VIRGINIA RETAIL MATTERS

2024 REPORT

Commissioned by:

retail alliance

Conducted in Partnership with:

MAIN STREET AMERICA®

The Dirty Buffalo
Locations: Norfolk, Virginia Beach, Chesapeake, Virginia
(Photo Credit: The Dirty Buffalo)

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TASTE
Locations: Chesapeake, Newport News, Norfolk, Suffolk, Virginia Beach (various locations), Virginia
(Photo Credit: TASTE)

A Message from Jenny Crittenden

Retail plays a pivotal role in creating and sustaining strong communities across Virginia. As local retailers navigate the evolving landscape of consumer expectations and technological advancements, their success is essential to the vibrancy and economic health of our neighborhoods.

In response to feedback from last year's report, we have expanded this study to include three new chapters: AI in Retail, The Retail Workforce, and Retail Financing. These additions address critical issues that are shaping the future of retail and provide fresh insights into the challenges and opportunities facing our industry.

Our retailers are continually adapting to meet the rising demands of personalized, consumer-driven experiences. By leveraging new technologies, they enhance customer engagement and deepen their connections within our communities, ensuring that retail remains a cornerstone of local culture and economic vitality.

Commissioning this report from Main Street America underscores our commitment to providing robust, actionable insights. We aim to equip those who support and serve our local retailers with innovative strategies and a deeper understanding of this dynamic industry. We hope that the expanded content in this year's report will inspire you to continue your vital support of Virginia's retail sector and to take actionable steps that benefit both retailers and the communities they enrich.

Jenny Crittenden

President and Chief Executive Officer
Retail Alliance

Gelati Celesti Ice Cream
Locations: Chesapeake, Richmond, Virginia Beach, Virginia
(Photo credit: Gelati Celesti)

About the Study

The State of Retail

For the second year, Retail Alliance commissioned Main Street America to conduct a major retail study to analyze current sales statistics and retail trends, blending them with national and state findings from Main Street America's Small Business Survey of nearly 1,000 micro and small brick-and-mortar retailers across the U.S., to provide an in-depth look at the State of Retail in the U.S. and, in particular, Virginia. In response to feedback from last year's report, we have expanded the study to include three new chapters: AI, Workforce, and Access to Capital. These additions address critical issues that are shaping the future of retail and provide fresh insights into the challenges and opportunities facing our industry. Research was conducted in May 2024.

Main Street America leads a movement committed to strengthening communities through preservation-based economic development in older and historic downtowns and neighborhood commercial districts.

For more than 40 years, Main Street America has provided a practical, adaptable, and impactful framework for community-driven, comprehensive revitalization through the Main Street Approach™.

Our network of more than 1,600 neighborhoods and communities, rural and urban, share both a commitment to place and to building stronger communities through preservation-based economic development.

Main Street America is a nonprofit subsidiary of the National Trust for Historic Preservation.

mainstreet.org

Since 1903, Retail Alliance has been a community of retailers and service providers meeting challenges, seizing opportunity, and providing unparalleled support for the purpose of growing retailpreneurs. These businesses are a key contributor to the local, regional, and state economy. Virginia Retail Matters because these people matter.

Retail Alliance are champions for the retail industry. Retail Alliance is a thought leader in the retail sector. We deliver programming that continues to focus on providing data and education on cutting edge retail trends, advocacy, and curating experiences that provide intentional networking.

Retail Alliance will continue to build strategic partnerships and collaborations that deliver specialized retailer services contributing to the support, growth, and sustainability of the retail sector.

retailalliance.com

Biographies

Michael Powe, Ph.D. - Senior Director of Research

As the Senior Director of Research at Main Street America, Mike develops research projects that demonstrate the power and potential of Main Street communities. This includes work managing research partnerships, steering research efforts from design through execution, and gathering and analyzing data related to the performance of Main Streets across the country.

Mike has more than 15 years of experience conducting groundbreaking research on the links between communities' physical fabric and their social, cultural, and economic vitality. Between 2013 and 2020, Mike led research for the National Trust for Historic Preservation that empirically assessed the contributions that existing buildings and commercial districts offer cities.

Matthew Wagner, Ph.D. - Chief Innovation Officer

Matthew Wagner, Ph.D. serves as Chief Innovation Officer at the National Main Street Center, Inc. In this role, he is responsible for leading the Innovation Team, focused on internal and external research, new business support, and piloting, testing, and launching new ideas, tools, and technologies.

Prior to his work at Main Street America, Dr. Wagner had a dual role of Director, Global Community Affairs, and President of Johnson Redevelopment Corporation at SC Johnson, a $10 billion global consumer products company (Glade, Raid, Windex, Ziploc, etc.). Since 2011, he had international responsibilities driving the company's $35 million philanthropy strategy in sustainability and workforce/economic development areas.

Biographies

Emi Morita - Manager of Research

As the Manager of Research, Emi helps to build and manage Main Street's survey output as well as communications regarding research efforts, and contributes to the organization's overall research capacity.

Emi previously served as the Tony Goldman Fellow at the National Trust for Historic Preservation. In this role, in support of the Preservation Priorities Task Force, she conducted research and identified strategies that preservation organizations can use to help create and retain affordable housing. Emi's background also includes a Fellowship at the Small Center for Collaborative Design in New Orleans, LA, as well as an Internship at the Cooper-Molera Adobe National Trust site in Monterey, CA.

Melissa Minkow - Retail Strategist and Futurist

Melissa works for a global digital solutions partner as director of retail strategy and has previously held a senior advisor role at a global management consulting company, covering omni-channel, e-commerce, mobile commerce, and social commerce.

She is a retail strategist and futurist whose expertise spans cross-industry consumer insights and innovation.

She graduated with an MBA from Northwestern's Kellogg School of Management and began her career at Target focusing on merchandising strategy. She is a RETHINK Retail Top Influencer and member of the RetailWire BrainTrust and also recently appeared on CNBC.

Liberty St Mercantile, Harrisonburg, VA
(Photo credit: Riverdale 24 Productions)

Chapter 1

State of National Retail

Introduction

The retail sector this past year was characterized by a complex interplay of enduring trends and emergent challenges.

The ongoing digital transformation, initiated in preceding years, accelerated significantly.

E-commerce platforms, while having brand identity, continued to experience challenges in customer acquisition costs and attempts to meet the demands of consumer experience in an online only environment.

Brick-and-mortar stores, compelled to adapt, integrated omnichannel strategies, blurring the lines between physical and digital shopping experiences.

Supply chain disruptions, exacerbated by geopolitical tensions and unforeseen events, posed substantial obstacles for retailers, leading to inventory imbalances and price fluctuations.

Concurrently, macroeconomic factors such as inflation and shifting consumer spending patterns influenced retail performance.

While discretionary spending contracted in certain categories, essential goods and services witnessed increased demand.

The past year also marked a period of heightened focus on sustainability and ethical consumption, prompting retailers to adopt eco-friendly practices and transparent supply chain management.

Smaller retailers, in particular, faced amplified challenges due to their limited resources and scale. These businesses often struggled to compete with the pricing power and economies of scale enjoyed by larger corporations.

Additionally, the rapid pace of digital transformation created a steep learning curve for many small retailers, requiring substantial investments in technology and e-commerce infrastructure.

For example, in recent surveys of Main Street businesses by Main Street America, adding an ecommerce element to their businesses was a top concern.

And nearly three-quarters still have less than 10 percent of revenues from e-commerce related sales. (Source: Main Street America)

Furthermore, the increasing costs of operations, including rent, utilities, and wages, eroded profit margins, making it difficult for small businesses to sustain profitability.

As such, the past year has represented a pivotal moment for the retail industry to seek new norms, characterized by both opportunities and continued, complex economic headwinds.

Sales and Revenue Performance

In 2023, total retail sales in the United States were approximately $7.24 trillion by the end of the year, according to Statista. This is a 5.6% increase year-over-year, which is higher than the pre-pandemic average annual growth rate of 3.6%.

The National Retail Federation (NRF) had previously predicted that retail sales would grow between 4% and 6% in 2023, to between $5.13 trillion and $5.23 trillion. The NRF also expected that online and other non-store sales would increase by 10% to 12%, to between $1.41 trillion and $1.43 trillion.

Retail Sales in the U.S. 1992-2023 (Source: Statista)

Pre-Pandemic to Present

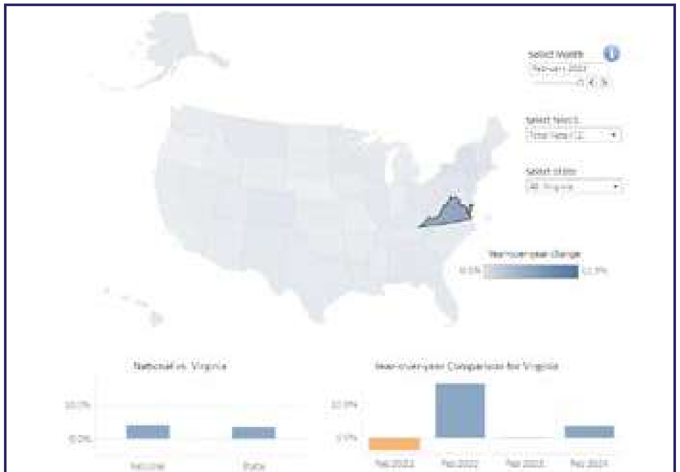
While overall retail sales have stagnated a bit relative to the dynamic growth we've seen over the last few years, it's amazing to consider the amount of new retail spending since 2019.

In June 2019, retail sales stood at approximately $454 Billion. In June 2024, retail sales were at more than $609 Billion. In essence, the new norm for US Retail Sales has grown by more than $150 Billion in just 5 years!

To demonstrate the impact of spending on individual retail businesses, in 2023 there were 3.1 million retail trade businesses in the US. (Source: US SBA)

Extrapolating out, the increase in retail sales represents a nearly $50,000 injection in additional sales activity per business and in Virgina a total of $1.3 billion in new sales for retail businesses with employees.

Retail Sales 5-Year Comparison (Source: ycharts.com/indicators/us_retail_sales)



Year Over Year Comparison (Source: US Census - census.gov/retail/state_retail_sales.html)

Looking at year over year sales in Virginia since 2020, there was a dip post spending exuberance in 2020 fueled by government payments to consumers which tailed off in 2021.

In 2022, what we saw was the big spend on hospitality, accommodations and travel, in which consumers were seeking experiences after effectively going on a two-year vacation hiatus.

Sales were relatively flat in 2023 and in 2024 we've seen some uptick. Keep in mind this is comparing one month of the year over the same period from 2020 to 2024.

Challenges Faced by the Retail Sector

New norms would suggest a much higher baseline of retail activity in 2024 than was present in 2019.

Nevertheless, the slowdown in growth of consumer spending, coupled with rising operational costs including wages and supply chain disruptions and increased competition through the growth of entrepreneurship, puts a definite strain on profit margins for many retailers.

Revenue Lost to Retail Theft (Source: National Retail Federation)

Additionally, increased competition from online giants and evolving consumer expectations for personalized shopping experiences posed challenges for traditional brick-and-mortar establishments. Moreover, uncertainties surrounding global supply chains and inflationary pressures added to the complexity of navigating the retail landscape.

As we look ahead, further challenges to be explored in greater depth within the State of Retail report, include: the rise in store thefts (Note Virginia at 2 billion), how to introduce artificial intelligence (ai) into your business, growing complexities around supply chains and inventory controls given the further integration of stores with e-commerce, workforce attraction and retention, cybersecurity and a growing demand by younger consumers around sustainable products.

Retail Sector Winners and Losers

Within the retail sector, certain segments emerged as winners while others struggled to adapt to changing market dynamics. Winners included segments such as electronics, home improvement, and health and wellness products, driven by strong consumer demand and innovation.

Conversely, traditional department stores and apparel retailers faced declining sales and store closures as they grappled with shifting consumer preferences towards sustainability, value-driven purchases, and online shopping convenience.

According to the US Census, comparing sales changes ($000) over the same period between 2023 and 2024, there were several "winners and losers" relative to sales performance.

Leading the downturn was the furniture and home furnishings sector. Down 7 percent over 2023, this sector is coming back to more of a new norm given the pandemic exuberance around home improvement and interior design projects to make home life much more comfortable given how many consumers were remote working.

In addition, remote work has impacted the commercial real estate market and thus there has been a downturn in the commercial furniture market with the lack of new corporate office openings.

Consistent with this is the building materials and garden supply retail sector, with a 3.5 percent decline as well as the outdoor recreation and hobby markets where there was a great deal of investment during and early post phases of the pandemic in which people were wanting to stay active, get outside, and had more home time to develop new hobbies. As such, that sector too has pulled back with a 3.2 percent decline.

Kind of Business	6 Month Total	
	2024	% Chg. 2023
Retail & food services, total	**4,138,967**	**2.8**
Total (excl. motor vehicle & parts)	3,338,181	3.2
Total (excl. gasoline stations)	3,824,542	3.1
Total (excl. motor vehicle & parts & gasoline stations)	3,023,756	3.6
Retail	3,573,219	2.3
GAFO[4]	**(*)**	**(*)**
Motor vehicle & parts dealers	**800,786**	**1.3**
Auto & other motor veh. dealers	732,495	0.9
New car dealers	(*)	(*)
Auto parts, acc. & tire stores	(*)	(*)
Furniture & home furn. stores	**64,392**	**-7.0**
Furniture stores	(*)	(*)
Home furnishings stores	(*)	(*)
Electronics & appliance stores	**43,559**	**0.8**
Building material & garden eq. & supplies dealers	**242,376**	**-3.5**
Building mat. & sup. dealers	(*)	(*)
Food & beverage stores	**487,444**	**1.9**
Grocery stores	438,194	1.7
Beer, wine & liquor stores	(*)	(*)
Health & personal care stores	**214,904**	**1.4**
Pharmacies & drug stores	(*)	(*)
Gasoline stations	**314,425**	**-0.9**
Clothing & clothing accessories stores	**142,997**	**2.9**
Men's clothing stores	(*)	(*)
Women's clothing stores	(*)	(*)
Family clothing stores	(*)	(*)
Shoe stores	(*)	(*)
Sporting goods, hobby, musical instrument, & book stores	**45,476**	**-3.2**
General merchandise stores	**433,773**	**3.3**
Department stores	60,350	-1.4
Other general merch. stores	(*)	(*)
Warehouse clubs & supercenters	(*)	(*)
All oth. gen. merch. stores	(*)	(*)
Miscellaneous store retailers	**88,837**	**5.3**
Nonstore retailers	**694,250**	**8.5**
Elect. shopping & m/o houses	(*)	(*)
Food services & drinking places	**565,748**	**6.0**

6 month comparison from 1H 2023 to 1H 2024 (Source: U.S. Census)

The big winners continue to track along highs in 2023, with the consumers still seeking more experiences and engaging with friends and family by going out to eat and indulging in the latest brewery or distillery opening.

Growing at 6 percent over 2023, food services and drinking places should remain strong markets in 2024 and into 2025.

General merchandise growth at 3.3 percent reflects lingering concerns and impacts of inflation, with consumers across the income segments seeking lower priced goods.

And pull back on the hybridization of remote work means clothing sales, while not highly accelerated, will be back to new norm growth rates as there is greater stability in the way we work.

Impacts of Online

The National Retail Federation expects that online and other non-store sales, which are included in the total sales forecast, will increase between 7% and 9% year over year to a range of $1.47 trillion to $1.50 trillion.

That compares with non-store and online sales of $1.38 trillion in 2023. Much of the growth in ecommerce is due to multichannel sales, which rely heavily on physical stores.

But don't let the growth of online sales suggest some sort of "death of bricks and mortar."

Physical store locations remain the primary point of purchase for consumers, accounting for approximately 70% of total retail sales.

A Focus on Main Street Retail

Each year, Main Street America takes the pulse of national "mom and pop" businesses given a unique insight into factors impacting this unique sub-set of the retail sector, as well as some of the challenges.

Given the impact of Main Street businesses on our community economies, weaknesses and headwinds in this sector can have profound impacts on our community economies, employment, and quality of place.

The following is a review of some of the findings from the May 2024 survey of nearly 1,000 small businesses across the Main Street America network:

Main Street is a growing network of manufacturers, artisans and makers. We have long been keen to understand—and excited to celebrate—small-scale manufacturing efforts on Main Street. In this survey, we sought to understand just how common Main Street makers really are. According to the data, approximately one-third of all Main Street businesses indicated that they manufacture a unique product, sold either direct to the consumer or through another business. In our downtowns and neighborhoods, folks are producing custom jewelry and apparel, baked goods, beers, bath and skincare products, roasted coffee, candles, art, and other goods.

Currently, our best estimate indicates there are about 175,000 businesses in approximately 1,000 Main Street districts throughout the network.

Based on the data in this survey, that suggests there are between 55,000 and 60,000 makers and small-scale manufacturers in Main Streets across the U.S.

Small business confidence falls slightly. We have been monitoring small business owners' confidence in their business success since 2022 with this question: "As you think about the next three months, how confident are you that your business will perform successfully?"

We ask business owners to answer with a number, where 0 indicates that they are "not at all confident" and a 10 indicates they are "extremely confident."

In the current survey, we see a slight dip relative to previous surveys. The average value from the Spring 2024 survey was 7.5, compared to 7.7 in Fall 2023 and Spring 2023 and 7.6 in Fall 2022.

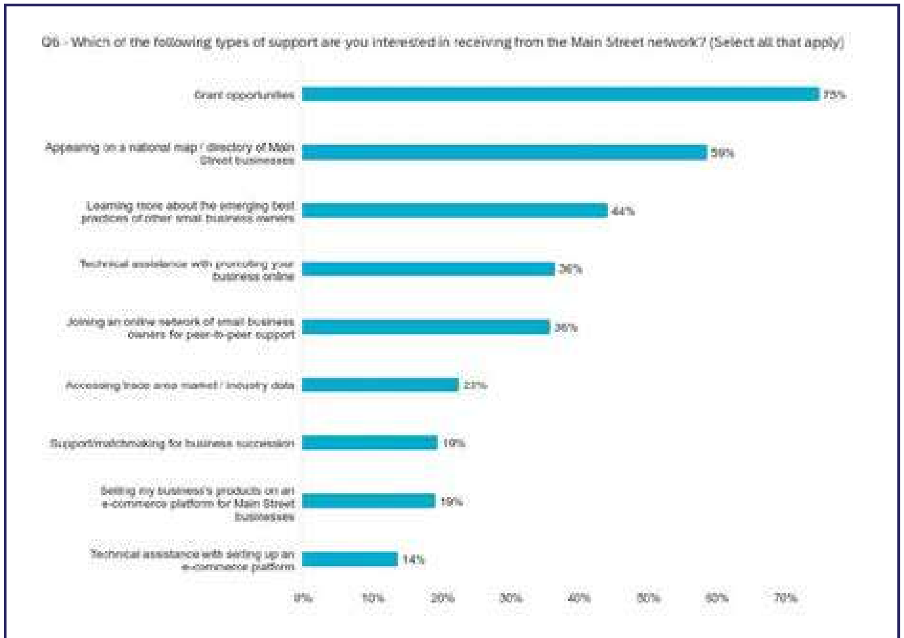
In the current survey, 52 percent of respondents indicated a confidence level of 8 or higher. In Fall 2023 and Spring 2023, 61 percent of respondents had that level of confidence, and in Fall 2022, 59 percent indicated an 8 or higher.

We suspect that the diminished confidence values may come from uncertainty due to a variety of factors: the election, high interest rates, and continuing inflation impacting some segments of the economy. But there is also indication in the data that small businesses are facing real slowdowns.

In the last two surveys, we asked whether small business owners generated profit, broke even, or operated at a loss over the previous 12 months. In the Spring 2024 survey, 42 percent of respondents had generated a profit and 21 percent operated at a loss. In comparison, in Fall 2023, 51 percent had generated a profit and 15 percent had operated at a loss. This is a trend we will continue to monitor in future surveys.

Small business owners seek support from Main Street in 2024. Small business support is an important goal for many Main Street organizations. As we conduct these surveys, we periodically ask what types of support would be of greatest interest to business owners.

In the Spring 2024 survey, grant opportunities were the top choice, with 75 percent of all respondents expressing interest. 59 percent indicated that they would be interested in appearing on a national map and directory of Main Street businesses. 44 percent, meanwhile,



Types of Support Interested in Receiving from Main Street Network (Source: Main Street America)

expressed interest in learning more about the emerging best practices of other small business owners, and 36 percent were interested in either technical assistance with promoting their businesses online or joining an online network of small business owners for peer-to-peer support.

Interestingly, we see some disparate levels of interest in support selling products on an e-commerce platform for Main Street businesses, depending on whether the business owner respondent produces their own goods and products.

31 percent of makers and manufacturers said they would like assistance selling their goods in this way, compared to 13 percent of business owners who do not produce their own wares.

Small capital investments would make a big difference. Main Street leaders who regularly engage with small businesses and think about economic vitality would likely agree that capital investment is an enormous barrier and a critical challenge for small business owners.

In this survey, we asked, "If you could access affordable capital to grow your business, how much would you need?"

72 percent of respondents indicated a need for capital. But of those who expressed this need, 27 percent indicated an amount less than $10,000, and 59 percent indicated they would need less than $25,000.

On a subsequent question, 56 percent of respondents indicated an interest in using that capital to invest in inventory, equipment, machinery, and raw materials, and nearly half (46 percent) said they would use the capital to invest in physical improvements to their business's physical space.

It is sometimes easy to assume that the amount of investment that small businesses seek is huge. This data indicates that Main Street businesses are not looking for bank financing or anchor investments in businesses.

Local Main Street and other community/economic development organizations could likely provide a substantial boost to local businesses by raising small amounts of capital to give away in support of their local entrepreneurs.

Crowdfunding campaigns, pitch competitions, and entrepreneurial ecosystem building could all make a difference in supporting small businesses with small investments.

Overall, while certainly some new norms and thus sales plateaus come into play, if visitorship is a litmus for the importance of experiential shopping on Main Streets, the future seems bright.

In looking at Place.ai data for the Main Street America network of nearly 1,000 communities, visitorship continues to rise. In 2023 more than 401 million people visited Main Streets across the United States, with the median number of 204,000 visitors.

Visitors to Main Streets in 2023 (Source: Main Street America)

Visitors to Main Streets in 2023 (Source: Main Street America)

Forecast for 2025

Looking ahead, the U.S. retail sector is poised for continued evolution and adaptation. Economic recovery, coupled with advancements in technology and consumer behavior shifts, will shape the industry's trajectory.

E-commerce is expected to maintain its growth momentum, prompting retailers to invest further in digital infrastructure and omnichannel strategies. Moreover, trends towards sustainability, ethical consumerism, and experiential retail are anticipated to influence purchasing decisions and reshape market dynamics.

In March 2024, the National Retail Federation (NRF) predicted that retail sales in the United States would increase between 2.5% and 3.5% in 2024, reaching a total of $5.23–$5.28 trillion.

This forecast is based on economic modeling that considers a number of factors, including employment, wages, consumer confidence, and disposable income. It's also similar to the 10-year average annual sales growth rate of 3.6% before the pandemic.

The retail sector in 2025 is projected to be a dynamic ecosystem characterized by the convergence of technology, shifting consumer preferences, and economic conditions. Building upon the foundations of e-commerce and omnichannel strategies, retailers will increasingly focus on delivering exceptional customer experiences.

Economic headwinds, while potentially persisting, are expected to gradually ease. A stabilized economy, coupled with rising consumer confidence and declining interest rates, will likely stimulate spending across various retail segments. However, inflationary pressures may continue to influence consumer behavior, with a potential shift towards value-oriented offerings and private label brands.

Technological advancements will redefine retail operations. Artificial intelligence (AI) and machine learning will become indispensable tools for inventory management, demand forecasting, and personalized marketing. Augmented reality (AR) and virtual reality (VR) will enhance product visualization and the overall shopping experience. The expansion of e-commerce, facilitated by improved logistics and delivery options, will solidify its position as a primary retail channel.

Societal trends will significantly impact consumer choices. As Gen Z becomes a dominant consumer, there will be a growing emphasis on sustainability and ethical consumption, driving demand for eco-friendly products and transparent supply chains.

Health and wellness will remain a priority, influencing purchasing decisions in food, apparel, and personal care categories. Additionally, on the other end of the generation spectrum, an aging population will create new opportunities for retailers catering to specific age groups and cultural preferences.

Smaller retailers, while facing challenges in competing with larger corporations, can leverage technology to their advantage. By focusing on niche markets, building strong online presences, and prioritizing customer relationships, these businesses can carve out profitable positions.

The retail landscape of 2025 will undoubtably be highly competitive and customer centric. Retailers that successfully adapt to evolving consumer expectations, harness the power of technology, and prioritize sustainability will be well-positioned for growth and success.

Conclusion

In 2024 the retail landscape in the United States has exhibited resilience amidst challenges, driven by evolving consumer preferences, technological advancements, and economic forces.

One could even contend we finally reached a place of new norms being set around experiential shopping, baseline retail sales, and the disruptive force of Ai through greater technology adoption.

As the industry navigates uncertainties and embraces innovation, strategic adaptation to emerging trends will be crucial for retailers seeking sustainable growth and competitive advantage in 2024 and beyond. §

Coastal Edge
Locations: Virginia Beach (multiple stores), Chesapeake, Virginia
(Photo credit: Riverdale 24 Productions)

Chapter 2

The Ever-Changing Consumer Trends

The retail landscape is undergoing a seismic shift, driven by evolving consumer behaviors and expectations.

As we peer into 2025, it's clear that understanding these trends is no longer a luxury, but a necessity for businesses of all sizes. Generational divides are reshaping consumer preferences, while the allure of experiential shopping continues to evolve.

To navigate this dynamic environment, small retailers must be attuned to a number of factors that will redefine the industry.

Generational Shifts:

- **Gen Z and Millennials:** These cohorts are increasingly digital-first, value sustainability, and seek personalized experiences.
- **Gen X and Baby Boomers:** While more traditional, these groups are adapting to digital, but still appreciate in-store experiences and value quality over quantity.

Experiential Shopping:

- While experiential shopping remains important, its definition is broadening. It's no longer just about ambiance and events.
- Consumers now seek interactive experiences, personalization, and a strong brand story.
- The focus is shifting towards creating memorable moments that resonate with customers.

Other Key Trends:

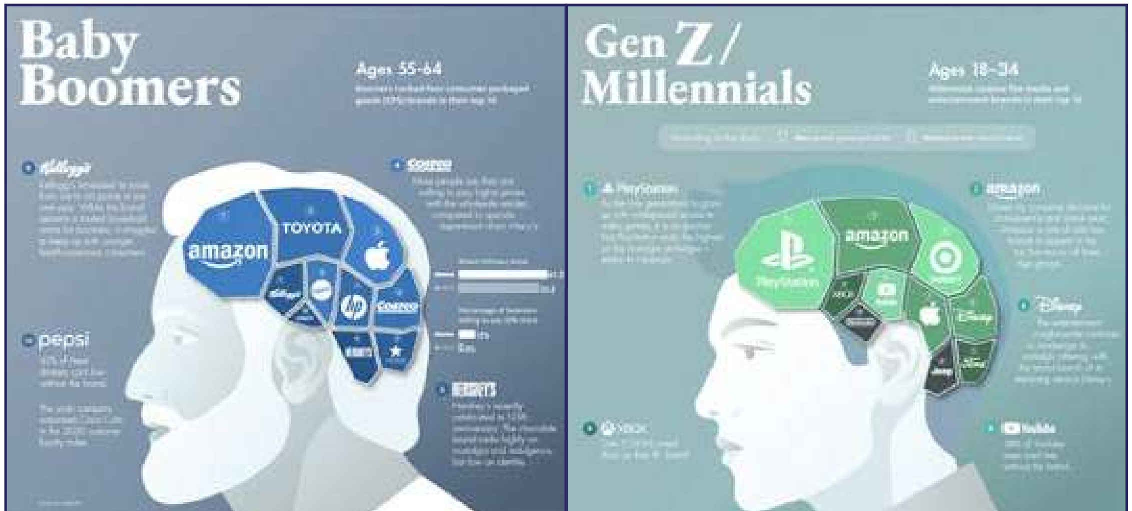
- **Sustainability:** Consumers are increasingly conscious of environmental impact and seek ethical brands.
- **E-commerce Integration:** The lines between online and offline shopping are blurring. Omnichannel strategies are essential.
- **Personalization:** Tailored experiences based on data and AI are becoming the norm.
- **Local and Community Focus:** Supporting local businesses and building strong community ties is gaining importance.
- **Social Commerce:** Platforms like Instagram and TikTok are driving sales, making social media a crucial marketing channel.
- **"Spaving":** Consumers are spending more to save more.

The following highlights some of these areas in which retail businesses may want to focus:

1. Generational Shifts Become More Obvious

2024 has marked "Peak 65," the beginning of time in which most boomers will be retiring at a higher daily rate than at any period of time in the history of the United States. This retirement rate is expected to carry through 2027.

As boomers retire, they may spend less, which could affect the US gross domestic product (GDP). One report projects that peak boomers will spend $204 billion less in 2032 than they did in 2022 and spending will decline 15.3%. *(Source: Alliance for Lifetime Income)*



The Most Beloved Brands by Generation (Source: Visual Capitalist - https://www.visualcapitalist.com/the-most-loved-brands/)

Now all is not doom and gloom on the spending front. Fortunately, Generation Z will be coming up to key spending years in the short-term. But their priorities, spending habits, and what the value in shopping is quite different.

This generation was born roughly between 1997 and 2011 and is a digitally native generation that has grown up with smartphones and social media. Their unique perspective is fundamentally changing the retail landscape.

As such, successful retailing will depend on more retailers understanding their customers and how new generational trends will impact the future of their businesses. Let's review:

Key Characteristics of Gen Z Shoppers

- **Digital Natives:** Gen Zers are incredibly tech-savvy and expect seamless digital experiences. They are comfortable with online shopping, mobile payments, and social commerce.

- **Value-Driven:** This generation is more conscious about their spending than previous generations. They prioritize value for money, often opting for affordable yet high-quality products.

- **Sustainability Focus:** Environmental concerns are paramount to Gen Z. They are more likely to support brands with sustainable practices and are willing to pay a premium for eco-friendly products.

- **Experiential Shoppers:** While they love online shopping, Gen Z also values in-store experiences. They seek out unique and engaging retail environments that offer more than just products

- **Influencer Culture:** Gen Z is heavily influenced by social media and content creators. They trust recommendations from influencers more than traditional advertising.

- **Brand Loyalty:** While brand loyalty is less important to Gen Z than previous generations, they are more likely to be loyal to brands that align with their values and offer personalized experiences.

Shopping Habits of Gen Z

- **Omni-channel Shoppers:** Gen Z seamlessly blends online and offline shopping. They research products online, but often prefer to make purchases in-store.
- **Mobile-First:** Their smartphones are their primary shopping tool. They use mobile apps for everything from product research to purchasing i.e. if your website is not mobile enabled, you'll have a problem reaching this consumer.
- **Social Commerce:** Gen Z is influenced by social media platforms like Instagram and TikTok. They are more likely to discover new products and make purchases through these channels.
- **Video Content:** Gen Z prefers video content over text. Retailers should invest in creating engaging video content to reach this audience.
- **User-Generated Content:** Gen Z trusts user-generated content more than traditional advertising. Encouraging customers to share their experiences can be effective.

2. Increasing Consumer Demand for Same-Day Delivery

Speedy shipping continues to be a top priority for retail consumers. Same-day delivery is moving from a nice-to-have feature to a must-have feature for retailers. In fact, nearly 70 percent of consumers say the speed of delivery is an important factor when it comes to buying products online and according to Convey and McKinsey, nearly 50% of shoppers will abandon their carts if delivery times fail to meet their expectations on timing or delivery times aren't provided.

In 2021 alone, 64% of consumers reported that slow delivery times prevented them from trying a new retailer or caused them to shop elsewhere. Slow delivery also causes consumers to choose a different retailer (54%) or shop for an item in store (52%).

Nearly 25% like to see next-day shipping availability, with 17% want same-day delivery options. Relative to generational shifts, same-day delivery is of greater importance the younger you are, according to a report from McKinsey and Associates.

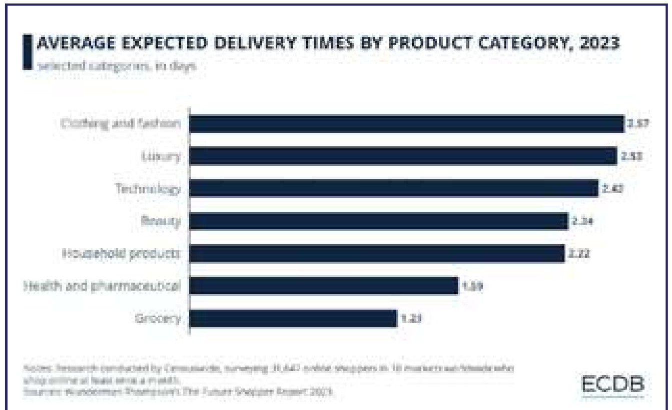
Consumers Becoming More Impatient: From a global perspective, the average number of days that consumers are prepared to wait for their orders across all product categories fell from 2.36 days in 2022 to 2.15 days in 2023.

Delivery Speed over Price: The rise of qCommerce (quick commerce) has shifted consumer expectations, with many now prioritizing speed over cost in delivery. In 2023, 48% of consumers want delivery to be faster compared to 43% who want it to be cheaper.

Consumer Expectations by Product Category: Consumers are reluctant to wait longer for grocery, which has the shortest average delivery time. For products in categories such as automotive and clothing and fashion, expected delivery times are longer.

Consumer Expectations by Country: Regional variations in delivery expectations are also evident, with consumers in India being the most impatient, while those in France and Japan willing to wait a longer time than others. *(Source: https://ecommercedb.com/insights/ecommerce-delivery-expectations-2023-speed-beats-price/4635)*

Share of Consumers Expecting a Delivery Within 2 or 24 Hours by Product Category, 2023 (Source: ECDB)



Average Expected Delivery Times by Product Category, 2023 (Source: ECDB)

3. Online May Grow, But In-Person Experiential Shopping Rules

A new study by research firm Forrester forecasts that e-commerce will grow from $4.4 trillion in 2024 to $6.8 trillion by 2028. This means online sales will capture 24% of global retail and be essential for brands, yet another sales channel will still prevail: physical stores.

It is expected that $21.9 trillion of the $28.7 trillion in worldwide retail sales in 2028 will still happen offline, hinting at the everlasting importance of investing in physical retail. *(Source: Forbes)*

However, that doesn't mean brick and mortar stores don't need to continue to evolve.

The primary reason physical store locations will remain an essential element of consumer shopping, is they offer a greater "experience" beyond an online "transaction."

The Pew Research Center took a look at adults of all ages and found that 57 percent of adults prefer buying in-person versus online. And don't forget, since 2022 there have been far more new store openings than store closings. *(Source: U.S. Census)*

Part of the secret to enhance physical stores sales is to move beyond the transaction and into greater experiences. The data demonstrates more than half of consumers say they'll return to a brand that offers a positive shopping experience online or in-store. *(Source: Publicis Sapient)*

In addition, more than 60 percent of shoppers say they want brands to give them a multisensory shopping experience. *(Source: The Drum)*

Gen Z More Likely to Shop In-Store than Online (Source: Faire)

In addition, 81% of consumers in CI&T's Connected Retail Survey said they prefer to shop at retailers who have both online and physical stores.

Some Examples to Add More of a Retail Experience

Add an Instagram Moment Display

Host a Speaker or Special Product Demonstration

Have Your Own Branded Bags or Totes Rather Than Generic

4. Sustainability Concerns Grow in Importance

Sustainability will continue to be a major focus for retailers in 2025.

Consumers are increasingly conscious of environmental issues, prompting retailers to adopt sustainable practices such as eco-friendly packaging, ethically sourced materials, and carbon-neutral shipping options.

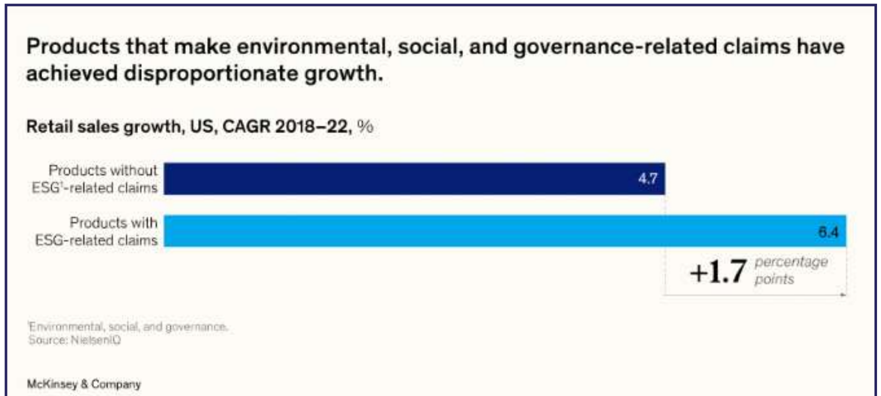
Retailers that prioritize sustainability are likely to attract environmentally conscious consumers.

A survey from EY found that 31 percent of Gen Z consumers have stopped purchasing from a brand or bought less from that brand because they believe it's not doing enough for the environment.

In the face of demands from consumers and regulators, Deloitte reports that 65% of brands have begun using more sustainable materials.

5. Consumers Want More Payment Options at Check-Out

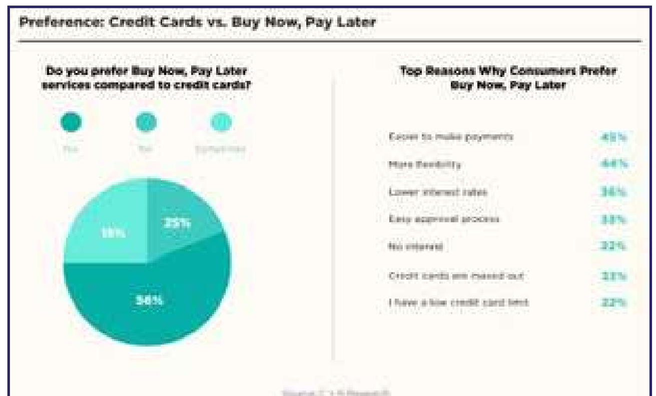
Most retailers are now offering credit card payments of course and contactless payment options.



Products That Make Environmental, Social, and Governance-related Claims Have Achieved Disproportionate Growth (Source: McKinsey & Company)

In fact, more than half of Americans want to tap to pay or use their mobile wallet. (Source: Mastercard Contactless Consumer Polling). However, 2025 is likely the year in which Buy Now, Pay Later (BNPL) becomes more of a norm, rather than an option through your credit card company or online retailers.

46 percent of shoppers in the US have used BNPL and many of them, especially consumers under the age of 40, are now relying on this payment method. *(Source: Pymnts)* Nearly 30% of these younger shoppers say they'd abandon a purchase if they couldn't use a BNPL payment option.



Preference: Credit Cards vs. Buy Now, Pay Later (Source: C + R Research)

The key to significant adoption and bringing this to scale will be both a factor of cost and ease of adoption for smaller retailers. In December 2023, Affirm announced its BNPL service would be available at self-checkout kiosks in Walmart stores. *(Source: Pymnts)*

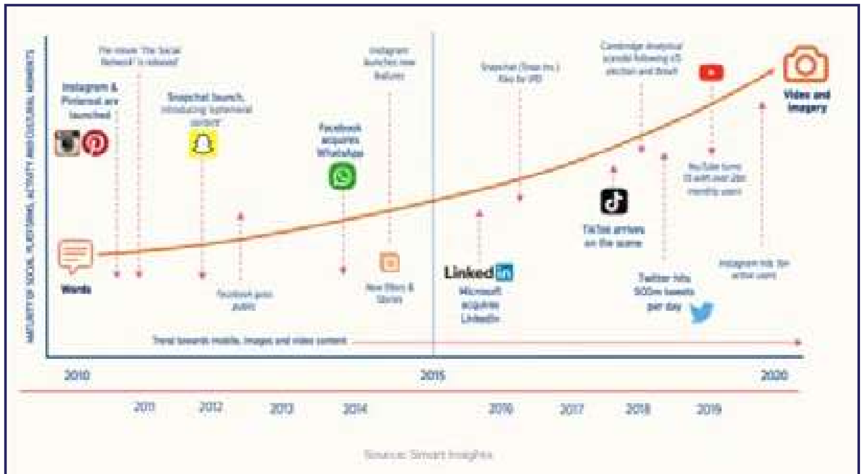
Like most BNPL companies, Affirm doesn't charge any fees, including late fees. However, Affirm may report payments over 120 days past due to collections and will charge interest on missed payments.

6. Retailers Must Migrate to Video Formats in Social Media

You must start to include video and/or live streaming with your marketing and social media. Over 91 percent of Instagram users watch videos on the platform every week. On X, videos result in 10 times more engagement than textual posts. In 2023, YouTube Shorts achieved over 70 billion views daily. *(Source: POWR Blog)*

And more than 84 percent of customers claim they made a purchase after watching a branded video. *(Source: Social Pilot)*

Also, as the infographic below from SmartInsights shows, the need for video and imagery now far outweighs the demand for text posts and ads on social media. People generally prefer platforms like Instagram, YouTube, and TikTok to consume social media. They will likely engage with brands more frequently through visual media.



2010-2020 data showing the changing need for social media (Source: Smart Insights)

7. Hyperpersonalization with a Twist: Moving from Cookies to Zero Party Data

Hyper-personalization goes beyond traditional personalization efforts by leveraging advanced AI algorithms to deliver highly tailored shopping experiences based on individual preferences, behaviors, and past interactions with the brand.

Retailers will increasingly use data analytics and machine learning to create hyper-personalized marketing campaigns and product recommendations.

Personalization vs. Hyper-Personalization (Graphic Source: Dot.vu Blog)

What Will Hyperpersonalization Look Like?

- **Real-time product recommendations:** Using AI and machine learning, retailers will be able to predict a customer's needs and desires in real-time, suggesting products that perfectly align with their preferences, even as those preferences evolve.
- **Personalized pricing:** Dynamic pricing based on individual customer behavior and value perception will become more prevalent, offering customized deals and discounts.
- **Augmented reality (AR) fitting rooms:** Virtual try-ons will be hyper-personalized based on body measurements, style preferences, and even lighting conditions.
- **In-store experiences:** Physical stores will become interactive spaces, offering personalized product demonstrations, consultations, and recommendations based on customer data.
- **Omnichannel consistency:** Seamless integration between online and offline experiences, ensuring personalized recommendations and offers are consistent across all channels.

- **Privacy-focused personalization:** As data privacy becomes more critical, retailers will focus on ethical data collection and usage, building trust with customers while delivering personalized experiences.
- **1:1 Product creation:** Using GenAI to design items at an individual level for shoppers based on their own vision.

Data Indicates a Strong Impact

The data is clear: hyperpersonalization is a game-changer.

- **Increased customer satisfaction and loyalty:** Customers are more likely to make repeat purchases and become brand advocates when they feel understood and valued.
- **Higher conversion rates:** Personalized product recommendations and offers lead to more purchases.
- **Improved customer lifetime value:** By delivering tailored experiences, retailers can deepen customer relationships and increase long-term revenue.
- **Optimized inventory management:** Accurate demand forecasting based on individual preferences helps reduce stockouts and overstocking.

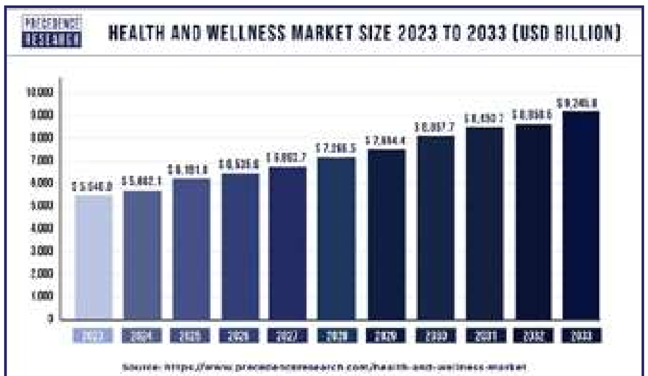
However, it's essential to note:

- **Data privacy concerns:** Customers are increasingly wary of how their data is used. Retailers must prioritize transparency and ethical data practices.
- **Investment in technology and expertise:** Implementing hyperpersonalization requires significant investments in data infrastructure, AI, and skilled personnel.
- **Balancing personalization with privacy:** Striking the right balance between offering tailored experiences and respecting customer privacy is crucial.

In conclusion, hyperpersonalization is the future of retail. By leveraging data and technology, retailers can create highly engaging and profitable customer experiences. However, success depends on a strong focus on customer privacy and a willingness to invest in the necessary infrastructure and expertise.

8. Consumers Prioritize Health and Well-Being

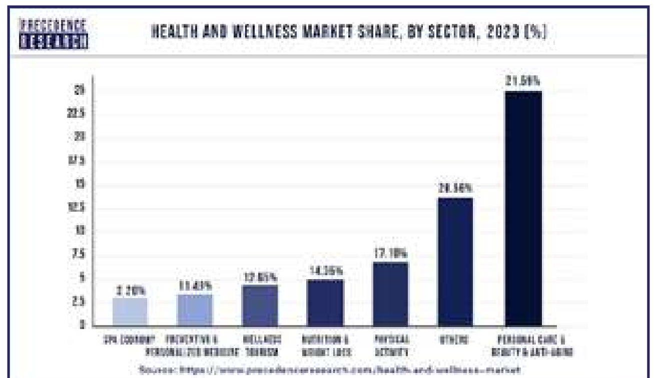
People not only care more about the environment and social responsibility today, but they also care about their well-being. The average consumer wants to find better ways to practice self-care and self-improvement. This applies to both physical and mental health. (Source: Accenture)



Health & Wellness Market Size 2023 to 2033 (Source: https://www.precedenceresearch.com/health-and-wellness-market)

The health and wellness market is only going to expand over time. Recent statistics find that the sales of these products will increase annually at a rate of about 10 percent in the coming years. (Source: Statista) And Precedence Research is projecting that by 2033, the health and wellness market will grow to a $9 trillion business.

By sector, the current leader in category sales is Personal Care, Beauty and Anti-Aging products at more than 21 percent. We would suspect to see change here given the profound growth and interest in weight loss drugs like Ozempic. *(See Business Trends Chapter).*



Health & Wellness Market Share, By Sector 2023 (Source: https://www.precedenceresearch.com/health-and-wellness-market)

Even if your products don't fall within the health and wellness space, you can find ways to promote their benefits. For example, a business promoting a time tracking or scheduling app *(Source: https://blog.hubspot.com/sales/best-scheduling-app)* could encourage users to figure out how to schedule some time for a workout or appropriate meal times when dieting.

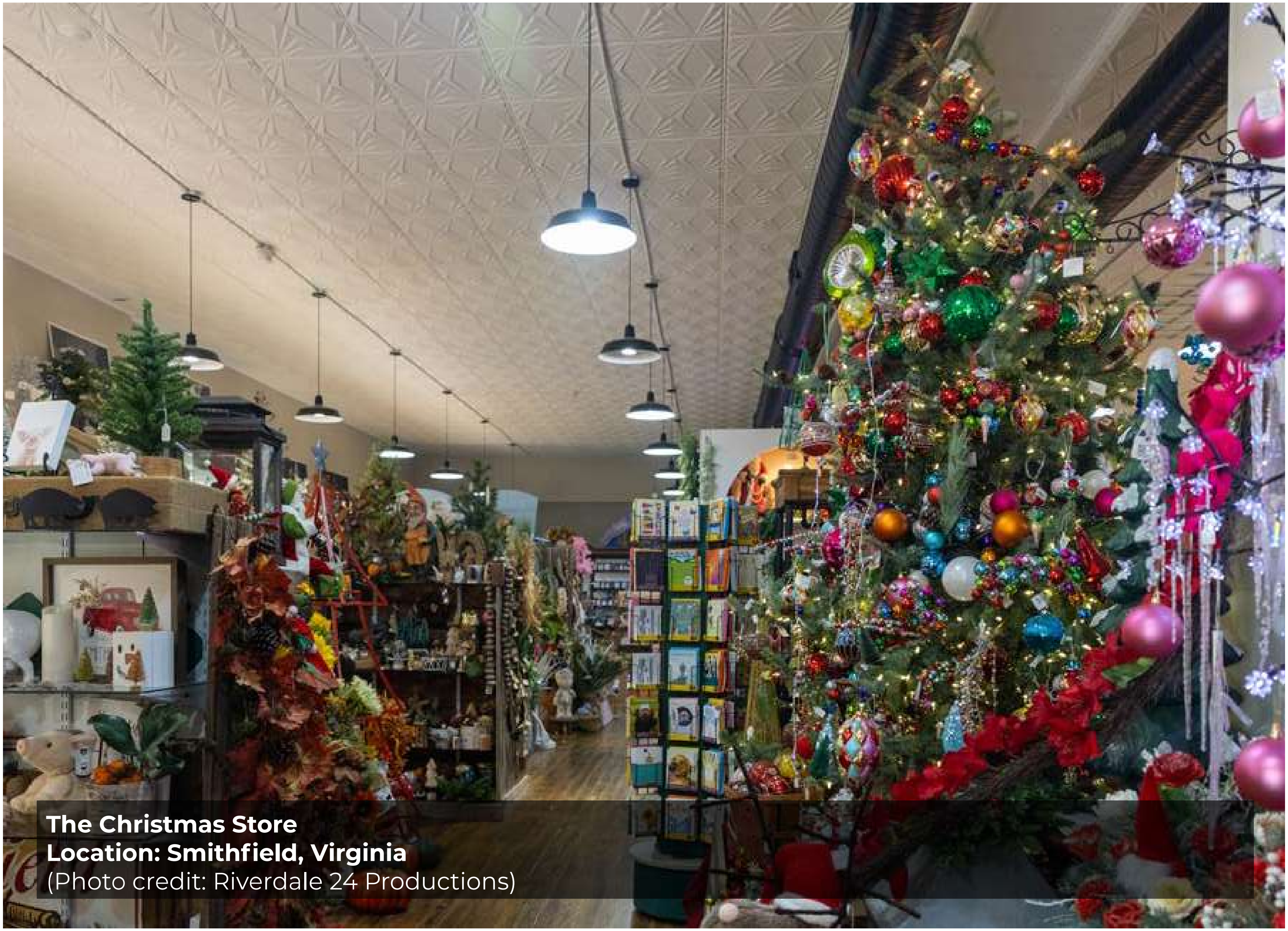
A company selling beauty products such as makeup could also promote the natural ingredients included in these products and detail how they help keep skin healthy.

9. Consumers Are Spending More to Save More, aka "Spaving"

Though CI&T's 2024 Connected Retail Report documented 80% of consumers saying the economy has slightly or significantly changed their shopping habits/behaviors, with 70% of saying they are "trying to spend less overall because of inflation, focusing primarily on the lowest cost items," national sales data tells a different story.

2023 spending beat forecast for 8 out of 12 months, exhibiting growth in 9 out of the 12 months. Though the growth numbers were slight, in times of inflation, when consumers have been extra-aware of spending, this growth is worthy of note.

Retailers have been increasing promotions over the last year, with temporary price reductions up by 72% and overall promotions up by 15% from March 2023 to March 2024, cost-conscious consumers ended up hyperreactive to the deals and couldn't resist (Source: CNBC via Numerator). Consumers are expecting, and looking for promotions everywhere they shop. §



The Christmas Store
Location: Smithfield, Virginia
(Photo credit: Riverdale 24 Productions)

Chapter 3

A Look Ahead: Trends in Small Business Retail

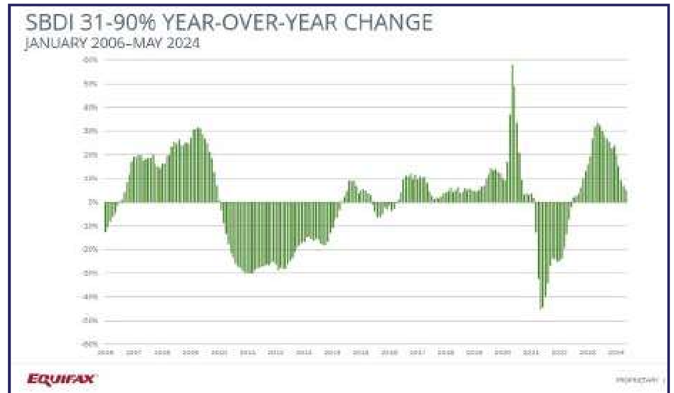
As we reflect back on the past 18 months, one could characterize 2024 as a more settled period. Even with a huge influx of government and consumer spending, there was a new norm of sorts. However, there is always economic uncertainty.

In the first period, we had tremendous inflationary pressures causing a ripple effect on retailers with vendor price and labor cost increases.

In January 2023, inflation stood at 6.4 percent, but now has become rooted at about 3 percent. In addition, we have been in a changed era relative to increased interest rates, making any sort of debt structure to support growth or even sustaining one's retail business much more difficult and costly.

This strain is most noticeable in the growth of payment delinquencies beginning in 2023 and peaking toward the end of 2023.

That being said, retail spending remains at a much higher "floor" than in 2019 and most data relative to retail is more about contradictions. For example, hospitality, entertainment and food spending remains strong, but sports and recreation sectors because of the massive



SBDI 31-90% YOY Change (Source: Equifax)

spending through 2020 and 2021 are having a down cycle.

There are generational spending shifts as boomers hit "Peak 65" in 2024, and are now in a down spend period whereas Generation Z spenders are emerging as the key driver of retail spending, but with far less capital resources and significant differences in spending priorities.

As we look ahead into 2025, retail businesses don't exist within a bubble. They are influenced by macro societal, economic, and technology shifts.

It's through that lens that we speculate the following areas ripe for disruption, pivot points and new areas for operational adoption: *(Note: In no order of prioritization)*

1. Greater Systems and Processes for Retail Shrinkage

As far as the state of retail crime, the National Retail Federation (NRF) pretty much says it all: Retailers are seeing unprecedented levels of theft coupled with rampant crime in their stores, and the situation is only becoming more dire. – NRF Vice President for Asset Protection and Retail Operations David Johnston *(Source: https://nrf.com/media-center/press-releases/retail-crime-accounted-over-112-billion-industry-losses-2022-according)*

Some of the largest retailers in the US are feeling these issues in their bottom line. CNBC reports that "Target lost about $219.5 million more to shrink during the three months ended July 29 than it did during the year-ago period." Meanwhile, Dick's Sporting Goods reportedly "lost about $27.1 million during the same three months." *(Source: https://www.cnbc.com/2023/09/08/this-is-how-much-money-retailers-are-losing-to-shrink-retail-theft.html)*

Certainly, there may be differences of experience based on location, store size, and retail sector. However, for many this trend continues. For those experiencing greater inventory shrinkage and/or concerned about this issue, here are some security measures to consider:

- Enhanced surveillance systems, including CCTV and AI-powered cameras.

- Advanced inventory tracking technologies, like RFID tags.
- Employee training programs focused on loss prevention and recognizing suspicious behavior.
- Tighter access controls, especially in high-value areas.
- Collaboration with local law enforcement for improved

security and rapid response. Implementing visible anti-theft signage to deter potential shoplifters.

- Utilizing data analytics to identify patterns and hotspots for theft within the store.
- Developing and enforcing stricter store policies regarding theft and shoplifting.

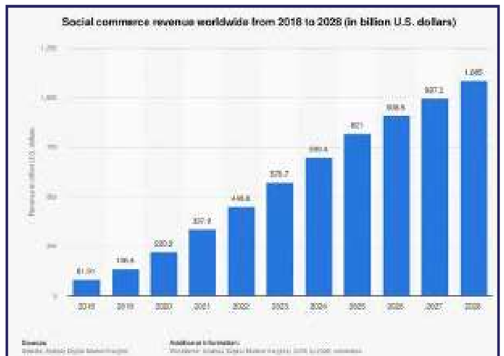
While no security system is perfect, and for many sole proprietors it is difficult to "do it all," these practices may help curtail theft and ensure that your business stays secure.

2. Social Commerce Continues to Gain Traction

Consumers are increasingly using social platforms to browse for inspiration, discover brands and ultimately make purchases. As such, it is critical that retail businesses have a strong presence on the social platforms that engage and reach their target audience with frequency.

We fully anticipate strong growth in Social Commerce as one of the primary methods of "shopping" with Gen Z buyers fueling the retail sector.

In fact, Statista predicts social commerce revenues will grow from $600 billion this year to more than $1 trillion in 2028. Much of this growth, according to eMarketer, has been driven by greater purchases by existing consumers rather than a huge jump in new "participants" using social commerce.

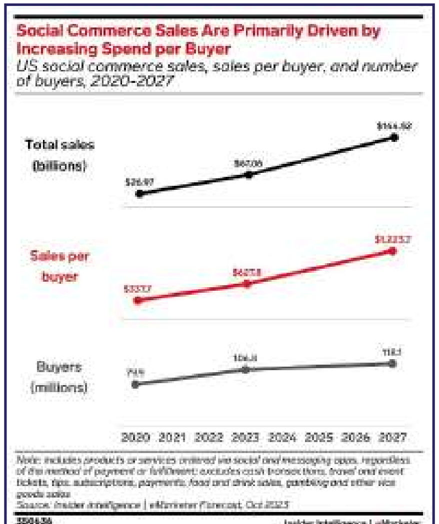


Social Commerce Revenue Worldwide from 2018 to 2028 (in billion U.S. dollars) (Source: Statista Digital Marketing Insights)

Worldwide, nearly 60% of individuals (Source: https://www.insiderintelligence.com/insights/social-commerce-brand-trends-marketing-strategies/) have bought a product via social media.

And the amount these individuals are spending on social commerce platforms continues to increase.

In 2020, the average sales per buyer sat at about $340. By 2027, that number is predicted to grow to more than $1,200 *(Source: https://www.insiderintelligence.com/content/social-commerce-forecast-2023/)*.



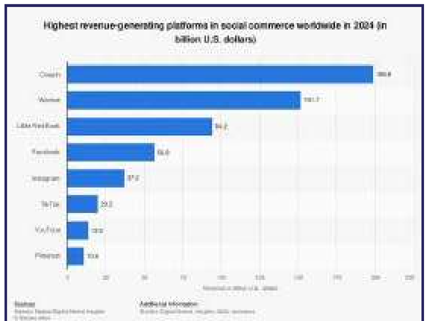
Social Commerce Sales Are Primarily Driven by Increasing Spend per Buyer (Source: Insider Intelligence, eMarketer Forecast, Oct 2023)

Relative to platforms seeing the most social commerce activity, China's shopping platforms by far dominate, holding the top 3 sites for social commerce.

Facebook controls much of the United States consumer market.

Meanwhile, TikTok has been leveraging its massive user engagement through shoppable videos and partnerships with ecommerce platforms, offering unique ways for brands to connect with consumers.

And if you haven't done so yet, experiment with different social commerce features. Instagram, for example, has integrated shopping tabs and product tags that facilitate easy browsing and purchasing within the app.



Highest Revenue-Generating Platforms in Social Commerce Worldwide in 2024 (Source: Statista Digital Marketing Insights)

Lastly, there are so many ai enabled apps that are making all of this significantly easier and less time intensive.

3. Disruption in Logistics and Fulfillment

Much of this trend is currently driven by highly dense areas in which proximity to "last mile" logistics can bring greater efficiency and cost reductions through the use of new technology.

One example that has found the news quite a bit is the use of delivery via drones.

Amazon has been the speculated leader in this area with a drone that reportedly has the ability to deliver orders within 60 minutes of being placed.

In addition, the food delivery business in large cities, dense with offices and housing complexes also makes for an interesting play.

Currently in places like Los Angeles and San Francisco, Uber Eats is using mobile “carts” to make food deliveries. *Photo Source: new Atlas*

4. Next Evolution in Small-Scale Production: Private Labeling for Small Retailers

In the Main Street America Spring 2024 survey of nearly 1,000 Main Street small businesses, more than 30 percent of respondents indicated they made a product.

In reviewing the data deeper, many of these producers are actually private labeling their products - in essence building new brands through marketing, design, and in craft niches.

As such, far from the low-quality generics of years past, private labels and store brands are moving into more exclusive markets in which brand identity, experience, and value points like environmental or health benefits, are the drivers.

Additional data reveals greater consumer purchasing of private label products is driving this sector.

According to a February 2024 survey by Sourcing Journal, 36 percent of shoppers actively seek out private label brands. Likewise, a Bazaarvoice 2024 survey showed that nearly 65 percent of consumers have purchased a private label product within the past six months.

The majority of those, 71% of consumers, had made private label purchases in the food and beverage category, 48% have purchased private label beauty products and 41% have purchased private label fashion items.

EXAMPLE – New Frontier Circular Denim

Based in rural Appalachia, New Frontier launched their company by private labeling through a manufacturing partner in Amsterdam, Netherlands.

The owners design the jeans, do all the sales and marketing, as well as driving the brand nationally and internationally.

Eventually manufacturing may shift to their Morehead, Kentucky location, but it was advantageous to be able to focus and apply their capital resources to building the brand rather than capital intensive manufacturing. *(Source: Joshua and Jared Ravenscraft, Co-Founders) (Photo Credit: Main Street America)*

5. Deals and Promos are Back

In 2024 we began to see things like deals, sales and incentives coming back into the retail marketplace.

A survey by EY *(Source: https://www.ey.com/en_us/consumer-products-retail/insights-into-a-more-consumer-centric-food-system)* found that consumers are "very concerned about the cost of groceries" and over a third (38%) are prioritizing affordability when choosing brands to buy from.

In fact, a telltale sign of this movement is when you start to see car manufacturers beginning to offer incentives.

Research by eMarketer *(Source: https://www.insiderintelligence.com/content/what-retailers-need-know-about-2024-and-beyond-5-charts)* tells a similar story.

Its survey of 1,669 US digital shoppers showed that consumers paid most attention to ads for products that are on sale. It's also these types of ads that have led to the most purchases.

What this suggests is that value purchasing is back across generations and across socio-economic status.

This may result in retail businesses having to think about lost leaders, offsetting margins on products with margin heavy services, opening B to B strategies, etc.

6. Third Spaces Shift to Micro Communities

When Starbucks recently announced that it was "reimagining" the Third Space from a physical notion to a feeling, it signaled a dramatic shift in the role of places away from the home and work, but also the role of retail in supporting community and personal engagement.

Throughout history, civic spaces like libraries and parks made up places that brought people together, forming networks and strong social bonds.

While the "Age of Dispersion" has created wonderful opportunities to work (remote work), shop (e-commerce), educate oneself (online learning), and even receive medical advice (telemedicine), it has also resulted in the demise of real community and connection, making Third Spaces even more important.

While we would suggest Starbucks has really lost its mission and moved more to a fast-food part of the retail sector.

This has left a void, but also an opportunity for Main Street retailers to stake a hold on the authentic Third Space sector by moving beyond the passive elements and incorporating greater intersectionality between small businesses and their communities.

For example, recent research has investigated the significance of third spaces, such as coffee shops and libraries, as informal gathering places that facilitate social connections and community cohesion.

A study published in the Journal of Urban Affairs examined

the role of third places in promoting social capital and civic engagement, emphasizing their importance for building inclusive and resilient communities.

The 2023 US. Surgeon General's Report on the Loneliness Epidemic also connected the dots to the importance of Third Spaces.

For decades, Americans reported spending about 6 ½ hours a week with friends. But from 2014 to 2019, it suddenly dropped by 37%, to four hours a week. There are growing concerns around the impacts of loneliness and isolation on mental and physical health.

One in five Americans reported feeling lonely or socially isolated often or all the time in 2018. One study found the rate of loneliness among young adults rose almost every year between 1976 and 2019. In a 2019 YouGov poll, 22% of millennials reported having no friends at all.

As such, we anticipate Third Spaces evolving into what could be defined as "Micro-Communities." Micro-Communities are more than just passive spaces like Third Spaces. They are driven to create greater brand affinity in

two fundamental ways: creating an inviting and experiential environment and programming that creates social interaction and engagement. The first "sub-trend" line suggests additional forms of retail will begin to evolve micro communities into their spaces.

For example, in Englewood Colorado, Brewability, a microbrewery, has created a

micro community for those with disabilities. The bulk of their employees have a mental or physical disability and the space itself features a sensory room, wide rows and seating, and weighted utensils and serving ware. *(Photo Credit: Matt Wagner).*

The second sub-trend involves the evolution of current third spaces, like that of Elements: Books, Coffee and Beer in Biddeford, Maine in which there is a great attention and focus on building micro community by providing opportunities for residents and visitors alike to participate in activities that create new networks, friendships and acceptance through programming like a community book reading event or organized meetups.

You can listen to a full podcast about Elements and their story on building a Micro Community. *(Source: https://mainstreet.org/resources/knowledge-hub/podcast/katie-pinard-and-michael-macomber-elements-coffee-books-beer)*

(Photo Credit: Main Street America)

In 2025, we anticipate that this strategy will continue, as well as more hosted in-store events designed to foster spaces where customers can connect, share, and engage with the brand and one another.

This sense of community is not only enriching the shopping experience, but also driving brand loyalty and turning customers into brand advocates.

7. The Resale Sector Becomes Next Big Growth Sector

As signaled in the economic and consumer trends impacting the retail sector, financial woes and sustainability concerns are leading retail consumers to shop in resale marketplaces more frequently than ever before.

The founder of Recurate *(https://www.recurate.com/)*, a platform that helps brands build their own resale marketplaces, says that the resale market is growing 11 times faster than regular retail. *(Source: Forbes)*

In an examination of the resale sector by the Harvard Business Review, nearly 75 percent of consumers globally say they shop resale. Businesses are responding by offering resale segments that feature their branded products. The Recommerce 100 indicates the number of brands offering resale actually grew 3.4 times in 2023 over 2022.

Share of U.S. Respondents Who Purchased Products Second-Hand in the Past 12 Months (Source: Statista Consumer Insights)

This equates to a global market that will grow to more than $350 billion by 2027 according to ThredUp, a fashion resale marketplace. They further predict $70 billion of that would come from the U.S.

As you can imagine, the apparel sector is the largest category of this sector, followed by books and games and home furnishings. *(Source: Statista)*

8. Peak 65 Signifies Generational Transition for Retailers

Peak 65" is a term that refers to the largest increase in people turning 65 years old in U.S. history. The "Peak 65 Zone" is the period between 2024 and 2027, when the number of Americans turning 65 is expected to average more than 11,200 per day, up from the previous decade's average of 10,000 per day.

This is due to younger baby boomers reaching retirement age. Why is this important to the retail business sector? According to a 2023 survey by Guidant Financial, Baby

Boomers and Gen X make up the majority of small business ownership, with Boomers accounting for 39.63%.

And yet, only 34% of family-owned businesses have a clear succession plan in place, according to research from PwC *(Source: https://www.pwc.com/us/en/services/trust-solutions/private-company-services/library/family-business-survey.html). (Forbes)* And it's even worse for private companies.

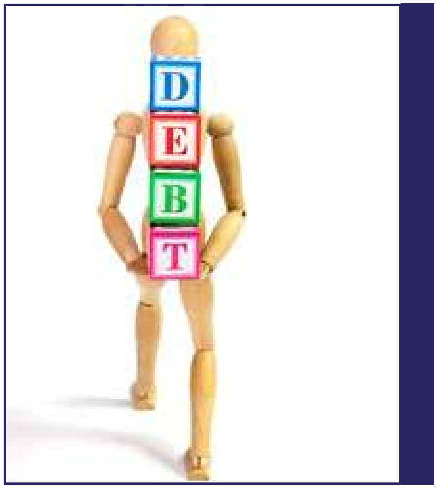
According to the National Association of Corporate Directors *(Source: https://www.nacdonline.org/all-governance/governance-resources/core-oversight-topics/succession-planning/)*, fewer than 25% of private companies say they have a formal succession plan in place. And 75 percent of owners also say that if they had to step away from their business entirely tomorrow, they are not completely certain the business would continue to move forward successfully. That is not a pleasant scenario to contemplate for our communities and Main Streets.

Among the business owners yet to develop a succession plan, 38 percent feel their business hasn't reached a point where succession planning is a priority.

Digging into why business owners don't draft a plan, the survey found the top reasons were uncertainty about the business's future (32 percent), lack of knowledge on where to start (32 percent), and difficulty in identifying a suitable successor (26 percent). *(Source: Morning Consult and NEXT360 Partners)*

While this represents a wonderful opportunity for the transition of great retail businesses to the next generation, it's particularly concerning given the ability of younger generations to acquire the capital for business acquisition. As such, it becomes critical to work both ends of the spectrum in order to address this issue.

First, we need greater creativity in bridging the great chasm between personal equity and traditional debt financing structures.



Currently this space is limited to the Community Development Finance Institutions (CDFIs) network and a somewhat confusing and misunderstood, but incredibly promising Crowdfunding sector.

One in particular is NuMarket *(www.Numarket.co)*, which is bringing simplicity to the crowdfunding space for small business owners and creating an investment scenario that recognizes the brand affinity consumers have for their local businesses.

(Source: Numarket) The Bean at 226 in Windsor, Connecticut represents a wonderful example of how a young entrepreneur can leverage crowdfunding to meet their dreams of buying a coffee shop and owning real estate creating true generational wealth.

Their campaign raised more than $57,000 from 355 contributors using the crowdfunding platform. In return, each contributor received 120% in store credits to be used in the very café they have now contributed to its success and resiliency.

Secondly, we need greater access for entrepreneurs and existing business owners to education about ownership models and structures. Most buyers and sellers are limited in thinking that succession is a case of passing along the business to a family member, selling to another individual or simply closing.

But there are a number of other structures that have great potential to coalesce individual and community capital ranging from Co-op member structures, ESOPS (Employee Stock Ownership Plan) where employees create a structure for ownership, or even social ventures through the non-profit sector.

9. “The Ozempic Shift”

Don’t underestimate the impact of Ozempic and other weight control drugs on the retail sector. The weight loss industry is a multi-billion dollar business that includes a wide range of products and services.

In 2023, the U.S. weight loss market reached an estimated $90 billion, with some segments seeing significant growth:

Prescription weight loss drugs: More than doubled from 2022 to 2023, reaching an estimated $11.9 billion.

Medical weight loss programs and services: Estimated to be worth $21 billion.

The weight loss industry is expected to continue to grow as more people seek to improve their health and appearance. Some forecasts for the industry include:

Global weight loss supplement market: Expected to reach $101.83 billion by 2033.

Weight management market: Estimated to grow to $328.24 billion by 2032.

Weight-loss drug sales: Some experts predict annual global sales of up to $150 billion by the early 2030s.

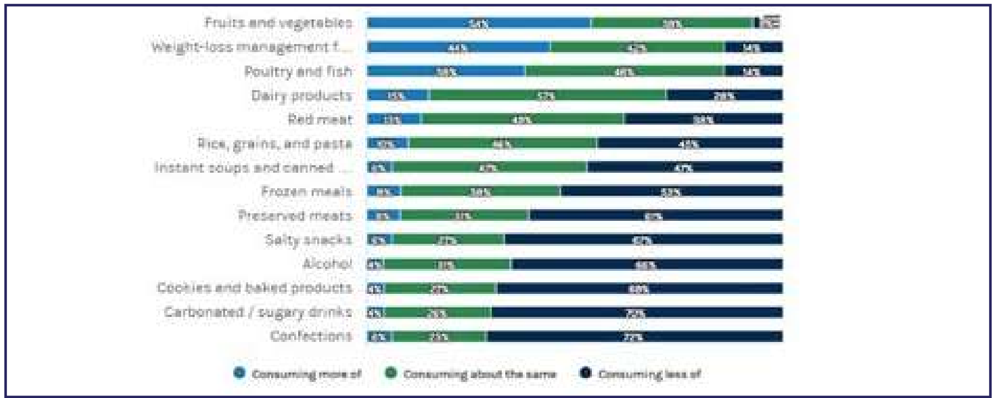
There are both immediate impacts and longer-term impacts. More immediate impacts are already being felt in the fast-food sector. Traffic to quick-service restaurant chains declined 2.3% in the second quarter, according to new data from Revenue Management Solutions (RMS). And fast-food giant McDonalds in this same time period reported a 12 percent drop in profits.

In analyzing some of the research on impacts of weight loss drugs, there will need to be shifts predominantly in the food sector, but beyond just the obvious in fast food. Likely impacts include bakeries, bars and even perhaps coffeehouses. Shifts may include more healthy

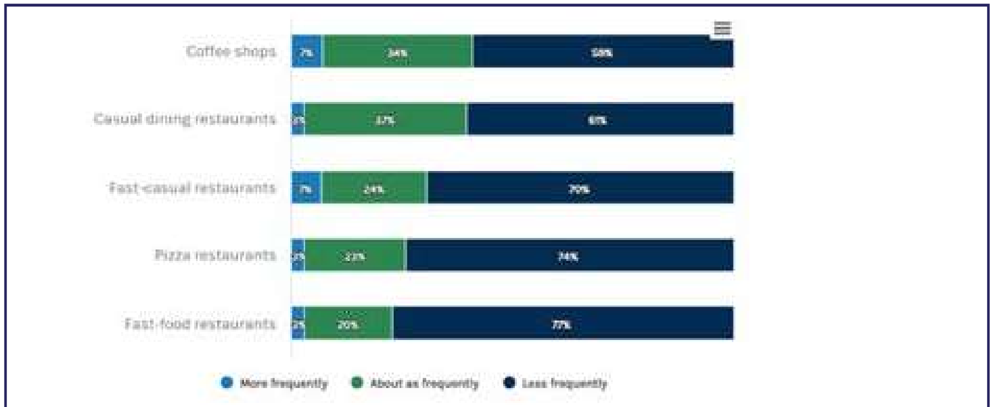
choices or increased diversity of drink choices.

But with every swing there are also anticipated opportunities in retail that further coincide with consumers trends in greater health and well-being consciousness.

As such, anticipate shifts in apparel to greater athletic and leisure wear as well as a rebound in the outdoor recreation markets. §



Healthier Categories see a Boost in Consumption by Patients After Starting on AOM (Source: Morgan Stanley including estimates)



Patients Report the Most Significant Changes to Fast Food and Pizza Restaurant Trips (Source: Morgan Stanley including estimates)

Adele Diamond
Locations: Virginia Beach (multiple locations), Chesapeake, Virginia
(Photo credit: Riverdale 24 Productions)

Chapter 4

What Characterizes Retail Trade Businesses in Virginia in 2024?

National Retail Federation Numbers for Virginia

25% **of jobs in Virginia are supported by the retail industry**

The numbers clearly show how much Virginia retail matters. A new National Retail Federation report shows that there are more than 835,000 retail jobs in the Commonwealth and that a quarter of all Virginia jobs are supported by the retail industry. Virginia retail has a total impact of more than $128B on the state's gross domestic product.

The statistics on this page use the National Retail Federation definition of retail that includes food services and drinking places. Other charts and data in this section of the report use 2024 data from Esri and Data Axle Inc, which exclude food service businesses and drinking places and include limited numbers of businesses without employees other than the business owner.

$128.1B total impact on GDP
$30.5B direct labor income
118.4K retail establishments
835.5K direct retail employment
1.4M total jobs supported
$53.8B direct impact on GDP

Industry	Employment (Jobs)	GDP ($Millions)
Retail trade (including food services and drinking places)	**835,530**	**$53,811**
Accommodation	46,200	$3,883
Administrative and support and waste management and remediation services	342,220	$24,154
Agriculture, forestry, fishing, and related activities	59,530	$3,026
Arts, entertainment, and recreation	115,200	$5,137
Construction	321,220	$30,798
Educational services	113,840	$5,824
Finance and insurance	275,590	$38,647
Health care and social assistance	530,150	$41,451
Information	92,660	$27,515
Management of companies and enterprises	92,830	$16,565
Manufacturing	258,600	$40,732
Mining, quarrying, and oil and gas extraction	9,150	$2,277
Other services (except government and government enterprises)	317,940	$16,621
Professional, scientific, and technical services	620,180	$85,967
Real estate and rental and leasing	292,070	$89,571
Transportation and warehousing	274,810	$19,352
Utilities	11,610	$10,141
Wholesale trade	129,260	$30,509

Direct Employment and GDP Value by Major Industry in VA (Source: National Retail Federation and PwC)

State / Congressional District	Number of Retail Establishments	Employment (Jobs)		Labor Income ($Millions)		GDP ($Millions)	
		Direct	Total	Direct	Total	Direct	Total
Virginia	**118,356**	**835,530**	**1,384,460**	**$30,494**	**$72,121**	**$53,811**	**$128,100**
VA-1	9,265	68,660	112,560	$2,422	$5,658	$4,302	$9,840
VA-2	10,989	78,420	123,750	$2,518	$5,066	$4,476	$9,362
VA-3	10,413	79,730	129,380	$2,632	$5,937	$4,714	$10,701
VA-4	10,957	78,270	139,120	$2,620	$7,803	$4,932	$14,803
VA-5	15,413	87,580	140,010	$2,823	$6,145	$5,748	$11,927
VA-6	12,623	81,190	138,660	$2,713	$6,247	$5,195	$11,465
VA-7	7,263	58,720	90,390	$2,121	$3,868	$3,658	$7,164
VA-8	9,453	77,150	128,840	$3,707	$9,730	$5,616	$15,807
VA-9	9,561	71,570	110,480	$2,240	$4,183	$4,237	$8,034
VA-10	11,007	80,100	131,930	$3,122	$6,795	$5,258	$11,822
VA-11	11,413	73,840	139,350	$3,376	$10,688	$5,674	$17,175

The Economic Contribution of the Retail Industry in VA (Source: National Retail Federation and PwC)

Business and Employees, USA and Virginia by NAICS Sector / Industry

NAICS Sector / Industry Description	USA Businesses		USA Employees		VA Businesses		VA Employees	
	#	%	#	%	#	%	#	%
Agriculture, Forestry, Fishing & Hunting	100,554	0.8%	758,551	0.5%	1,598	0.5%	10,629	0.2%
Mining	18,997	0.1%	406,555	0.3%	271	0.1%	5,492	0.1%
Utilities	24,342	0.2%	646,136	0.4%	388	0.1%	16,568	0.4%
Construction	871,801	6.8%	7,431,819	4.6%	20,977	6.9%	203,836	4.7%
Manufacturing	441,088	3.4%	12,217,570	7.6%	8,243	2.7%	292,065	6.7%
Wholesale Trade	392,553	3.0%	6,018,197	3.8%	7,258	2.4%	135,468	3.1%
Retail Trade	**1,572,819**	**12.2%**	**18,655,962**	**11.6%**	**34,552**	**11.4%**	**467,715**	**10.7%**
Motor Vehicle & Parts Dealers	**210,791**	**1.6%**	**2,643,534**	**1.6%**	**4,776**	**1.6%**	**73,359**	**1.7%**
Furniture & Home Furnishings Stores	**78,577**	**0.6%**	**675,720**	**0.4%**	**1,890**	**0.6%**	**20,547**	**0.5%**
Electronics & Appliance Stores	**52,306**	**0.4%**	**566,077**	**0.4%**	**1,118**	**0.4%**	**13,826**	**0.3%**
Building Material & Garden Equipment & Supplies Dealers	**134,429**	**1.0%**	**1,908,899**	**1.2%**	**2,693**	**0.9%**	**44,989**	**1.0%**
Food & Beverage Stores	**249,134**	**1.9%**	**3,816,413**	**2.4%**	**5,725**	**1.9%**	**99,479**	**2.3%**
Health & Personal Care Stores	**151,108**	**1.2%**	**1,461,076**	**0.9%**	**3,461**	**1.1%**	**32,397**	**0.7%**
Gasoline Stations & Fuel Dealers	**82,789**	**0.6%**	**609,072**	**0.4%**	**2,107**	**0.7%**	**15,855**	**0.4%**
Clothing, Clothing Accessories, Shoe and Jewelry Stores	**170,359**	**1.3%**	**1,321,259**	**0.8%**	**3,320**	**1.1%**	**28,610**	**0.7%**
Sporting Goods, Hobby, Book, & Music Stores	**274,330**	**2.1%**	**1,967,025**	**1.2%**	**5,882**	**1.9%**	**44,518**	**1.0%**
General Merchandise Stores	**168,996**	**1.3%**	**3,686,887**	**2.3%**	**3,580**	**1.2%**	**94,135**	**2.2%**
Transportation & Warehousing	286,184	2.2%	4,191,801	2.6%	6,195	2.1%	87,565	2.0%
Information	264,847	2.1%	4,201,811	2.6%	6,917	2.3%	125,622	2.9%
Finance & Insurance	618,722	4.8%	6,389,239	4.0%	13,382	4.4%	135,674	3.1%
Central Bank/Credit Intermediation & Related Activities	231,235	1.8%	2,487,756	1.6%	5,544	1.8%	62,663	1.4%
Securities & Commodity Contracts	178,235	1.4%	1,561,210	1.0%	3,424	1.1%	28,982	0.7%
Funds, Trusts & Other Financial Vehicles	209,252	1.6%	2,340,273	1.5%	4,414	1.5%	44,029	1.0%
Real Estate, Rental & Leasing	636,435	4.9%	4,477,746	2.8%	14,279	4.7%	116,136	2.7%
Professional, Scientific & Tech Services	1,219,383	9.5%	12,311,611	7.7%	37,500	12.4%	510,390	11.7%
Legal Services	283,093	2.2%	2,043,444	1.3%	5,804	1.9%	49,091	1.1%
Management of Companies & Enterprises	33,062	0.3%	370,006	0.2%	327	0.1%	5,121	0.1%
Administrative, Support & Waste Management Services	440,169	3.4%	4,293,606	2.7%	10,957	3.6%	120,696	2.8%
Educational Services	332,327	2.6%	13,905,109	8.7%	8,651	2.9%	477,859	10.9%
Health Care & Social Assistance	1,307,362	10.1%	24,756,525	15.4%	31,414	10.4%	615,093	14.1%
Arts, Entertainment & Recreation	277,191	2.2%	3,706,719	2.3%	6,446	2.1%	83,368	1.9%
Accommodation & Food Services	954,546	7.4%	14,309,029	8.9%	22,294	7.4%	368,403	8.4%
Accommodation	118,547	0.9%	2,523,093	1.6%	2,919	1.0%	67,393	1.5%
Food Services & Drinking Places	835,999	6.5%	11,785,936	7.3%	19,375	6.4%	301,010	6.9%
Other Services (except Public Administration)	1,730,469	13.4%	10,360,216	6.5%	45,045	14.9%	299,014	6.8%
Automotive Repair & Maintenance	259,426	2.0%	1,297,167	0.8%	5,675	1.9%	31,387	0.7%
Public Administration	406,039	3.2%	10,125,571	6.3%	9,843	3.3%	263,065	6.0%
Unclassified Establishments	954,335	7.4%	870,146	0.5%	15,396	5.1%	33,476	0.8%
Total	12,883,225	100.0%	160,403,925	100.0%	301,933	100.0%	4,373,255	100.0%

Business and Employees, USA and Virginia by NAICS Sector/Industry (Source: Esri and Data Axle, Inc., 2024) Note: The business counts shown here reflect those in Esri/Data Axle business records and are not exhaustive of all businesses in these areas

Retail Trade Businesses and Employees per Capita, Mid-Atlantic States, by NAICS Sector / Industry

NAICS Retail Sector / Industry Description	Virginia		Delaware		District of Columbia		Maryland		New Jersey		Pennsylvania		West Virginia		North Carolina	
	Biz per Cap.	Emp per Cap.	Biz per Cap.	Emp per Cap.	Biz per Cap.	Emp per Cap.	Biz per Cap.	Emp per Cap.	Biz per Cap.	Emp per Cap.	Biz per Cap.	Emp per Cap.	Biz per Cap.	Emp per Cap.	Biz per Cap.	Emp per Cap.
Retail Trade	0.392	5.301	0.549	5.874	0.313	3.755	0.406	5.247	0.447	5.313	0.473	5.710	0.454	5.155	0.462	5.571
Motor Vehicle & Parts Dealers	0.054	0.831	0.068	0.911	0.010	0.083	0.049	0.807	0.046	0.679	0.065	0.788	0.071	0.829	0.068	0.809
Furniture & Home Furnishings Stores	0.021	0.233	0.033	0.265	0.013	0.105	0.021	0.195	0.025	0.214	0.023	0.183	0.017	0.138	0.027	0.235
Electronics & Appliance Stores	0.013	0.157	0.015	0.120	0.011	0.111	0.015	0.156	0.017	0.181	0.015	0.166	0.010	0.078	0.012	0.162
Building Material & Garden Equipment & Supplies Dealers	0.031	0.510	0.034	0.588	0.013	0.157	0.031	0.516	0.036	0.482	0.039	0.563	0.035	0.522	0.039	0.602
Food & Beverage Stores	0.065	1.127	0.090	1.244	0.070	1.005	0.072	1.203	0.079	1.183	0.075	1.351	0.081	1.035	0.073	1.169
Health & Personal Care Stores	0.039	0.367	0.046	0.419	0.041	0.429	0.042	0.385	0.049	0.498	0.050	0.491	0.051	0.416	0.040	0.386
Gasoline Stations & Fuel Dealers	0.024	0.180	0.017	0.129	0.010	0.060	0.019	0.140	0.021	0.115	0.022	0.168	0.029	0.217	0.023	0.148
Clothing, Clothing Accessories, Shoe and Jewelry Stores	0.038	0.324	0.061	0.454	0.052	0.403	0.044	0.415	0.061	0.521	0.045	0.377	0.028	0.190	0.044	0.341
Sporting Goods, Hobby, Book, & Music Stores	0.067	0.505	0.096	0.581	0.067	0.882	0.065	0.504	0.069	0.511	0.087	0.577	0.078	0.497	0.079	0.553
General Merchandise Stores	0.041	1.067	0.089	1.165	0.024	0.521	0.045	0.925	0.043	0.929	0.052	1.045	0.055	1.232	0.055	1.165

Retail Trade Business and Employees per Capita, Mid-Atlantic States, by NAICS Sector/Industry (Sources: Esri and Data Axle, Inc., 2024) Note: The business counts shown here reflect those in Esri/Data Axle business records and are not exhaustive of all businesses in these areas

Virginia Sales Tax Revenue Data

- According to Virginia Department of Taxation data assembled by the University of Virginia's Weldon Cooper Center for Public Service, the retail sales sector (NAICS 44-45) raises most of Virginia's sales tax revenue, ranging between 57 and 63 percent of the state's totals on an annual basis. In the peak of the COVID-19 pandemic in 2020, retail sales accounted for $66.2B in sales tax revenue, 63 percent of the state's total.

  In 2023, sales tax revenue from the retail trade sector was 57 percent of the state's total, its lowest mark in the available data. However, this is not due to plummeting retail sales: Retail sales revenues as a dollar figure were at their second highest point in the data and just 0.3 percent lower than their peak in 2022. Rather, the declining proportion of retail sales tax revenue is largely due to rapidly growing tax revenues from food services, drinking places, and accommodation sectors (NAICS 72).

- The sales tax revenue generated by the retail sales sector (NAICS 44-45) has generally followed an upward trend over the past 18 years, with the only pronounced decrease occurring with the Great Recession between 2007-2009. Sales tax revenue from the retail sales sector skyrocketed during the COVID-19 pandemic in 2020-2022.

  Quarterly data from the past five years shows the steady contributions of the retail trade sector to the state's sales tax revenues, which ranged from 55 percent to 66 percent of the quarterly totals. The proportion of the state's total that came from the retail trade sector peaked at 66 percent in the second quarter of 2020.

  In the fourth quarter of 2023 and the first quarter of 2024, sales tax revenues from retail sales have leveled off and dipped slightly, but this likely represents only a slight comedown from the historic highs in the pandemic and its wake.

- Within the retail trade sector, food and beverage stores account for between 21 and 31 percent of the sector's total sales tax revenue contribution. General merchandise stores are another major industry, accounting for between 25 and 29 percent of the retail trade total.

Between 2020 and 2022, building material and garden equipment and supplies dealers emerged as another key industry, accounting for 12 percent of the state's total sales tax revenues from retail trade in 2020, 2021, and 2023, and 13 percent of the sector's total in 2022.

- Quarterly sales tax revenue data shows the extent to which the performance of different industries within the retail trade sector varied considerably over the last five years.

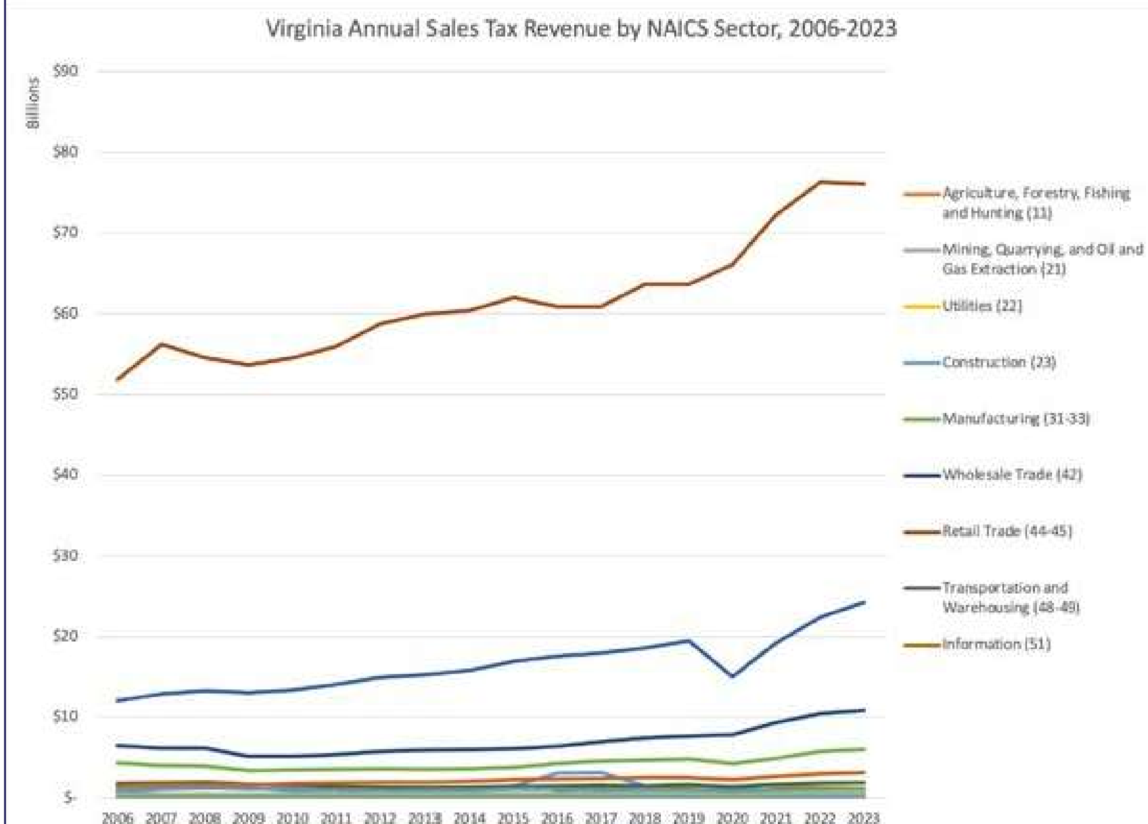
  During the second quarter of 2020 as COVID shutdown sectors of the economy, sales in multiple industries dropped by more than 25 percent year-over-year, including clothing and clothing accessories (-73% YOY), electronics and appliances (-43% YOY), and furniture and home furnishings (-35% YOY).

  Meanwhile, building material and garden equipment and supplies increased in 2020 Q2 by 13 percent YOY and by 27 percent YOY in Q3. By the first quarter of 2021, many of these trends reversed, with clothing and clothing accessories up 220 percent, electronics and appliances up 88%, and sporting goods, hobby, book, and music stores up 69 percent YOY.

  Over the past four quarters, multiple retail industries have dropped off in terms of their year-over-year revenues, including furniture and home furnishings stores (-30.1% YOY in Q4 2022-2023), gasoline stations (-26.8% YOY in Q1 2023-2024), miscellaneous store retailers (-25.2% YOY in Q1 2023-2024), and non-store retailers (-21.4% YOU in Q3 2022-2023).

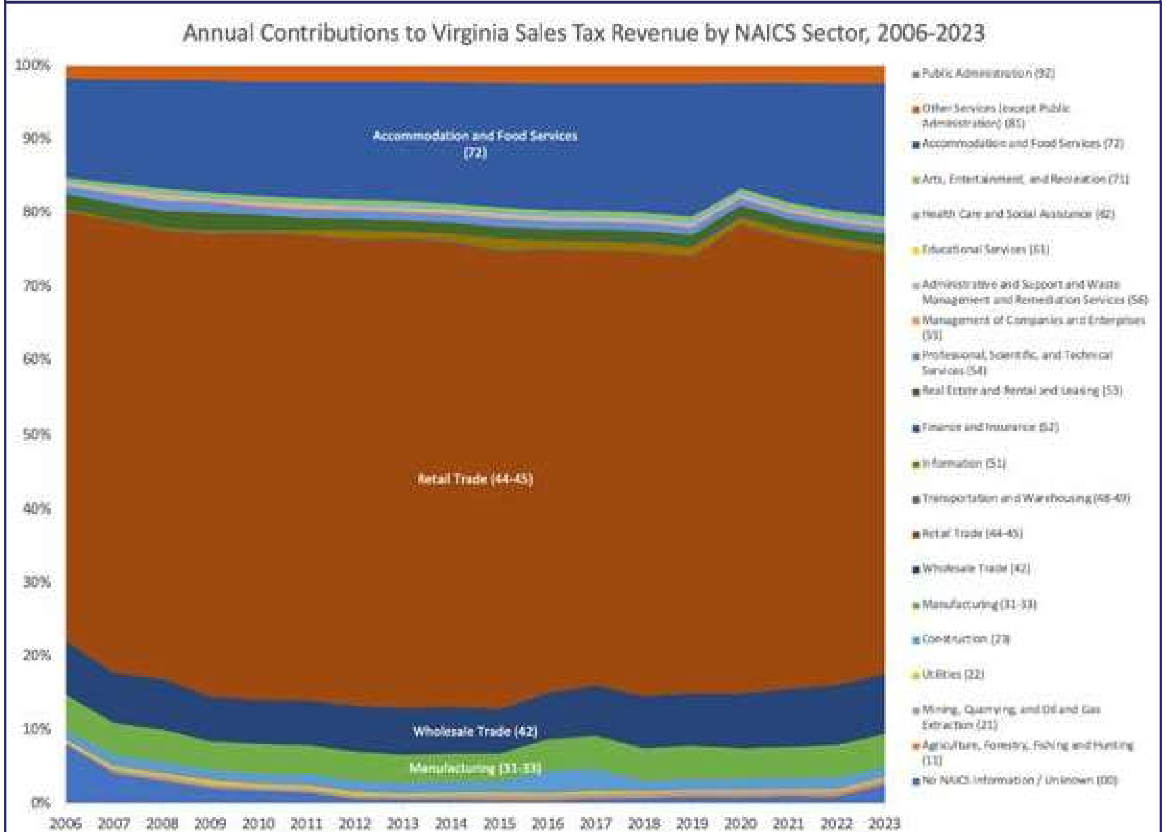
  Not all retail industries have seen this decline, however, as motor vehicle and parts dealers (+7.4% YOY in Q3 2022-2023), general merchandise stores (+7.3% YOY in Q3 2022-2023), and food and beverage stores (+3.6% YOY in Q3 2022-2023) have all had increases in revenues. These retail industries with favorable trends are three of the top five retail industries by sales revenue, which buoys the overall picture.

Virginia Annual Sales Tax Revenue by NAICS Sector, 2006-2023



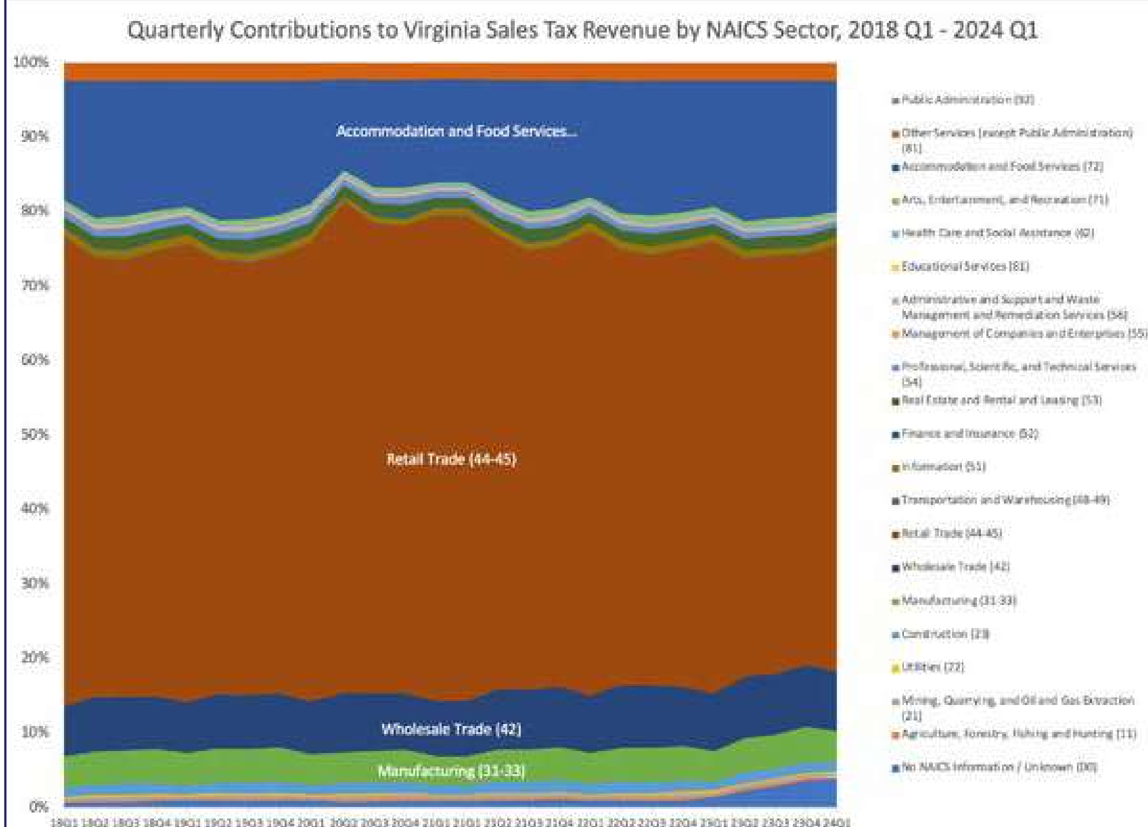
Virginia Annual Sales Tax Revenue by NAICS Sector, 2006-2023 (Sources: Virginia Department of Taxation / University of Virginia Weldon Cooper Center for Public Service, 2024) Note: The business counts shown here reflect businesses by NAICS sector. The retail trade classification (44-45) does not include food service and drinking places.

Annual Contributions to Virginia Sales Tax Revenue by NAICS Sector, 2006-2023



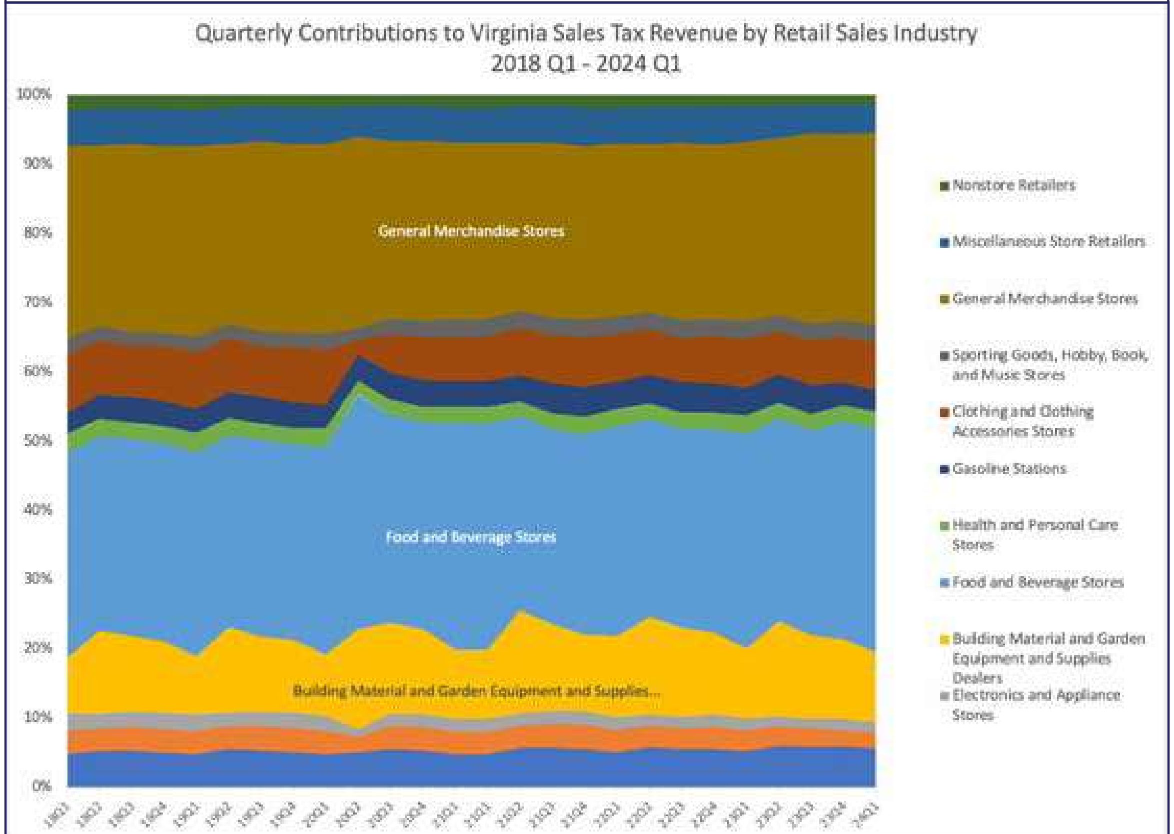
Virginia Annual Sales Tax Revenue by NAICS Sector, 2006-2023 (Sources: Virginia Department of Taxation / University of Virginia Weldon Cooper Center for Public Service, 2024) Note: The business counts shown here reflect businesses by NAICS sector. The retail trade classification (44-45) does not include food service and drinking places.

Quarterly Contributions to Virginia Sales Tax Revenue by NAICS Sector, 2018 Q1 - 2024 Q1



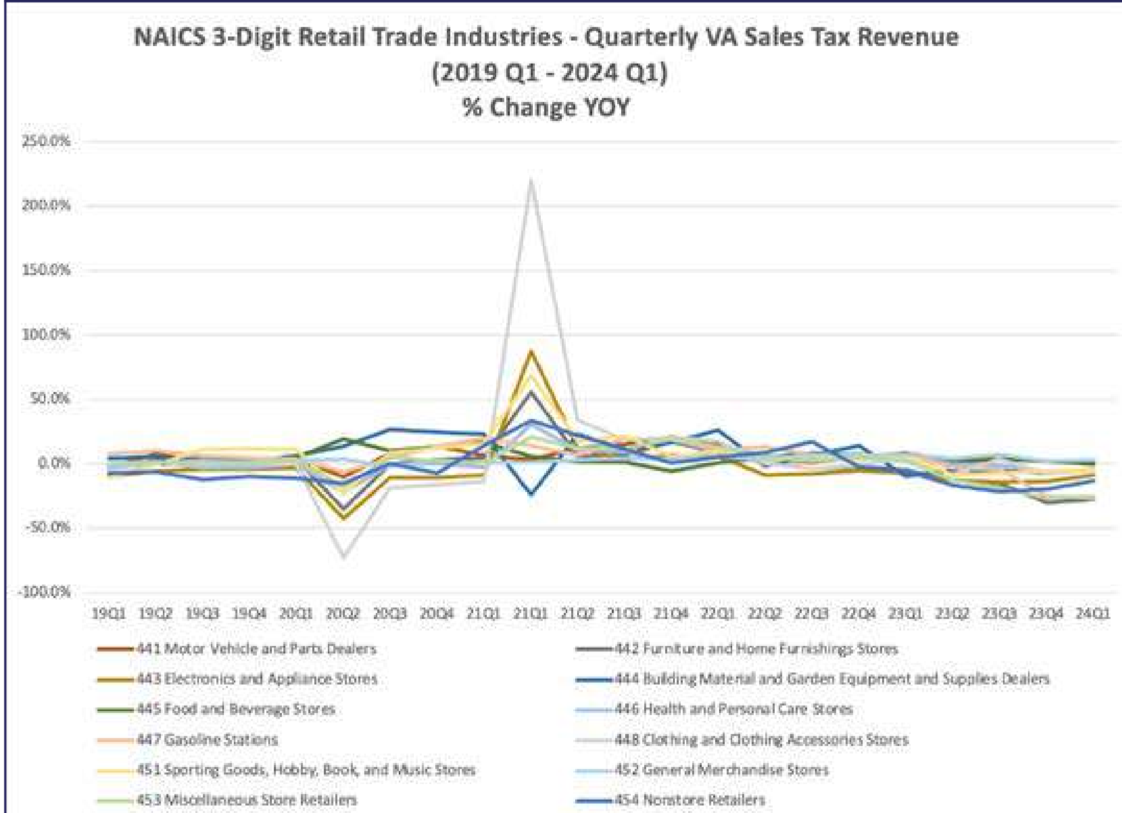
Quarterly Contributions to Virginia Sales Tax Revenue by NAICS Sector, 2018 Q1 - 2024 Q1 (Sources: Virginia Department of Taxation / University of Virginia Weldon Cooper Center for Public Service, 2024) Note: The business counts shown here reflect businesses by NAICS sector. The retail trade classification (44-45) does not include food service and drinking places.

Quarterly Contributions to Virginia Sales Tax Revenue by Retail Sales Industry, 2018 Q1 - 2024 Q1



Quarterly Contributions to Virginia Sales Tax Revenue by Retail Sales Industry, 2018 Q1 - 2024 Q1 (Sources: Virginia Department of Taxation / University of Virginia Weldon Cooper Center for Public Service, 2024) Note: The business counts shown here reflect businesses by NAICS sector. The retail trade classification (44-45) does not include food service and drinking places.

NAICS 3-Digit Retail Trade Industries - Quarterly VA Sales Tax Revenue, 2019 Q1 - 2024 Q1 % Change YOY



NAICS 3-Digit Retail Trade Industries - Quarterly VA Sales Tax Revenue, 2019 Q1 - 2024 Q1 % Change YOY (Sources: Virginia Department of Taxation / University of Virginia Weldon Cooper Center for Public Service, 2024) Note: The business counts shown here reflect businesses by NAICS sector. The retail trade classification (44-45) does not include food service and drinking places.

Insights from Main Street America's Small Business Survey - Virginia Findings

Main Street America has been running national surveys of small business owners since the start of the COVID-19 pandemic. We are now running small business surveys twice annually, giving us a strong picture of the state of small businesses operating in Main Streets across the U.S.

- Our Spring 2024 survey, conducted using the Qualtrics survey platform, was open for participation from May 29th to June 19th. We heard from 1,196 small business owners and nonprofit leaders across the United States, including owners of 414 retail trade businesses.
- **Virginia respondents:**
    - **Business types:** We heard from a total of 92 businesses based in Virginia, including 49 owners of Virginia-based retail trade businesses.
    - **Business owner characteristics:** Nearly two-thirds of Virginia-based retail businesses in our sample were women owned (63%). Ninety percent were owned by someone who is White. Nearly 60 percent were owned by someone who was either part of the Millennial generation (23%) or Generation X (35%). More than 20 percent of respondents said they were veterans or in a family with a veteran, and 15% said they were a person with a disability.
- For comparison, 66 percent of all Virginia businesses represented in our survey results were women owned, 80 percent were owned by someone who is White, and 61 percent were owned by someone who was either part of the Millennial generation (19%) or Generation X (42%). Eight percent of retail owners outside of Virginia said they were a veteran, in a family of veterans, or a person with a disability. In other words, Virginia retail respondents were more often White, more often had a disability, and more often had veteran status than the overall pool of Virginia respondents, but they were otherwise similar.

- **Number of employees:** Respondents to Main Street America's small business surveys tend to represent very small, locally-owned businesses. Virginia-based retailer respondents to the Spring 2024 survey had an average of 3.0 full-time employees and 2.9 part-time employees. There was a median of one full-time employee and two part-time employees at Virginia retailers. Retailers in states other than Virginia tended to be even smaller, with an average of 1.9 full-time employees and 1.8 part-time employees. There was a median of one full-time employee and one-part time employee at non-Virginia retail businesses.

- **Year launched:** The average year Virginia retailer respondents launched their business was 2009. About half of Virginia retailer respondents started their business in June 2013 or later. A quarter of the Virginia retailer respondents (25%) had started their business after the start of the pandemic. This is slightly lower than the proportion of retailers from other states who started their business since the pandemic began (29%).

- **Small scale manufacturers and makers:** About one-fifth of all Virginia retail businesses in our survey results made their own unique products for direct sale or sale through third-party businesses. Virginia retailers shared that they produce jewelry, apparel, art and artistic prints, and candles. The proportion of Virginia retailers that made their own goods was lower than the proportion of retailers in other states. Outside Virginia, 38 percent of retailers produced their own unique goods.

- **Desired types of support:** We asked survey respondents to share what types of support from the Main Street network would be of greatest interest.

    - Virginia retail business owners were most often interested in grant opportunities (63%), appearing on a national map or directory of Main Street businesses (56%), joining an online network of small business owners for peer-to-peer support (44%), and learning more about the emerging best practices of other small business owners (40%). Of the nine options offered, Virginia retail business owners were least interested in support related to e-commerce: Only 15 percent expressed interest in selling their business's products on an e-commerce platform for Main Street businesses, and only eight percent were interested in technical assistance with setting up an e-commerce platform. Retail business owners outside Virginia more often expressed interest in the support options listed, possibly reflecting a relatively independent streak among Virginia retailers.

- **Revenue change over the previous year:** Higher proportions of Virginia businesses and Virginia retailers reported generating profit over the previous year, compared to retailers across the U.S., and businesses as a whole across the country. About half of Virginia retail businesses (53%) reported generating profit in the previous year, compared with 36 percent of retailers from other states. Looking at all business types, 57 percent of Virginia business respondents reported generating a profit in the prior year, compared with 41% of all businesses in other states. It is noteworthy that retailers in Virginia and other states were less likely to report earning a profit in the previous year compared to other types of businesses, according to the response data to this question, indicating that retail business owners may be facing stiffer economic winds than other sectors.

- **Expected revenue change in the year ahead:** Higher proportions of Virginia retailers expected a revenue increase in the year ahead (61%) than among retail owner respondents from other states (52%). Among all Virginia business owners, 62 percent expected a revenue increase, and in comparison, 57 percent of all American respondents expected increasing revenue. These numbers are lower than what we heard in our February 2023 survey, when 69 percent of Virginia retailers expected a revenue increase in the year ahead and 75 percent of all Virginia business owners expected a revenue increase. It is likely that sustained high interest rates and inflationary pressures explain some of the year-to-year decrease, but the 2024 disparities in expectation between Virginia business owners and business in other parts of the U.S., are striking nevertheless.

- **E-commerce revenues:** 45 percent of Virginia retailers said they did not use e-commerce in the previous year, which is greater than the rate for retailers in other states (41%). In our February 2023 survey, half of Virginia retailers said they used e-commerce, indicating that there may be some stagnation in the growth of e-commerce in the Commonwealth.
    - Of those Virginia retailers who reported that they had generated revenues through e-commerce, less than 30 percent (29%) said they had generated more e-commerce revenue since the year prior, and only 7 percent said they had an increase in e-commerce revenues of ten percent or more YOY. In comparison, retailers using e-commerce from other states reported slightly more success, with 33 percent generating more e-commerce revenue.
- **Interest in accessing affordable capital:** We asked survey respondents to indicate whether and how much affordable capital they would be interested in accessing.
    - Among Virginia retail business owners, one-third of respondents (33%) were not interested in additional capital. 11 percent expressed interest in an amount less than $10,000, 33 percent were interested in an amount between $10,000 and $25,000, and nearly a quarter (24%) were interested in more than $25,000 of capital.
    - In comparison, only 21 percent of non-Virginian retailers were not interested in additional capital. 23 percent expressed interest in an amount less than $10,000, 29 percent were interested in an amount between $10,000 and $25,000, and just over one-quarter (27%) were interested in more than $25,000 of capital.
- **Prospective uses of affordable capital:** Asked about prospective uses for that affordable capital, nearly two-thirds of Virginia retailers (65%) said they would use it to invest in inventory, equipment, machinery, or raw materials. Physical improvements to Virginia retailers' building façade or interior were the next most popular investment interest (45%). Both of these proportions are greater than amongst retail owners in other states, where 62 percent were interested in inventory, equipment, machinery, or raw materials, and 42 percent were interested in physical improvements to their building façade or interior.

- **Forms of insurance:** According to our survey data, the vast majority of Virginia retailers carry general liability insurance (88%) or commercial property insurance (77%). More than half carry workers compensation insurance (52%). Interestingly, Virginia retailers were much less likely to have natural disasters or special perils coverage (8% among Virginia retailers compared to 15% of retail owners from other states) or flood insurance (2% among Virginia retail business owners compared to 11% of retail owners from other states).

- **Small business confidence:** Comparing results of the Spring 2024 Small Business Survey and our survey from February 2023, we see indications that Virginia retail trade business owners are less confident today than they were a year ago. In the Spring 2024 survey, Virginia retail trade businesses rated their confidence at an average score of 7.6 out of 10. 66 percent of Virginia retail trade respondents indicated a score between 8 and 10.

    - In the February 2023 data, Virginia retail trade businesses rated their confidence at an average score of 7.6 out of 10, and two-thirds of Virginia retail trade respondents (66%) indicated a score between 8 and 10.

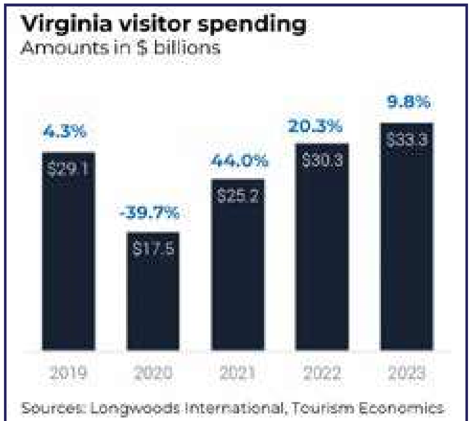
Impact to the Retail Economy from Virginia Tourism

A 2023 report published by Tourism Economics, an Oxford Economics Company reported visitors to Virginia spent $33.3 billion in 2023 across Transport, Food & Beverage, Lodging, Recreation/ Entertainment, and Retail.

Visitor spending expanded 9.8% in 2023, building upon already fully recovered visitor spending.

Of the $33.3 billion spent in Virginia in 2023 by visitors, Food & Beverage registered $9.4 billion and Retail $3.4 billion of visitor spending.

Both Retail and Food & Beverage have recovered and surpassed pre-COVID levels with 6.3% and 9.4% growth from 2022 to 2023. §



Virginia Visitor Spending in $ billions, 2019-2023 (Sources: Longwoods International, Tourism Economics)

Virginia visitor spending

Amounts in $ millions, 2023 percent change and percent recovered relative to 2019

	2019	2020	2021	2022	2023	2023 Growth	% relative to 2019
Total visitor spending	**$29.06**	**$17.52**	**$25.22**	**$30.34**	**$33.33**	**9.8%**	**114.7%**
Transportation**	$8.95	$4.58	$6.96	$8.91	$9.90	11.2%	110.6%
Food & beverage	$7.81	$5.17	$7.20	$8.55	$9.35	9.4%	119.8%
Lodging*	$5.57	$3.28	$4.86	$5.78	$6.30	9.0%	113.1%
Recreation	$3.50	$2.26	$3.29	$3.88	$4.34	11.9%	123.9%
Retail	$3.23	$2.23	$2.91	$3.23	$3.43	6.3%	106.3%

Source: Longwoods International, Tourism Economics

* Lodging includes short-term rentals, second home spending

** Transportation includes both ground and air transportation

Virginia Visitor Spending by Sector in $ millions, 2019-2023 (Sources: Longwoods International, Tourism Economics)

Pedego Electric Bikes
Location: Norfolk, Virginia
(Photo credit: Riverdale 24 Productions)

Chapter 5

The Retail Workforce

The retail industry has been significantly impacted by high employee turnover and a shrinking labor pool. This was most evident during the global pandemic, often stated as the “Great Resignation.” In fact, in 2021 alone, nearly 47 million people quit their jobs! *(Source: U.S. Bureau of Labor Statistics).*

Another way to look at the profound shift and challenges experienced by the retail industry can be through labor force participation rates.

The graphic highlights the height of labor force participation was in 1998 at 67.2 percent. Right before the pandemic, the US participation rate stood at 63.3 percent and dropped by 3 percent in one month from March to April 2020.

As of June 2024, we are still nearly 1 percent below pre-Covid levels. That might not sound like a lot, but it equates to 1.7 million missing from the workforce.

Labor Force Participation Rate Past 70+ Years

Labor Force Participation Rate Over the Past 70+ Years (Source: U.S. Bureau of Labor Statistics / fred. stlouisfed.org) Shaded areas indicate U.S. recessions.

Quit Rates

We can also see more directly, the “pains” within the retail sector more specifically. The retail industry experienced fluctuations in its quit rate throughout 2023, reflecting changing workforce dynamics and job market conditions. Despite efforts by retailers to enhance employee benefits and workplace conditions, the sector continued to contend with a higher-than-average turnover rate, particularly among frontline staff and seasonal workers.

To explain further, the quit rate is the number of quits during the entire month as a percent of employment.

Hiring and Quits are Falling

Overall Industry Employee Quit Rates: January 2019 – July 2024 (Source: Bureau of Labor Statistics)

Throughout 2024, quit rates for retail businesses have ranged between 2.8 and 3.2. This equates to approximately 460,000 quits per month in 2024. In addition, retail has the second highest quit rates, with only the leisure and hospitality sector (which includes restaurants) having a higher rate. (Source: US Department of Labor Statistics).

According to a 2022 McKinsey study, retail workers in the US have a quit rate that’s more than 70% higher than other industries.

Some reasons for retail workers quitting include:

- Low compensation: Retail workers earn less than the median US worker, despite a slight increase in wages compared to other industries.

- Scheduling and staffing challenges.
- Poor leadership and limited growth opportunities.
- Shoplifting and customer orneriness.
- American anxieties about high prices and politics.

(Source: McKinsey)

High turnover rates can indicate issues with workforce stability, recruitment, onboarding, and organizational culture.

Employment Trends

In 2024, the retail sector continued to be a significant contributor to the U.S. labor market. According to the Bureau of Labor Statistics (BLS), the retail trade as of June 2024 employs nearly 15.7 million, reflecting continued recovery from the lows during the global pandemic, but still short of the highs in 2017 in which employment was closer to 16 million.

In addition, the unemployment rate for retail trade is at 5.3 percent. This is about 1.3 percentage points higher than the national overall unemployment rate.

June 2024 saw a yearly high of 572,000 job openings in retail. Relative to the types of jobs and shifts in work composition, retail jobs continued to evolve, with a noticeable shift towards roles emphasizing customer experience, e-commerce fulfillment, and data analytics to meet changing consumer preferences.

Future Challenges to Growing the Retail Workforce

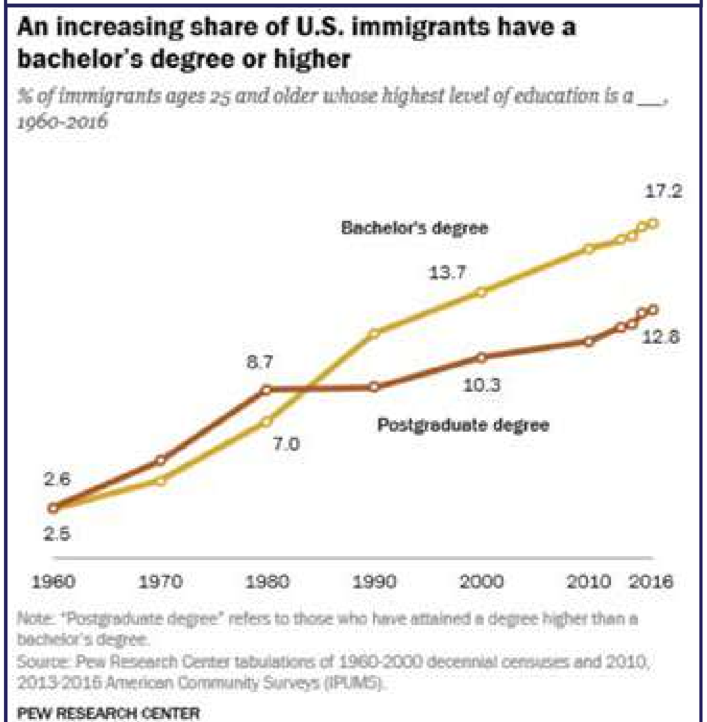
The United States has experienced natural decrease, or more deaths than births, in some states and counties since the beginning of the 2010s.

In the 2010s, only four states consistently had more deaths than births, but between 2020 and 2021, half of all states experienced natural decrease.

This trend continued into 2022, when the United States averaged 3,373,000 deaths annually, the highest number in history, while births declined by 3% to 3,645,000 annually.

The COVID-19 pandemic is likely a major factor in this decline. In essence, void immigration that would supplement the existing workforce, the current demographic patterns in the U.S.

Level of Education of U.S. Immigrants 1960-2016



U.S. Immigrants Level of Education (Bachelor's Degree or Higher) (Source: Pew Research Center tabulations of 1960-2000 decennial censuses and 2010, 2013-2016 American Community Surveys (IPUMS)).

are more similar to that of more developed countries in Europe and Asia.

Relative to immigration, the current political environment would suggest that this is not an area for the foreseeable future in which the needs of small business will be heard to grow the labor pool.

Much of the United States' legal migration is at a higher skills and education levels while appropriate for perhaps management level positions within the retail sector, will not address some of the front-line concerns of most in the retail trade sector.

To address these challenges, the following are some suggestions and examples on how retailers are executing strategies in four key areas:

Attracting and Retaining Talent

- **Competitive Compensation and Benefits:** Offering higher wages, flexible scheduling, and comprehensive benefits packages is essential to attract and retain employees.

- **Career Development Opportunities:** Retailers are investing in training programs and career paths to help employees advance within the company.
- **Improved Work-Life Balance:** Flexible scheduling, remote work options (where feasible), and paid time off are being prioritized.
- **Strong Company Culture:** Fostering a positive and inclusive work environment is crucial for employee satisfaction and retention.
- **Employee Recognition and Rewards:** Recognizing and rewarding employees for their contributions can boost morale and loyalty.

Enhancing Employee Experience

- **Empowerment:** Giving employees more autonomy and decision-making power can increase job satisfaction.
- **Technology Adoption:** Using technology to automate routine tasks and improve efficiency can reduce employee workload.
- **Mental Health Support:** Offering resources for employee well-being, such as counseling or wellness programs, demonstrates care.
- **Feedback Mechanisms:** Creating opportunities for employees to provide feedback and contribute to decision-making can increase engagement.

Leveraging Alternative Workforce Models

- **Part-Time and Gig Workers:** Hiring part-time or gig workers can provide flexibility and help fill staffing gaps.
- **Outsourcing Non-Core Functions:** Outsourcing tasks like customer service or logistics can free up internal resources.
- **Automation:** Implementing automation technologies can reduce the need for human labor in certain areas.
- **Employee Sharing:** Creating a team that can work across multiple stores to manage store labor shortages and provide employees

Example of Employee Sharing

"Gelati Celesti's store location strategy includes clustering stores together in large markets to take advantage of the efficiencies of multiple stores in a city/metropolitan area. Efficiencies include marketing, management oversight, inventory sharing and very significantly, creating a local employee team that can be flexed to work across the stores in the market. Each store has its own individual team but from time to time, they may be short handed for various reasons so our store managers have a pool of talent across the market to reach out to in those situations.

"The benefits of "employee sharing" are numerous. Naturally, customer service expectations can be realized in tight situations but another benefit is the interest within nearby stores. They enjoy meeting fellow employees to strengthen our culture, exchange best practices, and feel part of a larger team. And finally, it's a great way to work additional hours for those looking for incremental income."

Suzy Rosser
Co-President, Gelati Celesti Ice Cream

Photo Source: Gelati Celesti

Focusing on Employee Retention

- **Data Analysis:** Using data to identify factors contributing to turnover can help target retention efforts.
- **Exit Interviews:** Conducting exit interviews to understand reasons for leaving can provide valuable insights.
- **Employee Engagement Surveys:** Regular surveys can help identify areas for improvement in the workplace.

By implementing these strategies, retailers can improve employee satisfaction, reduce turnover, and build a more resilient workforce.

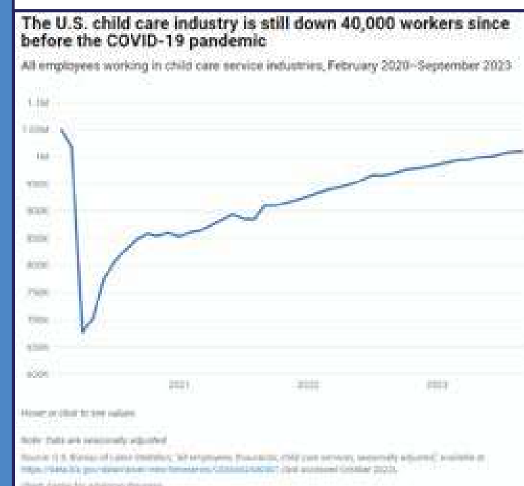
Case Study Example – Floyd, Virginia: Red Rooster Coffee

Virginia does not currently have enough child care providers to serve the number of children who need care, according to a report *(https://jlarc.virginia.gov/pdfs/presentations/Rpt579Pres-1.pdf)* issued by the Joint Legislative Audit and Review Commission in mid-October 2023.

According to that report, when childcare is unavailable and/or unaffordable, parents are more likely to reduce their work hours, change jobs or drop out of the workforce altogether, according to that report.

In addition, this also contributed to the Great Resignation during the

Number of Employees Working in Childcare Feb 2020 - Sept 2023



Number of Employees Working in Childcare Feb 2020 - Sept 2023 (Source: U.S. Bureau of Labor Statistics)

Continued next page

Case Study Example cont'd – Floyd, Virginia: Red Rooster Coffeei

pandemic to which many of those that have not returned to the workforce are still impacted by the lack of childcare facilities as work force declines have also greatly impacted this industry.

The Red Rooster Coffee business was faced with similar issues as many Virginia retailers when it comes to the intersection of childcare and retaining/attracting employees.

They began exploring childcare center licensing regulations for an on-site facility, when a local Montessori school announced its closure leaving some certified teachers available within the area.

Through a dialogue the coffee house opened the Yellow Hen Child Care a year later. With space for only 16 students, it is one of the smallest licensed childcare facilities in Virginia.

According to a recent article in Cardinal News, most of Yellow Hen's students are the children of Red Rooster's 48 employees; enrollment is opened up to non-employees at a non-discounted rate as space allows.

Red Rooster considers Yellow Hen an employee benefit and pays 70% of the cost of employees' childcare at the facility. Employees pay only $2 per hour per child. §

Photo Source: Lindsey Hull – Cardinal News

Sweet Tooth Cafe
Location: Gloucester, Virginia
(Photo credit: Riverdale 24 Productions)

Chapter 6

AI in Retail: A Catalyst for New Growth

Artificial intelligence (AI) has the potential to revolutionize businesses of all sizes, but its impact on small retailers is particularly profound. By automating routine tasks, providing data-driven insights, and enhancing customer experiences, AI can be a powerful tool for small retailers to compete more effectively in today's market, when running a retail business has gotten ever more complex and competitive.

AI as a Time and Cost Saver

One of the most significant benefits of AI for small retailers is its ability to save time and money. Tasks such as inventory management, customer service, and data analysis can be automated, freeing up staff to focus on higher-value activities. For example, AI-powered inventory management systems can optimize stock levels, reduce out-of-stocks, and minimize markdowns. Chatbots can handle routine customer inquiries, providing instant responses and freeing up staff to address more complex issues.

Moreover, AI can help small retailers save money by optimizing pricing, identifying profitable products, and predicting demand. By analyzing sales data, AI algorithms can identify pricing patterns and recommend adjustments to maximize revenue. Additionally, AI can help retailers identify slow-moving inventory and suggest promotional strategies to clear out excess stock.

AI as a Capacity Builder

Beyond saving time and money, AI can also help small retailers expand their capacity. For instance, AI-powered recommendation engines can suggest products to customers based on their purchase history and preferences, increasing average order value. Social media management tools powered by AI can help retailers create engaging content, identify target audiences, and measure campaign performance.

Furthermore, AI can help small retailers improve their supply chain management by predicting demand, optimizing transportation routes, and identifying potential disruptions. This can lead to increased efficiency, reduced costs, and improved customer satisfaction.

While much of this fundamentally makes sense, there is still much to demystify around the subject of AI and it's use. A podcast from Main Street America took a deeper dive into this subject with one of its Small Business Digital Trainers, Janet Hurn.

You can listen here: *https://mainstreetbusinessinsights.podbean.com/e/embracing-digital-and-demystifying-ai-with-janet-hurn-future-ready-consulting/?token=eb163d*

Generative vs. Predictive AI

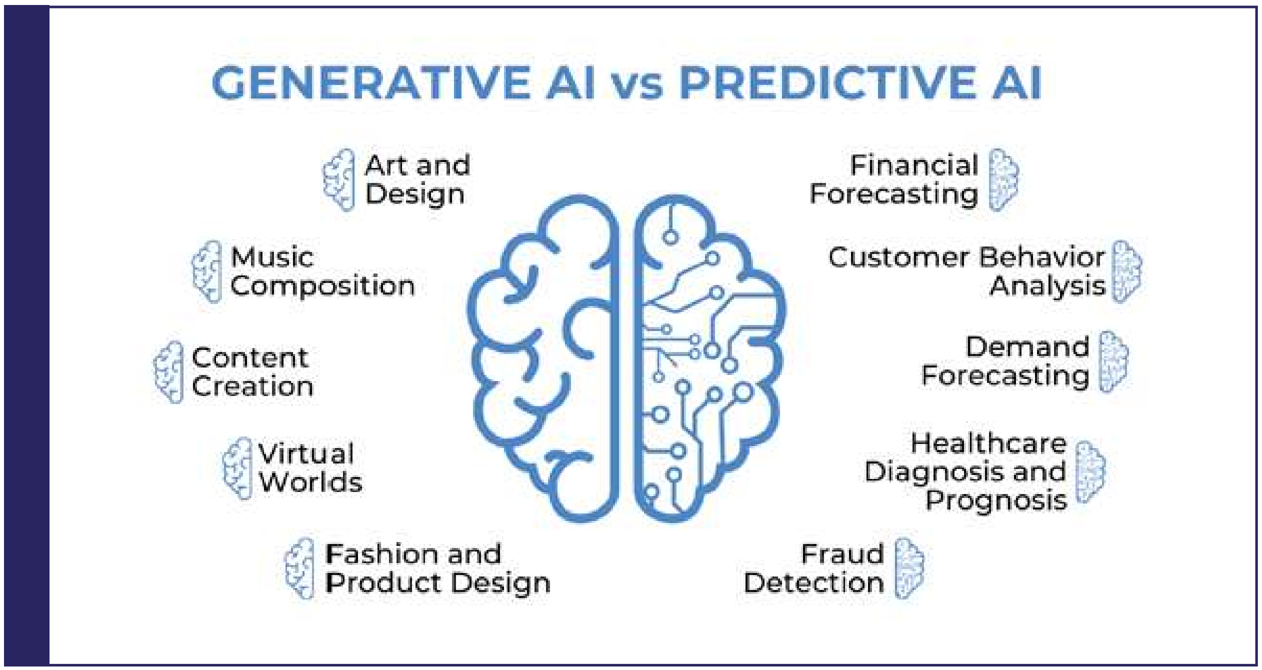
Most of us have used AI and may not know that's what it was: Earliest forms were employed through digital voice assistants like Siri and Alexa. So, in many ways, you are likely already more familiar with AI, albeit the early adaptations, than you imagined.

But with AI technology evolutions, to fully understand the potential of AI for small retailers, it is essential to differentiate between generative and predictive AI.

- **Generative AI** focuses on creating new content or data, such as product descriptions, marketing copy, or image generation. This type of AI can be used to create personalized product recommendations, generate social media posts, and design marketing materials. This is where most small businesses in the retail sector are currently exploring and can certainly save time and money.
- **Predictive AI** analyzes historical data to identify patterns and make predictions about future events. This type of AI can be used to forecast sales, optimize pricing, and predict

customer behavior. This is where many of the national and global brands are at present and by doing so will bring these technologies to scale and drive down costs while increasing the ease for adoption by small business owners.

While both types of AI offer significant benefits, the optimal application will depend on the specific needs and goals of the small retailer. The following graphic characterizes Generative AI processes on the left hand side, and Predictive AI on the right. *(Source: neball.com)*



AI Adoption by Small Retailers: A Forecast

The adoption of AI by small retailers is still in its early stages. However, several factors suggest that AI adoption will accelerate in the coming years.

The decreasing cost of AI technology, coupled with the increasing availability of user-friendly AI tools, will make it more accessible to small businesses.

Additionally, as more retailers realize the benefits of AI, it is likely to become a standard business practice.

Also note, as demographic shifts continue to place greater constraints on labor force availability, AI adoption becomes critical in certain small business functions.

Nevertheless, challenges such as the digital divide, lack of AI expertise, and concerns about data privacy may hinder AI adoption among smaller retailers. To overcome these challenges, governments, industry associations, and technology providers must collaborate to provide education, training, and support to small businesses.

Challenges and Opportunities in AI Adoption for Small Retailers

Challenges

While the potential benefits of AI for small retailers are substantial, there are significant hurdles to overcome.

- **Financial Constraints:** Implementing AI systems often requires substantial upfront investments in hardware, software, and data infrastructure. For many small retailers, these costs can be prohibitive.
- **Lack of Expertise:** Small businesses often lack the in-house expertise to develop, implement, and maintain AI systems. Hiring specialized talent can be expensive and challenging.
- **Data Quality and Quantity:** AI models rely on high-quality data to function effectively. Small retailers may struggle to collect and process sufficient data for meaningful analysis.
- **Cybersecurity Risks:** As AI systems handle sensitive customer data, the risk of cyberattacks increases. Small retailers may lack the resources to protect their data adequately.

- **Consumer Trust:** Concerns about data privacy and the potential for AI to replace human jobs can erode consumer trust. Building and maintaining trust is crucial for long-term success.

Opportunities

Despite these challenges, AI presents numerous opportunities for small retailers to thrive.

- **Leveling the Playing Field:** AI can help small retailers compete more effectively with larger corporations by providing access to advanced analytics and automation tools.
- **Enhanced Customer Experience:** By leveraging AI, small retailers can deliver personalized recommendations, improve customer service, and create loyalty programs that drive repeat business.
- **Operational Efficiency:** AI can streamline various business processes, such as inventory management, supply chain optimization, and pricing, leading to increased profitability.
- **New Revenue Streams:** AI-powered services, such as data analytics and personalized marketing, can create new revenue streams for small retailers.
- **Innovation:** By embracing AI, small retailers can position themselves as early adopters and innovators, gaining a competitive advantage.

Mitigating Challenges and Maximizing Opportunities

To successfully adopt AI, small retailers should focus on the following strategies:

- **Partnerships:** Collaborate with technology providers, consultants, or other small businesses to share costs and expertise.
- **Cloud-Based Solutions:** Consider cloud-based AI platforms to reduce upfront costs and access advanced capabilities.
- **Data Quality Focus:** Prioritize data collection and management to ensure the accuracy and reliability of AI models.
- **Cybersecurity Measures:** Invest in robust cybersecurity measures to protect customer data and build trust. Using a third-party trusted and vetted platform in the marketplace can be extremely helpful.

- **Employee Training:** Provide employees with the necessary training to understand and utilize AI tools effectively.

By carefully addressing these challenges and capitalizing on the opportunities, small retailers can harness the power of AI to drive growth and success.

Exploring AI Applications for Small Businesses

AI Applications by Function

To better understand the potential of AI for small businesses, let's break it down by many typical functions/activities that occur within retail businesses:

Marketing and Sales

- **Customer Relationship Management (CRM):** AI can analyze customer data to identify patterns, predict behavior, and personalize marketing campaigns.
- **Social Media Management:** AI can help schedule posts, analyze engagement, identify trends, and even generate content ideas.
- **Email Marketing:** AI can optimize email campaigns, personalize content, and predict customer behavior.
- **Sales Forecasting:** AI can analyze sales data to predict future trends, optimize inventory, and allocate resources effectively.

Operations

- **Inventory Management:** AI can optimize stock levels, prevent stockouts, and reduce carrying costs.
- **Supply Chain Management:** AI can optimize transportation routes, predict demand, and identify potential disruptions.
- **Pricing Optimization:** AI can analyze pricing data to determine optimal prices for products and services.
- **Quality Control:** AI can analyze product data to identify defects and quality issues.

Customer Service

- **Chatbots:** AI-powered chatbots can handle customer inquiries, provide support, and resolve issues.

- **Customer Sentiment Analysis:** AI can analyze customer feedback to identify trends and areas for improvement.
- **Personalized Customer Service:** AI can analyze customer data to provide tailored recommendations and support.

Finance and Accounting

- **Fraud Detection:** AI can identify fraudulent transactions and prevent financial losses.
- **Financial Forecasting:** AI can analyze financial data to predict future performance and make informed decisions.
- **Automation:** AI can automate routine tasks like data entry, invoice processing, and expense reporting.

Specific AI Tools and Technologies

- **Machine Learning:** Used for tasks like predictive analytics, image recognition, and natural language processing.
- **Natural Language Processing (NLP):** Enables interaction between humans and computers using natural language.
- **Computer Vision:** Allows computers to interpret and understand visual information from the world.
- **Robotics:** Can be used for automation tasks in warehouses or retail stores.
- **Chatbots and Virtual Assistants:** Provide customer support and answer queries.

Examples of AI in Action for Small Businesses

- A bike shop uses AI to develop social media postings and have them delivered in multiple formats for various social media platforms.
- A pharmacy needs to develop a new Human Resources policy – where to start? AI can generate a framework and guide the development of such a policy.
- A small clothing retailer uses AI to analyze customer purchase history and recommend products based on individual preferences.
- A local restaurant employs AI to optimize food ordering and delivery times, reducing wait times and increasing customer satisfaction.

- A small hardware store uses AI to predict product demand, preventing stockouts and reducing lost sales.
- A beauty salon uses AI-powered image analysis to recommend hair or makeup styles to customers.

Software Examples for Small Businesses

- **Bricabrac** — AI tool for app development
- **Chat GPT** — Refines and steers a conversation towards a desired length, format, style, level of detail, and language
- **DALL-E 2** — Like Runway a Text to Art and other AI functions for generating pictures
- **Feedhive** — AI to manage your social media
- **Gemini** — Generative AI chatbot that Google developed to compete with ChatGPT
- **Jasper.ai** — Another content development tool – awesome thing is that it will also generate content into 30+ languages
- **Microsoft Copilot** — Generative AI chatbot included with some Microsoft software
- **Otter.ai** — Transcription software from speech to text using AI and machine learning
- **Read** — makes meetings, emails, and messages more efficient with AI-generated summaries, transcripts, playback, and highlights
- **SecondBrain** — a chatbot for your own website trained to know your content.
- **Tome** — think powerpoint – AI generator of presentations

In conclusion, AI has the potential to transform the retail industry, particularly for small businesses. By leveraging AI to save time, reduce costs, and enhance customer experiences, small retailers can compete more effectively and achieve sustainable growth. §

Philip Michael Fashion for Men
Locations: Norfolk, Virginia Beach, Chesapeake, Hampton, Virginia
(Photo Credit: Philip Michael Fashion for Men)

Chapter 7

Retail Financing

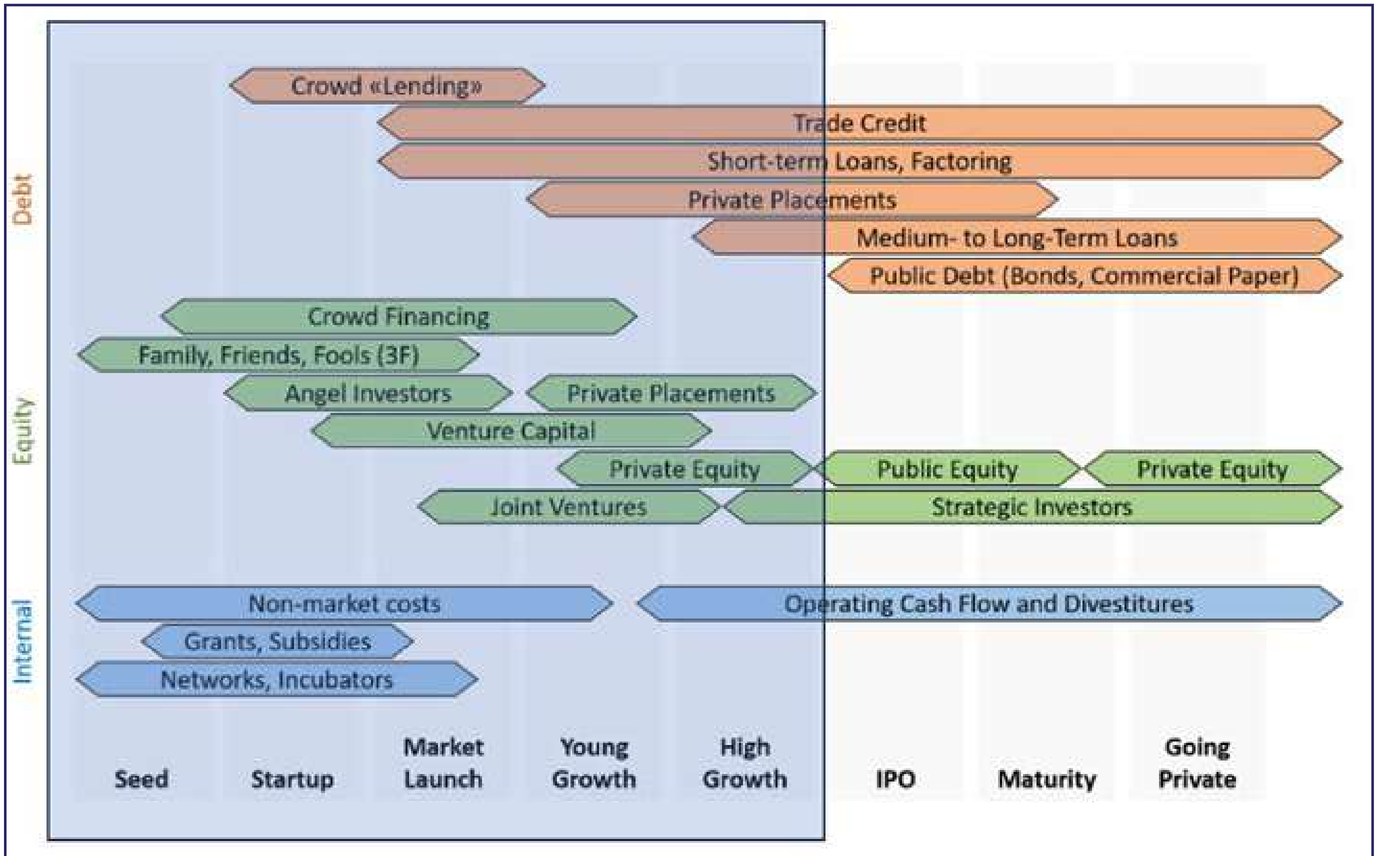
Small business finance is all about managing your business's capital, including cash flow, expenses, profits, and investments. It's important for small business owners to understand the basics of finance because it directly affects your overall viability, resiliency if there are downturns in sales/revenues, growth potential, and ultimately impacts the ability to attract capital or obtain financing.

Some aspects of small business finance include:

- **Tracking cash flow:** Keeping a close eye on incoming and outgoing cash to ensure the business can operate smoothly.
- **Categorizing costs:** Tracking where the business spends money and categorizing costs by business purpose can help implement controls for expenses and calculate profit margins.
- **Creating a business plan that highlights the financial strategy:** A solid financial strategy is essential for any business and can help with strategic planning for the business's future.
- **Managing debt and credit:** Debt and credit can be significant financial burdens for small businesses.
- **Investing in growth opportunities:** Investing in growth opportunities is a crucial aspect of business finance.

Small business financing can also refer to the ways in which a business owner obtains money to start a new business, purchase an existing business, or bring money into an existing business. On the following page is a graphic that lays out the vast majority of capital/financing types that impact small businesses (think of this as the sources of capital that can be optimized depending on where you are on your business journey). *(Source: https://vlp.teju-finance.com/)*

In referencing the graphic on the following page, we highlighted the area in which most retail businesses operate, which is primarily from the "seed" stage to the "High Growth" stage. Beyond those areas is financial tools where tech and manufacturing sectors, or retail businesses that have vast chain and/or franchise ownership models operate. We would further suggest that under Debt, it's quite common that personal credit cards (short-term loans) would be used earlier in the start-up phase. And finally, while we are not advising, many entrepreneurs may borrow or withdraw funds from a former individual retirement account to fund their business operations.



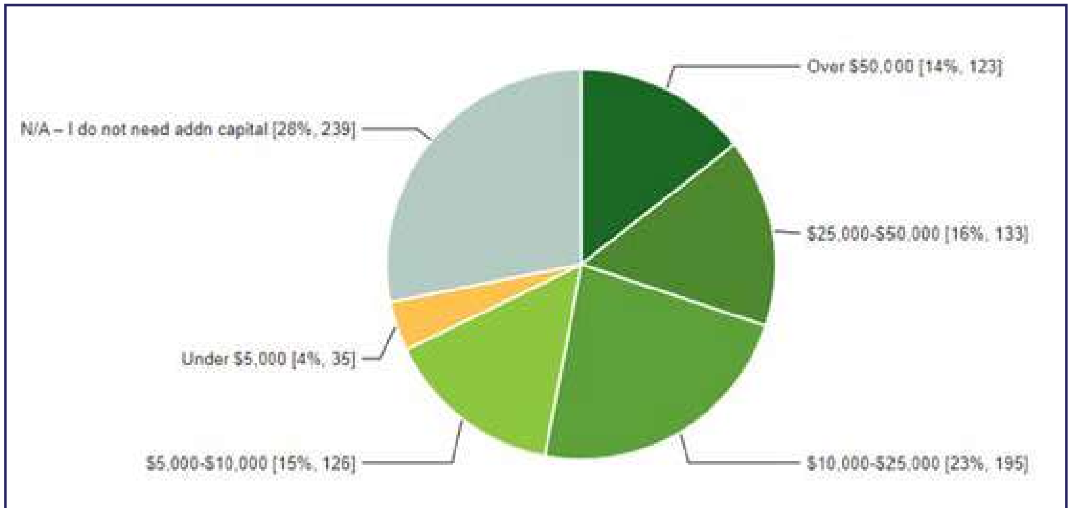
Capital/financing types that impact small businesses (Source: https://vlp.teju-finance.com)

What Do Most Small Businesses Need?

There is often the belief that in order to help both assist businesses in their launch as well as growing and scaling that "large" amounts of capital are necessary.

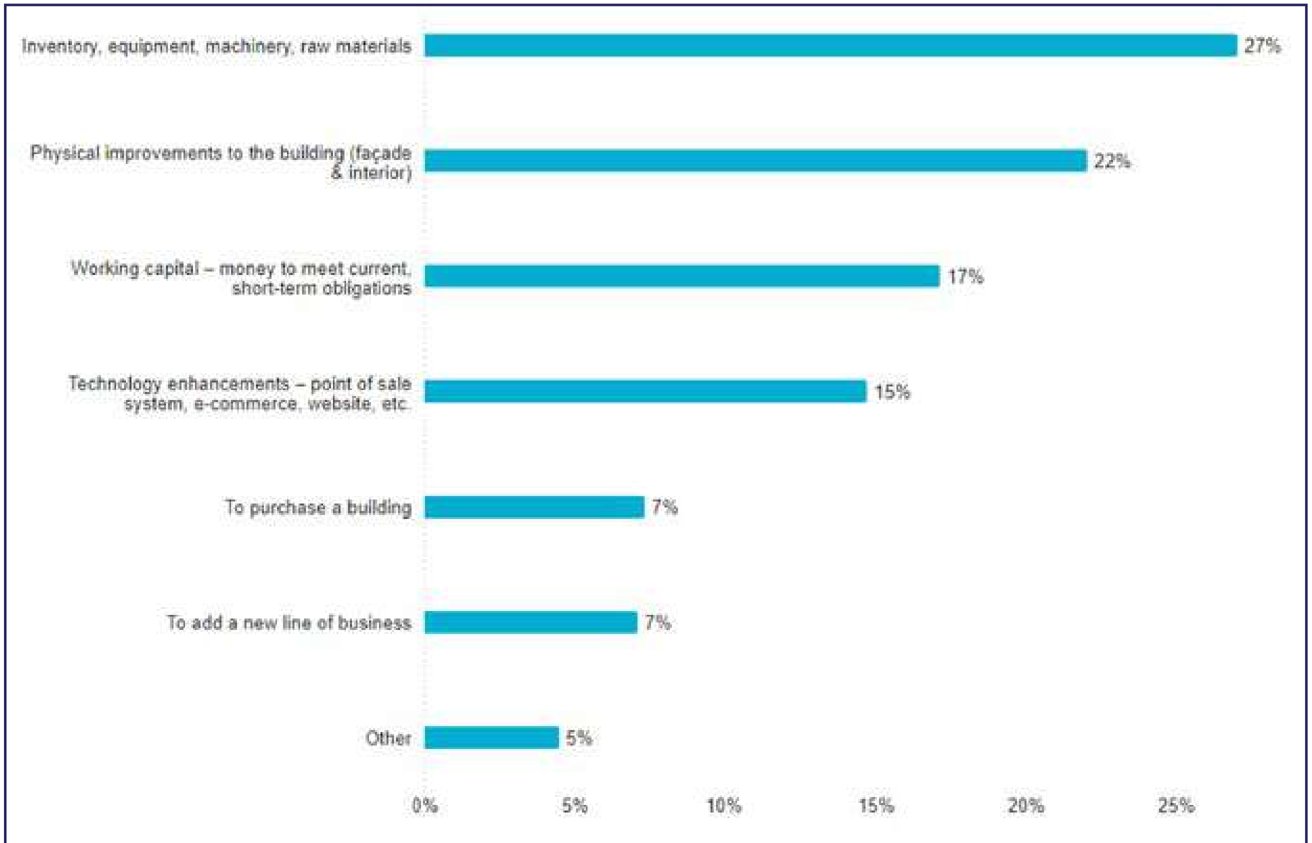
The latest research suggests that is an equally large fallacy.

According to Main Street America's May 2024 survey of 996 small business owners, of those seeking financing, 42 percent need less than $25,000. And nearly 1 and 5 are seeking less than $10,000.



Capital amounts being sought by small business owners (Source: Main Street America)

When exploring the use of additional funding, capital for equipment, inventory, and/or raw materials was the top indicated need for funding at 27 percent. Interior and/or exterior physical improvements was also high on the list of needs at 22 percent.



Use for additional capital being sought by small business owners (Source: Main Street America)

Current Financial Challenges for Small Businesses

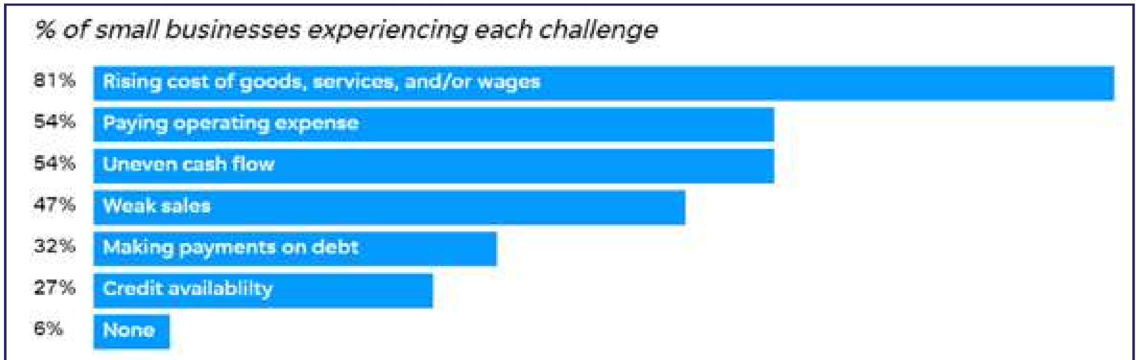
For many retail businesses, there remains some of the legacy challenges from the global pandemic, in which businesses may have taken on additional debt to sustain their businesses and employees.

And while sales revenues returned in 2021 and 2022, the last two years have brought about inflation and tighter sales margins given consumer price elasticity. As such, financial challenges remain.

A recent USA Today segment on small business finance of greatest issues, including rising costs of inventory, uneven cash flow and covering monthly operations.

How retail businesses have and continue to react to these challenges have required strategic thinking with both positive and potentially negative consequences.

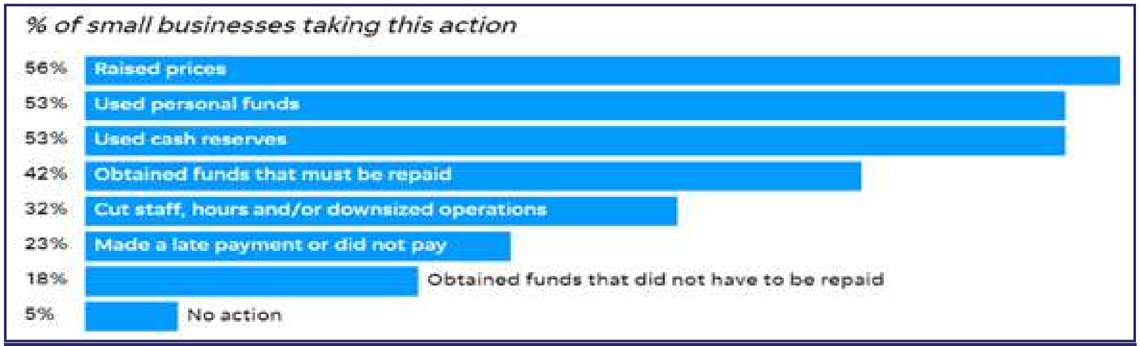
Based on survey data, most small businesses have reacted to financial challenges by raising prices, plugging holes with personal capital, in essence injecting their own funds or simply not taking a “pay check,” as well leveraging any



Actions taken by small businesses to combat financial challenges in 2023 (Source: USA Today Blueprint via Fed Small Business)

remaining cash reserves.

It's important to note, and Main Street America has also noticed this data point in small business surveys, the overall reluctance to taking on debt.



Actions taken by small businesses to combat financial challenges in 2023 (Source: USA Today Blueprint via Fed Small Business)

While some may assume it's because of the inability to take on debt, but when you inquire, its more about reluctance than ability to acquire debt financing.

Challenges Faced by Retail Businesses in Obtaining Financing

Securing financing is a critical step for many retailers, particularly small businesses, but it can be a daunting process. Several factors contribute to the challenges faced by retailers in obtaining funding.

One of the primary hurdles is a business's credit score and history. Lenders often rely heavily on these metrics to assess risk. Small businesses, especially those in their early stages, may have limited credit history or lower scores, making it difficult to qualify for traditional loans.

Additionally, the nature of the retail industry, with its inherent fluctuations in revenue, can impact creditworthiness. Note, even when you are looking for non-traditional financing like crowdfunding or from a Community Development Finance Institution (CDFI), businesses still need good record keeping, including tax filings.

Collateral requirements also pose a significant challenge. Many lenders demand tangible assets as security for loans. While larger retailers may own property or equipment that can serve as collateral, smaller businesses often lack these assets. This limitation restricts their access to traditional financing options.

Developing a comprehensive business plan and accurate financial projections is essential for securing funding. Lenders scrutinize these documents to evaluate a business's viability and potential for repayment. However, creating detailed projections can be time-consuming and requires expertise, which may be limited for small retailers.

Additional areas impacting retail business financing:

- **Seasonal Fluctuations:** Retail sales often have seasonal peaks and troughs, impacting cash flow. *(Source: www.rms.uk.com)*
- **Inventory Management:** Managing inventory levels requires careful financial planning.
- **Competition:** Intense competition can put pressure on profit margins.
- **E-commerce Growth:** The shift to online shopping has created new financing needs and opportunities.
- **Industry/Market Factors:** The overall economic climate, industry trends, and competitive landscape influence lenders' risk assessments. Retailers operating in highly competitive or cyclical industries may face additional challenges in securing funding.

Types of Business Financing

Bank Lending

In a special piece by USA Today, small business bank financing was thoroughly researched through the Federal Reserve and U.S. Small Business Administration reflecting the following statistics and learnings: Thanks to the Community Reinvestment Act, large banks are required by law to report new small business loans. As such, in 2021, banks reported $102.7 billion in loans to businesses across the U.S. that brought in $1 million or less in revenue.

Through loans that amounted to $100,000 or less only, it was reported that a total of $125.7 billion was lent — and for loans amounting to $1 million or less, the total figure rose to $354 billion. The Small Business Index from Q1 2023 reports that 49% of small business owners reported good access to capital or loans, down from 67% in Q2 of 2017. *(Source: https://www.usatoday.com/money/blueprint/business/business-formation/small-business-statistics/#sources)*

Not all startups and entrepreneurs rely on bank loans immediately. In fact, just 16% are funded by bank loans, and 2% to 6% of initial funding for small businesses comes from friends and family. Around 78% of small business owners launch using their own money.

A report from the Federal Reserve Banks found that two-thirds of businesses have relied on funds from friends and family or the owner's personal savings in the last five years. And 55 percent of businesses have taken government funding and 51 pecent have borrowed from a financial institution or lender.

The SBA said that, in 2020, it loaned over $764 billion in 14 million loans to small businesses. The average loan from the SBA amounts to $417,316, while the maximum the SBA will loan out is $5 million. Of the smaller loans going to small businesses 89.5 percent comes from larger banks. These institutions have a 25 percent approval rate for SBA loans, while small banks have an approval rate of 49 percent.

In 2022, around 45.3 percent of businesses that applied for credit received all that they requested, while 32.4 percent received a partial amount and 13 percent received no funds at all. *(Source: USA Today)*

Most banks provide three primary types of business loans Term Loans; Lines of Credit, and Equipment Financing. Commercial real estate would also be a fairly common service for most banks and credit unions.

Some larger banks also offer U.S. Small Business Administration loans. Note these are not really "loans" in the classic sense from the federal government, but are really more like insurance, providing guarantees to the bank that if the small business defaults on the loan, the federal government will back the bank up to a specific percentage.

There are two primary SBA loans that small businesses would likely examine:

- **SBA 7(a) loans**

  These general-purpose loans can be used for a variety of purposes, including working capital, business expansion, and refinancing debt. They can also be used to purchase or improve real estate, equipment, inventory, furniture, and fixtures.

  SBA 7(a) loans are the SBA's primary business loan program and can be up to $5 million with terms of up to 25 years.

- **SBA 504 loans**

  These loans are designed to help small businesses grow and create jobs by financing the purchase or upgrade of major fixed assets, such as real estate and equipment. SBA 504 loans are long-term, fixed-rate loans with a maximum of $5.5 million per loan or $16.5 million for three projects.

  They are funded by Certified Development Companies (CDCs), which are SBA-endorsed community-based organizations, and third-party lenders. To qualify for an SBA 504 loan, a business must operate as a for-profit company in the United States or its possessions.

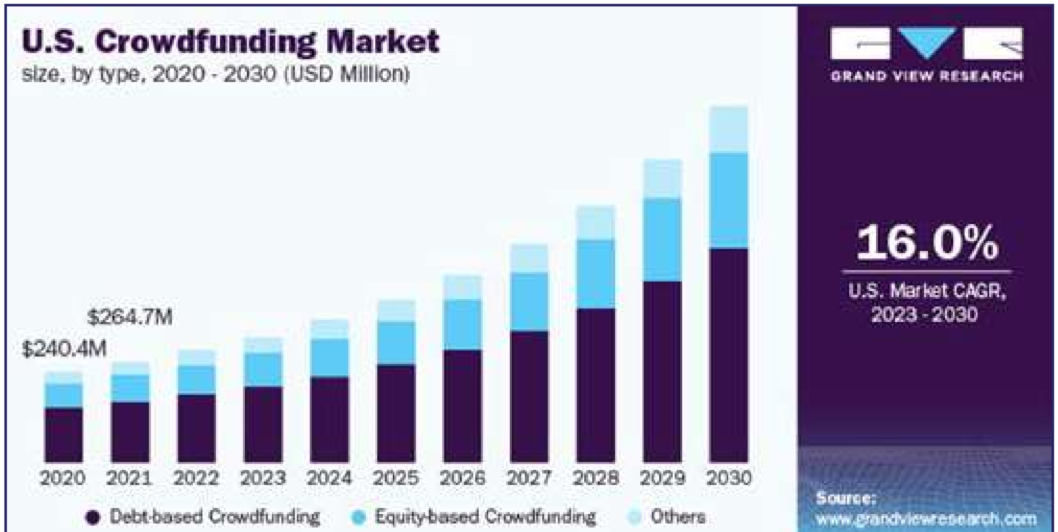
For further details, you can review in greater detail at www.sba.gov

Crowdfunding

Crowdfunding involves raising small amounts of money from a large number of individuals to finance a new business venture. It leverages the wide reach of social media and crowdfunding websites to connect investors and entrepreneurs, potentially increasing entrepreneurship by expanding the pool of investors beyond the traditional circle of owners, relatives, and venture capitalists. *(Source: Investopedia)*

The 2008 financial crisis led to the rise of crowdfunding. As banks enforced stricter lending policies post-recession, small businesses struggled to secure credit, prompting many to seek alternative funding methods. In 2023, the global crowdfunding market volume was estimated at $1.17 billion, showing a slight increase from previous years.

According to Statista, the transaction value of the global crowdfunding sector is expected to grow by 1.48% annually from 2024 to 2028, reaching a market volume of $1.27 billion by 2028. However, the US Crowdfunding Market is expected to grow by 16 percent from 2023 to 2030. (Source: www.grandviewresearch.com)



U.S. Crowdfunding Market size, by type, 2020-2030 (Source: Grand View Research)

What to Know:

- Crowdfunding is a way for companies and individuals to raise capital from a large group of investors, with contributions starting as low as $10.
- There are restrictions as to who is allowed to fund a new business and how much they're allowed to contribute.
- Crowdfunding sites generate revenue from a percentage of the funds raised.
- The SEC regulates equity-based crowdfunding ventures in the United States.
- Kickstarter, Indiegogo, and GoFundMe are among the most popular crowdfunding platforms.

Example: NuMarket is a crowdfunding platform that has applied its own unique value-add onto this financing sector, by applying 120 percent in business credits for every dollar invested in a business campaign over the course of a 6 month period of time. This strategy creates true community for the business and leverages the experience and brand affinity between investor and local participating businesses. *(Source: www.Numarket.co)*

Vendor Financing

Vendor financing is a financial term that describes the lending of money by a vendor to a customer who uses that capital to purchase that specific vendor's product or service offerings.

Sometimes called "trade credit," vendor financing usually takes the form of deferred loans from the vendor. It may also include a transfer of stock shares from the borrowing company to the vendor. Such loans typically carry higher interest rates than those associated with traditional bank loans. *(Source: Investopedia)*

Many small businesses have started to use companies like Faire, PayPal and Shopify to help with inventory, in many respects taking the place of more traditional bank lines of credit that for many small businesses have become difficult to secure. For example, Faire's "Open with Faire" program offers new stores up to $20K in 60-day payment terms, so they can stock their shelves without worry.

What to Know:

- Vendor financing is a term describing the lending of money by a vendor to a business owner, who, in turn, employs that capital to buy that same vendor's products or services.
- Vendor financing deals often carry higher interest rates than those imposed by traditional lending institutions.
- Vendor financing helps cement the relationships between vendors and business owners.
- Vendors engaged in this practice may include payroll management facilitators, security firms, and other service providers.

Non-Traditional Financing

Angel Investing

Angel investing is when a wealthy individual, or angel investor, invests their own money in a startup or early-stage company in exchange for equity or convertible debt. Angel investors are often the first investors in a business, and their goal is to help the company get established.

It's important to note the difference between an angel investor, who are accredited investors that meet certain legal wealth and income limits in order to make investments, versus those investing in crowdfunding campaigns, which are open to anyone.

Angel investors may be more patient with entrepreneurs than venture capital firms and may provide smaller amounts of money over a longer period of time. They may also contribute their business expertise to the company. Angel investors may be involved in a single project or provide ongoing funding, and they may group together as a syndicate to fund larger companies.

Angel investors typically research the company before making an investment decision, looking at its potential in the market, any risks involved, and whether it's workable. They may also meet with the entrepreneur and other key team members, review financial records, and do market research.

Angel investors usually don't acquire more than a 25 percent stake in a company, and they expect to hold the highest stake in the company's founders, so they have the most incentive to make it successful.

Microloans (Community Development Financial Institutions – CDFI)

A Community Development Financial Institution (CDFI) is a financial institution that aims to create economic opportunity and affordable housing in underserved communities. CDFIs can be banks, credit unions, loan funds, microloan funds, or venture capital providers.

They use a market-based approach to provide financial products and services to local residents and businesses. CDFIs are required to target at least 60% of their financing activities to low- and moderate-income populations. They often have community representation on their boards of directors to ensure they are accountable to their target markets.

CDFIs typically lend less than $250,000, but the vast majority are more focused on micro-lending less than $100,000. (Source: Accion Opportunity Fund)

CDFIs became an important part of the federal government's effort to stop the flow of funds out of urban areas in the 1970s. The CDFI Fund certifies some CDFIs, which may be necessary to receive support from the fund. CDFIs can receive awards for financial assistance, healthy food financing, and technical assistance.

The following is a list of CDFIs operating in Virginia

- Business Seed Capital, Inc., Roanoke
- Capital Impact Partners, Arlington
- Community Capital Bank of Virginia, Christiansburg
- DuPont Community Credit Union, Waynesboro
- ECDC Enterprise Development Group, Arlington Fairfax County Federal Credit Union, Fairfax
- First State Bank, Danville · Freedom First Federal Credit Union, Roanoke
- Halifax County Community Federal Credit Union, South Boston
- Neighborhood Housing Services of Richmond, Inc., Richmond
- People Incorporated Financial Services, Abingdon
- Piedmont Housing Alliance, Charlottesville
- REDC Community Capital Group, Inc., Richmond
- Southeast Rural Community Assistance Project, Inc., Roanoke
- Virginia Community Capital, Inc., Christiansburg
- Virginia Community Development Fund, Richmond
- Virginia Credit Union, Richmond
- Virginia State University Federal Credit Union, Ettrick (Source: www.cdfi.org)

The Role of Fintech

Fintech has revolutionized the way small businesses access and manage finances. Let's delve into its key roles:

- **Expanded Access to Credit:** Fintech lenders often use alternative data sources, such as online sales and social media, to assess creditworthiness. This opens up financing options for businesses that might be overlooked by traditional banks. *(Source: www.bis.org)*
- **Streamlined Lending Process:** Fintech platforms often offer faster loan approvals and disbursements through automated processes. *(Source: www.hesfintech.com)*
- **Innovative Financing Products:** Fintech companies have introduced various financing options like invoice factoring, merchant cash advances, and equipment financing, tailored to the specific needs of small businesses. *(Source: embedded.gusto.com)*
- **Financial Management Tools:** Beyond lending, fintech provides tools for bookkeeping, accounting, and cash flow management, helping businesses make informed financial decisions. *(Source: Yellow Systems)*
- **Payment Processing:** Fintech solutions offer efficient and secure payment processing, crucial for retail businesses. *(Source: www.cloud-awards.com)*

The retail sector has been particularly impacted by fintech. Here are some key areas:

- **Point of Sale (POS) Systems:** Fintech-powered POS systems offer features like mobile payments, inventory management, and customer data analytics.
- **Inventory Financing:** Fintech companies provide inventory financing options to help retailers manage cash flow. *(Source: www.fintech.com)*
- **Customer Financing:** Buy now, pay later (BNPL) options, often powered by fintech, can increase sales and customer loyalty. *(Source: www.fabrick.com)*
- **Fraud Prevention:** Fintech solutions can help retailers detect and prevent fraudulent transactions. *(Source: www.stripe.com)*

Conclusion

As a retail business owner, understanding and exploring various financing options is crucial for your success. Whether you're starting a new venture or looking to expand your existing operations, the right financing can provide the necessary capital to fuel your growth.

By carefully considering your business' strategic needs, evaluating different funding sources, and developing a sound financial plan supported by strong record keeping, you can increase your chances of securing the funding that will propel your retail business forward. §

Location: Downtown Staunton, Virginia
(Photo credit: Riverdale 24 Productions)

Conclusion

In conclusion, the retail industry is at a crossroads, shaped by a confluence of emerging trends, technological advancements, and economic forces. Over the past year, the resilience of retailers has been tested by a dynamic market environment—one that has introduced both opportunities for growth and significant challenges. As we've seen, key drivers like the ongoing digital transformation, shifting consumer preferences, and the growing importance of sustainability have had profound impacts on how businesses operate and compete.

The acceleration of e-commerce and the rise of omnichannel strategies have redefined the traditional retail model. No longer is it a question of "physical versus online"; instead, the integration of both has become the new standard. The capacity to offer a seamless shopping experience across multiple platforms is no longer a luxury but a necessity for retailers aiming to capture and retain market share. While online sales continue to grow, brick-and-mortar stores still play a vital role, with many consumers preferring the tactile experience of in-person shopping. This underscores the importance of creating experiential shopping environments that go beyond transactions to deliver meaningful, memorable experiences.

Economic challenges such as inflation, supply chain disruptions, and rising operational costs have placed pressure on profit margins, particularly for smaller retailers. These businesses often face an uphill battle when competing with larger corporations that benefit from economies of scale and deeper resources. Nevertheless, small retailers hold an advantage in their ability to innovate and adapt quickly. Many have embraced technology, expanded into niche markets, and leaned into community-focused initiatives, such as local sourcing and small-scale manufacturing. This flexibility has allowed them to stay competitive despite the hurdles they face.

Another significant factor shaping the future of retail is the influence of generational shifts. With Baby Boomers entering retirement and Gen Z emerging as a dominant consumer group, retailers must pay close attention to the evolving needs and expectations of these demographics. Gen Z, in particular, places high value on sustainability, authenticity, and digital fluency, demanding personalized, tech-driven shopping experiences. For retailers, this means adopting tools such as AI and data analytics to provide hyper-personalized service and optimize everything from inventory management to marketing.

Artificial intelligence, in fact, stands out as one of the most promising tools for the future of retail. Whether through predictive analytics for better demand forecasting or generative AI for creating engaging customer content, AI is reshaping how retailers operate. Small businesses, in particular, can benefit from the cost and time savings that AI-powered tools offer, enabling them to compete with larger retailers on more equal footing. The adoption of AI, however, comes with its own set of challenges, including the need for proper data infrastructure and overcoming consumer concerns about data privacy.

Looking forward, sustainability will continue to play an increasingly central role in retail. Consumers are making more conscious choices, gravitating towards brands that prioritize ethical practices, eco-friendly products, and transparency in their supply chains. Retailers that fail to align with these values risk losing relevance in an increasingly competitive market.

This growing demand for sustainable practices presents opportunities for businesses to innovate, whether through adopting greener production methods, offering second-hand products, or developing circular business models.

As we move into 2025, the retail sector will continue to evolve. Economic recovery and declining inflation are expected to ease some of the current pressures, but challenges such as rising operational costs and labor shortages will persist. Technology, particularly AI, will further revolutionize the industry, enabling retailers to create more efficient, personalized, and engaging experiences for consumers. Moreover, societal trends, including the rise of health-conscious living and the generational shifts towards sustainability, will shape purchasing behaviors and force retailers to continually adapt.

In this fast-paced environment, businesses that embrace change, leverage technology, and stay attuned to consumer preferences will be well-positioned for success. Retailers that adopt a strategic, forward-thinking approach—prioritizing customer experience, sustainability, and technological innovation—will not only survive but thrive in the ever-changing retail landscape. §

Care-A-Lot Pet Supply
Locations: Newport News, Norfolk, Virginia Beach, Virginia
(Photo Credit: Care-A-Lot Pet Supply)

Appendix

Resources

Resources for Workforce and Retail

Virginia Resources:

- **Virginia Nurses Association — Building a Healthy Workplace Culture**
  https://virginianurses.com/page/HealthyWorkplaceCulture
- **Virginia Department of Human Resources Management — Workforce Engagement**
  https://www.dhrm.virginia.gov/workforce-engagement
- **Virginia Restaurant/Lodging/Travel Association — Innovative Workforce Solutions**
  https://www.vrlta.org/innovative-workforce-solutions.html
- **Hampton Roads Workforce Council (Virginia Career Works Hampton Roads Region; Hampton Roads Veterans Employment Center; NextGen; Campus757; Regional Maritime Training System)**
  https://www.theworkforcecouncil.org/

Additional Resources:

- **McKinsey — Workforce Attraction for Retailers**
  https://www.mckinsey.com/industries/retail/our-insights/how-retailers-can-attract-and-retain-frontline-talent-amid-the-great-attrition
- **Culture Monkey — Strategies for Retail Employee Turnover**
  https://www.culturemonkey.io/employee-engagement/retail-employee-turnover-rate/
- **Axonify — Retail Training Challenges**
  https://axonify.com/blog/3-retail-training-challenges-impacting-productivity-in-2023/
- **Culture Monkey — Dealing with Retail Employee Turnover**
  https://www.culturemonkey.io/employee-engagement/retail-employee-turnover-rate/
- **InMoment — Building Employee Loyalty**
  https://inmoment.com/blog/the-importance-of-employee-loyalty/
- **Betterworks — Fostering Autonomy in the Workplace**
  https://www.betterworks.com/magazine/autonomy-in-the-workplace/
- **Visier — Reducing Employee Turnover**
  How To Reduce Employee Turnover with Workforce Analytics

Resources for Consumer Insights and Small Business Trends

Consumers shifting online shopping habits as a result of higher prices
https://www.retaildive.com/news/online-shoppers-changing-habits-inflation-higher-prices/719497/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202024-06-21%20Retail%20Dive%20Newsletter%20%5Bissue:63233%5D&utm_term=Retail%20Dive
https://www.prnewswire.com/news-releases/higher-prices-have-impacted-online-shopping-for-majority-of-us-consumers-new-forter-study-finds-302177954.html

Connected Retail Report with tons of stats on consumers' perspectives on the economy, AI, loyalty drivers, channel decision drivers, and more
https://ss-usa.s3.amazonaws.com/c/308480848/media/382565a134688bf0023875996360076/CI%26T-Connected-Retail-2024-report.pdf

Memberships and subscriptions report- tells you where consumers are most likely to shop first depending on the category
https://ciandt.com/us/en-us/report/building-a-membership-model-that-resonates

Consumers' attitudes and expectations towards personalization, importance of strong search experiences in digital retail
https://ciandt.com/us/en-us/the-art-and-science-retail-personalization-ciandt

Tons of individual stats that are great on this page, and links to tons of other reports with those stats
https://porchgroupmedia.com/blog/50-statistics-about-retail-marketing-and-consumer-shopping-trends/

Free consumer trends report
https://blog.hubspot.com/marketing/state-of-consumer-trends-report

Statista always has great data and large sample sizes (subscription needed)
https://www.statista.com/markets/423/topic/536/shopping-behavior/#overview

Shifts in shopping behaviors over time
https://www.brandwatch.com/blog/understanding-consumer-shopping-behavior/

Post-pandemic trends in consumer behavior (small business specific)
https://www.forbes.com/sites/allbusiness/2023/02/17/post-pandemic-trends-in-consumer-behavior-what-small-businesses-need-to-know/?sh=344063a5689d

Cities that champion diversity and consumer insights (small business specific)
https://www.adobe.com/express/learn/blog/small-business-support

**Disclaimer – some are behind a paid firewall but maybe you've got a subscription!*

For more templates, training, resources, reports, and more, login to our members-only Retail Alliance Resources Library https://retailallianceresources.com/retail-alliance-resource-library/

Maison Soleil
Location: Norfolk, Virginia
(Photo Credit: Riverdale 24 Productions)

Pixelated Boutique
Location: Virginia Beach, Virginia
(Photo Credit: Riverdale 24 Productions)

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