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### **The pandemic Changed the Face of Retail. Here's how Center City, Philadelphia – the state's leading job market – is Faring on the Road to Recovery**

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## The pandemic changed the face of retail

Here's how Center City, Philadelphia – the state's leading job market – is Faring on the Road to Recovery

~2,399 ~

By Fran Velasquez

When Daniel Lee and his partner, Joe Liang, set out to buy a food truck in 2019, the duo ran into the wrong person and lost nearly all of the money they had set aside for it.

Despite getting the truck back, it was no longer in the condition to serve customers. Lee and Liang, new to Philadelphia and short on cash, abandoned the idea all together. In October of 2020, they moved to the [University City Fair Food Co.](#), where business owners operate out of rented kitchen spaces, primarily reaching customers by takeout and delivery. In about 200 square feet, Farina Pasta & Noodle opened for business on a whim, and then three months later, the pandemic hit.

“We barely made it out of the ghost kitchen really,” Daniel Lee, now sole owner of Farina Pasta & Noodle, said. In September he opened, only to be met with the realization that delivery and takeout would be how his business would survive.

As 2022 begins, retailers that opened before and during the pandemic are changing the way they do business in order to reach customers, make sales and keep operating. Lee is among the 67 retailers that opened his doors in 2021, according to the Center City Philadelphia Retail (CCPR) 2021 [report](#), which takes a look at Center City's recovery.

In core Center City, retail and restaurant demand in 2021 reached \$988 million. That support has primarily been led by residents, who accounted for \$596 million of spending. Visitors to Center City made up \$263 million, and lastly support from office workers accounted for \$245 million.

The recent surge of the Omicron variant, however, is keeping key players, like visitors and office workers, away. Business owners like Lee are adapting, but that decline in foot traffic is noticeable.

“Things were picking up when we first opened in September,” Lee tells me while he sits in his car on his way to another restaurant supplier. “But then Omicron happened and the city slowed down and no one was really coming in.”

Lee is mainly relying on takeout and curbside pickup now, which make up 85% of his sales. He expects things will change in the coming months.

The changes retailers and restaurants made throughout the pandemic are likely to continue into this year and beyond.

Greg DeShields, Executive Director of PHLDiversity and sitting board member of the Center City District, a non-profit that provides improvements to the city and tracks customer spending within the downtown area, expects to see a recovery like never before. That recovery, he says, will primarily be led by entrepreneurs, workers returning to the office and the demand from customers.

“We’ll get to a point where larger employers will require their employees to work in the office,” DeShields said. “That’s a strong indicator that all aspects of retail and business should start to bounce back.”

Questions linger if smaller and medium sized retailers and restaurants will be ready for that return. With office workers going back into the office, it’ll mean customer demand will go up. People will need places to buy food, eat lunch or have a cocktail after work, DeShields says.

### **Consumers leaned on delivery and the industry grew. Here’s what it could mean for the future of retailers.**

Prior to the pandemic, the restaurant industry was growing at a rate of three to four percent, according to [McKinsey & Company](#), and delivery rates were increasing at twice that rate.

Most recently, the advance monthly retail sales [report](#), which provides a monthly estimate of sales for various industries, like e-commerce and food and drinking places, found that in December 2021 sales reached \$626.8 billion, a decrease of 1.9 percent from the month prior. Annually, sales were up 19 percent, when compared to 2020 numbers.

The decline in sales may be indicative of consumer behavior now. While retail sales have slightly tapered off, last year, consumers shifted a majority of their spending towards e-commerce and [platform-to-consumer delivery](#), which is reflective of consumers making orders via a delivery app.

As consumers leaned on delivery apps like DoorDash, GrubHub and UberEats, the delivery industry rose in prominence. It’s valued at more than \$150 billion.

This year, platform-to-consumer delivery is projected to reach more than \$34 billion in revenue, according to [Statista](#). Meanwhile, with an annual growth rate above 11 percent, the industry is expected to reach over \$53 billion in revenue by 2026.

In 2021, over half, 51 percent, of delivery sales in Philadelphia were led by DoorDash. UberEats and GrubHub roughly accounted for the remaining amount.

Delivery behemoths that are benefiting from the odd timing of the pandemic are likely to continue doing so and retailers may need to continue to weather the costs associated with delivery, as it becomes part of staying in business. Typically, delivery apps charge anywhere from 15 percent to 30 percent for every order placed.

But not all small businesses are dreading the option. In fact, some are welcoming it.

Jessy Konkol, owner of Poke Burry Philly, an Asian-based restaurant chain, expects to increase her use of delivery apps this year. Konkol immigrated to the U.S. from Indonesia 14 years ago and after arriving, attended the Community College of Philadelphia, later earning a bachelor's degree from Devry University in 2013.

Konkol opened Poke Burry Philly in February last year after coming across the restaurant on a trip to Atlanta. Dine-in sales fell that following summer.

"Before the mandate about vaccination cards, there were a lot of people dining in," Konkol said. "I think that it kind of changed people's minds about eating inside."

On average, about 60 to 70 percent of her sales are now from takeout and delivery. For every meal order, Konkol covers 10 percent of what the platform charges.

"I don't want to make my customers cover the whole thing," Konkol said, who also covers the delivery fee associated with the app.

Moving forward, Konkol is planning to add ChowNow, Toast TakeOut and SpotOn, which all offer delivery services to customers, to her list of delivery options. To keep delivery and takeout costs down, any order within a two-mile radius is dropped off by one of the restaurant's employees.

## **The pandemic changed in-person work and retailers took notice.**

Not all retailers are making sales primarily based on delivery. Jon Myerow, owner of Bar Poulet, an upscale restaurant with an emphasis on chicken, says in-person dining has been the primary driver of the restaurant's sales.

"Take out has become bigger with Omicron," Myerow said. "But it's been pretty much 85 percent dine-in, 15 percent takeout."

Myerow felt the pandemic wasn't going anywhere anytime soon and decided to open in May of last year. But like Farina & Pasta Noodle owner Lee, Myerow opened at a challenging time.

“We opened right at the beginning of the staffing crisis in the restaurant industry,” Myerow said.

Typically, when Myerow is in search of employees, he posts a job description on sites like [Culinary Agents](#), a career site for jobs in the hospitality industry, and [Indeed](#), a website for job seekers.

“At one point there were so few applicants, I thought the ad had been shut off,” Myerow said. “It was the worst possible time to hire a new team.”

Recent debates surrounding the minimum wage and employee benefits have prompted businesses to make adjustments in order to retain staff and keep operations running. Myerow didn’t side-step the conversation. Because Bar Poulet’s emphasis is on dine-in, he raised his wages. Employees start at \$15 an hour. That’s more than double the state’s minimum wage of \$7.25 an hour, which has remained the same since 2009, and is one of the lowest rates in all cities across the U.S., according to [Pew research](#).

Lee, of Farina Pasta & Noodle, has not been able to raise wages, and cannot provide any additional security, like medical or dental insurance. He worries about bringing more people on.

“It’s hard to bring people in at this stage because I don’t have the same resources as the businesses that have been open longer,” Lee said. “It makes things very difficult when it comes to recruiting.”

## **Social Media helped retailers during the pandemic.**

Social media has helped keep people connected during the pandemic. It also allows businesses to establish their brand, promote their business and make sales.

A small business survey published by Statista [found](#) that primarily small businesses used Facebook (66 percent) YouTube (42 percent) and Instagram (41 percent) in 2021 to advertise their business.

Amanda Shulman, owner and operator of Her Place Supper Club, opened in June of last year. Through the use of social media, primarily Facebook and Instagram, she promotes an exclusive dining experience. The idea, she says, came about after years in the restaurant industry.

“I worked in restaurants for a really long time and didn’t really have any flexibility,” Shulman says. “And this is kind of my answer to that. By not locking myself in months in advance, I have a lot more flexibility.”

Shulman is open only three days a week, and serves 22 people between a 6 p.m. and 8:30 p.m. window. It has also helped establish the brand of the small used-to-be pizza shop.

Through the use of social media, Shulman promotes upcoming dishes. Her website primarily serves to keep up with reservations, which means getting on the list is much more of a luxury. Oftentimes, she'll post a picture of an item on the menu ahead of dinner that evening. The restaurant's page has amassed over 13,000 followers on Instagram since she opened in June 2021.

Older retailers also had to take a step back and access the power of social media. Adam Leiter, Executive Director of East Passyunk Business Improvement District, which is home to over 160 independently owned businesses, says that even established retailers had to drum up an online presence and social media engagement in order to boost sales.

"When the pandemic hit, we introduced alternative promotional programming including multi-week promotional campaigns rather than single day festivals, we increased outdoor programming and entertainment, and created video campaigns," Leiter said.

Two examples of older retailers that benefited from social media marketing include South Fellini, an apparel shop that opened in 2013. Leiter says the brick and mortar grew significantly and increased social media engagement through the pandemic, amassing more than 22,000 followers. Occasionette, an independent gift shop, grew to nearly 30,000 followers on the picture sharing platform.

For Konkol of Poke Burry Philly, a [viral](#) TikTok in February helped get people's attention.

"The third week when we were open a huge crowd came," Konkol said. "We were like, 'Oh my God, what are we going to do with all these people?' And at that time, we didn't expect that at all. For the whole two weeks, we were super busy."

## **Center City is recovering, but its progress will depend largely on the return of office workers.**

The start of the pandemic devastated employment across the world. In Center City, which makes up 42% of employment in the state, 120,000 jobs were lost between February and April 2020.

Since then, 57,000 jobs have been restored. The city however, is still missing an estimated 66,000 positions. The biggest losses were in leisure, hospitality and restaurants, which fell by 29%, said Paul R. Levy, President and CEO of Center City District, during a [membership meeting](#) in December.

A sharper silver lining looms on the horizon.

A January 2022 retail [report](#) by CBRE Group, Inc., a real estate and investment firm, found that Philadelphia's retail leasing space has fully regained the occupants it once lost during 2020 and 2021. What used to be a 39.2 percent occupancy rate is now 9.2 percent.

The rate of recovery however, depends on the return of office workers, who [led](#) the majority of leasing activity during the previous quarter.

Many office workers who work in firms are paying rent, but they're continuing to work from home, says Levy, who points out that there's a negative trend and office vacancy overall has trended up in the last two years.

In 2014, empty office space in Center City was at 11 percent. As of December of 2021, it was up to 18.5 percent. It also means that employees who can't work in person are affected.

"It's all those people who don't have the ability or option to work remotely," said Levy. "It's building engineers, janitors, service workers, and cleaning staff."

It's also people working in restaurants and retail who don't have the option to come back remotely, Levy explains, and who are missing the customer demand provided by the commercial office sector.

It could also mean businesses may recover sooner. El Mercurio business owner Sofia Garcia Deleon is among those that would benefit from that return in customer demand.

"There's a lot of offices around us and we used to get a lot of people for lunch," Sofia Garcia Deleon, owner of El Mercurio, a Guatemalan-based restaurant, said. "We were doing a lot of catering and a lot of lunch orders for businesses and the pandemic happened and that completely changed."

Center City resident support helped keep those local businesses afloat, according to CEO Annie Allman of the Reading Terminal market, which is home to over 75 small businesses. But Allman also thinks the pandemic revealed how big of a role office workers play when it comes to the sales that merchants make.

She notes that some merchants expressed not knowing how they were going to stay afloat. Citing that, "office workers are a key part of our business and that keeps getting pushed back."

Now, over 65 percent of Philadelphia's population is vaccinated. But a rise in Covid-19 cases led by the Omicron variant, could slow down City Center's recovery.

Levy however, thinks it is time to move forward with the city's recovery as students and professors return to universities, and other parts of the city reopen, including performing arts centers, and convention gatherings resumes.

"I think we know that this is something we're going to have to live with," Levy said. "We're not going to eliminate Covid but we're going to manage it like the seasonal flu and we need to adjust our thinking and stop thinking it's going to magically vanish. We just need to keep vaccination and safety protocols in place."

He also thinks that office workers can social distance far easier than other industries and their support is crucial.

"It's not simply a decision for your firm. It's the economic impact of your presence in Center City," Levy said. "The recovery of the entire city really depends on this."