



Connecticut Retail Merchants Association
The Voice of Retailing

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**Testimony by Tim Phelan,
President, Connecticut Retail Merchants Association
Committee on Finance, Revenue and Bonding**

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Sen. Fonfara, Rep. Scanlon, Rep. Cheeseman, Sen. Martin and members of the Finance, Revenue and Bonding Committee. My name is Tim Phelan, and I am the President of the Ct Retail Merchants Association, a statewide trade association representing thousands of Connecticut retailers, large and small, and all across our state of Connecticut.

I am here today to testify in opposition to SB 821 and HB 6187.

Retail businesses are an indispensable segment of the Connecticut economy, supporting more than 470,000 jobs and contributing more than \$34 billion to our state's economy. There are roughly 42,000 retail establishments in Connecticut, and in total, the retail industry produces approximately 14% of Connecticut's total GDP. Retail businesses provide good jobs for Connecticut families, and more than 98 percent of all retail companies are small businesses, employing fewer than 50 people.

Without question, the past year has been tough for Connecticut families and for our retail businesses. It has been more challenging to stay in business, and keeping costs in check has been more of an uphill battle than ever. The COVID-19 economy this year has put retail businesses, particularly small independent retailers, under increasing pressure just to stay in business - and to stay in business here in Connecticut.

As you know, retailers are in new era. Whether you are a small independent retailer, a mid-size retailer, or a multi-state retailer, the name of the game for survival in today's digital economy is meeting customers where they are. And currently, customers are all over the place. They are online, at your curbside, and in-store. More often than not, communication with prospective customers – and even returning customers – is driven by online communication, in the form of digital advertising. Nearly every hour of every day, the people that retailers need to reach to stay in business are online, using mobile devices, tablets, or pc's to make their decisions on where to make that purchase.

So, while this is a new era for retailers for sure, some thing never change. In retail, we have always had to know our customers well, so that we can serve them better. That is more important than ever today. Any retailer – whether small, mid-size or large – regardless of the segment of the retail industry that they're in, must respond to that.

As a result, retailers have had to leverage new technologies and platforms that now dominate customer communication, if we are to meet customer expectations for a personalized and seamless experience between mobile, online, and in-store shopping. Digital mobile technology has enabled ALL retailers to innovate at a greater speed to meet customer demands. That's where the rubber meets the road today, and today customers expect nothing less.

That is why we are very concerned with bills like those you are considering today, which would introduce a digital advertising tax. No matter the INTENT of the sponsors, the impact WILL be felt by our members. What is aimed at the industry giants will find its way onto invoices in the accounts payable departments of Connecticut's retail businesses. Make no mistake about that. And the timing could not be worse.

It cannot be overstated the impact that COVID has had on the retail industry. Suddenly and without warning, thousands of our members had to adjust to a new normal. For many, that meant shutting their doors, for weeks or months. For nearly all, it meant retooling their business model on the fly, desperately seeking to hold on to some segment of their customer base.

Customer behavior changed overnight and retailers that had not previously advertised on digital platforms, or had plans to do so within the very near future, had to accelerate that process virtually overnight. That meant updating all aspects of their online sites: from content to fulfillment, retailers large and small, had to invest in systems and platforms they had not budgeted for. And even after managing to accomplish that, they had to hope that customers would find them.

Most importantly, they had to advertise on the digital platforms that they knew would be their best – or even their only – effective way to reach their customers. Because that's where everyone was – online. Looking at and depending on the exact same sites that you have targeted in these two bills.

Following my comments today, you will hear from a few of my members who will share with you the impact these bills would have on their bottom line. Let me remind you that these are just a very small sample of real-life examples of the damaging impact bills like the ones we are testifying on will have on ALL retailers. Today is a peek behind the curtain of what this legislation could lead to, and it is not a pretty picture, as you will hear.

I would conclude by saying this: The negative impact that will be felt by our members if these bills pass through this Committee and through the entire General Assembly, will eventually have a dramatic impact on the consumers and communities in your districts.

If this proposed legislation were to pass, higher costs to retailers are certain. And it may be unavoidable for those higher costs to be felt by consumers. Or worse, for our customers, communities and economy, it might just be the straw that break's the camels back for many retailers who have been teetering on the brink for months, and would not be able to absorb the additional expense.

For those reasons, I cannot urge you strongly enough to take NO ACTION on these bills. This is one instance where what you don't do will be more valuable to Connecticut than what you do.

Thank you for your time, and I am happy to answer any questions you might have.

