# If You Read Nothing Else:
# A Quick Summary of this Report's Recommendations

## Action Item Summaries

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

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

## Virtual Trade Show

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

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

## Boost E-Commerce Commitment

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

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

## Regional Retail Council

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

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

## Adopt and Leverage Relevant Technology

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

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

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

## Reimagine the Retail Workforce

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

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

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

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

# Integrated Regional Microfulfillment Infrastructure

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

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

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

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

## REGIONAL MICROFULFILLMENT INFRASTRUCTURE SCHEMATIC

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

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

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

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

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

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

# Sales Tax Fairness

Retailers in New York State remain at a competitive disadvantage versus out-of-state e-commerce businesses due to the understandably cautious approach New York State took in response to the 2018 U.S. Supreme Court's (SCOTUS) Wayfair decision that finally allowed states to collect taxes on sales made to their residents on e-commerce transactions by out-of-state vendors provided the system does not create an undue burden, is not applied retroactively and is administered in a simplified and streamlined manner.

The inequity is in the threshold adopted by New York to remain safely within SCOTUS parameters. The threshold mandating sales tax collection for New York State businesses is defined in *Do I Need to Register for Sales Tax? NYS Tax Bulletin ST-175* as "… if you sell taxable items at a craft fair only once a year, you are required to register, and to collect and remit sales tax …" However, the threshold for out-of-state e-commerce vendors is New York sales of $500K *and* 100 transactions. This gives out-of-state retailers an unfair advantage over New York businesses.

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

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

## Strengthen and Modernize Physical Infrastructure

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

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

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

## Renew and Reignite Proven Business Practices

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

**Customer Service:** Retailers should take a fresh inventory of all touchpoints and optimize each of these points of customer interaction to consistently provide exceptional service and a memorable experience that adds value, inspires confidence and promotes convenience.

**Marketing Research:** In times of change, marketing research is invaluable. Smaller retailers do not have resources to do the same type of research as retail giants, but they do have the ability to conduct the most meaningful marketing research--talking to their customers. Today, customer connectivity is more accessible than ever.

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

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

## Embrace an Aggressive Omnichannel Strategy

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

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

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

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

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

## Prioritize Convenience and Create Customer Experiences

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

**Product Search Phase:** Retailers should work to optimize the consumer experience by creatively incorporating the most desirable aspects of online shopping into the in-store experience, and bringing the most preferred features of the in-store experience to online shopping. Once a prospective customer is in-store or online, retailers need to

establish a connection and marshal resources to keep the customer engaged. Whether in-store or online, retailers need to provide pre-purchase support; primarily easy access to products and relevant product information.

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

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

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

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

## Retail Advocacy

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

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

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