fundamentals in place that could contribute to keeping sales strong in the near term. The principal factor in this regard is aging housing stock, which may help fuel continued desire for home improvement products and materials.
Nonstore Retailers

The Nonstore Retailers subsector includes mail-order houses, vending machine operators, home delivery sales, door-to-door sales and electronic shopping. Companies in this category include Amazon, eBay, QVC, Newsday (home delivery) and even merchants such as local propane dealers.

Given the intensified reliance that needed to be vested in e-commerce by consumers who were either under mandatory lockdown or reluctant to shop in person due to COVID concerns, the subsector saw a 21.0% gain in annual sales versus 2019.

After healthy, but not unexpected, January and February 2020 sales increases of 7.7% and 7.5% over 2019, March gave a hint of things to come. The 12.5% increase in March as the virus took hold was a prelude to successive increases of between 22% and 29% in the months of April thru November over 2019 figures. While the December gain over 2019 dropped to a still impressive 15.4%, the surge resumed in 2021 with increases in sales from 2020 of 33.4%, 28.0% and 29.6% in January, February and March. First quarter growth was 30.3% greater than 2020 and 42.4% higher than 2019.

There is a near universal belief that the impressive growth in the subsector is unsustainable at overaccelerated 2020 levels, but even as the pandemic subsides, there is equal belief that the subsector will continue to be among the most reliable sources of healthy growth for the retail sector. The only question is to what level.

In addition to the steadily increasing role of electronic commerce, infomercials and home shopping networks continue to retain popularity among certain segments of the consumer population. In a marketplace where the desire for convenience is rising, nonstore retailers—especially e-commerce retailers—are well-positioned to accommodate that growing consumer preference.
Nonstore Retailers
Monthly Sales 2016-2021
(in millions of dollars)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21

Nonstore Retailers
% Change in Monthly Sales
2020 vs 2019 (+J/M 2021)
SOURCE: U.S. Census Bureau, Advance Monthly Retail Trade Report Time Series
(Adjusted Sales Data/Seasonal Factors—1992 to present) 04.26.21
Optimism through the Challenges

Because of its expansiveness, any quantitative analysis of the retail sector involves a great deal of data. It can be difficult to harness the sheer volume of information in a timely and accurate manner. Much of the numbers in this report are derived from the U.S. Census Bureau, which not only adds new statistics on a monthly basis, but regularly readjusts existing data. For that reason, the data being reported and graphically illustrated in this document will also be readjusted. Rarely will these readjustments be of enough significance to alter conclusions, but there can be differences of percentage points when reviewed in retrospect.

Regardless of whatever minor adjustments are made to the statistics, the story the data seeks to illustrate is clear. The retail sector took some heavy body blows in 2020, but it remained on its feet. Not only is it still standing, but it is standing taller as it continued to grow as a sector in a year of crisis and uncertainty. Some subsectors thrived, while others merely survived.

Those that enjoyed inflated levels of growth may not sustain those lofty levels, but they are well positioned to move forward in good fiscal health provided they remain responsive to the marketplace. Those that were more adversely affected, but survived, are poised to capitalize on a return to normalcy. For those retailers that, sadly, were unable to survive the damage inflicted by the pandemic, the same entrepreneurial spirit that created and nurtured those businesses, will give rise to new firms that will continue to seed the future economy.

That the retail sector continued to grow in the year of the pandemic, and will likely continue to grow barring the most severe of economic downturns, is due to the resiliency of the consumer. That resiliency was demonstrated during the pandemic as consumers adapted, and adapted quickly, to their circumstances. For retailers willing to adapt to the needs of the customer, at the speed of the customer and with respect for the customer; opportunity will continue to present itself.

History has demonstrated the enduring strength of retail. While retail will continue to evolve, and with a greater reliance on e-commerce, its future can be viewed with a justifiable optimism that is instilled by this resilient consumer who is at the foundation of the retail trade. The consumer is the reason for retail, and the consumer is not going away any time soon.
E-Commerce: COVID Amplifies & Accelerates Long-Term Trends

Consumers adapt to the circumstances that envelop them. They always have. They always will. When the pandemic rendered them less able to shop in their stores of choice to the extent to which they had been accustomed, they did what they did what consumers do. They adapted.

This adaptation consisted of three options. The first, was to cease, at least temporarily, discretionary shopping activities. The second, was to continue physical shopping where establishments were open and operating, albeit with less frequency and conforming to public health guidelines. The third, was to make greater use of an option that had been progressively building for two decades: e-commerce. They pursued the third with a gusto seldom seen other than in times of scarcities, crisis or overhyped holiday toy fads.

The United States Census Bureau officially began tracking e-commerce sales as part of its Estimated Quarterly U.S. Retail Sales: Total and E-Commerce report in the fourth quarter of 1999. Since then, online sales have increased steadily in both total dollars and as a percentage of retail sales.

The pre-pandemic growth of e-commerce has been long and uninterrupted. In 2000, e-commerce retail sales tallied $27.4 billion. Two decades later in 2019, these sales had risen to $595.7 billion, an increase of 2073% over the nineteen-year period. This far outpaced total retail sales for the same period, which increased approximately 91%.

Whether measured in total sales, or as a percentage of total retail sales, e-commerce has established itself as a bedrock component of the U.S. retail trade sector.

Annual E-Commerce Sales 2000-2020
(in millions of dollars)
SOURCE: U.S. Census Bureau, Estimated Quarterly U.S. Retail Sales (Adjusted):
Total and E-commerce 02.19.21
The pre-pandemic annual growth has been wholly continuous, and quarter-to-quarter growth has been nearly as consistent. The only quarter-to-quarter pre-pandemic declines in e-commerce revenues occurred during the Great Recession in the third and fourth quarters of 2008.

Even then, e-commerce still slightly outperformed the total retail sector during that period as e-commerce sales declined 9.5% while total retail sales fell 10.0%.

E-commerce also rebounded from the Great Recession more quickly than the general retail market as evidenced by its 3.4% decline during the third quarter of 2008 thru the second quarter of 2009 compared with an 11.8% drop in total retail sales for the same period.

As a percentage of total retail sales, e-commerce grew from a 0.6% share in the fourth quarter of 1999 to an 11.3% share in the fourth quarter of 2019. The share increased, without fail, every year over the past two decades.

In fact, the increases in quarter-to-quarter share for e-commerce have been so steady that only once in the pre-pandemic era has there been a quarter where e-commerce ceded even a modicum of share back to brick-and-mortar, and that was in the fourth quarter of 2008, which showed a statistically insignificant drop of 0.002 points from 3.632% to 3.630% of total share as compared with the previous quarter.

The events of 2020 have yielded an acceleration and amplification of the role e-commerce plays in the retail trade. The new year began in a manner that gave no indication of the upheaval to follow. The long-term trend line was expected to continue in its steady and consistent manner. Then COVID-19 made its presence felt. The first shutdowns of 2020 began in mid-March, at which time a “ho-hum” first quarter immediately took a turn.
Annual E-Commerce Sales as a % of Total Retail Sales 2000-2020

SOURCE: U.S. Census Bureau, Estimated Quarterly U.S. Retail Sales (Adjusted): Total and E-commerce 02.19.21

Quarterly E-Commerce Sales as a % of Total Retail Sales 1999-2020

SOURCE: U.S. Census Bureau, Estimated Quarterly U.S. Retail Sales (Adjusted): Total and E-commerce 02.19.21
While it was just the last two to three weeks of the quarter that saw the beginnings of the lockdowns and closures, the initial impact of the pandemic still showed up in the final tallies. Year-over-year totals for the first quarter of 2020 saw increases of 2.1% for all retail sales and 14.8% for e-commerce sales (not out of line compared with previous quarterly results). However, total retail sales saw its first quarter-to-quarter drop (-1.2%) since the fourth quarter of 2015 (-0.3%) and its largest drop since the Great Recession where the third and fourth quarters of 2008 and the first quarter of 2009 declined -1.2%, -8.9% and -2.4% respectively.

Of note, despite the drop of -1.2% in the first quarter of 2020 from the fourth quarter of 2019 for total retail sales, retail sales from e-commerce actually increased by 2.4% over the same period. These combinations of declines for the sector as a whole with gains for e-commerce portended how the sector would deal with the onset of the pandemic, navigate through its imposition on retail operations, and come out the other side bruised, but intact.

If the first quarter of 2020 hinted at the impending impact of COVID-19, its effect on the second quarter became inescapably evident. Total retail sales dropped by -3.9% from the first quarter and -3.5% year-over-year. E-Commerce sales, however grew by 31.8% over the first quarter and 44.5% from the prior year.

Two articles lend perspective on the impact of COVID on e-commerce and the retail sector. The first was reported by the New York Times in pre-shutdown February 2020 (NYT 2/13/20). It emphasized the strength of brick-and-mortar retail vis a vis e-commerce at the time: “…more than 70 percent of retail spending in the United States is in categories that have had slow encroachment from the internet…this includes spending on automobiles, gasoline, home improvement and garden supplies, drugs and pharmacy, food and drink.”

Just a few months later, we can juxtapose the pre-pandemic Times article with Adobe’s Digital Economy Index for April 2020 that reported e-commerce sales rose 49% in April 2020 compared to March 2020, and that grocery items (e.g., food and drink) were a big component of that. Additionally, buy online-pick up in store sales were up significantly in April 2020, coming in at 208% above April 2019.
The increase in online food and beverage purchases, not a traditional e-commerce strength, is indicative of a pandemic-fueled phenomenon of which brick-and-mortar retailers should take particular note: the increase in e-commerce sales for what had been safe brick-and-mortar product categories. This is a glimpse into the future for retailers.

In April 2020, Visual Capitalist ("The Pandemic Economy: What are Shoppers Buying Online During COVID-19) analyzed data from Stackline, Amazon, Business Insider, EuroNews and CNBC that indicated items not routinely thought to be traditional e-commerce targets (cough medicine, soups, rice, dried goods and fruit cups) increased between 300% and 600% in March 2020 over March 2019. Online sales of toilet paper were up 190% and disposable gloves rose 670%.

The shift in these product categories illustrated a consumer willingness to rapidly change buying habits, abandon store and brand loyalties, and seek new ways of acquiring the products they need when they need them. While consumers demonstrated they would change habit in a crisis, the question remains what kind of stickiness these new habits, including the substantial growth in the use of e-commerce, will have going forward.

It is reasonable to assume that a significant portion of the pandemic-generated online shopping increase will continue going forward, as this would simply represent an acceleration of an already impressive trendline. It is also reasonable to assume, however, that it will scale back somewhat from record levels as many shoppers return to a personal sense of “normalcy” that includes shopping in their favorite brick-and-mortar stores.

If the third and fourth quarters of 2020 are an indication, this may be the case. Total retail sales grew 12% and 0.5% quarter-to-quarter while e-commerce sales pulled back a modest -1% in each quarter. These represented the first quarter-to-quarter drop since the Great Recession. Before reading too much into this quarter-to-quarter decline, it is important to note that e-commerce sales actually increased a robust 36.6% and 32.1% over the same periods in the prior year.

The fourth quarter of 2020 concluded with e-commerce holding a 14% share of retail sales. While significant, this means that brick-and-mortar entities still commanded 86% of the retail sales space. This suggests that consumers still retain a strong affinity for brick-and-mortar retail shopping. It also suggests the “traditional” shopping experience, while seeing challenges from e-commerce, is not likely to completely disappear any time soon. While this indicates strength in brick and mortar, one should keep in mind that the loss of 14% in sales is both a significant and negative impact when taken in context with often tight margins that exist for Main Street retailers. Brick-and-mortar retailers still must adapt to the phenomenon of e-commerce.

McKinsey projected that despite the growing popularity of e-commerce, online sales will comprise only 21 percent of all retail sales and 5 percent of grocery sales by 2023. Those figures were published in January 2020 and COVID-19 buying behaviors may accelerate this prediction, and have a deeper impact on online buying patterns going forward. McKinsey also found that of the growth in retail sales since 2016, 40% of the growth came via e-commerce.

The pre-pandemic progression of e-commerce expansion (or encroachment, depending on one’s point of view) of retail market share over the past twenty years can best be described as “steady, but orderly.” As such, the pace of this progression had allowed ample time for brick-and-mortar retailers to develop strategies to adapt, even if many did not do so. However, the events of 2020 (most notably—COVID-19) obliterated existing trendlines forced retailers to consider immediately changing standard operating procedure.

Despite rumors to the contrary, retail is not dying, but it is clearly changing, and e-commerce will continue to play a critical and increasing role.
Why the Retail Trade is Important to Long Island

**Employment:** According to the U.S. Census Bureau’s 2019 County Business Patterns, the retail trade is comprised of 12,203 employers, which represents 12.3% of all employers on Long Island.

Retail employers account for 13.5% of all employment in the region or 158,994 full and part-time employees correlating to a total annual payroll of more than $5.2 billion. The retail trade is superseded only by the Health Care sector as a provider of jobs for Long Islanders.

Even as a lower wage sector, retail still ranks fifth among sectors in total payroll, trailing the Health Care, Finance & Insurance, Professional/Technical and Construction sectors.

The retail sector employs a diverse range of residents, and by any objective measure, the retail sector is a vital source of employment for Long Islanders.

The total number of regional retail establishments tallied 29,907 in 2019. This number is reached by including 17,555 nonemployer retailers approximated in the U.S. Census Bureau’s 2018 Nonemployer Statistics. These nonemployer entities are small partnerships, sole proprietorships and LLCs and productive contributors to family incomes and the regional economy.
Within the retail sector, the Food & Beverage Stores, General Merchandise Stores and Clothing Stores subsectors accounted for more than half of all retail employment on Long Island in 2019. Food & Beverage Stores led that list by providing 22.7% of all retail jobs. Motor Vehicle & Parts Dealers (19.1%) and Food & Beverages Stores (19.1%) are responsible for nearly 40% of all retail payroll for Long Island.

The aggregate employment impact of the retail sector is impressive, however there is no public repository of individual retail establishments to detail how many employees work in each of those establishments. Such an inventory would be of great value to regional planners, economic developers, government officials and business advocates in working on behalf of regional businesses. Until that comprehensive compendium exists, we will need to rely on aggregate statistics and patchwork publications of the employment impact of individual retailers.

The vast majority of Long Islander retailers are small businesses with fewer than 100 employees. 2019 County Business Patterns reported the region has 314 retailers that employ 100 or more.

Newsday and Long Island Business News (LIBN) have collected and assembled information volunteered by some of the region’s retailers. In its “Long Island’s Largest Employers” (10/18/17), Newsday listed Stop & Shop, Walmart, Home Depot, CVS, King Kullen, Atlantic Auto Group, Costco, PC Richard & Son, BJs and Lowes as Long Island’s largest retail employers. In “Employers with 100+ Employees” 10/30/20, LIBN listed Stop & Shop, Tanger Factory Outlet Centers, PC Richard & Son, Competition Auto Group, Ikea Long Island and Smithtown Nissan as retail employers meeting that criteria.
## Long Island Retail Employment by NAICS Subsector

<table>
<thead>
<tr>
<th>NAICS Category</th>
<th># of LI Employees</th>
<th>% of LI Retail Employees</th>
<th>% of All LI Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>All retail trade</td>
<td>158,994</td>
<td>100.00%</td>
<td>13.5%</td>
</tr>
<tr>
<td><strong>NAICS Category</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food and beverage stores</td>
<td>36,081</td>
<td>22.7%</td>
<td>3.1%</td>
</tr>
<tr>
<td>General merchandise stores</td>
<td>23,215</td>
<td>14.6%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Clothing and clothing accessories stores</td>
<td>22,552</td>
<td>14.2%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Motor vehicle and parts dealers</td>
<td>17,256</td>
<td>10.9%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Building material, garden eq. and supplies dealers</td>
<td>13,241</td>
<td>8.3%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Health and personal care stores</td>
<td>11,740</td>
<td>7.4%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Nonstore retailers</td>
<td>10,556</td>
<td>6.6%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Miscellaneous store retailers</td>
<td>6,497</td>
<td>4.1%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Furniture and home furnishings stores</td>
<td>5,761</td>
<td>3.6%</td>
<td>0.5%</td>
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<tr>
<td>Sporting goods, hobby, musical inst. &amp; book stores</td>
<td>4,706</td>
<td>3.0%</td>
<td>0.4%</td>
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<tr>
<td>Gasoline stations</td>
<td>4,039</td>
<td>2.5%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Electronics and appliance stores</td>
<td>3,350</td>
<td>2.1%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>
Long Island Retail Payroll by Subsector
% of Total Retail Payroll - 2019
SOURCE: U.S. Census Bureau, 2019 County Business Patterns

Motor vehicle and parts dealers
Food and beverage stores
General merchandise stores
Nonstore retailers
Clothing and clothing accessories stores
Bldg material and garden equip, supplies
Health and personal care stores
Furniture and home furnishings stores
Miscellaneous store retailers
Electronics and appliance stores
Gasoline stations
Sporting goods, hobby, music, book stores

Long Island Retail Firm Size
% by # of Employees
SOURCE: U.S. Census Bureau, 2019 County Business Patterns

<5  2.9%
5 to 9  8.3%
10 to 19  11.6%
20 to 49  19.6%
50 to 99  2.1%
100 to 249  2.1%
250 to 499  0.4%
500 to 999  0.0%
55.0%
**Sales Tax Revenues:** With its wide-ranging impact on regional employment, the retail sector is also a generator of income tax based on those employee salaries. Those income taxes make a valuable contribution to federal and state treasuries. Even more important than those income taxes are the sales taxes that are created from retail sales. These taxes are vital for Long Island where both Nassau and Suffolk Counties are reliant on sales tax collections as the largest revenue source for their budgets.

In Suffolk County, sales taxes accounted for 48% of total revenues in 2019 and are projected at that level for the years 2021 thru 2024. Nassau County’s 2021 NiFA approved budget projects sales taxes as 35% of revenues. These revenues are vital since they fund the counties’ abilities to provide the types of services to which residents have become accustomed and that sustain the quality of life residents have come to expect.

The onset of the pandemic presented a multitude of concerns for government officials, but three stood out above others. First and foremost, was the physical and mental health of residents. Second, was the economic health of businesses. Third, quite practically, was an anticipated devastating loss of sales tax revenues that would accompany a drastic decrease in retail sales.

January and February brought good news for county budgets as Long Island saw gains of 10.7% and 7.3% over 2019, with Suffolk faring slightly better than Nassau. March results slightly trailed 2019 with a drop of -1.2%. Nassau still gained 3.5%, but Suffolk fell -5.1%. The first quarter concluded with a 5.3% gain over 2019. Sales tax revenue grew 6.9% for Nassau and 3.9% for Suffolk.

The pandemic inflicted its most significant damage in the second quarter of 2020 as Nassau experience a -27.2% loss of sales tax revenue and Suffolk dropped -21.4%. Losses peaked in May with drops of nearly -34% for both counties.

The third quarter began with dips of -10.9% and -8.5% in July and August 2020 versus 2019 shared equally by both counties. September saw a rebound in collections with 17.0% gain over 2019 Islandwide. Suffolk was the primary beneficiary with a 22.3% gain while Nassau grew 10.5%. The quarter finished nearly flat in comparison with 2019 at 0.8% growth for Long Island with Nassau falling -1.6% and Suffolk gaining 2.8%.

The fourth quarter of 2020 started with both counties ceding September gains and showing losses of -5.1% and -8.0% in October and November, respectively, versus 2019. December, however, yielded Islandwide gains of 31.2%. December growth for Nassau was 21.7% and Suffolk realized a 39.3% improvement.

A tumultuous 2020 ended with sales tax collections down only -2.5% for Long Island as a whole, with Nassau dropping -4.4% and Suffolk nearly flat with a -0.9% dip from 2019. These results exceeded what had been anticipated when COVID-19 first began to take its toll. Long Island fared better than New York State as a whole, which dropped -10% from 2019; and far outpaced New York City, which saw an -18.7% decline.

The resilient consumer, adapting to the crisis, along with many retailers and retail workers who adjusted along with their customers prevented the calamitous disaster that many had expected for sales tax revenues and the local services they fund.

Hopes for a sustained recovery and a growth rebound for 2021, as was seen after the Great Recession and post-Superstorm Sandy, however, will have to be deferred until later in the year. Sales tax collections for January 2021 trailed 2020 by -8.1% reinforcing the current volatility even with consumers eager to return to their previous shopping patterns.
This volatility is to be expected. Sales tax collection is highly susceptible to external factors and highly dependent on retail sales. Retail sales are dependent on consumer behavior in the face of external factors that affect those consumers. As long as local governments depend on the sales tax as a primary source for funding, they will have to contend with this volatility. Based on this dependence, the retail sector will remain absolutely vital to local governments and the residents they serve. Accordingly, the sector is deserving of far more attention than it currently receives.
Long Island’s Essential Sector

The economic and lifestyle impacts of the retail sector are broad and deep. It is a powerhouse contributor to the well-being of individuals through jobs and payroll. Federal and state government budgets benefit, in turn, with income taxes generated by that payroll. State and local government budgets are fueled by sales taxes that fund essential services. Manufacturing and wholesaler jobs are sustained through the purchase of goods for resale. Still more jobs are created and sustained by spending on professional services. Rents, utilities and other business expenses. Employee purchases sustain even more jobs. Successful retail enhances the quality of life and enlivens local communities. Beyond economics, shopping still remains, even with the expanded adoption of e-commerce, a social and recreational experience for many people.

This leads to the two big questions that have been asked all too frequently in recent years: 1) Is retail dead? and 2) Is retail relevant?

The answers are clear. Retail is not only alive, but pervasive, growing, evolving and here for the long haul. Retail is not only relevant; it is essential. It is accessed every day, across all demographic and socioeconomic categories and strata, everywhere, at all times, putting what people need and want in their hands when they need and want it.

So, we add one more pertinent question to the mix: The retail sector more than does its part. Will governments and economic developers rally to the sector and intensify efforts in support of retailers to help the sector meet its challenges?
Retail: A Profitable but Challenged Sector

General Challenges for the Sector

With its long history of sustained sales growth and considerable share of overall employment, the retail trade is firmly established as a substantial and vital component of local, regional, state, national and global economies. Even as it maintains its status as an economic powerhouse, the retail sector has been perpetually confronted by longstanding and continuously emerging challenges to the success, and sometimes even the survival, of its component businesses, categories and markets.

While difficulties and impediments have been part of the equation since the genesis of trade itself, the sector has an equally long history of responding, often effectively, as decades of documented sales growth attests.

Challenges have proven to be obstacles to success for some, but openings to success for others. The sector thrives because of the individual businesses that adapt, innovate and seize the opportunities created by these challenges. There is actually much to be optimistic about regarding the future of retail. Since, however, it is the negative that resonates most in the media; the high-profile closings and bankruptcies are what dominate the news.

As a result, the sector has been fighting the perception for several years that retail is a dying industry. This misperception complicates the ability of the sector to generate a critical mass of excitement with new audiences. This is a challenge both individual retailers and sector leaders need to work to overcome.

Some Challenges Faced by the Retail Sector

- Changing consumer preferences (e.g., convenience, experiences, customization)
- Competition from other retailers
- Competition from alternative products
- Expanded availability of retail channels
- Continued penetration of e-commerce
- The squeeze between suppliers and consumers
- Pace of technological changes
- Cost and availability of qualified workforce
- Increased noise diluting messaging
- Susceptibility to geopolitical and economic factors, and disaster events
Evolving Consumer Preferences
Whatever operational, environmental or public policy challenges may arise, the ultimate challenge for the retail sector has been, and always will be, attracting customers and maintaining customer loyalty. Everything emanates from the customer. Whatever issues may be generated by the macroenvironment, the ultimate function of the retailer is to provide its customers with what they want, when they want it, where they want it and how they want it.

It is this immutable primacy of the customer, and ever-evolving consumer preferences, that makes the retail trade perpetually dynamic. Consumer preferences are never static because circumstances affecting consumers are not static.

As a result, and of no surprise to retailers, the customer journey is impacted by a multitude of macro and micro variables, and changing any one of these variables can change consumer perceptions, reactions, desires and behaviors in ways that have significant consequences for retailers. Consumers do not live and operate in a vacuum; nor does the retail trade. A retailer’s ability to anticipate, recognize and navigate these changes in consumer preferences, and the factors that influence those preferences, can mean the difference in whether a business thrives, survives or dives. The consumer adapts, and the retailer must adapt in kind.

Addressing these challenges requires a willingness and commitment to change, and for many businesses, that can be a challenge in and of itself. Many retailers are not flexible, adaptable or agile. In fact, many are resistant to change. The reasons vary, but three primary reasons are economic costs (change can be expensive), emotional costs (business owners can get attached to their business plans) and lack of expertise (smaller businesses may not have specialists on staff). Whatever the reason for the reluctance to change, a retailer must overcome that reluctance. If a retailer does not adapt with the customer, it will find itself with fewer customers.

In recent years, several fairly defined consumer preference categories have evolved that must be addressed by retailers seeking to maximize their market share. Three notable consumer priorities have emerged as part of the most recent consumer evolution:

- An increased willingness to make purchases via e-commerce
- A clear desire for increased levels of convenience in the customer journey
- A strong preference for an enhanced and customized customer experience

The Growth of E-Commerce
There are some retailers who think e-commerce is the Satan of retail. There are others who think e-commerce is the savior of retail. Consumers, of course, don’t care what retailers think about it. When it comes to e-commerce, the only opinion that counts belongs to the customer, and customers have made it plain that e-commerce is here to stay—and continuing to grow.

For those who believe e-commerce is the Satan that will destroy traditional retail, the first challenge is to get past that mindset, stop wasting time complaining, and find a way to coexist with or capitalize on what is a both an undeniable and irreversible reality.

For those in the savior category, the first challenge is to avoid falling into the trap of believing that e-commerce is a magical solution to what ails their sales. E-Commerce is just an additional platform from which to sell. It still requires effort. E-commerce is a critical component; not a panacea. It is one thing to be on an e-commerce platform; it is another to make it work.
It is not a surprise that the pandemic has changed the way consumers shop and accelerated the already burgeoning e-commerce marketplace. It is a change borne of necessity. The question is to what degree these new behaviors will become permanent habits. Consumers still make most of their purchases in-store, but there is no denying the impact of digital disruption both pre- and post-COVID.

Among the changes in buying patterns prompted by the pandemic has been a willingness by consumers to try alternative products and vendors to ensure they get the items they need in the face of reduced inventories.

This phenomenon mitigates against brand loyalty in the near term as consumers seek to get access to products wherever they can, and in the long term by conditioning them to the practice of utilizing multiple merchants. The ease of online comparison shopping serves to fuel and reinforce this trend. Beyond those initial considerations, there are challenges to e-commerce and challenges from e-commerce.

Challenges to online shopping include:

- Customers not being able to physically see or feel merchandise
- No in-store experience or customer interaction with the business
- Not all products translate well to an online platform
- Frequency of returns and returns procedures
- Abandoned carts
- Shipping and fulfillment
- Attracting and retaining customers
- Dominance by Amazon and Walmart
- Competitiveness due to low barrier of entry
- Cybersecurity issues

Challenges from e-commerce for brick-and-mortar retailers are derived from several distinct online advantages including:

- Greater product selection and availability
- Easy shopper access to product information and price comparisons
- Price favorability
- Product sales not limited by geography
- Ability of the customer to shop anywhere at any time
- Ability for e-tailers to target consumer-directed communications more precisely and affordably

There has been recent movement among some e-tailers to seek or expand brick-and-mortar footholds to solidify omnichannel options for their businesses. If e-tailers are seeking a physical presence, this will increase pressure on brick-and-mortar establishments to defend their flanks.

E-commerce also introduced a new element of inequity that puts local retailers at a systemic disadvantage. This disadvantage emanates from sales tax collection and remittance (or, more correctly, the lack of collection and remittance) by out-of-state e-commerce vendors on purchases originating in local jurisdictions.

If an out-of-state vendor does not collect and remit applicable taxes, it disadvantages the local retailer who must collect and remit those taxes. Additionally, the communities from which these sales originate are also disadvantaged, as the taxes collected would otherwise be distributed to state and local governments to fund valuable services.
This issue was addressed to some degree by the 2018 U.S. Supreme Court South Dakota v. Wayfair decision that finally gave states the permission to collect these taxes with some restrictions. SCOTUS ruled that collecting sales tax from out-of-state e-commerce vendors is permissible provided it does not create an undue burden, is not applied retroactively and is administered in a simplified manner.

To meet these conditions, states established thresholds as to what level of sales activity in that state by an online retailer would constitute a nexus and activate the business’ obligation to collect and remit sales to the state. Most states opted to define that nexus as $100,000 in total annual sales and 200 total annual transactions. New York has defined its nexus as $500,000 in sales and 100 transactions.

This standard, however, still disadvantages New York retailers, particularly smaller businesses. It allows out-of-state e-tailers to make unlimited sales in dollars as long as it is done in fewer than 100 transactions, or $499,999 in sales on unlimited transactions in New York originated sales without collecting sales tax. This gives their customers a discount equal to the level of the commensurate sales tax. A competing business located in New York, however, is advised “… if you sell taxable items at a craft fair only once a year, you are required to register, and to collect and remit sales tax …” (Do I Need to Register for Sales Tax? NYS Tax Bulletin ST-175).

Until this inequity is remedied, New York State will continue to unfairly disadvantage its own small retailers.

Prior to the pandemic, the trajectory of e-commerce penetration had been allowing for an orderly transition from a brick-and-mortar-centric economy to an eventual e-commerce-centric economy. While it is reasonable to assume that part of the e-commerce surge of fueled by the pandemic will be temporary as many consumers will return to physical face-to-face shopping, others will maintain their new online shopping habits. The overall stickiness remains to be seen, but it is just as reasonable to assume that a percentage of the increase in e-commerce share will become permanent, thus accelerating the penetration of e-commerce.

An indication of the potential stickiness of the e-commerce influx can be derived from a McKinsey study that found 42 percent of millennials prefer to do their retail shopping online, and more importantly, would opt to avoid shopping in physical stores if possible. The implications are clear and the consequences are inevitable if existing retail establishments refuse to adapt.

The emergence and growth of e-commerce has been both an asset to the sector as a whole and a challenge to traditional brick-and-mortar stores. Pandemic-fueled buying yielded an expanded consumer view and acceptance of e-commerce, which will do nothing to detract from the sustained growth of e-commerce market share in the retail marketplace, and could lead to irreversible market share shifts depending on the stickiness of these new buying habits.

The Convenience Imperative

Today’s consumers place a premium on convenience. The desire for convenience in today’s marketplace is not limited to any specific generational, racial, ethnic, gender or socioeconomic category. Convenience is either appreciated, demanded or presumed. Retailers ignore this at their own peril, and they should welcome the challenge of such a marketplace commonality as something that gives clarity to the process of developing business strategies and tactics.

With the many demands on their time, customers want product search, product availability, product purchase, product delivery or pickup, product use, product service and product returns
to be easily accessible, navigable and frictionless. They want to be able to shop when, where and how they want to—and with digital commerce; now they can. With apologies to grammarians, the new retail store is anywhere the customer is. This means in store, at home, on the road, online, on the phone, on the laptop, anywhere within the sound of one’s voice—wherever and however. Shopping is now a true omnichannel phenomenon.

In this omnichannel marketplace, consumers want to move seamlessly between in-store and digital platforms, and maintain a consistency of attentive service at all touchpoints. They want ease of product search, with digital supplementing and complementing the physical and vice versa. They equate value with fulfillment and quick, on-time, often free guaranteed delivery or pickup (a particular challenge for small Long Island retailers given the region’s lack of local microfulfillment options to meet the new customer demand). They want access to useful post-purchase information to optimize product use. They also want to be able to make easy, frictionless returns when necessary.

Another challenge to implementing a seamless omnichannel strategy is that many retailers who have dabbled in e-commerce view their brick and mortar and e-commerce platforms as isolated functions. Omnichannel success requires overcoming a silo mentality, and ensuring seamless movement across channels.

Omnichannel may seem omnipresent, so it is often misunderstood to mean a retailer needs to be everywhere. Rather, with further apologies to the grammarians, retailers do not need to be everywhere, just everywhere their customers are. The challenge for retailers is to prepare for, and successfully sell and service anywhere the customer is, at all touchpoints across the consumer continuum.

Providing Customer Experiences

For generations before the advent of personal computers, cell phones, video games and the Internet; shopping was frequently a social or recreational event. Trips to the department store or mall, or strolls through the local downtown were often about more than just the pragmatic acquisition of goods. They were frequently an experience to be planned, anticipated, enjoyed and even shared with loved ones or friends.

For retailers, the ability to provide that experience, and have it result in the purchase of a product that met or exceeded customer expectations, was a boon to their bottom line.

Consumers still want their shopping journey to be experiential. Today, however, social experience has taken a new form and consumers have a different point of reference for recreational preferences. The same digital disruption that spawned the proliferation of e-commerce has created a robust omnichannel environment, and consumers are demanding seamless and personalized experiences across all channels in that environment.

Because there are so many choices for products of similar quality at similar prices, there needs to be a point of differentiation to engender some level of customer loyalty/affinity. Providing exceptional service across all channels at all touchpoints and enhancing the customer experience is the challenge that must be met to deliver that affinity.

Consumers want their experiences to be tailored to them with little or no wasted effort throughout the customer journey. The most effective way for retailers to deliver this is by personalizing each customer shopping and service experience.
Meeting the challenge of effective personalization requires active and substantial use of customer data to facilitate a more relevant experience for the individual consumer. As such, the retailer must direct efforts at data collection, maintenance and analysis. At the same time, the retailer must consider privacy and security issues. Consumers are largely willing to trade information for a more personalized experience, but they will recoil at the mishandling of their personal data.

The difficulties of collecting, analyzing and acting on information quickly enough to matter; keeping information up to date in real time, and avoiding information overload or becoming trapped in too much irrelevant information present additional challenges.

Simplicity, convenience, quality products and exceptional customer service are foundational elements of a personalized and rewarding customer experience. A truly optimal experience for customers must transcend the transactional. Every transaction or interaction fits into a larger picture.

The higher-level challenge regarding customer experience is to move from a linear view of touchpoint optimization to a multidimensional perspective. True personalization of experience relates each interaction to each customer’s lifestyle, wants, needs, goals and circumstances. It orients each interaction to the customer’s perspective.

Promotional tie-ins, premiums and presentation have long been a part of the retail landscape. That continues today, and it is still true that the “extras” can make the customer journey more enjoyable. Current technology can add much to product presentation and the buying experience, but there is a risk of getting lost in “retailtainment” while losing sight of relevancy to the product and the customer’s connection to the product. The challenge is to find the right mix of “accoutrements” that work to create an immersive and sensory experience without devolving into pure retailtainment that detracts from, rather than enhances the customer’s relationship with the product, brand and retail entity.

As much as the customer retail experience has changed over time, the overall desire for an experiential journey has always existed to some degree. That desire has not diminished, although it has evolved and become more complex. At its core, it still must be customer-focused and product/brand enhancing.

Retailers, however, will have to work harder to retain customers by providing exceptional customer service, from the customers’ perspectives, at all touchpoints. They must do this when there are more touchpoints than ever before. An omnichannel world has seen to that.

Retailers will need to find ways to add in-store personal touch to the digital experience, as well as digital’s convenience to the in-store experience. They will need to provide more personalized experiences by collecting and analyzing customer data, while not over-collecting or becoming annoying or overly intrusive to their customers. They will need to make customer experiences shareable in ways that are social media friendly and also generate in-person word-of-mouth. They will need to adopt new technologies that enhance the customer experience, but not overstimulate, oversaturate or depersonalize.

With regard to the customer experience, retailers have more choices to make in a marketplace that has less tolerance for wrong choices.

Above all, customers want their experience to reflect that the retailer listens to them, remembers them, values them, understands what they want, and will go the extra mile to meet their expectations.
A Hypercompetitive Sector

The competitive intensity of the retail environment has existed since the advent of retail. Time has only added to the number of available substitutes in terms of product and vendor. This gives greater bargaining power to consumers and puts a significant downward push on prices and profit margin.

Another market-induced competitive pressure faced by retailers is a higher degree of price uniformity caused by the “Amazon Effect.” Virtually anyone in any region, regardless of the cost of living in that region, can make purchases from that region at a nationally (sometimes even globally) normalized price on an online platform such as Amazon. This creates added downward pressure on local brick and mortar retailers to sell near a similar price point, even when the cost of living in their own region might require a higher price point.

Complicating this phenomenon is the additional squeeze for retailers who are caught between customers who want to maximize savings through lower prices and suppliers who want to maximize profit through higher prices. Retailers are faced with the unenviable choice of passing along supplier cost increases to customers and risk losing the customers, or absorbing a portion of the cost increases and compromising their own fiscal viability.

While retailers may push back for cost reductions in supply chain, another trend has emerged with an increase in direct-to-consumer brands that eliminate the middleman and create a new layer of competition in both physical and digital platforms. Prominent brands becoming their own retailer has added new options to the consumer market. This has increased competition further and exacerbated a downward push on prices.

As more viable choices have emerged, consumers have demonstrated a willingness to explore those alternatives. As a result, brand loyalty has been challenged.

With less secure brand loyalty, retailers are forced to expend more resources to retain customers. Many of these retailers do so by matching low priced competitors. This accelerates the race to the bottom in terms of price point; a phenomenon that works well for consumers, but not so much for retailers.

A widespread downward pressure on prices takes a particular toll on mid-range retailers. These retailers, who once occupied a relatively safe haven for a more broad-based consumer appeal, are increasingly finding themselves squeezed from the top and bottom layers of the retail price strata between consumers seeking the lowest price and those seeking luxury or the highest perceived quality.

If mid-range retailers do not develop an effective response to these simultaneous upward and downward competing pressures, they risk a descent, at least temporarily, into obsolescence.

As it always has been, the retail sector will remain intensely competitive. Retailers will have to navigate horizontal competition from other merchants and the proliferation of substitute products, as well as vertical competition from suppliers, distributors, service centers, and affiliated professional or personal service forms trying to get their best deals in their own transactions with retailers. There will also be increasing competition for an appropriately skilled workforce.

Retailers will need to bring their “A” game to successfully navigate this increasingly hypercompetitive landscape.
Rapidly Changing Technology

Technological discoveries, inventions and advances continue to create possibilities for retailers, especially technology that helps merchants meet customers where they are.

It is, however, a considerable task to keep pace with technological change. Evaluating and implementing technology solutions can be difficult for retail businesses. Research and assessment of tech options can be a daunting proposition for the layperson. It is an understatement to note that technology choices can be confusing and costly.

Whether seeking to address basic business functions such as customer relationship management, marketing systems, supply chain management, fulfillment, warehousing and inventory management; or looking to introduce artificial intelligence or machine learning systems that can be used to enhance the customer experience; the options are can be overwhelming and range wildly in cost and complexity.

The benefits of technology investment can be rewarding, but a wrong choice that wastes valuable resources can set a business back, or even be fatal in a hypercompetitive marketplace where margins are tight and businesses are vulnerable.

Predicting technology is also a difficult task; both the technologies themselves and the technology transfer that makes a particular technology marketable, desirable and investment-worthy. This means keeping pace with technology can be a major challenge since it cannot be specifically planned for.

Beyond those challenges, there is the looming reality of cyber threats. Cybersecurity is an essential investment since retail establishments make inviting targets for identity thieves and cyberterrorists due to the wealth of customer data, number of transactions, as well as the economic impact and social pervasiveness of retail. As with all technology options, great care must be exercised in selection cyber protection.

An Evolving Retail Workforce

“Contact tracing,” “social distancing,” “flattening the curve,” “PPE,” and “community spread” are among the terms that entered the average American’s lexicon in 2020. There is at least one other term that will be well worth remembering and continuing to use even when we eventually return to some semblance of normal life—“essential worker.”

As one would expect, we use “essential worker” and “front-line worker” to describe first responders and health care workers. In the tsunami of the pandemic, however, we quickly added key retail workers, such as the local teenager or senior citizen working the grocery store checkout line to that lofty category.

Retail workers were, of course, “essential” long before COVID-19 made its presence felt. The public consciousness, however, was raised in this regard during the early months of the pandemic when a spotlight shined on these workers as they helped keep our communities supplied with daily necessities, and made a major contribution to keeping our economy afloat.

Already vital to the merchants who employ them, retail workers will become even more important to establishments that will increasingly rely on them to navigate the new normal and deliver exceptional customer service at all touchpoints across all channels.
As the retail world continues to become more technology reliant, employees will require new skills to properly implement and use these technologies. Developing these skills and ensuring a commensurate level of compensation for these valuable workers will present a challenge for many retail businesses and the sector in general.

Salary pressure has been a longstanding issue for retail businesses, but a livable wage is a critical factor for the workers who sustain those businesses. It is not a conundrum that is easily resolvable. Relatively low wages have resulted in the sector being typified by a high turnover rate. The vicious and quickly turning cycle of hire, train, lose, hire again, train again, lose again, etc. results in increased recruitment and training costs. The inability to retain workers results in decreased productivity from forfeited benefits of continuity, including suboptimal customer service caused by lesser trained workers, which can result in lost revenue.

Retailers, educators, government and communities have the challenge of mobilizing to meet a pressing need for increased workforce investment that works to provide a safe work environment, an ample supply of skilled workers, appropriate levels of compensation, retail-specific training and preparatory education, on-the-job and brush-up skills training, optimal utilization of staff and clearly defined and desirable retail career paths.

**Need for Local Fulfillment Options**

One of the deterrents to smaller local businesses developing a meaningful e-commerce presence is the inability to manage and scale a cost-effective fulfillment operation. Fulfillment is essential for e-commerce success, and a comprehensive fulfillment operation has been one of the greatest contributors to Amazon’s success. It is a competitive advantage that only Walmart has been able to challenge to any meaningful degree.

Small and mid-sized retailers cannot match the pure muscle of Amazon or Walmart with regard to fulfillment capabilities. Rather, these businesses need only focus on recreating the “Amazon Effect” on a more limited regional or local basis. Success does not require small to mid-size businesses to surpass Amazon in terms of efficiency, effectiveness and completeness. It merely requires doing well enough to be regionally or locally relevant, deliver benefit to their target market, and provide a sufficient and sustainable income for the business owner and employees. Relevance, viability and meaningful contribution to a profitable omnichannel portfolio that supplements and complements brick-and-mortar operations can be enough.

Even this more modest pursuit, however, requires access to a budget-friendly fulfillment infrastructure and capacity that right sizes to the needs of businesses and scales as needed.

This infrastructure is critical. In their 2019 report “Urban Fulfillment Centers: Helping to Deliver on the Expectation of Same-Day Delivery,” Deloitte cited that “by 2023, same-day delivery will be the norm for most e-commerce purchases” due to the “see now, buy now, how fast can I get it” mentality of today’s consumers. If same-day delivery will be prevalent, smaller retailers need to adapt now so as not to recede into a lagging catch-up mode, and not to cede sales in the interim.

If the region’s small to mid-sized retailers are to become a relevant and viable e-commerce force, there needs to be a shift in focus away from the fulfillment capacity of any one business to the collective fulfillment capacity of the region as a whole. This will require a combination of traditional fulfillment and microfulfillment options. It will also require a collaborative effort that mobilizes the collective regional resources to create a viable, accessible, and more integrated regional fulfillment infrastructure. Local residents must be able to get their goods as fast or faster from local retailers than from out-of-state competitors.
In recent years, considerable focus has been placed on “last mile” delivery, which is the concluding stage of fulfillment from the last distribution point to the final customer destination. This final stage of delivery has a relatively high per mile cost compared to earlier segments of the process.

Mistakes during this phase can also have a greater negative impact. For example, a package that gets misrouted early in the process can be redirected on the next flight, costing hours rather than days of delay. If a package in the final mile is misdelivered to the wrong house, as occurs too frequently with USPS or UPS, it can take days to locate and redeliver—and only if whoever received the package in error is willing and able to quickly contact the shipper to alert them of the misdirected receipt. Absent that, there is a likelihood the package will never be received by the rightful customer.

Fulfillment systems are being redesigned and re-networked to prioritize last-mile delivery. This has been geared mostly to the needs of large firms with a wide distribution, rather than to the needs of smaller local businesses.

Local retailers face the same last-mile challenges as out-of-state e-commerce competitors.

For many local retailers, especially smaller local retailers, the last-mile challenges also exist in the first mile of fulfillment. Since the vast majority of these small retailers lack the resources to scale warehousing and delivery operations to be commensurate with their e-commerce competitors, they face the inefficiencies and added costs of uploading merchandise into an existing delivery system that is not necessarily tailored to their needs.

Increased Marketplace Noise

In today’s marketplace, there are not just more channels within which to transact business, there are more channels and platforms through which to communicate with consumers. Many of these channels are readily accessible with minimal barriers to entry.

The more accessible options there are, the greater number of voices there will be to fill those channels, and more noise will be generated. This unfiltered noise serves to dilute and interfere with the quality and resonance of messages that get through to customers. Cheap media becomes more expensive when the landscape becomes overcrowded, as the cost to break through and stand out from the pack will necessarily rise. Retailers must strategically and creatively overcome the noise to ensure their messages are heard.

Susceptibility to External Factors

Geopolitical and economic factors, natural and manmade disasters, and public health events are beyond the control of businesses and customers, and each takes its measure of impact on the retail sector in its own way and in its own time.

As a nation and as a region, we have come through recessions, hurricanes and terrorist attacks bruised, but intact. At every instance, the retail sector eventually recovered its losses and resumed its growth.

We are living, in real time, with the market disruptions of the COVID-19 pandemic and the resultant closures, capacity limits, lockdowns, safety redesigns of stores, in-store distancing and product availability issues it has caused.
In addition to the new challenges COVID-19 wreaked on Long Island’s retail sector, it also magnified more longstanding or latent challenges, and brought unaddressed issues into the sunlight.

The virus also demonstrated why it is critical to prepare for emergencies to the degree possible, but above all else, the need for every business to be adaptable.

**Challenges Abound, but They Can be Overcome**

The retail sector has always faced challenges. The sector has survived, however, and continues to grow because of the retail leaders who understand they must never remain static in the face of change.

Of course, every change yields winners and losers. The whims of the marketplace, evolving consumers, technological advances and the march of time create new circumstances that offer both challenge and opportunity. Retail has survived these in the past, and will continue to do so.

Store closings and bankruptcies may present a bleak picture, but it is just one side of the equation. Many retailers adapt and thrive. It may not always be an easy path, but retail survives and remains foundational to local, regional, state, national and global economies.

Some of the ways retailers can respond to the challenges of today are discussed in the next section. The suggestions are not exhaustive, but, as we have seen throughout time, retailers are inexhaustible, and will implement these and other initiatives that will ensure the future of the sector.
What to Do: Engage Customers & Add Value

With the challenges laid out, the focus shifts to what needs to be done to meet those challenges. While the lion’s share of the work will need to be done by individual businesses, there is much that needs to be done systemically, as well. There is a role for every stakeholder in meeting these challenges. Individual businesses, Chambers of Commerce, business associations, professional associations, governments, IDAs, regional planners and consumers all have key roles to play.

First and foremost, the customer is the quintessential figure in the entire process. Consumers should and will do as they have always done. Consumers will select products that meet their needs as they see those needs. Consumers will broadcast their opinions about both product and vendor to friends, family and coworkers. Consumers will evaluate their degree of satisfaction with the product over the course of use. Consumers will consider their experience with the product and vendor to determine if they will be a repeat buyer.

Many consumers will give meaningful feedback to vendors through reviews, social media or direct contact to help better get what they want in the future. This is what consumers have always done. They do so now, however, with a new set of tools and under new sets of circumstances to which they continuously adapt. Resilient consumers navigate change, and retailers must also adapt and navigate these same changes to keep pace with their customers.

With COVID-19 there has been no lack of change, and the pandemic has actually accelerated the state of change during this most unusual time. In reality, however, every time is a time of change. When the pandemic passes, the pace may slow, but change will remain constant. The ability to adapt in real time will help retailers continue to manage existing and emerging challenges.

This includes surviving in an Amazon-dominated retail-scape where head-to-head competition on an equivalent scale is not feasible for most because Amazon does what it does too big, too thoroughly, too effectively, too efficiently and too well. They have earned their place as the dominant force. However, creative and committed retailers that have become adept adaptors have already begun, or will have the opportunity, to recreate a form of the Amazon Effect on their own scale and to their own benefit.

Roughly categorized, and with acknowledgement that there is a degree of overlap across categories, the to-do list for retailers and regional stakeholders is:

- Renew and Reignite Timeless and Proven Business Practices
- Incorporate E-Commerce or Intensify Commitment to E-Commerce
- Embrace an Aggressive Omnichannel Strategy
- Adopt and Leverage Relevant Technology
- Prioritize Convenience and Create Experiences
- Reimagine the Workforce
- Develop an Integrated Regional Microfulfillment Infrastructure
- Bolster Regional Support Structures, Programs and Policies (Regional Retail Council, Virtual Trade Show, Stakeholder Engagement & Collaboration, Sales Tax Equity, Regional Branding, Supply Chain, etc.)
- Strengthen Physical Infrastructure (Transportation, Housing, Broadband, etc.)
Renew and Reignite Proven Business Practices

Internal Review:
A pandemic-fueled upheaval lends itself to pushing the reset button on many of life’s everyday functions. Retail commerce is one such function for which there is a good opportunity to do exactly that. The crucial first step retailers can take in trying to navigate the “new normal” will come as no surprise to any successful businessperson. The first step is to take stock. While this may be a remedial exercise for most enlightened retailers, these forward-thinking business leaders understand the value of continually evaluating and reevaluating operations, product line and marketing and adjusting as indicated.

This process should not be just an internal audit, but an institutional “soul-search” with a challenge to the status quo, including a reexamination of the business model itself. With the extended inflection point of the pandemic as a backdrop, this dynamic review must be grounded in institutional humility vis-a-vis the marketplace, and ask and answer the question, “Who are we and how do we fit into this picture?”.

Most importantly, retailers must reacquaint themselves with the primacy of the customer, and they must do so with a renewed urgency. The old adage about customer always being right may not actually be about right or wrong, but it is a reminder that what the customer wants is what the customer wants. Retailers must adapt to consumers; not the other way around. Some retailers expend significant resources trying to change consumers’ minds when they should actually be reading them. Furthermore, when customers tell you what they want; believe them.

This rigorous review will help retailers become more customer centric, flexible, adaptable and communicative. It will also assist retailers recommit to best business practices and exceptional customer service, as well as adapt to today’s marketplace.

Four functional areas provide a fertile foundation for this review: customer service, marketing research, marketing and operations.

Customer Service:
Retailers should take a fresh inventory of all touchpoints and work to optimize each of these points of contact. This may be a timeless strategy, but it must remain a paramount strategy, as the nature of the interactions at these touchpoints embodies a business’ relationship with the customer. This relationship is ever-evolving and requires ongoing reevaluation. At each point of potential interaction, the retailer should strive to tangibly define and consistently provide exceptional service and a memorable experience that adds value, inspires confidence and promotes convenience.

Cultivating repeat customers has always been more efficient than attracting new customers, but with the increased competition and the newfound customer willingness to utilize alternative merchants to acquire products when and how they want them, it is imperative that retailers step up their efforts at customer retention.

Repeat sales will come from courting existing customers with the same fervor as prospective new customers. The volatility enveloping the marketplace, and the agility of consumers navigating that volatility, places a higher premium than ever on retention.
**Marketing Research:**
In times of great change, quality marketing research is a premium product. Large retailers engage in sophisticated marketing research. Smaller retailers often do not have the resources to do this type of research. Yet, the smartest small retailers have always engaged in the most basic, but meaningful marketing research—talking to their customers.

Today, customer connectivity is more accessible than ever. There are more ways to be able to talk to the customer in real time and at any time including social media, text, email, apps and face-to-face encounters. Retailers that liberally avail themselves of these opportunities will be the ones best able to “read the minds” of consumers and adapt quickly, confidently and effectively.

Retailers that take advantage of these connectivity opportunities will be better equipped to answer the questions that define their customers. Who is my customer? Where and how do they shop? When do they shop? How and how fast do they want to receive their purchases? What do they think you do well? What do they think you can do better? Who or what influences their purchasing decisions? What changes their minds? If they return merchandise, what are the reasons?

The retailer can also take an additional step and involve its customers in product design, product line or fulfillment policy decisions as an informal, but functional focus group. Retailers should never miss an opportunity to ask their customers what is important to them. When they answer—believe them.

One of the most important determinants to identify is the customer’s concept of value. How heavily do they rank or weigh cost, convenience and quality; and equally important, how do they define cost, convenience and quality.

In today’s market, a retailer’s ability to adapt and deliver desired value is key to survivability and “thrivability.” Embracing the resonating voices of the marketplace and gaining consumer insight is GPS guidance to achieving consumer alignment.

Customer preferences and consumer behavior are at the center of marketing research goals, and the best sources for determining these are the consumers themselves. Beyond the customer, there are other critical sources of actionable data.

One of the next best sources for marketing research in such a highly competitive environment is the competitor. Retailers should go to school on their competitors; observing how they are meeting, or not meeting, the challenges of the marketplace. With effective competitive intelligence, retailers can more readily avoid what does not seem to work, and adopt and improve what does seem to work. Forward thinking retailers will capitalize on this intelligence to imitate then innovate.

It may not be highly rigorous and scientifically-based marketing research, but it does not need to be. These simple actions will yield meaningful and actionable intelligence for the savvy retailer that will facilitate staying on top of emerging trends, meeting customer needs and minimizing the guesswork—even in times of crisis and rapid change.

**Marketing:**
Today’s marketplace is typified by a plethora of product and seller alternatives available to consumers. This combines with an exponential increase in marketplace noise that makes it more imperative than ever for retailers to refine their messaging, and achieve clarity and alignment of this messaging with the consumer base.
Today’s technology allows retailers to market to an audience of one (by the hundreds or by the thousands), and the personalization of messaging that comes with one-to-one marketing is what consumers have increasingly come to expect from retailers.

Personalized marketing and the ability to communicate more directly with the customer also helps align product, method and message so that consumers have clarity regarding how and why a particular product or vendor is the right choice for them. That clarity is vital because expanding product and vendor alternatives has created an increasingly transactional and commoditized process with less blind brand loyalty. Navigating this requires generating enough brand awareness and affinity so that, even if a retailer is not the automatic choice; it is reflexively among the choices.

More than ever, personalized marketing that leverages a customized and exceptional customer experience requires a message that cuts through the clutter to nurture brand awareness and affinity. In today’s marketplace, if a retailer is not engaging in personalized marketing, they are not marketing.

**Operations:**
With already strained resources further taxed as a result of the pandemic, it is critical to meet customer demand with an efficiency of effort and cost.

This will require employing analytics and disciplined fiscal soundness, and implementing strategic cost structures while still maintaining an ability to continue making strategic investments.

Achieving these efficiencies may mean having to reengineer productivity models, streamline operations, aggressively manage the supply chain and reward supply chain adaptation, automate certain functions, right-size real estate and reduce unproductive costs.

Because of the sector’s hypercompetitive environment, however, retailers will not be able to simply cut their way through difficult times. Savings from newfound efficiencies will need to be used to maintain a critical level of investment in revenue producing and workforce enhancements. These strategic investments can provide a distinct marketplace advantage.

**Incorporate or Intensify E-Commerce Commitment**

The most important lesson for retailers from the pandemic is that they must accept, rather than resist, the reality of e-commerce.

It has not been uncommon for many brick-and-mortar retailers to label e-commerce entities as successful retail predators, but it is far more useful to view them as successful readers of the marketplace—always the mark of the most successful businesses—separating the survivors and the thrivers from the divers. Simply put, if there is a long-term and growing consumer preference for the benefits afforded by online shopping, it is the responsibility of the business to accommodate that preference if it wants to access to that particular market.

Those who were well invested in e-commerce reaped the benefits during the worst periods of the virus, and they should emerge from the pandemic in a stronger position at whatever time the virus subsides or vaccines can deliver a safe level of immunity in the community.
In pursuing an e-commerce strategy and establishing a more vibrant digital presence, it is important to understand that undertaking expanded e-commerce initiatives does not mean brick-and-mortar retailers need to abandon their physical locations. An increasing number of e-commerce businesses seeking a brick-and-mortar presence for themselves is evidence of the value of combining physical with virtual.

Brick-and-mortar retailers, however, will likely need to incorporate e-commerce to some meaningful degree to optimize market competitiveness and maintain or increase market share. For small retailers looking for an introduction to the nuts and bolts of implementing an e-commerce platform, our Small Business Development Centers are a good starting point.

Embrace an Aggressive Omnichannel Strategy

Before one can navigate what has become known as an omnichannel retail landscape, it is essential to have a good working understanding of what omnichannel is and what it is not. It is useful to think of channels as pathways connecting the retailer and its customers. These pathways are two-way routes, from customer to retailer and retailer to customer. Pathways exist throughout the customer journey. We can define the customer journey in terms of five phases:

- Product Search and Evaluation
- Transaction
- Fulfillment
- Post-Purchase
- Maintenance/Retention

Since the customer journey is, after all, the customer’s journey; it is the customer who defines the total universe of potential pathways. Consumers determine where, when and how they want to shop. It is up to the retailer to provide pathways to meet those preferences to the degree feasible. Creating, maintaining, refining and enhancing these two-way pathways; working to optimize each of the touchpoints along these pathways; making the journey frictionless and making moves from path to path seamless is the essence of a functioning omnichannel strategy.

As referenced earlier in this report, the perfect omnichannel strategy does not require the retailer to be everywhere; just everywhere its customers may be. Omnichannel strategies are all about helping customers shop where they are, how they want and when they want. It is an outgrowth of the modern consumer revolution and not to be ignored by retailers.

A well thought out e-commerce strategy, integrated with a solid brick-and-mortar foundation, is the basis for a successful omnichannel venture. Integration is not a throwaway concept. It is at the heart of what can give a retailer the greatest prospects for success. It helps the customer shop where they want and when they want.

Too many retailers view e-commerce and brick-and-mortar as distinct silos or exclusive channels. This almost assures they will never achieve their potential. The goal needs to be to have one channel support and feed the others.

The retailer should assume customers will move, with some frequency, between the virtual and the physical at their discretion as they map out their own journey. Since the retailer does not know when a customer will access an online channel or a physical channel, it must assume that
either can be accessed at any time and ensure cohesiveness and connectedness from the perspective of the customer.

One of the more effective ways for retailers to implement an omnichannel strategy is to create shopper personas that reflect characteristics and traits of actual customer categories. They then can create customer journey schematics for each persona and “follow” those personas through the customer journey to determine 1) where touchpoints will likely occur and 2) anticipate what might be needed to provide appropriate service levels at those touchpoints for the specific persona.

**Omnichannel: A Modern “Shop Local” Mindset**

One of the more common responses to the encroachment of e-commerce has been the development of “Shop Local” campaigns. Many of these initiatives meet with some degree of success, but all have limitations.

“Shop Local,” in and of itself, is not a value message, and consumers respond best to relevant value messages. “Here are the reasons shopping local at this merchant is more beneficial to you” is the basis of a value message. The components of “why” need to be the themes of these campaigns, not the generic and sterile “shop local.” In these instances, the subheads are more important than the headline. For example, “one dollar spent at the Paramount turns into seven dollars for Huntington, so shop local.”

Another limitation on Shop Local campaigns is the unintended consequence of counteracting the intended message. If “local” is generally understood as “closest in proximity,” we must accept that the understanding of “closest in proximity” has evolved.

“Shop Local” means different things to different people. Main Street brick-and-mortar retailers intend “closest in proximity” to be interpreted as neighborhood Main Street businesses or local shopping centers. Many consumers, however, consider “closest in proximity” to be the shopping tools that are closest in proximity to them--their laptop, tablet, voice search or cell phone.

People may still enjoy the trip to the mall or the stroll downtown, and physical retail locations remain the dominant vehicle for shopping. Local brick-and-mortar shopping, however, is now just one alternative in today’s omnichannel mix of options. Since consumers have a greater selection of channels from which to choose, retailers should have a presence in as many of these channels as feasible, especially as brick-and-mortar retail cedes a greater share to e-commerce.

Additionally, implementing a robust and successful omnichannel strategy with a well-designed and promoted e-commerce component, has the ability to make any Long Island retailer a “local” option for any shopper anywhere.

Finally, a critical mass of regional retailers adopting comprehensive omnichannel strategies will give business associations, Chambers of Commerce, economic developers and local governments a powerful tool for regional branding. If the lion’s share of regional retailers is easily accessible to consumers in true omnichannel fashion, there is a real opportunity to create the ultimate “Shop Local” campaign directed at regional consumers who want to see their dollars stay local, but still crave the convenience of online shopping.

A Shop Long Island platform can only succeed on a large scale if that platform is easily accessible, frictionless in navigation and seamless across channels.
Adopt and Leverage Relevant Technology

As with most of our daily life functions, technology permeates all aspects of business. The application of existing and emerging technologies in retail is limited only by the creativity of the retailer using those technologies, and the possibilities for retailers can be exciting.

Technology, however, is a strategic tool and not a panacea for addressing all the challenges facing retailers today. While there may be a tendency to want to acquire the latest shiny object, tech for the sake of tech is not a sound approach. Only purposeful technology that aligns with and advances a retailer’s purpose and business schematic should be targets for increased investment. Technological options should be considered for acquisition and deployment only if they help the business 1) stay connected with the customer, 2) improve the customer’s the in-store or online experience, 3) improve productivity, and/or 4) efficiently manage operations.

Technology choices are numerous and can be confusing. The learning curve can be long. These factors can make technology acquisition and implementation confounding. To bring a sense of order to the search and evaluation process, retailers should start with the tried and true, and turn to their customers and potential customers. One of the best technology adoption strategies for a retailer is to mirror the technology adoption of its customer base. Doing this as a first step helps ensure that the technology options pursued by the retailer will be marketplace relevant.

Software solutions that relate to some internal operations such as administration, productivity, customer relationship management and the like, are already in common use. As a result, many retailers have a history or familiarity with various platforms and can make future buying decisions based on personal experience or on the experience of peers. Beyond these commonly used tools, retailers face an added element of risk in evaluation and implementation.

At the same time retailers need to upgrade technology, they must remain mindful that there is still a critical need for a human role. While making ample and strategic use of technology, retail businesses are ultimately run, operated and supported by human beings. Retailers, like all businesses, will be best served if they leave to people what must be done by people; the rest, leave to the machines—and then leave the machines to people. Machines must serve their masters. At all times, retail is a people-first sector.

Mastering available and emerging technologies will play a major role in navigating the changing consumer landscape. A partial array of technology options, some of which have been in common use for some time and others that seem beyond reach for small retailers includes:

- Software/Apps (productivity, logistics, accounting, payroll, CRM, purchasing, analytics, marketing)
- Websites
- Social Media, Email, Text
- Computers, tablets, phones
- Voice Search
- Virtual Shopping Assistants
- FAQ Chatbots
- Augmented Reality
- Virtual Reality
- AI and Machine Learning
- IoT (Internet of Things)
- QR Codes
- RFID
- Digital Wallets (Google Pay or Samsung Pay)
- In-Store Sensors
- Facial Recognition
- Digital Price Tags
- In-Store Customer Kiosks
Of this partial inventory, 2021 can be expected to see significant marketable advances in augmented reality and artificial intelligence with increasing implementation by retailers nationwide.

Regional technology and retail leaders, along with other business leaders, educators and college interns should collaborate to develop and publish a plain-language guide to evaluating and implementing new technologies and technology best practices. Given the pace of change, this online guide would require regular and relatively frequent updates.

**Prioritize Convenience and Create Experiences**

The customer experience is the convergence of customer focus and engagement, omnichannel strategies, convenience, data collection and analysis, technology implementation and touchpoint optimization. Retailers should think of the customer experience as both every individual experience and the aggregate of all experiences over time. Consistent and focused efforts must ensure that these experiences be evidenced by conspicuous customer prioritization.

The customer experience needs to be seamless across channels and frictionless within channels.

The most effective and meaningful customer experiences will address these elements:

- **Guidance** (information, education, comparison, suggestion)
- **Convenience** (ease, effortlessness, speed, accessibility)
- **Engagement** (inviting, enjoyable, sensory, immersive, inclusive, participatory, relevant)
- **Adaptability** (responsive, flexible, personalized, available)
- **Satisfaction** (enhancing, quality, service, value, appreciation beyond the sale, shareable)

**Convenience and Experience Roadmap**

Life is complicated. Its demands and distractions can sometimes overwhelm. For today’s consumer, convenience reigns supreme.

Retailers should do all they can to make shopping simple. This means helping customers save time, money, worry and effort; while increasing choice and value. It also means, working to ensure an uncomplicated, frictionless process. Retailers must do more to reduce friction at all touchpoints, as consumers demand convenience across the continuum. They must continually validate their efforts in this regard with their customers.

The Amazon Effect has conditioned consumers to expect increasing levels of convenience that allow maximum control with minimum effort throughout all phases of the customer journey, including product search, transaction, fulfillment, post-purchase and customer maintenance phases. This expectation exists across all retail subsectors, and extends beyond the retail sector as well. It must be acted upon.

**Product Search Phase:**

In a marketplace where consumers have made clear that they value elements of both online and in-store shopping, it is incumbent on retailers to listen to the clear resonance of those consumer voices.
The smartest retailers will work to optimize the consumer experience by creatively incorporating the most desirable aspects of online shopping into the in-store experience, and bringing the most preferred features of the in-store experience to online shopping. Retailers that most effectively accomplish this cross-pollination of in-store and online advantages will be in the best position to excel in today’s omnichannel environment.

The sheer number of product and vendor alternatives in the marketplace makes retail an exceptionally competitive sector. Once a prospective customer is in-store or online, retailers need to establish a connection and effectively marshal resources to keep the customer engaged.

There are many strategies and techniques to attract prospective customers to a website or physical store, but an equally important priority is to keeping them engaged once they get there. Whether in-store or online, retailers need to provide pre-purchase support; primarily easy access to products and relevant product information.

Brick and mortar retailers should carefully consider consumers’ growing affinity for the convenience of online shopping. There are a number of things that can be done to bring some of the advantages of online shopping to brick-and-mortar venues and replicate some of the efficiencies enjoyed by online customers.

One option is for retailers to assign QR codes to products within their stores so that shoppers can scan those codes with their phones to receive product information, promotional offers, current price, comparative prices and customer reviews on demand while still in the store.

Another possibility is to deploy store sensors so that loyalty program members can receive messages about products in which they may have interest, current sales or coupons, and other relevant messages while in store. These sensors could also connect customers to the retailer’s app where, for example, customers could alert store staff when they need personal assistance, or the retailer could inquire of the customer as to satisfaction with a previously purchased item.

While a growing number of consumers appreciate the convenience of shopping online, most still prefer to shop in-store, at least part of the time. This is evidenced as more e-commerce entities seek to gain a brick-and-mortar presence to further their omnichannel efforts.

Retailers should heed that trend as affirming the growing value of omnichannel commerce and look for opportunities to incorporate a traditional in-store feel on their websites and social media, and infuse their digital platforms with the high-touch quality of the in-store experience.

Foremost is to make liberal use of video. Online shopping is significantly enhanced by a visual connection. For a step beyond videos, the retailer can create virtual shopping trips where customers can take a virtual tour of store, scanning shelves, and clicking items into their carts as they would when walking the aisles of their favorite store.

FAQ sections of e-commerce sites can be enhanced with the use of chatbots to allow a more customized Q&A about product offerings. Ideally, chatbot sessions should include a “Speak to a Live Person” option if the chatbot cannot answer the desired question. The inability to speak with a live person on Amazon or various other e-commerce sites is a weakness that smaller retailers can exploit to their benefit by making a live representative available—at least during business hours.

A step beyond limited chatbots is the ability to capitalize on artificial intelligence capabilities to provide a premier online shopping experience by employing virtual shopping assistants to guide customers throughout the customer journey.
Augmented reality and virtual reality give retailers the option to provide customers with the try-on/try-in experience without them ever having to leave their computer or smartphone. A customer could “try on” clothing, jewelry, sunglasses or more to see how they look. They could “try in” furniture items or room decorations in the room of their choice. They could even take a virtual reality test drive in a car.

These strategies are only the beginning. More and more, we can expect a blurring of the lines between e-commerce and brick-and-mortar as more retailers respond to their customers’ preferences by expanding and enhancing omnichannel offerings and adopting technologies that recreate in-store feel and online convenience across channels.

**Transaction Phase:**
Once customers have made their purchase decisions, they believe they have completed what should be the most difficult part of the shopping journey. They have educated themselves about and evaluated product(s) and merchants to the degree they wish, placed the product(s) in their physical or virtual shopping cart, and are ready to check out. They do not want the in-store or online checkout process to be complicated, cumbersome or unnecessarily time-consuming.

Customers might understand a long in-store checkout line during busy times such as special events or holidays, but their patience will wear thin if a long wait appears to be caused by understaffed or unattended registers. They might understand a slower online checkout on Black Friday, but will not tolerate a lost cart or seemingly endless buffering while attempting to check out. The actual transaction, whether physical or virtual, is a critical touchpoint since an overly adverse checkout experience can negate an otherwise positive shopping experience, taint subsequent evaluation of the product and reduce the opportunities for customer retention.

Brick-and-mortar retailers have a variety of tools at their disposal to improve the checkout process and add an element of convenience to which e-commerce patrons have become accustomed.

These include the use of QR codes and digital wallets such as Google Pay or Samsung Pay to facilitate cashless checkouts. These tools are to a new generation what credit cards were to previous generations. Additionally, mobile checkout and scan-in-cart options help relieve in-store checkout headaches. Priority checkout for loyalty club members, commonplace online where payment and shipping information is easily stored, can be appropriate for brick-and-mortar retailers with sufficient volume to justify an exclusive checkout station.

Emerging technologies fueled by artificial intelligence, such as computer vision and store sensors yield the ability to employ an autonomous checkout system that eliminates the need for physical checkout. In the same way cashless tolls keep traffic moving on the Thruway without the bottleneck of a toll booth, autonomous checkout allows customers to move directly to their cars without the bottleneck of a checkout line.

An e-commerce approach to optimizing the transaction process is uncomplicated. Online retailers need to provide a process that is fast, accurate and minimizes the number of clicks required to get from product selection to final checkout. They should reduce web page load times, ease navigation between product pages and the shopping cart, make it simple to save a loaded cart and provide easy return to the cart, provide accurate order review information including thumbnail photos of cart items, store order information for repeat customers and loyalty club members for faster checkout, provide guest checkout so as not to deter first-time customers or non-members, and provide upfront and accessible information about shipping costs and return policies. Consistency will help reduce the incidence of abandoned carts.
**Fulfillment Phase:**
With the proliferation of e-commerce, speed and quality of the shipping delivery experience has become paramount. Amazon mastered and set the tone for efficient product fulfillment. Walmart has since followed with their own impressive fulfillment operation. As a result, customers have come to expect options for standard, 2-day, next day, same day and even 1-hour shipping and delivery. For retailers with both e-commerce and physical footprints, the ability to buy online and pick up in store has proven popular with many customers.

The pandemic prompted many traditional brick-and-mortar retailers to up their game and view product fulfillment as an essential consumer benefit. Curbside and contactless pick-up has become a staple during the pandemic and may well become a standard option even after the virus is brought under control.

What is most evident is that customer-directed fulfillment is here to stay. Whether expedited or standard, customers want the choice and they want the fulfillment of that choice to be accurate and guaranteed. They want to be kept informed of the progress of their order as it moves from purchase to delivery or pick-up.

Common actions retailers can take to improve fulfillment include:

- Automate the fulfillment process to streamline processes, eliminate duplicative functions and gain real-time accuracy.
- Explore outsourcing the fulfillment function to a third party to overcome volume, staffing or spatial footprint issues.
- Optimize inventory management to improve efficiency of warehouse layout and product flow and to ensure sufficient stock on hand.
- Offer a range of delivery and/or pickup options, guarantee delivery terms, keep customers informed of delivery status.

An additional regional fulfillment option will be addressed in a subsequent section of this report.

**Post-Purchase Phase:**
A retailer’s job does not end with the sale. Satisfaction with that sale also needs to be a priority if the retailer wants a long-term relationship with the customer.

Once customers have their purchased products at home or in the office, they may find they have questions about their purchase. Installation and setup issues are good examples.

Retailers who establish a phone or online help line will position themselves to provide a valuable customer service and head off potential problems at a critical touchpoint where the customer is beginning product evaluation. Retailers could also offer to schedule video chats to help resolve product use issues. Other options include posting installation and setup videos on their website or links to YouTube videos.

Retailers should also proactively follow up with customers to ascertain their satisfaction with their purchase. This will help head off potential issues that could challenge customer retention, and an opportunity to encourage posting a positive product review.

Where there is dissatisfaction with a product, customers want easy returns. For brick-and-mortar sellers, a well-publicized no-hassle return policy is a meaningful selling point and an asset in mitigating against customer dissatisfaction when a return is required.
For online sellers, a buy online and return locally policy has become a popular option where it is available, as has a trending policy that allows immediate online approval of returns, the ability to print out a pre-paid mailing label and drop off the item at a local shipper.

Where there is satisfaction with a product and a desire to reorder that product, customers value an easy reorder process. Past orders should be maintained as part of an online account, and reminders to reorder previously purchased items make for excellent follow-up emails.

**Maintenance and Retention Phase:**
If we accept that it costs far less to retain existing customers than to attract new ones, there is great incentive for retailers to stay engaged with customers by keeping in touch and communicating with them well beyond the sale. This is best facilitated when retailers collect information about each customer at every phase of the customer journey. A customer preference and buying habits database is a most valuable tool for helping retailers “mind meld” with its customers.

Privacy concerns can sometimes make it difficult to acquire in-depth and direct customer data. While it is important to pursue an active data harvest, it is equally important to consider privacy, not just legal compliance with privacy regulations, but rudeness and “creepiness” issues as well.

Retailers must be up front and conspicuously transparent in balancing personalization and privacy. Customers are far more likely to willingly share useful information when they have confidence that a retailer will use the information to the customer’s benefit, and will not inundate them with incessant spam-like emails and texts. Respectfulness and relevance should guide a retailer’s ongoing communication with its customer base.

Retailers can make use of third-party information as well, which can be useful in the aggregate for general guidance. When it comes to customizing a retail experience for a customer, however, nothing beats information supplied directly by that customer or gained through direct observation during the customer journey.

For earlier generations, mailing lists or email lists were the platforms of preference for retailers. Both were useful tools for the time, and both still find use today. Both, however have limitations.

In the current marketplace, the easiest, though not the only, mechanism for staying in touch and collecting actionable customer intelligence is a customer loyalty program. Customer/member accounts and use of a retailer’s proprietary app can help generate predictive data and personalized club member benefits and exclusives that keep the customer engaged with the retailer. Customers are generally more willing to trade personal information for added value.

The menu of options for ongoing customer engagement strategies is constrained only by the creativity of retailers. An example of a value-added member exclusive would be to use Zoom or another conferencing app to offer interactive, product-aligned events. Grocery stores could hold cooking demonstrations. Hardware stores could hold do-it-yourself workshops. Clothing stores could hold fashion shows. Car dealers can hold mini-auto shows. The opportunities are nearly unlimited, and each event can yield valuable information about the customers who participate.

The primary goals of data collection are to analyze the data collected, use it to stay connected, optimize touchpoints along the consumer journey, and personalize the retailer-customer experience for each customer. In addition to optimizing all points of customer and influencer interaction, retailers should solicit feedback to establish and improve best practices for physical and digital settings, connect in-store or e-commerce shopping to loyalty programs, and help guide efficient utilization of staff.
Implementing data-infused customer engagement strategies will help retailers deliver highly personalized shopping experiences and exceptional customer service and, most importantly, foster increased customer retention.

Reimagine the New Retail Workforce

Essential industries such as retail, supported by essential workers, helped sustain our economy during a time of unprecedented crisis. The newfound respect for retail workers, that should have always been there, comes at a time when the sector needs to rely on its workforce to a greater degree and in ways never before imagined.

The increasing omnichannel nature of retail, and the ever-evolving customer demand for better shopping experiences, will require a workforce with new skills and more highly refined skills.

In a competitive marketplace where customer connectivity is paramount, employees will need to be empowered to focus on customer engagement and resolve customer issues in real time. Retailers will need to embrace a top-down and bottom-up approach where every employee is a manager-in-the-moment.

As retailers seek to up their customer service game, they will require a workforce that can deliver higher levels of service when and where the customer demands it. As retailers adopt new technologies, they will require a workforce that is tech savvy. As retailers generate and more customer data, they will need a workforce capable of analyzing that data. As retailers work to adapt to changing consumer preferences and market trends, they will need a workforce that can adapt and exercise situational judgment in real time.

Retailers will need to be prepared to recalibrate and redeploy their workforce to adapt to emerging trends or changes in industry and company standards. They will need to empower workers to make decisions.

In a sector with a reputation for wages on the lower end of the scale, they will need to demonstrate respect for employees through a safe and supportive work environment and equitable wages commensurate with the new required skills.

To prepare the workforce to meet the challenges of the new marketplace, retailers will need to elevate their employees through more rigorous orientation and training programs. Joint workforce strategies should be developed with the appropriate labor unions. If there is no union, an employee advisory council should be formed for the same purpose.

To relieve some of the burden of training responsibilities, retailers should work with BOCES, colleges, private sector agencies and labor unions to develop external curricula and training programs to help prepare the future workforce on a larger scale. High schools and colleges should also be encouraged to offer retail internship programs in concert with regional retailers.

In addition to compensation, training and workplace safety, retailers will need to enhance efforts at ongoing employee engagement. Employees have always been, and will increasingly become even more valuable sources of customer information and feedback that is of incalculable value to the retailer. Additionally, a continuous dialogue with employees lets employees know how much they are appreciated, what they are doing well and where there may be need for improvement.
Done well, and in concert with equitable compensation and enhanced training, constructive employee engagement is a valuable tool for employee retention in a sector where retention has been historically challenged.

**Create an Integrated Regional Microfulfillment Infrastructure**

The inability to manage and scale a cost-effective fulfillment operation is a barrier to meaningful e-commerce activities for many small to mid-sized local retailers. Last-mile and first-mile delivery obstacles and the lack of inexpensive local storage options are among the hindrances to e-commerce success. Opportunities exist, however, to rectify this, the most promising of which would be the development of a locally-centric, regional microfulfillment infrastructure geared to serve these small to mid-sized retailers.

Microfulfillment, at its most basic, is simply the infrastructure and capacity to localize the fulfillment process by decentralizing warehousing and delivery functions and putting them in close proximity to the customer whenever it is feasible.

Microfulfillment options are usually smaller in size and scope and are best geared to last-mile delivery. In addition to being well-equipped to handle expedited last-mile delivery, microfulfillment can also be reverse engineered to do the same for first mile product movement when products need to be uploaded from local to more regional, national or global shipping options. While microfulfillment was designed largely to help long-haul shippers navigate the last mile of delivery, it may also offer the best opportunity for local retailers, without standalone fulfillment operations, that are seeking to institute or upgrade their e-commerce activities.

The first step in pursuing the implementation of a microfulfillment infrastructure is for proximate businesses throughout the region (those sharing a downtown, business district, shopping center, etc.) to convene with fellow businesses, elected officials and the relevant Chamber of Commerce, merchant association or business association for the purpose of evaluating, recommending and implementing improvements in fulfillment capabilities in each of their respective localities.

These local groups should then take stock of all delivery and storage assets among constituent businesses, and determine how best to collaboratively utilize the collective potential of those assets in a cohesive microfulfillment initiative.

This logistics inventory of fulfillment assets would include large operations such as UPS, USPS, FedEx, Purolator, and even Amazon itself; other third-party operations such as DoorDash and Uber Eats, and small local delivery functions such as pizzerias, takeout restaurants, auto parts dealers, pharmacies and office supplies stores. Any entity that engages in deliveries, no matter how local, should be included as a potential asset.

The inventory should also include storage assets such as the individual retail store, nearby stores with unused capacity, vacant storefronts/office space, dedicated storefront warehousing, and large-scale warehouses and distributors.

Examples of buy-online-and-pick-up assets include the individual retail store, designated partner store and manned or lockered community pick-up locations.

Collectively, these components would form the foundation of an infrastructure to be replicated in as many localities as possible within the region, and connected across the region.
The infrastructure would rely on a shared access to these delivery and warehousing options, and having each local fulfillment system connect to and work in concert with the other local systems. This fulfillment collaborative would create accessible resources that would more readily enable local businesses to more aggressively engage in e-commerce activities with local and regional customers. While this task is challenging, a cohesive regional microfulfillment infrastructure can be implemented in stages.

**Stage 1: Local-to-Local, hyperlocal, direct-to-consumer, first mile is last mile, door-to-door**
Stage one would deal with the hyperlocal economy typified by local retailers selling to local customers within a limited neighborhood radius. In this stage, the local retailer would receive an order with a same-day or next-day delivery request. The retailer would pull the product(s) from the shelf or stockroom and a store employee would deliver to local customer, or a local on-call delivery partner would pick up the item(s) from the retailer and deliver to the customer.

Alternatively, if a customer ordered a product(s) for same-day pickup, the retailer would have the option of setting the item(s) aside in-store, using staff to deliver the item(s) to a designated local pickup location, or use the on-call local delivery partner to transport the item(s) to the designated local pickup location.

**Stage 2: Local-to-Regional, hub-and-spoke, first mile to last mile, door-to-hub-to-door**
Stage two would focus on regional sales by local retailers. It would involve connecting localities via a hub-and-spoke system of designated transfer points (e.g., shared space in an existing store or warehouse, repurposed vacant space) at key geographic intersections and along north-south and east-west corridors. Rather than being door-to-door, it would be door-to-hub(s)-to-door. Orders from one locality would be transported to the transfer point for pickup by a customer or transfer to the next deliverer for transport to their respective locality. The product(s) would travel the region relay-style, until reaching the destination.

In cases where an order was to be sent beyond the region, the “transfer point” would likely be the nearest FedEx, USPS, UPS, private trucking companies, etc.

**Stage 3: Right-sizing and solidifying for the long term**
The third stage would entail scaling and “hardening” the fulfillment infrastructure by broadening the scope of the infrastructure and adding a measure of permanence to it. There is a point at which, due to successful operations, the grass roots or “pop-up” quality of the local fulfillment infrastructure cannot accommodate the increased volume of transactions being conducted. At this point that the local microfulfillment infrastructure must be right-sized to accommodate increased volume. Fortunately, a microfulfillment infrastructure is both agile and scalable.

In terms of warehousing, stage three would likely see in-store or pop-up warehouses located in vacant storefronts supplemented or replaced by more permanent microfulfillment centers (MFCs) that would have a larger footprint relative to the hyperlocal facilities, but more manageable and cost-effective than large-scale distribution facilities.

The MFCs would be strategically placed in underutilized space in malls, stores/office space or new construction. Local deliverers and delivery partners would be supplemented or replaced by contracting with or hiring dedicated deliverers. There would also be an increased need for technology options and automation to manage logistics.

When combined with a digital platform such as a Virtual Trade Show (see section), this fulfillment infrastructure would form the basis of a Shop Long Island e-commerce platform that integrates local brick-and-mortars as components of that platform, and allows customers who value shopping with local merchants to do so with the same ease, convenience and speed they get...
when shopping online at Amazon or Walmart. The ability to effectively market a “Shop Local” e-commerce platform that supplements brick-and-mortar operations will help keep local retailers relevant and competitive in the era of e-commerce and instant gratification.

**Bolster Support Systems and Policies**

Governments and economic development agencies must work to support the broad base of retail entities without favoritism for one platform, channel or venue over another. Shopping centers, downtowns, malls, freestanding facilities, online and home-based retail businesses are all contributing components of Long Island’s retail community and all are community assets. All are deserving of support.

Government policies, programs and funding should unequivocally reflect that reality. Individual businesses, Chambers, business associations and communities at-large need to work in a coordinated manner to hold elected officials and government agencies accountable in this regard.

**Regional Retail Council**

Given the economic and lifestyle impacts of the retail sector on Long Island, it is surprising that there is no one organization for which the advancement of retail businesses is the sole focus.

Groups such as Long Island Association, LI Business Council, Nassau Council of Chambers of Commerce, Suffolk County Alliance of Chambers, local chambers of commerce, unions such as the RWDSU and UFCW, as well as other important groups all contribute to the support of retailers, but there is a glaring need for an industry and workforce supported “umbrella” organization that specializes in the unique needs of the region’s retail businesses large and small.

In addition to collaborating with the organizations listed above, a regional retail council would include representation and participation by individual businesses from across the retail spectrum. This regional retail council would work to raise public consciousness and maintain awareness of sector needs and concerns, monitor trends, proliferate best practices, develop regional strategies, provide peer support, and liaise with government and other business and community organizations.

This council must be an independent group that is recognized by government, but not run by government. Although often well-intended, government task forces often rely on handpicked surrogates who can be more naturally influenced by the objectives and interests of that government than by the constituent group they represent. There is a difference between advisory groups and advocacy groups. Both have value, but each serve different masters.

One might be inclined to ask why the region needs one more “alphabet soup” association for business when there are already so many. The question would seem to answer itself by going through the “alphabet,” so to speak, and listing all of these existing organizations. There are organizations representing manufacturing, construction and development, public relations, various professional services, hospitality, farming, wineries, human services, and more. All ably represent their respective constituencies. Retailers, despite their importance to the region, lack such a dedicated forum. The major business and chamber associations should convene at the earliest opportunity to create and support this regional retail council.
Virtual Trade Show

In 2015, the author of this report published *Ready to Engage: A Regional Strategy for the Resurgence of the Long Island Manufacturing Sector*. One initiative proposed in that report was a Long Island Virtual Trade Show (LIVTS), which has direct implications for the retail sector.

With respect to manufacturers, the LIVTS was proposed as a public-private collaborative that, at its most rudimentary level, would have been a sortable and searchable database of manufacturing companies, capacities and capabilities within the region. The database would have been housed on a regional virtual trade show website—MakeItOnLI.com, which would be the coalescing mechanism for regional supply chain network engagement, coordination, promotion, best practices and business development.

As the LIVTS evolved for manufacturers, it would have served to reorient the focus from many individual company or product supply chains to the leveraging of collective capacities and capabilities of regional manufacturers. In doing this, it would have promoted a cohesive and coordinated regional supply chain network with the resources to produce virtually anything at any time.

The thought at the time was to implement the LIVTS for manufacturers, and then expand the project to regional businesses of all types, which would include the region’s robust and diverse retail sector. The initiative never came to pass because, despite a friendly reception by elected officials, the economic development agencies that would have been responsible for partnering in its implementation and providing bandwidth, declined to act.

The concept is still relevant and meaningful today, and has particular value for the region’s retailers. The Long Island Virtual Trade Show (LIVTS), today, would still be a Public-Private Collaborative that would create a sortable and searchable database of all regional businesses, business resources and support infrastructure.

The LIVTS would be scalable in size, scope and features so that it, at its most comprehensive level, would be the ultimate one-stop, interactive stakeholder resource, a census of business activity and trends, a knowledgebase of business development resources and industry best practices, and a regional prospectus for business attraction.

Consumers could use the LIVTS to search for local vendors who carry products or offer services they are looking for. Businesses will be able to use the various LIVTS portals for sourcing, strategic and targeted peer networking, best practices, procurement and contracting, hiring a skilled workforce, and enhancing of knowledge and skills through an accessible knowledgebase and business library. It would serve as the ultimate regional resource for the business community and consumers alike, and be available 24/7/365. The question remaining is whether the current leadership of the region’s economic development agencies is prepared to partner with the business community to bring the project to fruition.

Advocacy

Both statistically and socially, retail is not only relevant, but essential. Retail has been an historical and consistent growth sector. On Long Island, as in the nation, retail is a major employer. Whether buying food, gas, electronics, clothes, medicines, household items, cars, toys sporting goods, furniture, and on and on; families access the sector every day. It is not just an economic force; it is part of the fabric of our daily lives. Despite this impact, retail has lagged other sectors in relative attention and support from government and economic developers.
To some degree, this is understandable. Manufacturing and construction deliver high levels of economic impact, health care is a mega-employer, high-tech is the systemic bridge to the future economy. These sectors have garnered much of the attention, are well-deserving of government support, and are worthy investments for tax dollars.

Retail, however, also delivers substantial direct and indirect economic impact. Retail is foundational to both the quality of life in regional communities, and the economic and social stability of those communities and the region at large. In our society, the retail sector is virtually universally accessed by its citizenry. So, why does retail often take a back seat in government and economic development priorities?

One reason is a lack of coordinated advocacy on behalf of retailers. The creation of a Regional Retail Council will do much to help focus retail-intensive advocacy, but there is more that can be done by the business community as a whole in concert with retailers. Since retail is so intricately intertwined with all forms of regional commerce and quality of life, joint advocacy is in the mutual interest of all stakeholders. A coordinated strategy will also help advance economic development as a whole, and make it more difficult to set one sector against another.

Another factor that diminishes retail’s standing with government officials are some peripherally-related advocacy groups that, in an effort to advance their own agendas, have ventured into the economic development arena and co-opted aspects of the retail sector that suit their genuine, but parochial, purposes. They have made a cottage industry of advancing one type of retail, and actively working against others. They send a clear message that they believe a retailer in a strip mall along a highway is less worthy than an equivalent retailer in a downtown area. This is unfortunate and unproductive. All types of retail are important to the economic viability of their own localities as well as the region as a whole.

This means we must work to be inclusive and support the entire retail mosaic--downtowns, shopping centers, freestanding retail shops, home businesses and e-commerce. True retail advocacy requires a common strategy that envisions how to enhance retail communities of all types and to connect and integrate them into the economic development tapestry.

In planning retail communities; it is advisable for government officials and economic developers to work with the business community and consider how to deliver a mix of direct-to-consumer entities such as retail, professional services, personal services, entertainment, health care, etc. that can work conjunctively to increase foot traffic in shopping centers, malls and downtowns.

Clustering these establishments is a strategy that respects the growing consumer preference for convenience, and allows different types of businesses to work in a symbiotic manner. It is a strategy that transcends setting and can be valuable to shopping centers, malls and downtowns.

This “all-categories” approach is best for retail advocacy, and there is no lack of subject areas for that advocacy. Among the areas that would represent a good starting point are:

- Implementing regional strategies to promote e-commerce literacy.
- Promoting programs and funding to invest in and facilitate the implementation of e-commerce options by brick-and-mortar retailers.
- Developing a robust regional microfulfillment infrastructure.
- Advancing modern physical and technological infrastructure that supports and sustains foot traffic and digital access to the region’s retailers.
- Developing a regional cooperative loyalty program for the retailers and customers.
- Developing a professional and legitimate regional branding initiative to supersede previous ad hoc and/or amateurish attempts at same.
The Long Island Business Council is committed to bringing together and work with all stakeholders of good faith to expand on this to-do list and advocate for the needs of regional retailers and all Long Island businesses.

Sales Tax Fairness

For years, retailers in New York State were at a severe competitive disadvantage versus out-of-state e-commerce businesses. New York companies were required to collect and remit sales taxes, while out-of-state entities avoided New York sales taxes. In 2018, the U.S. Supreme Court (SCOTUS) issued a decision in the Wayfair case, which finally allowed states, under certain guidelines, to collect sales taxes on sales made to their residents on e-commerce transactions with out-of-state vendors.

In 2018/19 New York responded with a good first step that would facilitate sales tax collection on many e-commerce transactions, but not all. Until sales taxes can be collected on all e-commerce transactions conducted with out-of-state vendors, New York retailers will continue to suffer from a competitive imbalance, and state and county budgets will continue to fall short of realizing all potential revenues.

Sales tax revenues are needed to maintain the fiscal viability of the regions and communities that sustain the retail businesses that serve those communities. Elected officials must work to ensure that every appropriate sales tax dollar is collected and designated for the jurisdiction from which the transaction originated.

SCOTUS effectively endorsed a set of principles in the Wayfair decision. Those guidelines provided that there should be no undue burden on small businesses, the process should be simplified and streamlined, and tax responsibilities should not be enforced retroactively. If a system that expands New York’s ability to capture lost sales taxes could be designed in a way that complies with the spirit of these principles, it would be positioned to withstand any legal challenges launched by out-of-state predator e-tailers.

Not only can such a system be designed, the technology already exists. Amazon has already been collecting and remitting sales taxes on sales across the many municipal jurisdictions across the nation for years. One option for states such as New York would be to license the technology from Amazon or another major e-commerce platform for a flat fee or per transaction fee. A second option would be to license the software from a proprietary company that has been providing services of this type on a large scale such as Avalara. The third option would be to develop the app/software “in-house.” The app/software could then be made available to every secretary of state or state economic development agency, county clerk, town clerk and village clerk in the country for use by businesses within their jurisdictions.

While it is inevitable that the system would be challenged in the courts by an out-of-state business group(s) seeking to continue the free ride some out-of-state businesses still get, the structure would address the spirit of the SCOTUS-endorsed criteria.

Should not create an undue burden for small businesses:
The app/software should be easily accessible and free of charge so that there is no undue burden. Under ideal conditions, all sales tax states would adopt and administer the technology as a national system that is developed with full reciprocity and cost-share. The appropriate municipality would then undertake distribution by facilitating free downloads from their websites. Absent national participation, New York State would need to take a heftier role in promotion and distribution.
**Should be simplified and streamlined:**
The process should be fully automated, easy to use, with no unnecessary paperwork to address simplification. When an online order is placed sales tax liability would be automatically calculated by item type, type, cost and delivery zip code. A transaction debit would immediately be issued for the amount of tax to the appropriate taxing jurisdiction. There would be no subsequent payment or filing required. Monthly, quarterly or annual statements would be automatically generated and sent to the vendor for their records.

**May not be applied retroactively:**
The system would not be applied retroactively, and would be fully implemented only after a penalty-free adoption period.

**Advantages of Sales Tax Collection Reform**

- If an out-of-state vendor wants to sell online to a resident of New York State, it would simply have to download the app/software and let it do the work for the vendor.
- On each online transaction, the system would generate a precise allocation to state and localities based on zip code of purchase with no vendor paperwork required.
- Could be licensed to all sales tax states with the ability for those states to update with their sales tax criteria, thereby delivering a national solution.
- The fully automated system could also be implemented in-state, relieving paperwork burdens on local businesses and streamlining the collection and remittance process statewide.
- If fully implemented, no New York business would be competitively disadvantaged based upon an inequitable administration of sales tax requirements on out-of-state vendors.
- New York would optimize sales tax collection for state and county budgets.

**Strengthen and Modernize Physical Infrastructure**

Individual businesses have the responsibility to structure their respective operations and marketing efforts in ways that advance the viability of those businesses. However, governments, IDAs and other economic development agencies must be held accountable for ensuring that the macroenvironment is optimally conducive for successful business operations and economic growth. One of the key areas where governments, and their economic development arms, have an unequivocal obligation to support the business community is by ensuring that regional infrastructure provides a fertile environment for economic growth.

**Key Components of Regional Infrastructure:**

- Transportation
- Housing
- Broadband
- Energy
- Public Safety
- Water
- Wastewater and Sanitation
- PreK-12 Education and Higher Education
- Health Care
Retail businesses rely on the regional infrastructure for the ability to:

- Move product through the supply chain to the consumer
- Move workforce and customers to and from retail locations
- Move messages from retailer to consumer and consumer to retailer
- House consumers and workforce
- House product
- Protect consumers, workforce, product and location
- Train workforce
- Sustain people and product

Infrastructure forms the foundation for economic capacity, productivity, growth, inclusivity, sustainability and accessibility. It allows a region to move, house, protect, communicate and meet emergencies.

It must be responsive and adaptable to accommodate changes in market demand and scale. It must connect Long Island downtowns, shopping centers, strip malls, industrial, office, health care residential and leisure assets. The only way this can be optimally accomplished is if the business community, and the retail community in particular, is continuously engaged by government officials and regional planners.

Business leaders cannot create and sustain infrastructure. Governments and their economic development arms must do so, but business leaders must be at the heart of the evaluation and decision-making process.

The Starting Point for a Must-Do To-Do List

The to-do list outlined in this report should be a regional imperative. It is not presumed to be an exhaustive inventory of actions that can help the retail sector, and there is no one-size-fits-all approach. The big ideas will always need to be adapted to best suit the diversity of individual businesses, and there will always be additional ideas yet to be generated. This does, however, represent a productive and constructive starting point.

The next step in this process to support the retailers that are so vital to the economic vitality and so intrinsically connected to the fabric of our quality of life, is to convene leaders from business, government at all levels, labor, and regional and local planners to work collaboratively and further refine these recommendations, build upon them and implement them.

The Long Island Business Council is prepared to work with all partners of good faith, who are prepared to rally on behalf of all retailers-- large and small, wherever they may be located and within whichever retail categories they ply their trades.
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Michael Allen Harrison has been actively advocating on behalf of the Long Island business community for more than three decades. In 2005, his efforts were recognized by the Long Island Association (LIA) when he was named its Small Business Legislative Advocate of the Year. He chaired that organization’s Small Business Council Legislative Affairs Subcommittee for several years, where he helped craft and advocate for the LIA Small Business Legislative Agenda. In that role, he was invited to participate in a select White House event on small business contracting issues.

Business and economic development issues comprised a significant part of his portfolio during his tenure as Long Island Regional Director for Governors Paterson and Spitzer where he received high marks for building constructive bipartisan relationships across all levels of government, as well as for assembling collaborative coalitions with diverse advocacy groups to advance key regional issues. As Chair of the Governor’s Regional Council, he convened the leaders of key state agencies to work cooperatively and proactively with local government, business and nonprofit organizations.

In 2016, Public Relations Professionals of Long Island recognized him with its prestigious Long Island Achievement Award given to a regional leader for effectively promoting Long Island through events, issues, and other notable activities.

Harrison has been called on to generate white papers on redesigning the regional workforce development system, revitalizing regional manufacturing, implementing sustainable and resilient energy infrastructure at Long Island’s wastewater treatment plants, and advancing strategic collaboration among regional nonprofits. Additionally, he chaired a regional Workforce Development Roundtable for the chair of the New York State Senate Higher Education Committee in 2013-14. He has been an advisor to the Suffolk County Alliance of Chambers and the Nassau County Council of Chambers.