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**Headline: Retailers fear supply-chain impact on holiday shopping**

**'I can't get them': Richmond-area retailers fear global supply-chain issues causing shortages and could impact holiday sales**

Subhead: Many have juggled orders, inventories to maintain stock

Reporter: By GREGORY J. GILLIGAN Richmond Times-Dispatch

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Kate Stottlemyer is worried about disappointing customers this holiday season. And she is not alone.

She typically would have dozens of water lantern holiday decor merchandise to sell at Tweed, her boutique home-furnishings and gift store in the Short Pump area of western Henrico County.

But not this year. Her store has just a handful of these water lanterns, essentially light-up snow globes inside of a lantern that show a Nativity scene, Santa and his reindeer or an angel that continuously swirls glitter.

Blame the shortage on the bottlenecks and disruptions occurring in the global supply chain, which is impacting retailers from large chains to small independent shops ahead of the crucial holiday selling season. The problems could mean empty store shelves, a limited amount of merchandise and higher prices as retailers scramble to get items.

"It's just a really pretty decoration and we sell a lot of them," Stottlemyer said about the decorative water lanterns.

"They are slowly trickling in. We're just still hopeful that they're going to get here in time for people to still buy them before Christmas," said Stottlemyer, president of Tweed, located in The Shoppes at Westgate.

"Disappointing customers - that's the worst part of it for me," she said. "You know, it breaks my heart when a customer comes in looking for something they know we've always had."

She ordered the water lanterns in January, expecting she would get her shipment during the summer. Her vendor doesn't know when the merchandise will arrive either.

Tweed's shelves are fully stocked, she said, but between 15% and 20% of the merchandise that Stottlemyer ordered earlier this year hasn't arrived.

"We still have a lot of products that's set to come in, and I'm just not sure when it will get here and how close it will be to Christmas," she said.

Other retailers in the Richmond region are experiencing similar supply issues.

Home furnishings store Tinker's still hasn't received its large order of battery-operated taper window candles that were supposed to have arrived in September. Tinker's sold $13,000 worth of the window candles last holiday season.

"They're a huge, huge seller for us," said Sharon Coleman, who co-owns the store at 2409 Westwood Ave. in Richmond. "And I can't get them."

Nadira Chase, the owner of Adiva Naturals, the retail shop in Shockoe Bottom that makes and sells skin care and hair products, is considering changing some of the containers she uses for her products because of a shortage of jars and lids. The containers have been on back order for months.

"I can get some jars, but I can't get the tops. Or there are tops, but I can't get the jars. It's out of stock everywhere," Chase said. "And if I find them, they are overpriced, so when I do find it, it's double or triple the price."

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The global supply-chain problems seem to be a result of several factors:

Factories in Asian countries had to temporarily shut down because of surges in the coronavirus.

A lack of shipping containers caused backups at ports and warehouses overseas.

Cargo jammed U.S. ports, mostly on the West Coast.

There's a shortage of truckers to transport items to retailers.

"It's become quite a challenging year," said John Toler, the CEO of Evergreen Enterprises, the South Richmond-based global home decor business that designs, manufactures and distributes more than 10,000 home decor, sports and garden products and accessories to more than 15,000 retailers. The company also owns retailer Plow & Hearth.

"We're working very hard to overcome it and service our retail clients," Toler said.

The disruptions are weighing heavily on small-business owners, according to a survey conducted in late October by the National Federation of Independent Business, which represents small- and independent business owners.

About 48% of the respondents reported that supply-chain disruptions are having a "significant impact" on their business, while 34% of owners reported having a "moderate" impact. Of small-business owners who rely on holiday sales for a significant part of yearly revenue, 38% of them believe supply-chain issues could hurt holiday sales.

The survey also found that 90% of small-business owners expect the disruption to continue to impact their businesses for five or more months.

According to a survey by Digital.com, the online review website for small business, 58% of retailers plan to raise prices to cope with inventory shortages and supply-chain challenges. One-third plan to increase prices by 40% or more.

The National Retail Federation, the nation's largest retail trade group, predicts holiday sales will be the highest on record - increasing between 8.5% and 10.5% compared with 2020. But some observers believe supply-chain shortages could dampen sales.

"With the prospect of consumers seeking to shop early, inventories may be pulled down sooner and shortages may develop in the later weeks of the shopping season," said Jack Kleinhenz, chief economist for the retail group. "However, if retailers can keep merchandise on the shelves and merchandise arrives before Christmas, it could be a stellar holiday sales season."

Retailers and analysts offered words of advice for consumers: Shop early to avoid a lack of inventory, and buy it when you see it because it might not be there the next time.

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Tinker's is still waiting for merchandise from one of its vendors, which supplies about 50% of its holiday merchandise, Coleman said. Those items were shipped to the Port of Long Beach in California, which has experienced backlogs of shipping containers for weeks.

"We were supposed to have it all by July. And of course, this year it became July, then August, and then it became September and now we still don't have it," Coleman said. "And nobody is answering the phones."

She also is trying to decide what to do with the large order of battery-operated taper window candles that she hasn't received.

"I went from [having] an $8,000 order down to $3,000 [order], and now I'm wondering about reducing that order again because I don't know when I'll get it," she said. Or she might just cancel the order.

She is still waiting for about 25% of merchandise she ordered earlier this year to arrive.

"Christmas ornaments probably are the biggest thing that I don't have," Coleman said.

"Our store still looks fabulous," she said. "But the problem is we won't be able to reorder.

"Last year, every time things were selling really good, we reordered them and they came in. But that was last year. We can't reorder things now. Companies aren't even answering their phones. Some of them will send you a list of what they have in stock and that's usually just random stuff that we wouldn't want in the first place."

She expects the global supply-chain issue to continue into next year.

"It is not going to be over just because Christmas is over," Coleman said. "Some companies have already sent me paperwork that says this or that won't be in until February and do you still want it. I am like, 'No, why do I want Christmas ornaments coming in February?' I need them now."

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Tweed's Stottlemyer took a calculated risk earlier this year that she hopes will pay off this holiday season.

In February and March, she began hearing rumblings that global supply-chain disruptions could get worse later in the year.

Unwilling to take a chance and not get the merchandise she - and her customers - want, she ordered tens of thousands of dollars worth of merchandise in the spring, or about three or four months earlier than normal.

Items from suppliers began arriving in early summer and were placed in the Tweed warehouse until they were put on the store's shelves in recent weeks.

"We've had ornaments sitting in our warehouse since June when normally we wouldn't have ornaments rolling in until much later like in September," Stottlemyer said.

She also took shipment of paper napkins, plates, gift wrap and décor from Caspari in June - months ahead of normal. The vendor's representative recently told her that other retail shops didn't opt to buy early and now can't get the merchandise.

The downside to early ordering was having to pay for the merchandise months earlier than normal, which put a squeeze on the store's available cash flow.

"We paid for it earlier than we planned to and it's sitting there for quite a while before we're able to sell it. It's definitely been a challenging risk," she said.

"But on the flip of that, I hope it will pay off. I feel 100% confident that it will," Stottlemyer said. "This is such an important time for our business, so it was worth the risk to make sure we had product because to me it would have been a bigger risk not to have product during the fourth quarter for people to come in and shop.

"I feel confident we will have fully stocked shelves, and I think we're going to have new, fresh product rolling in regularly throughout the holiday season which we don't normally have."

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At Little Nomad, a trendy children's clothing store on West Broad Street in downtown Richmond, co-owner Anthony Bryant also took proactive steps to make sure his store had merchandise.

"I went ahead and ordered a lot of that stuff in January and February. And I just held it in the store because I didn't want to take the risk of this piece or that piece not being available," said Bryant, who owns the store with his wife, Nora.

"I didn't know it was still going to be as chaotic as it still is," he said. "I think it's been a great decision. It's really saved me money in the long run and hopefully everything sells the way they're supposed to."

Ordering early has had its challenges, he said. Some of the orders came in later than promised, and apparel merchandise is still coming in - months late. He figures he has about 90% to 95% of the inventory he has ordered.

"Everything hasn't gone perfectly," he said. "There are some days I have had a few orders canceled for a couple of reasons. But for the most part, the forecasting and that planning at the beginning of the year I feel is paying off for us."

Little Nomad has more merchandise in stock now than it ever has in the four years since the store opened, Bryant said. He knows he took a risk, but he believes it will pay off.

"You really have to be cognizant as to what you're buying. It's not like we brought in a new product that we were unsure of. The things that we bought are our tried-and-true pieces that we know will sell on a pretty consistent basis," he said. "So that kind of eased things as well."

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Adiva Naturals retail shop in Shockoe Bottom is considering changing containers for some products because the store can't get either the right jars or tops.

Chase, the owner, said she is looking at putting them in a squeeze tubes instead. However, doing that means having to change the label, which adds to the cost.

"It has been extremely frustrating and extremely expensive," she said. "If I can find something that is suitable, it may not be what I want, but if I can find something that is suitable, then I can pivot."

One solution Chase is considering: implementing a refill program where customers hold on to their containers so her business can refill the item.

If the supply issue isn't resolved by January, Chase fears she is going to have to raise prices.

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Evergreen Enterprises has seen the global supply-chain problems from different perspectives.

It makes many of the items it sells at a plant in Ningbo, China, a city outside Shanghai, and contracts with other plants elsewhere in Asia. The company then has those items shipped from the factories to the U.S. And once it arrives at one of the company's warehouses, merchandise is sent to retailers.

Evergreen's Toler said it is costing more to ship merchandise from China and that it has taken 30 to 45 days longer than expected for items to make their way from Asian markets to the U.S.

There also has been a surge in shipping costs, Toler said. At this time last year, ocean freight rates from Ningbo to the Port of Virginia in Norfolk were about $5,000 per 40-foot container, he said. That same container cost about $10,000 in the spring, then rose to $17,500 in early August and reached a high of $21,800 in late September. Rates dropped to about $16,500 in late October, he said.

The company is passing along much of those higher costs to retailers, he said. "Retailers are taking that elevated wholesale price they are paying and they're trying to charge more in store. Almost all this is being passed along to the end consumer," Toler said.

Ting Xu, Evergreen's co-founder and chairwoman, said having a factory and a sales office in China has given the company a competitive edge in a crisis like this.

"Our dedicated staff there has been supporting us to make sure we get merchandise made ahead of traditional production schedule. They worked hard to get the containers. We had people on the ground to move us through the supply chain," she said. "Everyone is working together on the common goal."

Even though the company shipped 95% of its Christmas wholesale orders to retailers by the end of September - 30 to 45 days later than expected - it is still receiving merchandise from overseas at its warehouses for this year's holiday season. It has more than 200 shipping containers to land in Norfolk this month.

The company's warehouse next to its corporate offices off Midlothian Turnpike is "busting at the seams" with merchandise right now, Toler said. Typically, the warehouse would be about 70% full at this time of year.

Merchandise that was intended to be here in August or September is now showing up largely delayed because of COVID-19 outbreaks in Asia that shut down factories.

For instance, this past week, Evergreen was unloading a shipment of NFL-related products that should have been at stores 30 days before the start of football season.

"It's showing up here in November because of the delays. Cambodia had COVID outbreaks in the factories that basically shut down those kinds of things. So in this case, the issue was probably not shipping but probably COVID in the home country," Toler said.

Another reason for the hefty amount of merchandise at its warehouse is Evergreen is getting products here months earlier than normal - such as outdoor wood furniture and other spring and summer merchandise - that usually wouldn't arrive until January or February. It is doing so to make sure the company has items to ship in time to retail customers.

A third reason for an overflowing warehouse is Evergreen has ordered more of its best sellers, such as flagpoles and flagpole brackets, to make sure the company has those items in stock.

Will manufacturers, suppliers and retailers be dealing with supply-chain challenges next holiday season?

"Everyone we talked to in the business and the industry sees these supply-chain issues that we have right now - port congestion, container availability, expense associated with containers - certainly going into 2022," Toler said.

"How deep into 2022? We don't know," he said. "I would think you can make a statement between the ocean freight rates, the congestion, the raw material prices we're seeing increases on, and then other general inflation, that Christmas items probably next year will be more expensive than they are this year if these trends continue."

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Site: Richmond

**Headline: Richmond-area stores fought to survive crisis, but some didn't make it**

WATCH NOW: Richmond-area retailers fought for the survival of their businesses during the pandemic, but some didn't make it

Subhead: Owners still battling this year to try to keep their businesses afloat

Reporter: By GREGORY J. GILLIGAN Richmond Times-Dispatch

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Business was looking strong for Nadira Chase in early 2020.

Her Adiva Naturals retail shop in Shockoe Bottom that sells skin care and hair products was expected to have a strong year. She was even almost ready to open a temporary pop-up shop in Denver in mid-March last year with possible plans for a permanent store there.

But then the COVID-19 pandemic hit and wreaked havoc on her personally and her retail business.

Chase contracted the coronavirus while visiting New York in early March last year. She didn't know she had it until she returned to Richmond and spent a couple of days in a local hospital. Then she spent the next two months recovering from the virus.

She was admitted to the hospital a year ago around the same time her retail shop had to close because of a state mandate requiring all nonessential businesses to shut. The store eventually was closed for about two-plus months. Chase had to let go three employees.

She also had to stop supplying most of her wholesale accounts because she has had difficulty getting supplies like bottles for the products she makes. And the temporary Denver store never opened.

"It's been the worst year of my life," Chase said. "But we have been quite resilient."

The pandemic turned an already challenging business environment for retailers into never-ending uncertainty.

Like thousands of independent retailers across Virginia, Chase has fought for the survival of her business.

"We have been so blessed because I have so many colleagues that couldn't sustain and we were able to," Chase said. "We were able to sustain operations. We didn't have to close down permanently where so many have and there are so many for-sale signs or for-lease signs on businesses now."

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The retail industry has been particularly hard hit during the pandemic, with malls and stores closed for months last year.

Many retailers - some analysts have estimated thousands across the country - have simply shut their doors forever as they were unable to sustain the dramatic loss in revenue as consumers stayed home to slow the spread of the virus.

Some have closed their bricks-and-mortar locations in favor of operating only on the internet.

Shop owners continue to scramble to keep their businesses afloat as the pandemic persists into 2021, hoping that once most Americans have been vaccinated that consumers will feel more confident about going out to stores and malls to shop.

About three dozen national retailers filed for Chapter 11 bankruptcy last year, compared with a total of 23 retailers that filed for bankruptcy in 2019.

Among those retailers that filed last year are Lord & Taylor; J. Crew; J.C. Penney; Neiman Marcus; Tailored Brands Inc., the parent company of The Men's Wearhouse and Jos. A. Bank; Stage Stores; Stein Mart Inc.; and Ascena Retail Group, which owns Lane Bryant and Ann Taylor.

Saxon Shoes Inc., the Henrico County-based retailer that started as a small store in downtown Richmond in 1953 and grew into a regional footwear and accessories powerhouse, filed for federal bankruptcy protection in August.

Six nationwide chains have filed for bankruptcy so far this year, including Paper Source, Belk department store and women's apparel seller Christopher & Banks. Experts expect more national retailers to file this year.

Some chains, notably Stein Mart and Stage Stores, which owns Peebles and Gordmans department stores, shut down all locations permanently.

U.S. retailers had announced plans to permanently close more than 10,700 stores for all of 2020, according to The Daily on Retail financial newsletter.

All of those store closings meant job losses in the retail industry have soared during the pandemic. Black and Hispanic workers have been hardest hit as they were more likely to work at stores, restaurants, hotels and other similar industries.

Many national retailers closing stores did not file for bankruptcy but took the action and other expense reductions in order to strengthen their business for the long-term.

For instance, Nordstrom, the upscale Seattle-based department store retailer, closed 16 of its 116 full-line stores, including the one in western Henrico's Short Pump Town Center that had operated there since the mall opened in 2003.

Locally, Need Supply Co. never filed for bankruptcy but decided last summer to shut down its entire business, which included Need Supply's three stores - its flagship store in Carytown and two licensed stores in Japan - along with Totokaelo stores it owned in New York and Seattle. It also shuttered its e-commerce business.

"We were overextended. And when COVID hit, we just didn't have the reserves to get us through six months to a year of just severely diminished sales," Christopher Bossola, the company's co-founder and CEO, said in September when the business had shut down. "We just weren't planning on a hit like we got with COVID."

The economic impact from the coronavirus pandemic forced other local stores to close for good last year.

La Grande Dame, a plus-size designer apparel boutique that has operated in Richmond for 28 years, closed for good in August.

"I just didn't see any viable way to making it through for an entire year without clients coming into my store and not having the merchandise to sell them," owner Art Toth said recently, noting that many manufacturers making women's clothing in sizes 12-24 cut back on production.

"I knew from a business standpoint that I didn't have a way to get through this," said Toth, who now is a sales manager at Alan Furs.

Chocolates By Kelly, the small handmade fine chocolates shop that operated in various locations in the Richmond region since late 2008 including its last shop in the Short Pump Town Center, closed the bricks-and-mortar part of its business. The owner moved to Pinedale, Wyo., which is near Jackson Hole, with plans to sell her chocolates online to wholesale and corporate clients.

Premiere Costumes, which had been a retail fixture in Carytown since 1974, closed for good in November after sales during October fell about 50% compared with October 2019. October should have been one of the strongest months of the year for Premiere Costumes because consumers typically spend a lot on Halloween costumes. But not last year.

"Sales have been pretty dead for quite a while and we just didn't have the uptick [in October] we needed," owner Chelee Lattimore said days before she closed her shop. She hopes to continue the business by selling costumes and other accessories online.

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In order to survive, retailers have had to learn to adapt, adjust and, in some cases, pivot their business model.

They needed to come up with different strategies to keep their businesses going and to engage with customers in different ways as much as possible, said Carlos Castelan, managing director of The Navio Group, a retail consultancy firm based in Minneapolis.

Technology has played a big role in that as the internet became the savior for many merchants both large and small, he said, as the pandemic accelerated a trend toward online ordering and delivery.

"What we have seen is retailers that have done well have adjustment shifting quickly over to the digital demand," Castelan said.

"A common theme that we have been seeing across the landscape is retailers thinking about the omnichannel retail model in terms of the role of the stores being used as fulfillment but also in terms of having a great in-store shopping experience for customers who choose to come in," he said. "That will continue to be the theme in terms of success for retailers going forward."

If independent retailers did not have robust websites before the pandemic, they quickly upgraded their e-commerce sites to better capture sales, he said. And many shop owners quickly allowed consumers to order both online or over the phone and pickup curbside - or even have the merchandise delivered.

Smaller merchants, he said, have gone under if they have not been able to fulfill the changing needs of the consumer.

"The ones that have been able to succeed have been able to figure out different ways to meet customer demands whether that is setting up online stores to even expanding more nationwide to ship to customers across the country," Castelan said. "Basically, they have got to be creative in terms of different ways to get orders from customers."

U.S. e-commerce sales have grown 22.5% faster than overall retail sales since the pandemic, according to The Associated Press, which cited Retail Metrics Inc.

That's up from 6% in the decade before the coronavirus.

Customer service is and remains really important, Castelan said. That is one differentiating factor that smaller retailers can do well at, he said.

"It all depends on how customers want that service," Castelan said. "If they are coming to the store and having great customer service to catch those sales, that is really important. They need to be thinking about both the store piece but also the digital side."

Merchants have gone the extra mile with customer service by using technology to land a sale, he said.

For instance, some retailers have allowed customers to come into the store for private one-on-one appointments, while other shop owners have showcased their merchandise using Zoom, FaceTime or some other videoconferencing service.

"Those to me are examples of great customer service. It is about getting creative in terms of service and meeting the customers' needs. There are ways retailers can think about or to find ways to grow and expand the business," Castelan said. "That adaptability piece is really important. It is just critical."

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For Adiva Naturals, pushing sales online was the "saving grace" for the business.

In the first couple of weeks after the store closed temporarily, sales plummeted. It took about three weeks for online sales to pick up.

"Sales [online] were great. They were magnificent," Chase said. "It was so busy you almost couldn't keep up."

Her business also delivered merchandise to customers' homes within a 25-mile radius of the store. "We did that to make sure we got the sale," Chase said.

Customers also could do curbside pickup.

When the store reopened, she had to limit the number of customers inside the shop at any one time because of state regulations. She eventually rehired the three employees she had to lay off.

Sales at her small shop at 1802 E. Franklin St. are key to her survival. "We are an experience store. You can buy products anywhere. However, you can come into our store and you get nurtured and you get educated. We love doing it," she said.

The pandemic caused problems in other parts her business. She couldn't get the plastic bottles, tops and other items used for her skin care and hair products that she sells to consumers and to other retailers.

She had about two dozen wholesale accounts, but now supplies only four stores - three in the Richmond region and one in North Carolina - because of the ongoing supply issues. "That has hurt us bad," she said.

In a normal year, Adiva Naturals typically would launch new products and attend different events and trade shows. None of that happened last year, she said, which meant no revenue stream for that side of her business.

The company was supposed to open a temporary store in Denver a year ago in mid-March. Half of the product for the store was already there. She was on the hook for the two months of rent. "I lost everything I invested in that," Chase said.

She's still considering opening a store in Denver, but she's not sure when. Maybe next year, she said.

Despite all of the challenges, Chase said revenue in 2020 was on par with what it had been in 2019. "They are down for me because we always make more [in sales] than we did the year before," she said.

The business, she said, is still trying to recover.

"I never thought for a second that we would have to close for good," Chase said. "It was just how are we going to be able to maintain. My thought had been on expansion, but now it was on how are we going to maintain. I knew it would survive."

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Chop Suey Books in Carytown basically has been closed to customers to shop for the past year.

The independent bookstore still takes orders over the phone or on the internet. But books are either shipped to customers or shoppers pick up their orders at the store's front door.

Except for a couple of months late last year when customers could make an hourlong appointment to shop inside the store by themselves, Chop Suey Books has not opened its doors to shoppers.

"We have the doors locked the whole time," owner Ward Tefft said. "We are doing all of this because we think it is safe for our co-workers and our community."

The shop at 2913 W. Cary St., across the street from the Byrd Theatre, is surviving, Tefft said, although sales last year declined 60% compared with 2019.

"We got a lot of support from the community, but it is a hard way for people to shop. It is not the normal way to shop," Tefft said.

In October, Chop Suey Books began offering the hourlong appointments for customers to shop alone. Hundreds of people paid $30 in advance to be able to do so, with the money going toward their final purchases.

"It was a commitment on their end not just to come in and browse," he said. "We were giving them the space to have the full range of shopping in the store in a very safe environment."

The appointment program lasted until late December.

During that nearly three-month period, 95% of the time slots were filled, he said. All but one customer spent more than the $30 minimum.

Chop Suey Books stopped the appointment program in late December, but Tefft said he might restart it again this spring.

"It was emotionally gratifying for customers to come in and to see the work we were doing," Tefft said. "To have people in the store was something really nice."

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Saxon Shoes blamed the economic impact from the coronavirus pandemic as a reason for it to file for the Chapter 11 bankruptcy.

When the pandemic hit last March, the company had to temporarily close its two stores - in Short Pump Town Center and in The Village at Spotsylvania Towne Centre in Fredericksburg - because of government orders to help curb the spread of the virus. The stores reopened in May.

In the first three or four weeks after the stores closed, sales fell by about 97% compared with the same period in 2019.

"It was an incredible shell shock," said Gary Weiner, president and CEO of the family-owned Saxon Shoes and son of the company's founders. "Nobody knew then what to do or for how long this [pandemic] was going to take."

Saxon Shoes has taken the past year to get its business on better financial standing while adding new trendy merchandise and vastly improving its website.

"We are focused on building a better online experience while still hammering the in-store experience," Weiner said.

Before the pandemic, a small amount of its shoe selection was on its website. Now, most of its assortment is online.

Also last spring while upgrading its online store, the company used technology in another way. Weiner's daughter, Amanda, created Facebook Live events in April to help jump-start sales.

Saxon also offered curbside pickup and shopping by appointment.

Meanwhile, the company is buying trendy merchandise such as women's sneakers and shoes from footwear brands including P448, J/Slides and Vintage Havana.

"These are shoes women are looking for," Weiner said. "We are doing a big presentation from brands that we would have never thought we would have carried before."

Filing for bankruptcy also made him and the company look at every aspect of the business from staffing levels to purchasing. The company's plan of reorganization has been approved, and Weiner expects to exit bankruptcy court's protection in the next 30 to 60 days.

His big issue now is knowing when consumers will be interested in shopping at stores and malls more regularly again. He is expecting stronger business later in the spring and into the fall.

"I'm cautiously optimistic," Weiner said. "We do think people will come back and will shop again. Bricks-and-mortar stores will come back."

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Tweed, the boutique home-furnishings and gift store in The Shoppes at Westgate, took part of the past year to rethink its operations in order for the store to survive.

"The positive here is that we are learning a lot and we are making changes that you would not have made had it not been for the pandemic," Tweed President Kate Stottlemyer said. "And these are things we would keep even after the pandemic."

Stottlemyer said she and others working at the store started to look more introspectively at the shop's operations.

"We are taking this opportunity to do things differently that we would not have done if we had not been forced to do it. It is something we should do more often than just during a pandemic," she said. The pandemic "taught us to look at things differently."

For instance, Tweed annually held a big spring open house since the shop first opened in 2004.

"This year, it would be wrong to encourage a lot of people to shop in the store. So, instead, we are running a series of in-store and online promotions from March through June," she said. "It's a different way of doing it."

Pushing more sales through the internet was another change, she said.

Overall sales were flat last year compared with 2019.

"We were so grateful for that. We were very fortunate that we ended the year better than we expected," Stottlemyer said. "The big thing right now is to take it a day at a time."

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High Point Barbershop & Shave Parlor had ambitious plans in early 2020 to open its third location in western Henrico last summer.

The pandemic put that project on hold.

"In January [2020], we were full speed ahead for our third shop. We were bursting at the seams at our other locations," said David Foster, a barber and co-owner of the business.

The pandemic forced High Point Barbershop, like other barbershops and hair salons, to shut down for nearly three months.

"We decided to wait and see. That was an awfully stressful time," he said.

And when the two barbershops were able to reopen in June, the company had to stop doing any facial or beard-trimming services because it would require customers to take off their masks.

That eliminated a large number of customers. "We lost out on the opportunity to do something we specialize in, but it also opened up times to bring in some new clients," Foster said.

The two shops - on North Meadow Street in the Fan District and on Altamont Avenue in Scott's Addition - enacted some stringent safety measures to protect employees and customers. "That helped in consumer confidence in the business," he said.

Even though High Point Barbershop postponed the opening of the third shop, the company still had to pay rent on the space since last summer.

Now, it's at a point where constructions plans are underway for the third shop at Three Chopt and Cox roads. It should open sometime this summer.

"It is something to be really excited about," Foster said.

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**Headline: New CarMax Midtown center fosters productivity, creativity**

WATCH NOW: CarMax opens new office in Sauer Center with collaboration space that 'is highly productive, but also highly creative'

Subhead: Office in Sauer Center is tailored to the different ways people work now

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When CarMax announced two years ago that it was taking over space in the Sauer Center development off West Broad Street, the automotive retailer's executives knew they didn't want a typical interior office redesign.

Rather than just having cubicles or dedicated offices spread throughout the building, they wanted to create spaces for the different ways people work these days.

Executives still wanted places for employees to work at a desk if they wanted, but also to give them the option of plugging in their computers to work in other places throughout the building. Employees needed to have access to smaller private spaces to make a phone call or conduct a small meeting.

The company also sought a more open office environment for collaboration, brainstorming and strategizing with colleagues.

CarMax officials wanted employees involved in the process and sought their input by talking to them about what the space should look like. They conducted tests with employees on the different types of furniture and the various space configurations to see what worked best.

This month, the Goochland County-based retailer opened what it calls CarMax Midtown, its innovation center, in the Putney Building at 2220 W. Broad St.

The 120,000-square-foot building, originally used as a Putney Shoe factory building when it opened in 1906, was completely renovated. It is between the main offices of the Department of Motor Vehicles on West Broad Street and a Lee's Chicken restaurant, near the Whole Foods Market store in the Sauer Center mixed-use development.

"We were going for areas where we wanted to connect and spark ideas and spark creativity and play off of each other's thoughts," said Jim Lyski, CarMax's executive vice president and chief marketing officer, who oversaw the revamping of the building's space.

"What we've done here is to evolve to the next level ... to create this collaboration space that is highly productive, but also highly creative," he said.

When CarMax first began planning for the center, it was months before the pandemic and the chain hadn't given much thought to remote work or even how that might play into its plans. "When the pandemic hit, it just put everything on fast-forward. Everything became even more reinforcing of those design concepts."

That meant designing space built around a remote-first workplace model that emphasizes flexibility for employees. The plan was to provide office space for in-person work, if the employee wanted that, but the design needed to have a greater importance for areas of collaboration and company gatherings.

"I think one of the important design thinking aspects of this was that we wanted the space to fit the work," Lyski said. "If you want to go heads down [to work at a desk on a computer] there are quiet spaces for that so nobody will talk to you. But if you need to collaborate, there's obvious collaboration spaces. If you need to socialize, there's socialization spaces."

CarMax isn't alone in rethinking its office space needs. Many businesses have been doing so in recent years, particularly in the past year because of the pandemic, according to the Society for Human Resource Management.

"They're reconsidering how to effectively use office space now that many employers are doing hybrid work," said SHRM knowledge advisor Kimberly McNeil.

"The office is becoming more like the hub where people come together to collaborate, to offer social interaction," she said. "We're seeing a lot of employers move away from assigned seating to more open workspaces."

Brent Smith, a professor of real estate at Virginia Commonwealth University, said employers need to be flexible with their workspace needs, but they also need to make them look more dynamic.

"Now that everybody has worked at home for 18 months, they have found ways to get comfortable in that environment and still be productive," Smith said. "If you look at some of these newer spaces ... you're transplanting that comfortability that they had at the house into the office space. Instead of having this stoic structure that's really homogeneous and requires this certain posture, both physically and structurally ... you're seeing the continuation of comfortability combined with productivity."

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CarMax shifted gears in the past year in how the space in the Putney Building would be configured because of the coronavirus pandemic.

The biggest change made was reducing the maximum occupancy from accommodating about 750 workers to having about 600 employees assigned to the building.

"Everything was spread out a little bit more than it was previously," Lyski said.

But given the ability to work from home, he expects about 200 to 300 people might work there on a regular day.

"We have no mandates. We have told employees we want you to be the most productive person you can be, and if you can do that 100% in the office great. If you can do that 100% at home, great. But most of you are going to want to leverage both environments," he said.

There are about 550 seating options available throughout the building. These include places where employees can plug in their laptop computers at about 400 desks, as well as a variety of high-top tables, soft chairs and bench couches. That doesn't include the building's various meeting spaces.

Employees also are not assigned a desk, but are told to sit in designated areas within the building based on the teams. They can reserve a desk by using their smartphones to scan a QR code on an available desk. Conference rooms can be reserved either from a mobile phone, a laptop or from the screen at the entrance to the room.

Reconfiguring the workspace to provide more open common space is what a lot of companies are doing, VCU's Smith said

Employees, he said, spend a certain amount of time weekly working on their computer and the rest of the time is spent brainstorming or strategizing with colleagues. Businesses will adapt and have space where employees can come to an office and do their independent work, if they want to, but spend the bulk of their time at the office interacting with others.

"When we need to come together, we can come together. When we're working on our own, we can pretty much be flexible to do that just about anywhere," Smith said.

The second-biggest change to CarMax's initial plans was how to accommodate the hybrid worker so that person would feel present in a videoconferencing meeting.

"If you're not present in the meeting because the technology is glitchy, or I can't hear or I can't see, you're not productive, you're not helping us. That's the second-biggest change and where we conducted a lot of experimentation," Lyski said.

All of the conference rooms or meeting spaces in the building can easily be set up so employees simply push a button on a screen or tablet to join or create a meeting. Cameras in the rooms can zoom in to allow participates to clearly see documents so they can collaborate in real time.

The other key part is that the meeting rooms also have two large screens on the walls - one to see those participants who are working remotely and the other to show the presentation.

"The reason that you see these two monitors everywhere is it's about presentation and presence," said Eric Martin, the chain's assistant vice president for product design who was part of the team overseeing the configuration of the new space.

"We realized that the remote individuals needed to feel like they were part of a team. What we learned from our experiments is that most setups have one large display, but you lost the people," he said. "The value is when you're in a presentation with remote participants, you want to see them and they see you by one central widescreen camera. It creates a sense of community and collaboration that bridges that gap between in-person and remote."

The pods around the space or on the conference room tables are microphones that enable the worker to have a natural conversation so they don't have to speak loudly or put a headset on, Martin said.

"That way you can actually focus on the meeting because everyone is looking at everyone else. That's the environment that we want to create - speaking naturally, making eye contact, feeling like that's a group that's having a productive conversation without having to think about technology at all," he said.

Before the pandemic, CarMax was starting to think about how to facilitate better productive meetings that could be remote. The pandemic changed that, Lyski said.

"We're a hybrid forever now. You have got to be able to have in-person/remote combo meetings," he said. "Everything is designed to facilitate that virtual presence seamlessly with the physical presence. That's probably one of the major design tenants of everything we've done here."

The building has only two enclosed offices - one for Lyski and one for the company's chief information officer - largely because they are often in confidential meetings, he said.

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The building, which had been used by the Virginia Department of Taxation for years until 2011, is home to CarMax employees working in digital services, technology innovation, product design and marketing.

Most relocated from CarMax's headquarters in the West Creek office park in Goochland or from the company's former digital and technology innovation center in the Lady Byrd Hat building along the Canal Walk in downtown Richmond, as well as from office space in the nearby Canal Crossing building in Shockoe Bottom.

CarMax began leasing space in the historic Lady Byrd Hat building in 2016 and started leasing in the Canal Crossing building in 2019. The chain began leasing that space because it was starting to outgrow its 250,000-square-foot corporate headquarters space that opened in 2005.

The company decided not to renew the leases at those two buildings, a spokesperson said.

The location of the Putney Building, Lyski said, is ideal to help the company attract and retain top talented workers because it is between VCU's academic campuses and Scott's Addition, and is near the Fan District.

"When we started growing out of our space in West Creek, we were thinking about how do we both accommodate more real estate needs, but also how do we attract and retain this creative class that we were getting - whether in IT [information technology] or in product or in marketing," Lyski said. "They want more of an urban environment and more of a creative environment itself."

CarMax is leasing the space from Sauer Properties, the development and property entity of the Sauer family that is developing the urban mixed-use Sauer Center development. Sauer Properties bought the Putney Building from the state for $4 million in 2012.

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In the middle of the Putney Building is a stage for large meetings or presentations.

At one end is grandstand-type seating. In between the stage and the tiered seating is a variety of couches and chairs where employees can plug in and work or simply relax.

Behind the stage is the kitchen or cafe area. It was deliberately placed to encourage better connections - and collaboration - between people working in different parts of the building, Martin said.

Putting the cafe area there, VCU's Smith said, makes it more of a focal point.

"It is like bringing back the water cooler concept of interaction," Smith said. "Usually these days, the break room is off to the side somewhere and it is almost an afterthought. Food is big part of life and interaction, and communication takes place over food. Everybody has to go there, so there's a natural alleyway or pathway through one another's space."

The building is divided into four neighborhoods - northeast, northwest, southeast and southwest - based on location from the CarMax Midtown office. Conference rooms within each area are named for different neighborhoods.

For instance, the Bellevue conference room is for the northwest neighborhood. The Carver and Jackson Ward conference rooms are for those neighborhoods in the northeast sector.

Sprinkled throughout the building are 15 two-people enclosed private booths that are nearly soundproof. These allow employees to make a phone call or conduct a one-on-one meeting. There also are three one-person private booths.

In addition to conference rooms and other formal areas with tables, the building has a lot of smaller breakout or medium-sized meeting areas used primarily for collaboration.

Six murals designed by local artists also were added to provide some unique artwork. Two pieces on the second level were installed as a nod to the iconic neon sign atop the C.F. Sauer headquarters and manufacturing plant complex at 2000 W. Broad St. at Hermitage Road.

More murals are planned from artists from the Richmond region.

"Murals are one thing that Richmond is well-known for," Lyski said, "and we wanted to be part of the fabric of the city."

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