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The Pop Behind Pop-Ups

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Putting the Pop Back in Small Businesses on Long Island

While small businesses reportedly had the best recovery in the most recent financial crisis, small businesses on Long Island continue to suffer from things such as taxes, regulations and even getting off the ground in the first place. Despite this, there's a type of small business that has taken root: pop up stores, businesses that remain open for only a few days or weeks at a time. Some of these owners refuse to let the difficulties of being a small business owner stop them because for those stores that open their doors during the holiday season, owners cash in on the most profitable time of the year and for the landlords of empty storefronts, for a few weeks they have a paying tenant.

Being a Small Business on Long Island & the History of Pop-Ups

Sometime in 2008, John Hill, founder, president and CEO of Long Island Advancement of Small Business, began noticing that a lot of organizations that claimed to be dedicated to small businesses on Long Island really weren't. He found statistics that showed that on Long Island, with over 90% of the businesses were companies with 49 employees or less.

“While other organizations focused predominantly on networking, I envisioned helping small business with education and growth and to collectively work to having our voices heard by our elected representatives,” said Hill on his website. In June 2009, the board of directors for Long Island Advancement of Small Business was formed and the organization was introduced to the world in October of that year.

However, running a small business on Long Island can be rather difficult for some owners. “It is challenging for small businesses, the things that kill small businesses on Long Island are taxes and regulations,” said Hill, who said he works to help improve some of these issues by being one of “the voices of small businesses.”
In an article posted in Long Island Business News in June 2016, three things are said to be creating challenges to small businesses on Long Island. “The federal Affordable Care Act, New York State’s Minimum wage increase, and the recent overtime rules issued by President Obama,” said the article.

Another article in The Long Islander in September 2015 references a survey taken by Thumtack, an online resource center for small businesses in New York which revealed that the state is in the bottom of the five worst states in which to own and run a small business.

“A main reason, the study shows, is because the state is an “unfriendly” environment due to fluctuating labor regulation that put owners in murky water with government compliance,” said the article.

The story continued to say that because of this, many small businesses work with payroll companies to help them stay afloat, particularly in help with the Affordable Care Act. A source in the story, Jerry Siegel, President of JASB Management Inc., said that this act increased the cost of healthcare but it also doesn’t require a business with fewer than 50 employees to offer coverage to said employees.

Hill, also quoted in the article, said that it is hard to find good employees who are willing to work without benefits.

According to the Long Island Advancement of Small Business’s website, someone who owns their own small business also has to pay a self-employment tax on the earnings of their business. This funds benefits of Social Security, which includes things like retirement, Medicare, disability and survivor’s. Small business owners may not even see all these benefits and so places like the Long Island Advancement of Small Business encourages people to try to minimize the Social Security taxes that they have to pay.
“If you’re self-employed, you’re both the employer and the employee of your business, so you’re required to pay a self-employment tax equal to the combined amount of payroll taxes employers and employees pay,” said the Long Island Advancement of Small Business’s website “You pay this tax when you file your annual tax return with the IRS or in estimated tax payments throughout the year.”

The site says that employees that work for a business, which is covered by Social Security, have to pay a total tax of 7.65 percent. This further breaks down into 6.2 percent to the OASDI fund (retirement, survivor's and disability) and 1.45 percent to Medicare. Earning over a certain amount or the maximum earnings limit, which was $113,700 in 2013, does not count for the OASDI tax.

The Long Island Advancement of Small Business also encourages those who work for multiple employers and therefore may earn over the maximum earnings limit but still pay more in the OASDI tax, file for their refund for overpayment.

Owners of small businesses have to pay a self-employment tax of 15.3 percent on their income.

“Since 1990, 92.34 percent of all net earnings from self-employment has been taxable, unless the profession is not covered by the Social Security Act or unless the net income from self-employment is less than $400,” said the site for Long Island Advancement of Small Business.

Employers with other employees also must pay an equal amount to the percentage that the employee is paying to Social Security.

Before a business owner decides to minimize their Social Security taxes or payroll taxes, they should look into a few things. The Long Island Advancement of Small Business’s website said that if you are an owner who has to pay the employer share
of the FICA tax which covered 7.65 percent of each employee’s pay or have a high average annual earning, you should consider minimizing your payroll taxes. You should be careful though, the site said, because this can limit the amount of benefits you receive in the future.

However, there are occurrences where minimizing taxes would not benefit a small business owner, such as those who have low earnings in their lifetime or who have spouses who are not covered by Social Security.

It isn’t all taxes that are holding small businesses back. Another issue, Hill said, is that in order for a small business to grow, it needs money and banks right now just don’t seem to be giving enough to these small businesses. He said that if you go to a private investor instead, they want not only two years of profitability under your belt but also a large portion of your business.

In New York City, the story is a little different. According to NYC’s Department of Small Business Services, small businesses are a fundamental part of the NYC economy.

Back in 2008, when Lehman Brothers, a global bank, collapsed an enormous amount of bailouts were required in order to save the economy. Other industries, including the retail industry, suffered.

The NYC’s Department of Small Business Services said that the smaller companies in the city, such as ones with fewer than 100 employees, were the kind that saw the larger return a lot quicker than the big chain companies, especially in terms of jobs.

Another thing came out of the recession that was also small business related. According to PopUpInsider, a business that helps plan pop-ups, the pop-up industry received more momentum during the most recent recession, giving owners the
ability to test products and locations with audiences on a short-term level. So really offering the opportunity to test the waters before diving headfirst into the deep end.

One of the front-runners of the Pop-Up industry is Vacant, a business that helps brands and entrepreneurs plan pop-ups, which started in Los Angeles in 1999 and rose to popularity in the early 2000s. On their website, Vacant defines a pop-up as “a short term or temporary store used by companies to build brand awareness, launch a new product, test a consumer market or targets retail location, including experiential marketing.”

TheStoreFront, a business that also helps grow and build pop-ups, believes pop-ups have been around since even before Vacant helped pave the way for the industry. “Sighted as early as the 1990s in large urban cities such as Tokyo, London, Los Angeles and New York City, Pop-Up Shops and Pop-Up Retail are temporary retail spaces that sell merchandise of any kind,” said their website.

A majority of pop-ups are used to test a brand or product, but for some it is a yearly occurrence, cashing in on some of the most profitable months of the year.

**12 Months of Christmas**

It’s early November, and as I am driving down Jerusalem Avenue in Massapequa near my home on Long Island, I notice signs plastered on the windows of what used to be a Duane Reade years ago but was the temporary home to a Spirit Halloween store for a few weeks. The signs promote 50% off sales on leftover Halloween costumes and decorations. A few days later, boxes are being taken out to a truck and someone is taking down the Spirit Halloween sign that had been placed on the strip mall storefront.

The following week, a new sign has taken its place: Everything Christmas. Dozens of boxes are being brought into the building, stacking up high against the windows,
preventing prying eyes from seeing what's going on behind the glass. Wrapping paper covers the door, but soon, not even that nor the boxes can hide the bright lighting fixtures being hung on the walls or the laser lights being displayed in the back. About a week before Thanksgiving, I see that they have finally opened their doors to the public.

Walking around inside, you can see the hard work put in by Howie and Pamela Frank, husband and wife co-founders and owners of Everything Christmas and Nesconset residents, and their employees. Since they are just renting the place, there isn’t much they can do about the general appearance such as scuffed up floors or chipped tiles. However, they make the most of things by using what they sell best to liven up the place: holiday decorations. From the light fixtures that adorn the walls to the blow up lawn sculptures in the back, the place is cheerful.

Gingerbread houses, wrapping supplies and toys are just some of the many types of things offered in addition to decorations. Everything Christmas sells everything from paper ware, indoor and outdoor decorations, gift-wrapping products, Christmas edibles and even toys and other small gifts.

One corner of the store is completely dedicated to toys. Stuffed animals line the ledge against the large windows.

Howie and Pam first got the idea for Everything Christmas eight years ago after watching the success of pop-up Halloween stores such as Spirit Halloween.

“We thought, why not Christmas?” said Howie. Both Howie and his wife have over 30 years of retail experience, having owned and run businesses including delicatessens, food court concessions, gas stations, dollar stores and convenience stores. It was with the dollar store business that Howie really started to see the popularity of holiday products, “We always used to be really busy during the holiday season.”
So, in spite of the difficulties small businesses on Long Island were facing, the Franks took a leap and started Everything Christmas, with the first location opening in Levittown on Long Island in 2008. “We did okay, we didn’t do great,” said Howie, “It was more of a learning experience.”

The Franks now run four Everything Christmas stores from mid-November until typically New Year’s Eve. Two years ago, they began selling franchises to qualified applicants. The brand has a franchise in California, Florida and two on Long Island.

Though only open for about six weeks every year, a large amount of planning goes into getting everything together and making the business a success. As soon as the Franks shut their doors in January and pack up all the extra product and fixtures into storage in Lake Ronkonkoma, they begin planning for the next year.

Towards the end of January, after everything is all packed up and put into storage, Howie begins going to individual vendors’ show rooms to see what new products they are showcasing for the next year, as some of them have them for display early enough. He places his orders early and is able to wait until closer to his opening date to pay for the product.

The Franks typically take a vacation in February. “It’s such a fast-paced season, we need to take a little break for a while,” said Howie.

The spring months bring the trade shows, which are a collection of multiple vendors showing products for the following season. Howie said that at some of these shows, vendors offer special deals such as free shipping or 10 percent off. He said that Everything Christmas started out working with 10 or 15 vendors and now does business with over 50.
“With our name, Everything Christmas, we really wanted to carry as much as we could,” said Howie.

Come summer, Howie begins scouting for locations, seeing if previous successful locations are still available or what locations might do even better than ones they have used in the past.

In September, Howie begins calling vendors to confirm orders and troubleshoots any issues that may occur with any merchandise orders. October means a lot of prepping for where everything goes in the physical store, especially since they have a limited amount of time for setup. Typically, the Friday before Thanksgiving, the Franks shoot to open their doors, planning at least a week in advance for setup and any other problems they may run into.

Over the years the Franks have learned what works and what doesn’t for their stores including locations. “Demographics are more important, how much money people make in certain towns rather than how busy the shopping center is,” said Howie.

**For Some a Tenant is a Tenant**

Chris Conner, founder and franchise consultant at Franchise Marketing Systems who helped the Franks, said that when it comes to finding a landlord who is willing to work with a pop-up and a short-term lease, it can be a hit or miss. “Landlords either hate the idea or love it,” said Conner, “It has to be the right presentation and the right person at the right time.” Conner said that ultimately though, it can become a win-win situation for everyone.

Over the years Howie has made many connections in the real estate market, and really knows whom to call, said Conner.
Howie said he does have connections with some realtor companies’ specialty leasing departments, which work in short term leases. While these people still have to get approved by their bosses, a company that has a specialty-leasing department usually is a good sign for Howie.

Howie said one of the tactics he uses in finding locations is seeking out the landlords for locations where some of the Halloween stores, such as Spirit Halloween, setup. “I start looking in July,” said Howie “Halloween stores will have their deals set in then, then they will give us the green light.” Howie doesn’t just scout out the Halloween stores locations, he typically spends the summer months driving around Long Island looking for ideal spots for the stores, both ones run by him and those run by franchise owners.

The Franks typically use the same locations every year, if they are still empty by the time November rolls around. One such location that they have used for the past four years is what used to be a Duane Reade in a strip mall in Massapequa on Jerusalem Avenue. In the past three years, the Duane Reade has been closed, the only businesses that have come and gone in the location are Spirit Halloween and Everything Christmas.

The strip mall, owned by Kimco Realty, contains six storefronts, the largest being where Duane Reade used to be. The mall is home to a Teachers Federal Credit Union, a local deli, a Payless, a Mexican fast food place and a dentist. The build is right on the corner of a busy intersection that is surrounded by gas stations, a grocery store and a variety of other businesses.

The usually empty store is 13,965 square feet and has been empty for at least five years. Not even the pop-up stores use the full space, separating the inside by curtains or displays and using the rest as storage for additional merchandise.
Across the island, there are a number of large empty storefronts that typically take a while to be filled.

According to a leasing representative for a real estate firm on Long Island, a lot of firms like pop-ups due to the fact that they keep revenue coming in from what otherwise would have been an empty space. They said that they do see why other firms may not like the idea, as it shows the public that the space is not available and therefore may miss out on a potential year-round tenant.

As for rents for these pop-up stores, they are substantially less than year-round rents for obvious reasons. On top of that though, the leasing representative said that it depends on how much money the landlord themselves are putting into the physical space or how much the renter will be as well.

One thing, they said for certain, is that who else is in the shopping plaza can play a big factor into how well a business does. Places such as nail salons, liquor stores and supermarkets, which drive daily traffic, can be a huge plus for a budding business.

These are just some of the things Everything Christmas has in the surrounding areas where some of their locations are. It isn’t all about location though, the timing for businesses such as seasonal ones, is everything and the holiday season can be a huge boost for many retailers.

**The Holidays: Retail’s Busiest Time of Year**

The National Retail Federation released a 2016 forecast for the holiday season that says they expect sales, in brick and mortar stores, in both November and December to increase from last year by 3.6%, which would bring the industry to $655.8 billion. The online industry is to increase 7-10% compared to last year bringing it up to $117 billion.
While the ecommerce industry is worth much less than the brick-and-mortar side of retail, it is still increasing and something that has caused a lot of struggle for brick-and-mortar stores.

“Retail is diminishing in value every day and every week because more people are shopping online and trying to stay at home,” said Chris Conner, founder and franchise consultant at Franchise Marketing Systems. Conner helped the Franks branch off into the franchise business two years ago.

“You are trying to maximize the exposure and only pay rent in the maximum traffic,” said Conner, of holiday pop-ups.

In 2014, Pop-Up Republic said that the pop-up industry made $2 billion during the holiday season.

In order to run the stores, the Franks obviously need help. Julie Auriemma, employee at the Massapequa store, first started working for the Franks three years ago.

“I was driving home from a singing gig with my best friend, Lauren, when she got a text from Howie, the owner. They are good friends,” said Auriemma “He asked her if she could recommend anyone to work in the store, because he didn’t have enough people.” She said yes immediately due to the fact that she wasn’t working and could use the extra money for Christmas.

On top of working at Everything Christmas for a few weeks a year, Auriemma is a musician in an a-cappella group. “I’m also a wife and a mom who’s always looking for ways to make money,” she said “I’m so busy with singing and holiday preparations and shopping, it’s kind of crazy for me to take this on now. But, I love working for Howie, he’s an excellent boss.”
As most of the Franks employees are part-time and the business is temporary, it is unclear whether or not they provide benefits for their employees. Typically seasonal help, especially part-time help don’t receive benefits. However what is clear is that all of Howie and Pam’s employees adore their bosses and look forward to working for them each and every year.

“It's a happy place. We sell things that make people smile,” said Auriemma “I wish this store was open all year long.”

**The Ghost of Everything Christmas Future**

Despite having to deal with the hardship of owning a small business on Long Island, the Franks are continuing to move forward. Howie recently sold a convenience store that he was a partner in over the summer and plans to focus solely on Everything Christmas year-round now. The past few years have been successful for the Franks, encouraging them to move forward.

When they branched off into the franchise business two years ago, they weren’t sure if their business was franchisable, so they spoke to Conner about the idea.

Conner loved the idea, especially with the concept of selling everything from wrapping supplies to decorations to presents. “You have to be careful with what you sell,” said Conner “If you go into the seasonal business and don’t have something unique that is for that season, you could be in trouble.”

This isn’t a problem with Howie and his wife though, as they are constantly researching for what is going to be the next biggest thing. They recently branched out to work with a company, which sells one of a kind Christmas sweaters, as the ugly Christmas sweater party craze has become huge in recent years.
In order to find out what is the next big thing, Howie attends trade shows in places such as Atlanta and Las Vegas to meet new vendors and see new products.

Those interested in owning a franchise of Everything Christmas must first go through a few steps before opening their own festively decorated stores.

Conner said that the first step is explaining to the potential owners more about Everything Christmas before they are asked to fill out an application. Since each store is a reflection on the Franks, regardless if they are the ones running the location, they must ensure that who they sell franchises to are ready and able to take on a location. The application helps them understand if the person or persons, has not only the financials but also the management skills to run a store. After an applicant has been accepted, a franchise disclosure document, which lists all the terms and conditions of the business, is signed and a $1,500 upfront fee is paid.

But the work for the Franks just doesn’t end there. That up front fee includes help finding a location, training of the owner and the staff, getting inventory setup, support and access to the Franks before, during and after the store is open.

While Howie already has pricings negotiated with vendors, franchise owners still must get their inventory ordered as soon as possible, which can often be tricky with seasonal products. While each store carries roughly the same products, the amount of certain products can vary from location to location, depending on what does well where. Howie helps by recommending what he sees selling in certain areas and how much an owner should order.

Conner said that all the work the couple puts into the franchise locations isn’t all for nothing, they receive a 5 percent royalty on gross sales, based on top line revenue.

“So if you do a million dollars in sales then you pay him $50,000,” said Conner. “The failure rate is really low,” said Conner of pop-up seasonal stores such as Everything
Christmas “There is not as many moving parts. People find it easier to get into a seasonal business and be really pumped up, revved up and geared to go for a short period of time.”

“The first 10 are tough,” said Conner “In general the whole business of franchising is all about getting momentum and getting critical mass. Critical mass means that you hit a certain point with the brand that people just buy it because they have heard about it.”

Which is exactly what the Franks are hoping happens with Everything Christmas. With four franchise locations sold in the past two years, including the two that are out of state, they are hopeful that this idea will blossom and take off.

There are trade shows for franchises, however booths can be rather expensive, anywhere from $3,000 to $7,000 per booth, said Conner.

The Franks hope to keep building their franchise business so that they can one day attend one of these shows and expand Everything Christmas even more.

“There’s not enough money right now in our business to really get into doing one of these shows,” said Howie, “but we hope to in the future. It is very hard to build a franchise, people want to see other people succeed in it before they get into it themselves.”