

Dear Senate Workforce Committee,

I'd like to share briefly how the minimum wage increase would impact my business which operates here in Oregon and has around 20 employees and a significant positive impact on the community. I operate two pet stores in Wilsonville and Newberg. We have been in business for 12 years and despite having a very high customer satisfaction and gross sales for our type of business, there are economic factors specific to Oregon that have limited our ability to thrive leaving us as a business that is only able to coast along. This proposed minimum wage increase would only further eliminate our ability to succeed or grow, and likely would cause a reduction in workforce, customer satisfaction, and ultimately relocation or closing.

Let me tell you about some of the challenges we currently face as they relate to minimum wage. As a small retail company there is very little we can change in our pricing. Most everything we sell, including animals is available online or at corporate competitors at standard pricing. This means we have very little ability to implement what would be called regional price strategy that allows us to adjust our pricing in accordance with regional costs. For example, a popular filter which we buy for \$240 from our vendor at a set price is frequently available on Amazon.com for \$260 with free shipping. Our normal retail price is \$320. We have sold a dozen or so of these filters since their release and each time we have had to match Amazon's price per our price matching policy or lose the sale. Given the low margin, losing the sale might even seem preferable as we would have to sell 13 of these filters to pay for just one that we might lose to shrinkage or a consumer return out of warranty etc. However, the impact of not being able to meet consumer price demands is long term and losing a customer who decides it's no longer worth supporting the local store is even worse. Now imagine if our labor which is our second highest expense goes up by nearly 50%, while Amazon and other online competitors experience virtually no cost increase at all.

Let's look at it from another perspective, that of our employees. We have incredible challenges with employee retention in large part due to the already restricting Oregon minimum wage. There is a very wide range of skill and experience level required to run a pet store ethically. Labor, as you can guess from the above paragraph has to be controlled very tightly in order to meet consumer price demands (These demands are not limited to low and middle income, in fact higher income customers may be even more likely to be price savvy and demanding). We have tasks at our store as simple as cleaning algae off fish tanks, or cleaning poop from the puppy bins. These are very mundane, low skill tasks that require little to no experience. On the flip side, we have high skill requirement tasks like taking gill clippings from live fish and examining them under a microscope to identify diseases and developing and executing treatment protocols for such disease. Because Oregon's minimum wage is already at or exceeding the labor we can afford based on consumers pricing demands, we have little to know way to pay our people different amounts for scrubbing algae or doing advanced marine biology. At this time, I have a high school student who is making the same amount as an employee who has a Masters (not bachelor degree) in marine biology from a prestigious school in England. What's most discouraging about this scenario is that the employee with the Masters degree I would love to pay more, but I can't. I also know that I will only be a stepping stone for him until he is able to secure a better job. Meanwhile, my overpaid high school student is making more money than he knows what to do with, and this shows in his work ethic. However, I'm stuck, I can't pay the high-schooler any lower, I can't pay my valuable marine biologist any higher. And time and time we lose our good employees because I'm unable to offer them wage incentives. Imagine a different scenario where I was able to pay the high-schooler \$5 an hour to clean tanks and puppy bins (I have plenty of them who volunteer for this so I know it has value to them). And I took that \$5 an hour and moved it to my marine biologist. All of a sudden I can

provide a good wage to my valuable employees that I wish to keep and have a low wage position available to those who get extra value from learning the skills and experience from the job like the high-schooler. When I can retain these employees, they are happier and I have a lot better business model with a lot greater chance at succeeding at a level that would allow growth. I could keep my businesses in physical locations in Oregon and continue adding value to the community.

There isn't a day that goes by that I don't wonder what I was thinking when I set up shop in Oregon. I have an MBA and am fluent in business management and entrepreneurship. When I created my business plan I had one fatal flaw and that's that I was using data from other pet stores in Texas as a foundation for my financials as those were the only ones I was able to acquire. What I didn't count on was the restrictive environment for a small business here and how much different it is. Not only is everything including my housing much more expensive, I make that much less because of the pro corporate/anti-small business policies in this state. Should the minimum wage which already has a chokehold on my business grow dramatically as is suggested in this proposed law... it's hard to even imagine. But without a doubt the people to get hurt would be my employees and our customers.

Matt Johnson
Critter Cabana