

Ever present and ever changing, retail trade is a \$7 billion growth industry

Retail trade has been one of the more dynamic industries in the state over the past decade. Both its large and small markets are in constant flux. Retail trade is a regular part of the lives of most people—nearly everyone has a daily or at least weekly encounter with this industry. For the daily necessities of life, be it a gallon of milk, fishing pole, prescription, or underwear, the retail sector is the convenient supplier. Residents of the state’s small communities that have few or no local retail options access the industry via the Internet, catalog, or telephone. All this shopping adds up to more than \$7 billion per year spent by Alaskans on retail. The industry provides more than 34,000 jobs, making it the single largest private sector employer group in the state. (See Exhibit 1.)

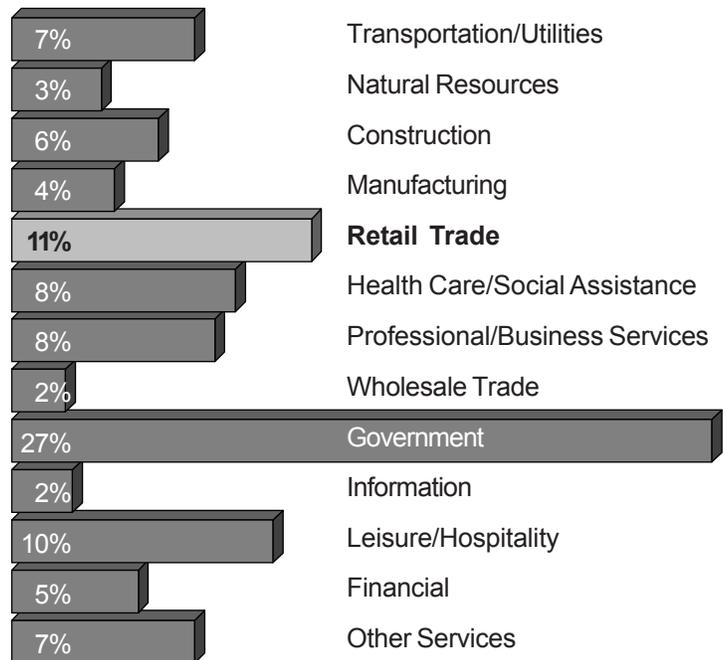
Retail categories not always clear cut

Any business that sells merchandise for personal or household consumption falls under the banner of retail trade. The industry is broken down into a dozen broad categories that are illustrated in Exhibit 2. Most of the classifications such as gasoline stations, furniture and home furnishings, motor vehicle and parts dealers, sporting goods, and health and personal care are reasonably straightforward. But other categories require a little more explanation. For example, the food and beverage store category includes convenience stores, bakeries, and candy stores in addition to grocery stores such as Safeway or Alaskan and Proud. General merchandise stores include department stores such as JC Penney, discounters such as Wal-Mart, and warehouse

clubs like Costco. In the miscellaneous category one finds florists, office supplies, pet stores, souvenir shops, used goods, mobile home dealers, and others. Non-store retailers include electronic shopping, mail order, vending machines, fuel dealers, and others.

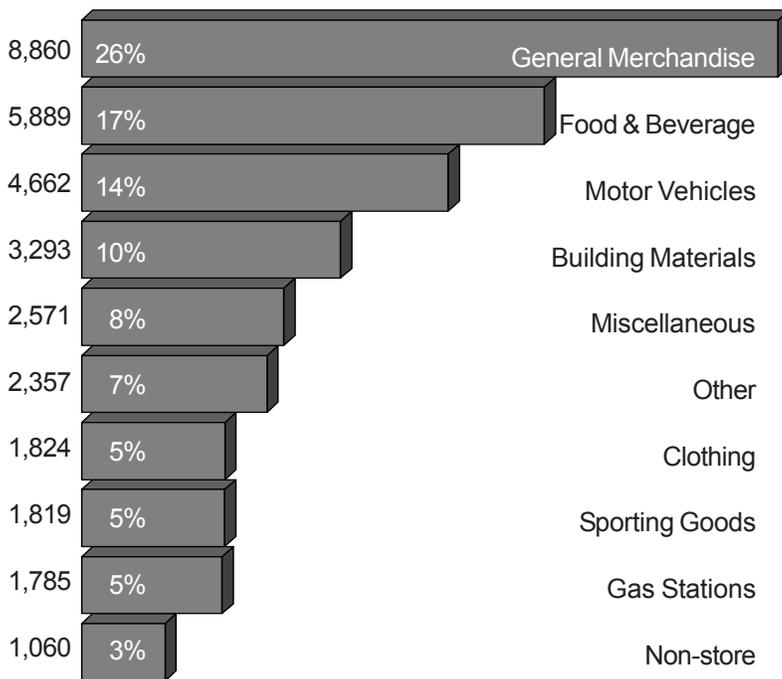
In Exhibit 2, the *Other* category includes furniture, electronics and appliances, and health and personal care. More often than not, retailers are some combination of these categories. When that is the case, they are classified by what they do most. Fred Meyer, for example, is classified as a

Retail Trade **1** Is state’s largest private sector industry



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

2 Retail Trade Employment By category - 2003



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

3 Alaska Retail Trade Sales Ranked by 1997 sales

	Alaska Sales 1997 \$(thousands)	Alaska Sales Per Establishment 1997	Alaska Per capita Sales 1997	U.S. Per capita Sales 1997
Total	\$6,251,372	\$2,181,218	\$10,254	\$9,026
Motor vehicle and parts dealers	1,308,235	4,899,757	2,146	2,367
General merchandise	1,252,667	8,947,621	2,055	1,212
Food and beverage stores	1,224,176	2,935,674	2,008	1,474
Building materials/garden supply	630,204	1,704,951	1,116	835
Gasoline Stations	431,071	1,614,498	707	727
Non-store retailers	283,243	2,008,816	465	452
Clothing and clothing accessories	280,736	786,375	460	500
Miscellaneous	217,353	469,445	357	286
Sporting goods/hobby/book/music	206,191	723,477	338	227
Electronics and appliances	155,184	1,804,465	255	251
Health and personal care items	108,384	985,309	178	432
Furniture and home furnishings	103,929	944,809	170	263

NOTE: The Census Bureau releases Economic Census data every five years. 1997 data is the latest available. 2002 data is expected later this year or early next year.

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Bureau of the Census

general merchandiser, but it is also a food store, clothing store, and more. One of the latest developments is that grocery stores, discount warehouses, and general merchandisers now often have gas stations.

General merchandisers and food and beverage stores are the biggest players

The hands-down winner for the largest employer in retail is general merchandise, and it comes in second in sales. (See Exhibits 2 and 3.) Alaska's largest general merchandiser is Wal-Mart/Sams Club. (See Exhibit 4.) Wal-Mart is a relative newcomer to Alaska's retail scene; it entered the market in 1994, and is now the state's third largest private sector employer. General merchandisers tend to be large; average sales per establishment in Alaska were nearly \$9 million in 2003, and they rank second for per capita sales. Food and beverage stores, which include the more traditional grocery and convenience stores, rank second in employment and third in sales. The largest employer in this category is Safeway/Carrs, a long-time presence in Alaska retail.

A third category with retail sales of more than a billion dollars is motor vehicle and parts dealers. Automotive goods carry a high price tag. Their merchandisers are big employers, and they rank second in sales per establishment. Alaska Sales and Service is the largest employer in this category. Building materials is another sizeable retail employer. The healthy housing market of recent years has helped this sector. Gasoline stations are relatively large employers with a ubiquitous presence. Sales per gasoline establishment run about \$1.6 million. Employment for gasoline retailers has fallen off in recent years, however, because of consolidation and increased competition from general merchandisers, grocers, and others.

Exhibit 3 shows that compared to their compatriots in the other states, Alaskans spend more on food, building materials, and general merchandise, and less on health and personal care and home furnishings. Some of the differences are related to the way retail trade is organized in Alaska, and some illustrate different buying patterns. Typical

Alaska lifestyles lend themselves to more expenditures on building and garden supplies and sporting goods. The small size of Alaska's senior population relative to the rest of the nation helps explain the low expenditure level on health and personal care products.

Growth has been rapid, rough and tumble

In the 1980s, Alaska retail employment grew by more than 50 percent (under the old Standard Industrial Code definition) and since 1990 it has grown another 31 percent. (See Exhibits 5 and 6.) It has been a rough and tumble industry. Such former stalwarts as Montgomery Ward, Kmart, McKay's Hardware, Pay 'N Save, Market Basket, Longs Drugs, Pay 'N Pak, and Woolworth's are no longer in business. JC Penney and Nordstrom, among others, have closed some of their stores. These losses were more than replaced by a host of new players in the 1980s and even more in the 1990s and the current decade.

The first five years of the 1990s are sometimes referred to as the retail boom years, and Alaska's retail landscape was transformed during the period. Between 1990 and 1995, approximately 5,400 new retail jobs were created. Without this growth in retail, total employment in the state would have turned negative during certain years of this era. This period included an influx of big box stores and discount warehouses, some of which are now among Alaska's largest private sector employers and retailers—names such as Wal-Mart, Sam's, Costco, Lowe's, and The Gap. Existing retailers, such as Fred Meyer, Safeway, Spenard Builders, Sears, and Johnson Tires, expanded their operations. Capping this growth, during this same period more than 2,000 medium sized and small retailers in the state started or expanded, outpacing losses from closures.

From 1990 to 2003, retail employment in Alaska grew twice as fast as the nation's and was responsible for 13 percent of all employment growth in the state. As a result of this strong retail growth, the state has moved much closer

to national norms. In 2003, retail employment was responsible for approximately 11 percent of all wage and salary employment in both Alaska and the nation.

The rate of retail growth from the mid 1990s through 2000 was faster in the rest of nation than in Alaska. Then the national recession hit retail and Alaska took the inside track. This hyper-competitive industry will probably continue to expand and sometimes amaze us with change. Just this year a new Lowe's and Home Depot are being built in the Mat-Su Valley, a new Fred Meyer and Lowe's will open in Fairbanks, and a new Fred Meyer in Homer. In Anchorage, for the first time in many years, 2004 will see no new big box store opening. A likely scenario for the near future is that retail trade growth will move closer to national rates.

The 25 Largest Employers In retail trade, 2003 **4**

Employment

Safeway Stores/Carrs	Food and beverage stores	3,135
Wal-Mart/Sam's Club	General merchandise	2,443
Fred Meyer	General merchandise	2,341
Spenard Builders Supply	Building material/garden supply	823
Alaska Commerical Company	General merchandise	667
Costco	General merchandise	672
Sears Roebuck	General merchandise	509
Home Depot	Building material/garden supply	413
Williams Express	Gasoline Stations	505
Tesoro Northstore Company	Gasoline Stations	346
Lowe's	Building material/garden supply	332
JC Penney	General merchandise	331
Gottschalks	Clothing and clothing accessories	312
Nordstrom	General merchandise	288
Alaska Sales and Service	Motor vehicle and parts dealers	289
Alaska Industrial Hardware	Building material/garden supply	211
Cal Worthington Ford	Motor vehicle and parts dealers	202
Genuine Parts Company (NAPA Auto Parts)	Motor vehicle and parts dealers	200
Williams Inc.	Food and beverage stores	181
Johnson Tire Service	Motor vehicle and parts dealers	173
The Gap-Old Navy	Clothing and clothing accessories	171
Omni Enterprises	General merchandise	161
(Swansons in Bethel, N&N Market in Dillingham, etc.)		
Furniture Enterprise (Sadler's, LA-Z-BOY, etc.)	Furniture and home furnishings	155
Brown Jug Liquor	Food and beverage stores	153

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

Alaska is a good place for retail

Although local statistics on retail trade are somewhat limited in Alaska because of the lack of a sales tax in many of the state's largest retail markets, all indications are that Alaska is a healthy environment for retail. For example, according to Sales and Marketing Management's annual Survey of Buying

Power, Alaskans spent \$7.4 billion in retail in 2003. These figures do not include retail sales on the military bases, the Internet, or catalog sales. According to this same survey, Alaska's median household effective buying income (EBI) was \$55,171 compared to \$48,798 for the nation, and per capita retail sales for the state were \$36,059 versus \$34,036 for the nation. This ranked Alaska 14th in the nation for per capita sales. While slightly higher prices are a factor in Alaska's higher per capita sales, Alaska's higher disposable income is a big plus for this industry. Alaskans' lower than average tax burden plays well into the hands of this industry. The state's demographics may also play a positive role. Alaska has the second youngest and the most migratory population in the country, which elevates the rate of household formation, a blessing for many retailers.

5 Retail Employment Grows Faster Than overall economy

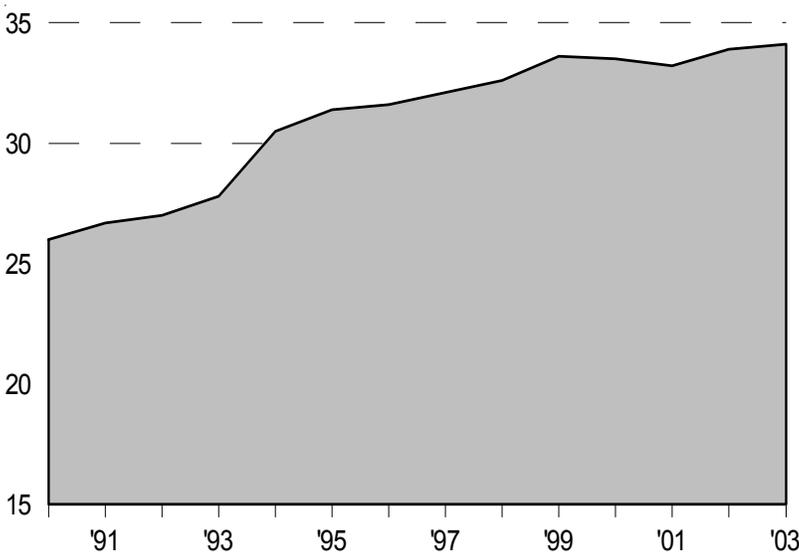
Change in employment 1990 to 2003



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

6 More than a Decade of Growth For retail trade employment

Change 1990 to 2003 (thousands)



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

Permanent Fund dividends are included in these income figures, giving this industry an extra boost from a program that is unique to Alaska. No data exist that tell us how Alaskans spend their dividend dollars, but even to the casual observer it is obvious that a substantial slice of this money finds its way into retailers' hands. It is hard to tell whether this annual retail spree means Alaskans spend their retail dollars at a slightly different time than their national counterparts, or increase their spending on retail vis a vis their national counterparts. But in all likelihood, it gives Alaska retailers an edge.

The visitor industry is another big plus for the state's retailers. According to data prepared for the state's Department of Community and Economic Development, 19 percent of Alaska's retail employment is due to the visitor industry.

Retail sales strongest in urban areas

Nearly fifty percent of retail sales and slightly more than fifty percent of all retail employment originates in Anchorage, which represents only 42 percent of the state's population. (See Exhibit 7.) Anchorage has the most developed and extensive retail sector in the state and benefits from its residents' high household incomes. The city also plays the role of retailer to Alaskans

around the state. Some of Anchorage's largest retailers claim that as much as 25 percent or more of their sales go to orders from the Bush. The data in Exhibit 7 show that per capita retail sales and employment are generally higher in urban areas than in rural places. This is both because income tends to be lower in rural Alaska and because many rural residents spend most of their consumer dollar outside of their place of residence.

The area in the state with the highest per capita retail sales according to the U.S. Census Bureau was the Ketchikan Gateway Borough, at \$14,146. One possible explanation for this high figure is the huge number of visitors it welcomes each year. In 2004, Ketchikan expects more than 800,000 cruise ship passengers, many of whom become retail customers. Another boon to local retailers is that residents of Prince of Wales Island and other surrounding areas shop in Ketchikan. In contrast, areas such as Wade Hampton, Aleutians East Borough, Prince of Wales, and Yukon-Koyukuk have per capita retail sales below \$4,000 because they lack regional centers with retail opportunities.

The broad expansion of this industry over the years has meant not only the creation of more jobs, but also that more of Alaska residents' retail dollars are remaining in the communities and the state. To state this differently, retail's leakages in the economy are being plugged. Strong evidence of this can be seen in certain communities that levy a sales tax. Retail sales in Palmer and Wasilla, for example, have more than doubled since 1994, while the area's population grew by 42 percent. Just in the past four years retail trade employment in the Mat-Su Valley has climbed by more than 600 jobs or 32 percent. This retail expansion in the Valley means that local residents are fulfilling more of their retail needs closer to home, instead of in Anchorage, via catalog sales, or on-line. Kodiak Island is another example. Prior to 1999, the City of Kodiak's retail sales hovered in the \$20 million range. Within a year, however, sales climbed to the \$30 million dollar range, with little change taking place in the area's economy or population. This dramatic increase in retail sales coincided with the opening of Wal-Mart. One can only conclude that, prior to 1999, Kodiak residents shopped more off the Island than they do today.

Wages tend to be low

Retail trade pays the lowest average monthly wage of any industry. In 2003 the average monthly wage for retail was \$2,120, versus \$3,111 for all industries. One reason for the low wages is that a large percent of the retail trade workforce works part-time. The average hourly wages for some of the largest occupational categories in the industry are low, further depressing overall wages. Some above-average opportunities do exist in retail in the form of advancement to management positions or entrepreneurial activity. Commissioned sales people and others in various segments of the industry earn worthy paychecks.

Alaska Retail Sales 1997 And 2003 employment, by area

	Employment 2003	Sales 1997	Per Capita Sales 1997
U.S.			\$9,026
Alaska Statewide*	34,119	\$6,251,372,000	10,254
Aleutians East Borough	45	7,161,000	3,376
Aleutians West Census Area	157	41,180,000	7,722
Anchorage Municipality	17,491	3,114,874,000	12,227
Bethel Census Area	572	77,217,000	4,951
Bristol Bay Borough	22	12,778,000	10,222
Denali Borough	44	NA	NA
Dillingham Census Area	177	33,056,000	7,315
Fairbanks North Star Borough	3,959	927,860,000	11,307
Haines Borough	103	13,063,000	5,434
Juneau City-Borough	1,880	312,748,000	10,526
Kenai Peninsula Borough	2,260	426,515,000	8,943
Ketchikan Gateway Borough	1,049	205,121,000	14,146
Kodiak Island Borough	518	102,885,000	7,538
Lake and Peninsula Borough	30	NA	NA
Matanuska-Susitna Borough	2,669	477,250,000	9,156
Nome Census Area	290	56,956,000	6,246
North Slope Borough	305	45,029,000	6,210
Northwest Arctic Borough	176	40,899,000	6,093
Prince of Wales/Outer Ketchikan CA	241	25,962,000	3,777
Sitka City-Borough	537	78,156,000	8,975
Skagway-Hoonah-Angoon CA	228	25,291,000	6,895
Southeast Fairbanks Census Area	211	28,383,000	4,539
Valdez-Cordova Census Area	425	81,716,000	7,890
Wade Hampton Census Area	270	27,284,000	3,956
Wrangell-Petersburg CA	311	54,082,000	7,572
Yakutat Borough	18	5,343,000	6,500
Yukon-Koyukuk Census Area	108	22,318,000	3,512

*Statewide employment total may not equal sum of areas due to incomplete geographic reporting.

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and U.S. Census Bureau