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Maryland Market Profile

New President Watches Labor and Theft Issues for Maryland Retailers Association

by Mike Berger

Cailey Locklair Tolle is the new president of the Maryland Retailers Association (MRA).

Cailey Locklair Tolle, president of the Maryland Retailers Association

Tolle has worked in Maryland state politics for the past 10 years. She attended the University of Delaware, where she received her bachelor of arts degree in political science, and Towson University, where she received her masters of science degree in integrated homeland security management with a focus on security policy. She also holds a certificate of security assessment and management from Towson University.

Before joining the Maryland Retailers Association, she worked at the Baltimore Jewish Council as its deputy executive director, overseeing both operations and government relations, and for Speaker Michael Busch at the Maryland House of Delegates.

The MRA consists of about 250 retailers who operate thousands of locations across the state. The association is a diverse organization covering all segments of the retail industry. The organization manages the Maryland Food Dealers Council and the Tri State Jewelers Association (Maryland, Delaware and Washington, D.C.).

Operating under the belief that merchants can achieve more as a group than one merchant can acting alone, MRA is dedicated to the interests of the retail community.

Beyond advocacy and public relations, MRA offers members discounted benefit services such as workers compensation plans, an electric cooperative, shipping and free membership with the National Retail Federation.

Maryland is doing well economically, with a state unemployment rate of 4.3 percent. Nationally, the unemployment rate was 5 percent in September. Tolle predicted that spending for the holidays should be up, with more job creation on the way. She estimated that retail food and foodservice account for 760,000 employees in the region.

One of the key issues for 2017 is how Maryland will deal with a state budget shortfall of $600 million. Will the shortfall be made up with additional taxes or state program budget cuts? Tolle wonders if there will be cuts to the Supplemental Nutrition Assistance Program (SNAP) that could affect grocery sales, or cuts to the 28 Maryland Main Street centers. Main Streets feature locally-owned shops and boutiques, art and music, events and festivals, a variety of restaurants and cafes as well as historic and cultural resources.

Other key issues the MRA is watching in 2017 are paid sick leave; 21-day restrictive scheduling, possible stricter penalties and more enforcement for retail theft prosecutions; and minimum wage.

Although killed in a legislative committee this year, Tolle expects the restrictive scheduling issue to resurface again. If passed, employers must set an employee's schedule 21 days in advance or face a financial penalty unless the employee and employer mutually agree to the scheduling change.

Maryland is trying to strengthen its retail theft laws. In a period from 2012 to 2015, only 4,000 cases of a potential 118,000 cases were brought to court, representing a rate of only 3 percent. The MRA advocates more prosecution, stricter penalties and more restitution to retailers.

Besides paid sick leave, the issue that could affect all retailers is minimum wage increases. Currently, the state minimum wage is $8.75, and it is scheduled to rise statewide in 2018 to $10.10 per hour. However, two large counties are reviewing a bill that could set their own rate increases. In Montgomery County, a large county, the rate could go to $11.50 per hour July 1, 2017, and Baltimore County is reviewing a bill that could send the rate to $15 per hour.

The next big event for the MRA is the Hall of Fame Breakfast scheduled for 8 a.m. Wednesday, Nov. 2, at Martin's West in Baltimore, Maryland.

Inductees this year include: the Paterakis family of H&S Bakery; Ira Mendelson, Murry's Inc.; the late Michael Warehime, Snyder's of Hanover; Baltimore City Councilwoman Rikki Spector; and David and Jerome Snider, Snider's Super Foods.

The MRA also will name the recipient of the Best-MET Peter Manos Retail Executive of the Year Award at this event.

CFA Notes from the President: Strengthen Debit Reforms

by Wayne Pesce
President
Connecticut Food Association

Debit and credit card interchange fees have been the subject of heated partisan debate following the recent announcement from Congressional Republicans touting a better brand of banking reform.

The term "interchange fee," which includes swipe fees, covers multiple fees that merchants pay to the electronic payment processing networks when customers pay with a debit or credit card.

Even though Visa and Mastercard networks charge a fee to process the transactions, the largest percentage fees are charged by the bank who issued the card. For Discover and American Express, the routine is slightly different. These companies provide their own payment processing networks, and in turn collect the full swipe fee minus the fee paid to the merchant.

To fully appreciate the need for regulation, it is important to understand a little history of the U.S. debit card market. Banks originally issued debit cards as a less expensive and more competitive alternative to paper checks and, initially, "swipe fees" associated with debit cards didn't exist.

Over time, credit card providers branded cards as a way to make additional revenue for their banks by imposing a swipe fee on transactions. These fees were centrally set by the card networks, not the issuing banks.

Merchants and consumers were required to pay these fees if they wanted to accept debit or credit cards without the ability to negotiate or a clear understanding of the fees structure. Operating without competition in an unregulated market, banks charged as much as 4 percent on a purchase for swipe fees, and received a profit margin of around 10,000 percent. When a consumer spent $100 on groceries, $4 went directly to the bank even though it only cost them a few pennies to process the transaction.

Six years ago, American consumers and retail merchants earned a hard-fought victory over non-negotiated fees with the passing of new banking laws motivated by underregulation in the housing and finance sectors, and the Great Recession. The Dodd-Frank Act, passed by President Obama in 2010, was the most sweeping rewrite of U.S. financial laws since the New Deal. Debit card reforms within the new law, referred to as the "Durbin Amendment," brought real competition and regulation into a market that historically was void of it.

The new provisions brought much-needed transparency to the process of swipe fees, which historically were set behind closed doors without regards to costs imposed on consumers and merchants. For the first time, businesses were allowed to know exactly how much they would be charged for debit transactions from any of the covered institutions. It is important to note that this amendment was passed with more than 60 votes and bi-partisan support after a spirited debate on the United States Senate floor. The law was an essential first step in moving America's electronic payment system into the 21st century.

This past June, House Financial Services Committee Chairman Jeb Hensarling (R-Texas) unveiled details of the Financial Choice Act whereby Republicans plan to replace the Dodd-Frank Act and promote economic growth. According to Hensarling, "Dodd-Frank gives large banks an unfair advantage over small ones that can't keep up with the cost and complexity of all its regulations. Instead of ending 'too big to fail,' Dodd-Frank has created 'too small to succeed.'"

Democrats, led by Massachusetts Sen. Elizabeth Warren, along with financial reform advocates, cast Hensarling's plan as a giveaway to Wall Street. According to information on Warren's website, repealing or weakening the law would only benefit less than 2 percent of the country's largest banks and would remove all competition from the debit routing market, paving the way to a return of monopolies.

Prior to the passing of Dodd-Frank, opponents of debit reform (banks) argued that merchants would not pass along savings to consumers if interchange fees were capped. Almost all grocery retailers operate on thin profit margins, and our members compete for customers on price every day. If a merchant recognizes any savings in the supply chain, they use it to hold down prices, extend sales and increase value for customers. These savings have permitted merchants to reinvest in their businesses, which has supported tens of thousands of more jobs and stimulated economic activity.

The facts are clear: debit reforms are working, and, if anything, Congress should act to strengthen them. They should also address the enormous hidden credit card fees American consumers and merchants pay every year.

According to banks' self-reported data, the cost of accepting debit has decreased 44 percent since the 2010 reforms were implemented. By becoming more efficient, the largest issuers now are collecting almost a 500 percent profit on a debit transaction under the current cap. This is only further evidence that competition and transparency are indeed a good thing and that the Financial Choice Act is risky business.

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