

ALASKA'S WHOLESALE TRADE INDUSTRY

Small industry a foundation for retail, state's largest employer

By NEAL FRIED

Wholesale trade is a small and relatively invisible industry — it doesn't have regular contact with the public, unlike retail — but it's considered a critical cog in a well-functioning economy. Retail trade, Alaska's largest employer, depends heavily on its smaller counterpart. (See the sidebar on the next page for a comparison of the two industries.)

Wholesale trade produced 6,337 jobs in 2017, or just under 2 percent of the state's total. That's half its share of employment nationally and in Washington, largely because Alaska's economy is small and disproportionately dependent on wholesale from else-

where in the U.S., namely Seattle and other parts of the Pacific Northwest.

Alaska's wholesalers sold \$9.6 billion in goods to retailers in 2012, the most recent year available.

A gauge of U.S. economic health

On a national level, the change in sales of wholesale durable goods is considered a measure of economic well-being. Durable goods include bigger-ticket items such as cars, machinery, and furniture. The other wholesale category, nondurables, includes often-essential items that are consumed quickly, such as groceries, gasoline, and paper. (See Exhibit 1.) In Alaska, the biggest whole-

1 Types of Wholesale Goods

ALASKA, JOBS BY CATEGORY, 2017

Wholesale Trade	6,377
Durable Goods	2,678
Motor Vehicle, Parts	210
Furniture, Home Furnishing	62
Lumber, Other Materials	106
Professional, Commercial Equipment	348
Metal, Mineral except Petroleum	114
Electrical, Electronic Goods	182
Hardware, Plumbing, Heating	334
Machinery, Equipment	1,083
Miscellaneous Durable Goods	241
Nondurable Goods	3,148
Paper, Paper Product	108
Drugs, Druggist Sundries	148
Apparel, Piece Goods, Notions	*
Grocery, Related Products	1,775
Chemical, Allied Products	*
Petroleum, Petroleum Products	566
Beer, Wine, Distilled Beverages	248
Wholesale, Electronic Markets	511

*Not disclosable to protect individual employers' data
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

sale employment categories are groceries, petroleum products, and machinery.

Wholesale hit by the recession

Alaska's wholesale industry is too small to use as a gauge for economic health and its employment is erratic, which is common for small industries. Even mi-

nor changes in employment can swing the overall number considerably.

But while wholesale's employment pattern over the last decade is less clear than retail's, wholesale has taken a similar hit during Alaska's recession. Wholesale employment fell 3 percent between 2015 and 2017, a loss of about 200 jobs. (See Exhibit 2.) (See the April issue of *Trends* for an in-depth look at how the recession and e-commerce have affected retail trade.)

Jobs pay more than retail, most are in Anchorage

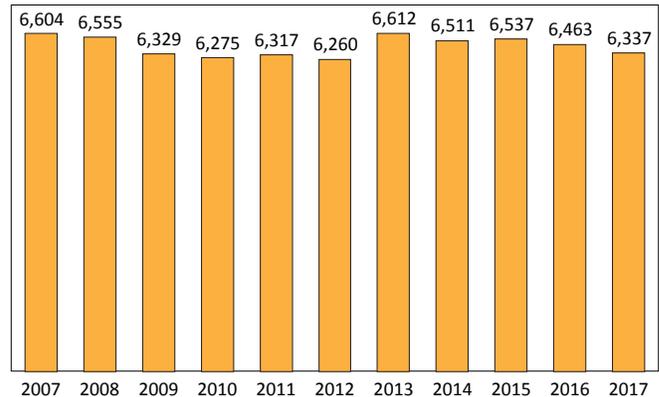
Wholesale trade pays considerably more on average than retail. The \$356 million the industry paid in wages in 2017 averaged about \$56,000 per job, which was 6 percent higher than the statewide average wage for all industries and well above retail's average of \$31,152.

Nearly three-quarters of these jobs are in Anchorage, with the remainder in other large communities. (See Exhibit 3.) While Fairbanks is about the same size as

2

Wholesale Lost Some Ground

NUMBER OF JOBS, 2007 TO 2017



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

the Matanuska-Susitna Borough, it has more than three times as many wholesale jobs. Even the Kenai Peninsula Borough and Juneau have larger wholesale workforces than Mat-Su, likely because Mat-Su's proximity to Anchorage means Anchorage supplies most of its wholesale needs. And unlike Mat-Su, Fairbanks and Juneau provide wholesale services to the smaller communities in their regions.

Neal Fried is an economist in Anchorage. Reach him at (907) 269-4861 or neal.fried@alaska.gov.

How wholesale and retail differ

Wholesalers usually work out of warehouses and offices tucked away in industrial areas, buying goods in large quantities at lower prices from manufacturers and agricultural producers and reselling them to retailers. Unlike retailers, wholesalers sell to businesses but not usually to customers. They seldom advertise or have walk-in traffic.

Retailers often buy from wholesalers rather than directly from manufacturers because it allows them to purchase multiple types of goods without dealing with too many producers. A grocery store, for example, carries thousands of items. The wholesaler profits by charging retailers slightly more than it paid for the goods.

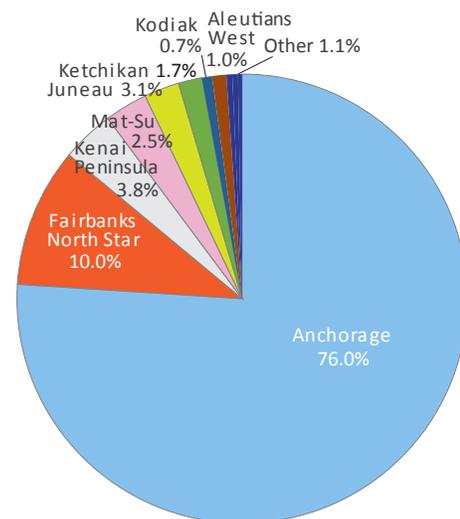
In addition to the convenience, wholesalers provide warehousing for retailers that don't immediately need or have the space to store their products, and they provide new product ideas and connect smaller businesses to larger markets.

The lack of contact with consumers is what distinguishes a wholesaler from a retailer, so large warehouse clubs like Costco aren't considered wholesalers even though they serve as suppliers for restaurants or other small businesses.

3

Wholesale Jobs by Area

ALASKA, 2017



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section