



2018 Downtown Frederick Business Performance Survey Results

Executive Summary

In January 2019, Downtown Frederick Partnership's Business Development Committee launched the seventh annual Business Performance Survey to learn more about doing business in Downtown Frederick and the effectiveness of the Partnership. The survey received a strong response from all sectors of the downtown retail economy. The survey collects data on retail demographics, business revenue, retail hours of operation, retail rental rates, overall satisfaction, economic outlook and Partnership performance.

While Downtown Frederick remained a strong retail destination, revenue performance was down in 2018 and over the five year average. More businesses reported that current rental rate costs were overpriced or expensive than any previous survey year. Despite these factors, the Downtown Frederick retail community shows several signs of strength.

- ✓ 41% of the responding retailers have been in business 10 years or more
- ✓ Significantly fewer businesses in 2018 said they were likely to move because of rental costs than in any other year, suggesting satisfaction with their location
- ✓ 37% of retailers increased their hours of operation in 2018 as compared to 2017; a significant uptick over the 27% increase in hours gained between 2017 and 2016
- ✓ 38% of businesses plan to increase staffing levels in 2019
- ✓ 87% of businesses said that they would recommend Downtown Frederick to other retailers as an 8 or higher on a 10 point scale

In looking ahead, Downtown Frederick retailers feel positive about the overall economic outlook for downtown at a slightly greater rate than the previous year.

- ✓ 76% of businesses feel the economic outlook is good or very good for 2019 as compared to 2017 where 73% of the businesses felt the economic outlook was good or very good for 2018

Downtown Frederick Partnership did great work in 2018

- ✓ More businesses rated the Partnership's performance as a 9 or higher on a 10 point scale in 2018 as compared to the previous two years

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

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Survey Background

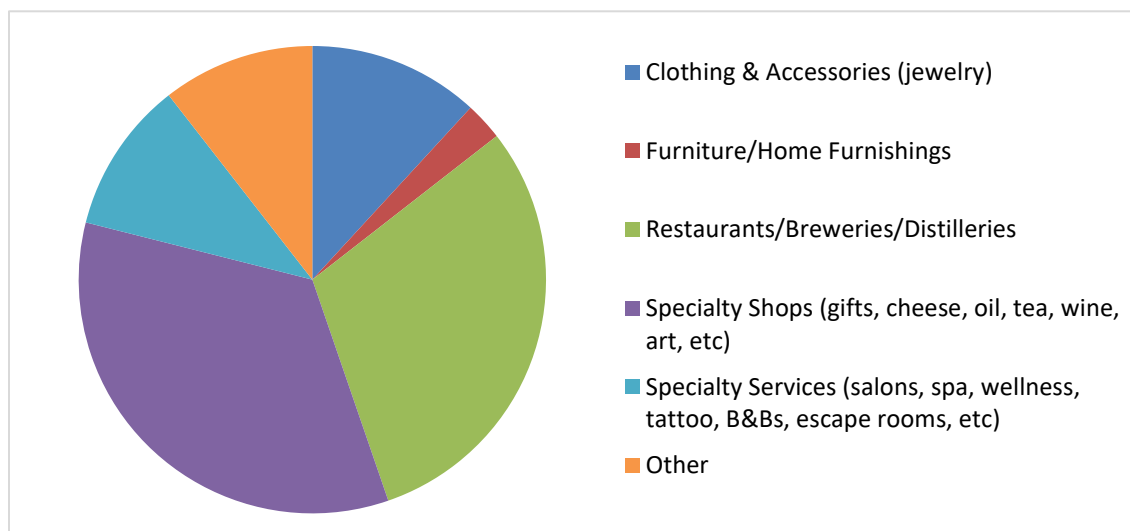
In January 2019, Downtown Frederick Partnership's Business Development Committee launched the seventh annual Business Performance Survey to learn more about doing business in Downtown Frederick and the effectiveness of the Partnership. The survey was distributed via email to more than 200 retailers and was available throughout the month of January. A total of 95 retail businesses responded.

With the opportunity to compare as many as seven years of data, this report provides additional analysis of trends in the downtown retail environment. The survey results and the trends analysis inform the action planning process for the Partnership each year. The information gained in this report helps to identify new projects and focus existing work program activities on identified opportunities.

Retail Demographics

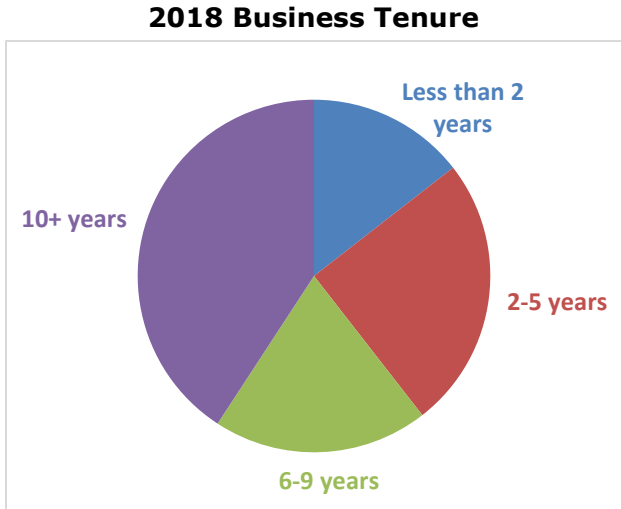
Downtown Frederick Partnership's goal is to receive a response to the Business Performance Survey from all segments of the Downtown Frederick retail community. In broad categories, the Partnership looks for participation from the following retail sectors: clothing and accessories, furniture and home furnishings, specialty shops, specialty services and restaurants.

2018 Type of Retailer



- **41% of the responses came from businesses with 10 years or greater in tenure, reflecting the stability of Downtown Frederick**
 - According to the SBA, about a third of all small businesses survive 10+ years

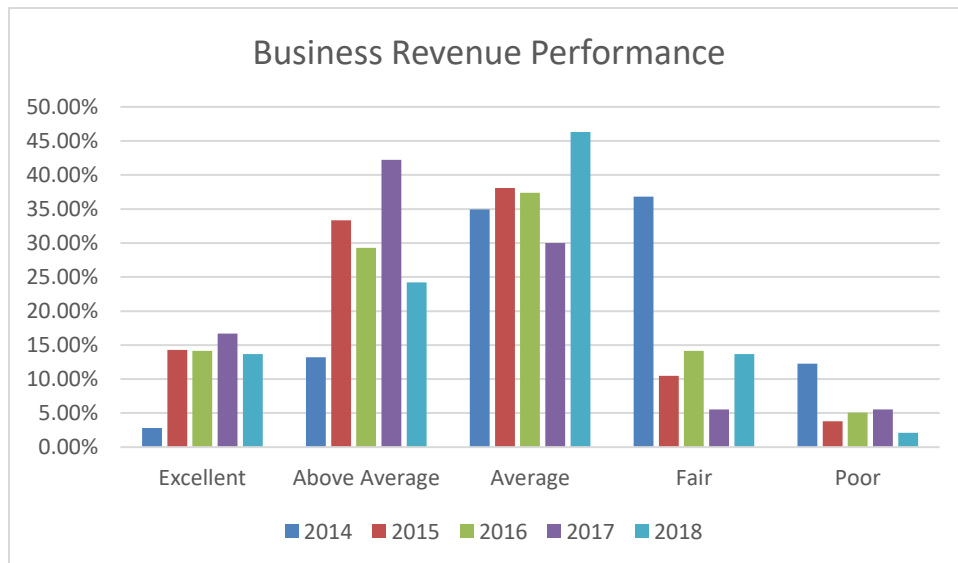
- **The number of businesses with 2 years or less in tenure responding to the survey (14%) has decreased since 2017 (16%) and 2016 (23%)**
- **More than half of the responses (61%) received were from businesses with 0-2 FT employees**
 - Responses indicate a greater range in the number of PT employees, with 0-2 PT and 3-5 PT decreasing slightly and 6-10 PT employees increasing more significantly over 2017



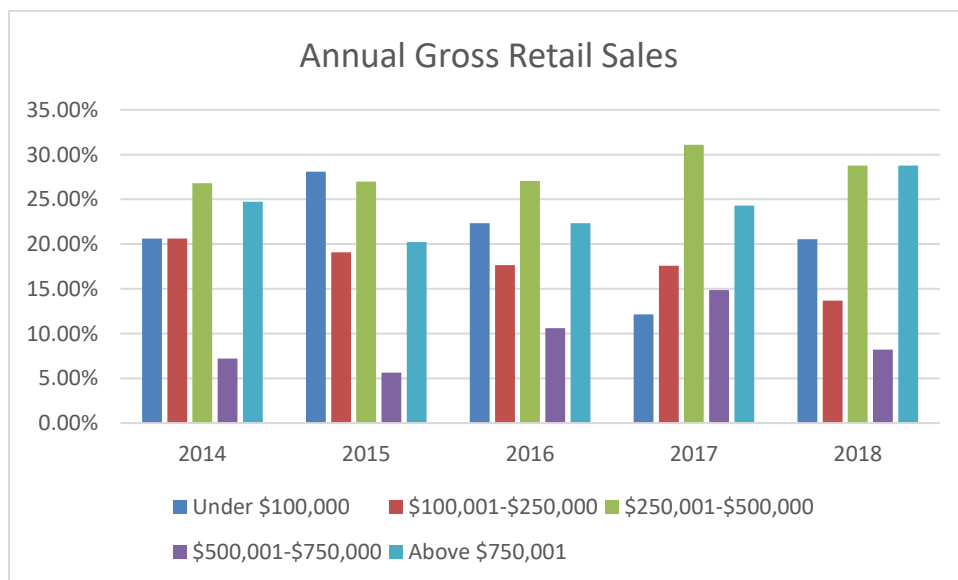
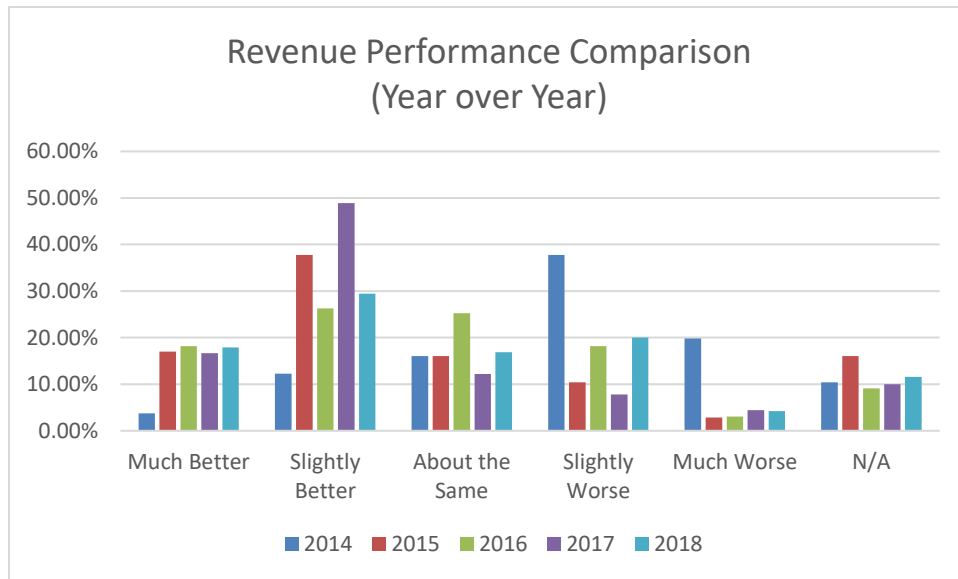
Business Revenue

Downtown Frederick Partnership’s Business Development Committee launched the Business Performance Survey, in part, to be able to compare the success of the downtown retail community over time. The revenue performance of the Downtown Frederick retail community currently is not available from official sources.

- **The majority of retailers (shops and restaurants) rated their revenue performance as average (46%) in 2018**
 - 38% rated their business performance as above average or excellent. This percentage is a significant decrease from 2017 (59%), 2016 (43%) and 2015 (48%).



- Business revenues were down in 2018 and over the 5-year average; representing a significant downward shift from 2017 responses**
 - 47% of businesses said revenues were slightly or much better in 2018 as compared to 2017. The responses to this same question were 66% in 2017, 44% in 2016, 55% in 2015 and 58% in 2014.
 - Anecdotally, many retailers noted the impact of weather on sales during 2018.
- 66% of businesses generated \$250,001 or more in gross retail sales in 2018, down from the record high of 70% in 2017**



Retail Hours of Operation

The 2020 Downtown Frederick Partnership Strategic Plan calls for growing Downtown Frederick by at least 200 more hotel rooms. To further support this effort, the Partnership also is leading efforts to increase the hours of operation offered by the Downtown Frederick retail community. The questions about retail hours were asked for the fourth year in the 2018 survey.

- **37% of retailers increased their hours in 2018 as compared to 2017; a significant uptick over the 27% increase in hours gained between 2017 and 2016**
 - Out of the businesses that extended their hours (holiday only or year-round), 48% said they gained business in 2018 as compared to 51% in 2017, 53% in 2016 and 48% in 2015.
 - 31% said they would offer more hours in 2019 over 2018, up from the 20% who said they would offer more hours in 2018 over 2017

Retail Rental & Other Costs

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

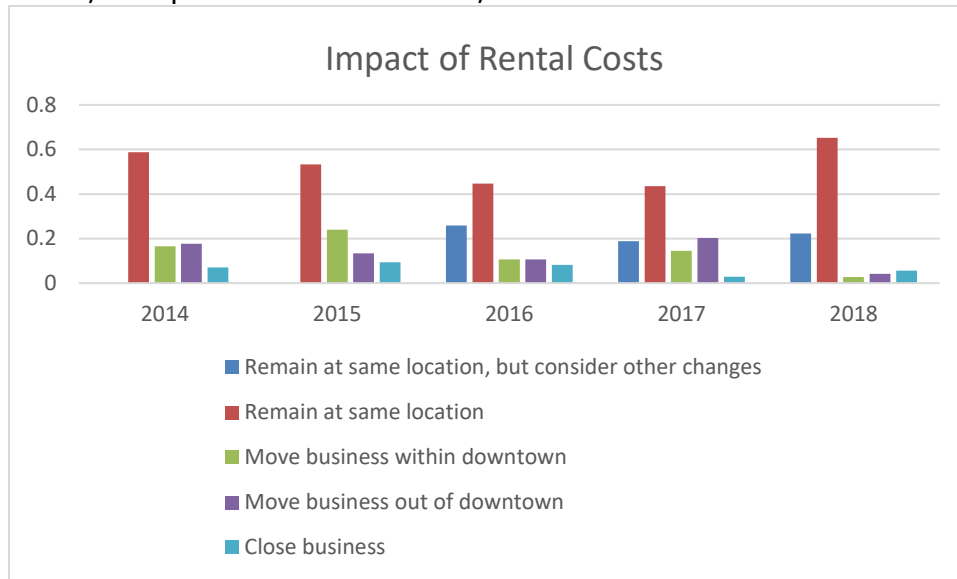
- **More businesses in 2018 reported that current rental rate costs were overpriced or very expensive than any previous survey year; the 2018 figure represents a 16% increase over 2017 responses**
 - 66% of businesses in 2018 felt rental costs were inexpensive or fairly priced, compared to 82% in 2017, 80% in 2016, 75% in 2015, 69% in 2014, 72% in 2013 and 61% in 2012
 - When asked how rental costs changed in the past year, 46% indicated that they experienced a slight increase and 9% indicated that they experienced a significant increase

Current Rental Costs

	2012	2013	2014	2015	2016	2017	2018
Inexpensive	1.40%	4%	4.60%	5.30%	5.95%	2.90%	5.63%
Fairly Priced	60%	68%	64.40%	69.80%	73.81%	79.71%	60.56%
Over Priced	14.30%	24%	24.10%	22.40%	19.05%	13.04%	30.99%
Very Expensive	5.70%	4%	6.90%	2.70%	1.19%	4.35%	2.82%
N/A - own the building	18.60%	N/A	N/A	N/A	N/A	N/A	N/A

- **Significantly fewer businesses in 2018 said they were likely to move because of rental costs than in any other year, suggesting satisfaction with their location**
 - 3% of businesses in 2018 said they were likely to move their business compared to 20% in 2017, 21% in 2016, 37% in 2015, 34% in 2014 and 27% in 2013

- 65% said they were likely to remain at the same location as compared to 43% in 2017 and 44% in 2016
- 6% said they would close their business as a result of rental costs in 2018, compared to 3% in 2017, 8% in 2016 and 9% in 2015



Note: The remain at same location, but consider other changes option was added in 2016

- **The number of businesses in 2018 who feel their rental rates will increase when their current lease expires is lower (77%) than in 2017 (82%) and 2016 (79%)**
- **Beyond rental costs, 43% of retailers say wage costs had the biggest impact on their bottom line, followed by the cost of inventory (24%)**
 - 2017 responses indicated that 41% of retailers said that employee costs had the biggest impact on their bottom line, followed by inventory costs (23%) and health insurance (14%)
 - 2016 responses were similar with 41% saying employee costs had the biggest impact, followed by inventory costs (27%) and health insurance (15%)
 - 29% said both wage and inventory costs have seen a significant increase in 2018; similar to 2017 responses of 28% seeing significant inventory costs increases followed by employee costs and then health insurance. These responses are different from 2016 when 26% said health insurance was the most significant increase followed by a tie at 17% each for energy costs and inventory costs.

Overall Satisfaction

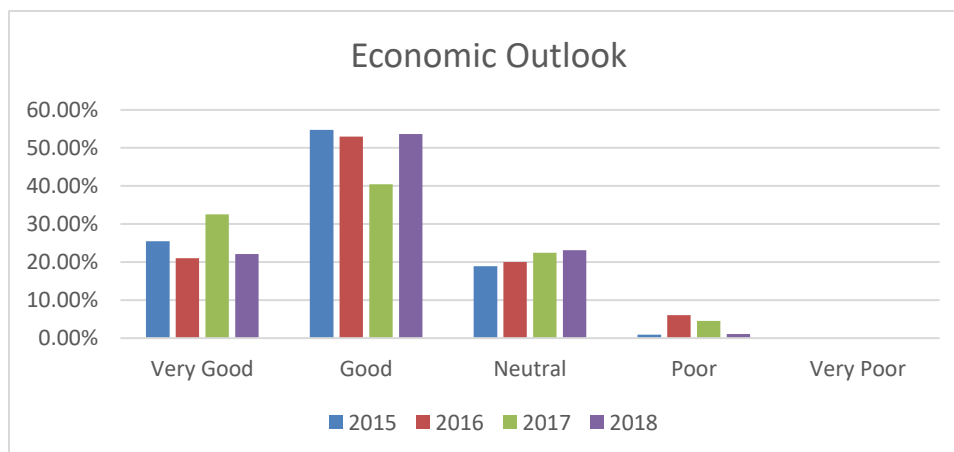
Downtown Frederick retailer input on satisfaction is key as the Partnership looks to recruit new retailers.

- **Slightly more businesses in 2018 (87%) would recommend Downtown Frederick to other retailers as an 8 or higher on a 10 point scale, compared to 84% in 2017, 90% in 2016 and 86% in 2015**
- **Businesses said the number of restaurants, retail stores and events downtown are very satisfactory in 2018; the number of overnight stay opportunities is not satisfactory and ranked the lowest**
 - Cost of retail space as well as security and policing continue to rank at relatively low satisfaction levels in 2018
- **Consistent with 2017, the top three areas of least satisfaction related to the downtown parking system in 2018 were the cost of on-street meter parking, the Park N Shop Program and the cost of weekday garage parking**
 - Satisfaction with Parkmobile ranked high with an increase in satisfaction over 2017
 - Free holiday parking continues to rank the most favorable by a significant margin

Economic Outlook

Downtown Frederick businesses are asked to give their sense of how the next year will be for business.

- **When looking ahead to 2019, slightly more businesses said the economic outlook was good or very good**
 - 76% of businesses feel the economic outlook is good or very good for 2019 as compared to 2017 where 73% of the businesses felt the economic outlook was good or very good for 2018 and 2016 where 74% of businesses felt the economic outlook for 2017 was good or very good. In 2015, 80% of businesses felt the economic outlook was slightly or much better.



- **About the same number of businesses said they plan to increase staff compared to last year**
 - 38% said they plan to increase their staff this year compared to 41% in 2017 and 39% in 2016
 - The majority of businesses (59%) plan to add 1-2 more employees
 - 41% plan to add between 3-8 additional employees compared to 23% in 2017, 16% in 2016 and 14% in 2015

Downtown Frederick Partnership Impact

The Partnership seeks retailer feedback to determine the effectiveness of the organization's action plan from this key segment of the downtown economy.

- **More businesses rated the Partnership's performance as a 9 or higher in 2018 (66%) as compared to 2017 (60%) and 2016 (53%)**
 - 85% of downtown retailers rate the Partnership's performance as an 8 higher. This percentage is higher than 2017 (72%), 2016 (73%), 2015 (68%) and 2014 (64%)
- **More businesses said they were active or very active in participating with the Partnership in 2018 (61%) versus 2017 (58%) and 2016 (56%)**
 - 2015 had the highest number of businesses rating their participation with the Partnership as Active or Very Active (67%)
- **The most beneficial services the Partnership provides are marketing of Downtown Frederick overall (81%), special events (77%), improving the streetscape/environment (71%) and communication of city/community news (63%)**
- **Respondents identified marketing of Downtown Frederick overall (30%) as the top service the Partnership could improve**
 - In 2018, the top 3 areas for improvement were: marketing of Downtown Frederick overall (30%), policy advocacy (25%) and special events (23%)
 - In 2017, the top 3 areas for improvement were: improving the streetscape/environment (39%), marketing of Downtown Frederick overall (30%) and special events (28%)
 - In 2016, the top 3 areas for improvement were: marketing of Downtown Frederick overall (48%), providing tools to help market business (27%) and a three way tie for improving the streetscape/environment (21%), merchant networking (21%) and policy advocacy (21%)