

# The State of Retail Small Businesses

The National Retail Federation commissioned a survey by GfK of retail small business owners to better understand their sentiments around a number of key issues and the impact of policies and regulations on their businesses. The survey was conducted from April 26, 2017 to May 14, 2017.

## BRIGHT HORIZON, BUT MINDFUL OF REGULATIONS

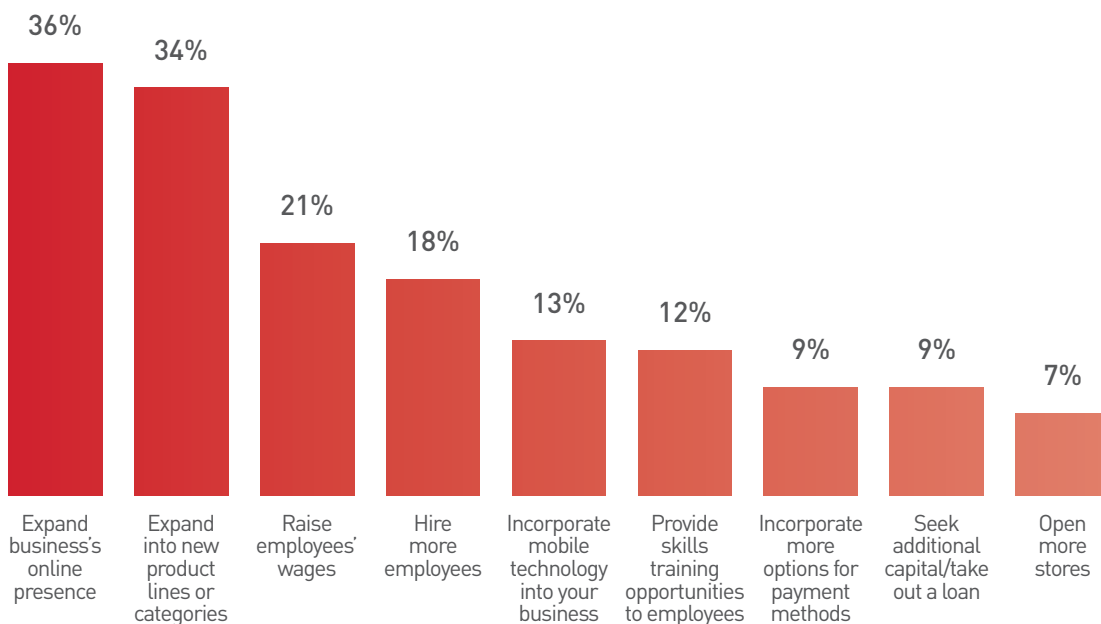
Small business owners are optimistic by nature, regardless of the political climate, so it's no surprise that few believe their business will be in worse shape in 12 months. Reflecting this optimism, nearly half expect revenues to increase and many have goals for expansion or implementation of new technologies in the coming year.

**While a majority expect to be in a better place by this time next year, many foresee real challenges.** Across party lines, retailers believe the country's business environment supports small business growth.<sup>1</sup> Most believe the new administration is

taking the right approach toward regulations and will even roll back the number of regulations, rules and mandates they face.

Though most believe the Trump administration is on the right path, **only 8% see the federal government as helpful toward their business**, which is unchanged from the Obama administration.<sup>2</sup> This stems from a deeply held belief that the government is out of touch with their reality: Only 34% — down from 45% in early 2016 — think the government has a good understanding of their business.

CHANGES RETAIL SMALL BUSINESS OWNERS ANTICIPATE MAKING THIS YEAR



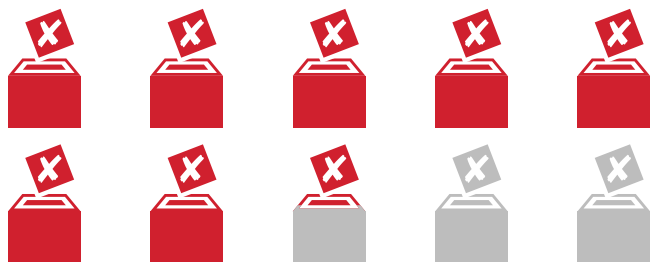
*\*Only select responses shown*

<sup>1</sup> 58% Republicans, 59% Democrats, 50% Independents respond the business environment is supportive of small business growth

<sup>3</sup> 10% of retail small business owners felt the same in 2016

Retail small business owners are being cautious. They are not holding their breath for regulatory relief: **Four out of five retail small business owners say it's difficult for them to make plans to grow and expand due to regulatory uncertainty**, on par with results from early 2016.

**65%** DO NOT BELIEVE "GOVERNMENT REGULATIONS ACHIEVE THEIR OBJECTIVES" (UP FROM 56% IN 2016).



In the eyes of retail small business owners, the government lacks an understanding of business, and **one-size-fits-all regulations hurt their business**. Regulatory uncertainty and a constantly shifting landscape hinder retail small business owners' ability to grow and succeed and leave them feeling overwhelmed.

To help ensure the Trump administration delivers on their needs, retail **small business owners stress the need for lowering taxes and reducing regulations**. The current administration has an opportunity to overcome some of the skepticism small business owners have about the government's reach, and make the environment better for small businesses across the country.

## BAT IS BAD FOR BUSINESS

Today, the ability to source quality materials, finished goods and services from overseas markets is critical for small businesses to thrive. **Of small retailers who source foreign materials, 85% say it's important that they do so for their business to succeed.**

If Congress were to pass a border adjustment tax (BAT) that implements a 20% tax on all materials, finished goods and services sourced from overseas, most retail small business owners would be forced to make some drastic changes. **Regardless of party affiliation, at least three out of every five retail small business owners anticipate a negative business response should a BAT be enacted.**

98% of the 651,000 retail businesses in the United States have fewer than 100 employees. These small businesses form the backbone of many communities across the U.S. Unfortunately, **9% of retail small business owners indicate they would have to lay off workers if BAT was enacted.** While that number may

seem small percentage-wise, if the 9% of firms who indicate they would have to lay off workers reduced their head count by just 5%, that would equate to 215,000 lost jobs.

*"Please focus on the small business owners and not the big corporations, as we are the future of America and the ones who need the tax breaks and help to keep running."*

**11% of these retail business owners would have to cut costs by decreasing employee hours if the BAT were enacted.** If 11% of small business employees each lost just two hours of work a week, that would equate to around \$490 million<sup>4</sup> in lost wages in the first year alone.

That's money not being put back into the economy, used to pay off debt or put into savings.

Small business shoppers' wallets would also be affected by a BAT: **A third (34%) of retail small businesses would need to raise prices.** Retailers operate with very tight margins, so every penny counts. 86% of retail small business owners cite the importance of sourcing cost-effective materials from overseas to the success of their business.<sup>5</sup>

<sup>4</sup> 11% of retail employees at retail companies with fewer than 100 employees, assuming a \$10/hour wage

<sup>5</sup> Asked only of those who source any materials, finished goods and services for their business from overseas

**The BAT threatens the survival of retail small businesses across the country.** 18% of retail small business owners say the implementation of a BAT would threaten the existence of their business or cause it to fail. As the backbone of cities and towns

across the country, when small businesses fail, so do American communities. If that 18% were to close their doors, it could mean job losses for an estimated 772,000 people.<sup>6</sup>

## SWIPE FEE SAVINGS BENEFIT CUSTOMERS

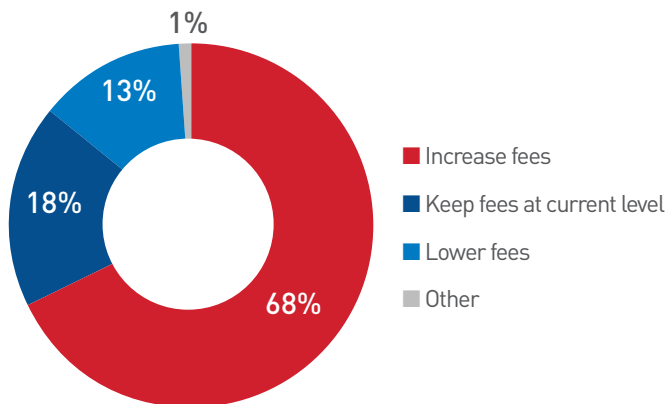
Retail small business owners oppose removing the limits to debit swipe fees. They operate on low profit margins; an increase in operating costs of any amount can have a significant impact.



**71%** of retail small business owners **OPPOSE** removing the limits on how high banks can raise debit card swipe fees

If the limits on already high debit swipe fees were removed, small business owners don't trust that banks would keep the fees at or below their current level. In fact, **68% expect banks will increase their fees.**

WHAT WOULD YOU EXPECT BANKS TO DO?

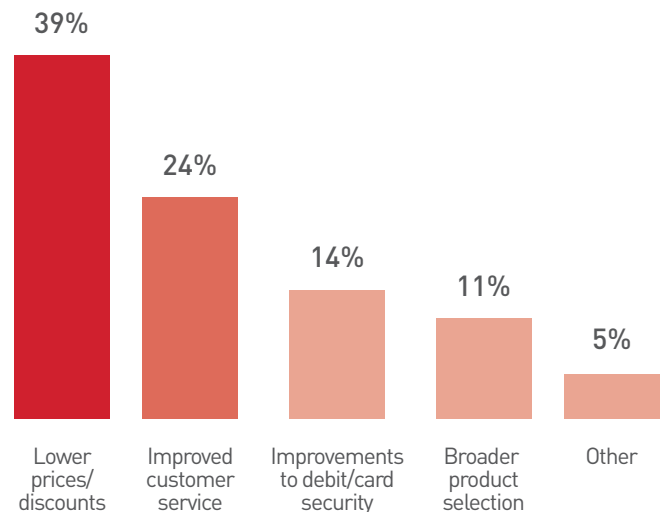


<sup>6</sup> NRF calculations

**Most retail small business owners (68%) use the swipe fee savings to directly benefit their customers,** in the form of lower prices, improved service and product selection and more. Should debit swipe fee limits be removed, many say they would not be able to continue to offer these savings and services.

Furthermore, the limit on the amount of money large banks can charge merchants and retailers currently only applies to debit cards, while small banks and credit unions are not subject to the law at all. Two-thirds (67%) want to see credit card swipe fees addressed as well.

THE BENEFITS OF DEBIT SWIPE FEES SAVINGS



**TWO-THIRDS (67%)**

**WANT TO SEE CREDIT CARD SWIPE FEES ADDRESSED AS WELL.**

# SMALL BUSINESS RETAILERS WANT HEALTH CARE REFORM

Roughly two in three (65%) retail small business owners, regardless of political affiliation, see health benefits as an important part of attracting the right employees. While most would like to provide coverage to their employees, 75% note that the cost makes it challenging.

*“ACA has cost me 25% of my business — please reduce the costs of health care.”*

*“Healthcare costs are too high.”*

The Affordable Care Act, since passage, has been a costly component of running a business: A majority (53%)

of retail small business owners have had to make undesirable changes to their business in response to the charges.

**Repealing and replacing the Affordable Care Act would have a positive effect on retail small businesses.** Over seven in 10 retail small business owners favor health care reform: Half support repealing and replacing the Affordable Care Act, and just over one-fifth would like to see the Affordable Care Act reformed to reduce costs.

SUPPORT/OPOSE REPEALING AND REPLACING ACA

