



NRHA
North American Retail
Hardware Association

North American Retail Hardware Association
136 N. Delaware St. #200, Indianapolis, IN 46204
317-275-9400 | nrha@nrha.org | nrha.org

May 26, 2020

NRHA URGES CALIFORNIA GOVERNOR'S OFFICE AND STATE LEGISLATURE TO WORK WITH RETAILERS ON PRICE GOUGING ORDERS

INDIANAPOLIS—Since the beginning of the COVID-19 outbreak, hardware and home improvement retailers have been deemed essential by nearly every locality across the U.S. This means that these store operators and their employees have literally risked their lives to provide their communities with the products needed to keep their homes and businesses safe, secure and functional.

The vast majority of home improvement store operators in this country are independently owned. In fact, there are some 35,000 locally owned home improvement stores being operated throughout the U.S. The preponderance of these businesses is run by families, and combined, they account for more than \$160 billion in retail sales every year.

During this current crisis, the owners and employees of these stores have risen to the occasion. But this is not the first time home improvement retailers have assumed this role. Before and after nearly every natural or man-made disaster, including fires, earthquakes, floods or hurricanes, it is the local hardware store, home center or lumberyard that a community turns to for the supplies needed to prepare and rebuild. And those stores and their owners and employees are always there. Always an essential part of helping their communities rebound.

It is on behalf of the 1,000+ essential home improvement retailers serving communities throughout the great state of California that the North American Retail Hardware Association (NRHA) urges the Honorable Governor Gavin Newsom and the California State Legislature to reconsider the wording being used in Executive Order N-44-20 and Senate Bill 1196.

There is no doubt that the spirit of this order has the best interest of California consumers in mind. Price gouging is an ugly practice aimed to take advantage of consumers when they are at their most vulnerable.

However, we are equally concerned that the remedies proposed in EO N-44-20 and SB 1196 could have a potentially devastating impact on honest retailers trying to provide goods and services to their communities.

Specifically, we are addressing some of the vague language used in the order to define exactly which goods would be included under the guidance outlined by the order. We also would ask for a clarification or reconsideration of the metric used in Section 3 of the order that deems a price to be excessive if it exceeds "50% greater than... a) The amount that person or entity paid for that item."

Without further clarification on what "consumer goods" are subject to this order and if forced to abide strictly to the above-outlined metric, many honest, hard-working home improvement retailers could be harmed. Conceivably, to abide by the order, they would be forced to lower their margins on a wide range of products below 33.3% when the industry average margin for a hardware store is approximately 40%. These industry-average margins aren't "gouging," they are simply what is required to run a store with a modest profit (approximately 3.5%).

We ask that Governor Newsom and the California State Legislature provide greater guidance to retailers on exactly which products would be impacted by these orders to ensure they can comply with any anti-price gouging efforts. We also ask that they reconsider the language in EO N-44-20 and any subsequent supporting legislation outlining the metrics being used to determine if price gouging is taking place.

—continued—



NRHA

North American Retail
Hardware Association

North American Retail Hardware Association

136 N. Delaware St. #200, Indianapolis, IN 46204
317-275-9400 | nrha@nrha.org | nrha.org

May 26, 2020

Lastly, we ask that Governor Newsom and the California State Legislature provide for a period of feedback from California's retail community where they can hear opinions on this issue and learn how this law may negatively impact their operations.

Working with these retailers, we are certain that the State of California and the retail businesses that support, protect and build its communities can come to a reasonable solution to help mitigate price gouging while protecting the hard-working business owners that are also negatively impacted by this practice.

Sincerely,

Dan Tratensek

Executive Vice President

North American Retail Hardware Association