

Retail faces a trio of pressures

Job losses from e-commerce, recession, and COVID

By NEAL FRIED

The pandemic took a serious bite out of retail in Alaska. Seven percent of 2020's job losses came from this industry, and it was the third-hardest hit after transportation and the leisure and hospitality sector.

But COVID-19 was just the latest in a series of downward pressures on retail. E-commerce has been on the rise for more than a decade, stripping jobs from brick-and-mortar stores nationwide, and Alaska's retail industry had weathered a three-year state recession before the pandemic layered on store closures and strengthened the grip of online shopping.

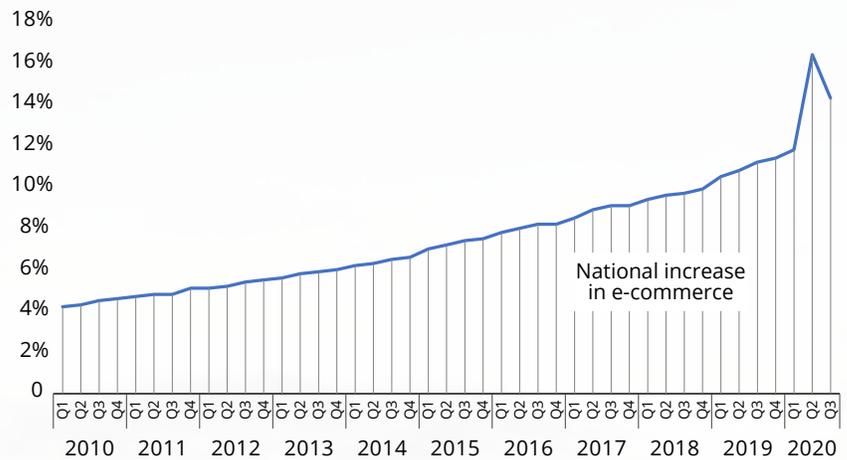
Online shopping has made inroads for over a decade

Retail trade is big in Alaska. Alaskans spend more than \$10 billion a year at the state's 2,343 stores, and retail is the second-largest private-sector employer at more than 33,000 jobs.

In the early 2010s, retail's expansion mirrored overall economic and population growth. Employment peaked in 2015 at 37,432 jobs. But online shopping had taken the first nibbles from the industry's growth long before the recession cut into the numbers in 2016.

It's impossible to quantify the clout of online shopping in Alaska (see the sidebar on page 13), but Alaskans probably do it at least as much as most Americans, and national numbers show its clear upward trajectory. The graph above shows e-commerce's share of U.S. retail sales was about 4 percent in 2010, and by 2019 it was 11 percent. In 2020,

Online shopping got a big boost nationally in 2020



Source: U.S. Census Bureau

online sales shot up to 16 percent during the second quarter and settled at around 14 percent during the third quarter.

The pandemic came on the three-year recession's heels

After the recession took hold in Alaska, retail employment fell by a little less than 1 percent in 2016, or about 346 jobs. Losses gained momentum in 2017 with employment falling another 2 percent (-700). By the end of 2018, retail had shed over 5 percent of its employment (-2,052).

Employment rebounded slightly in 2019 after the recession ended, but when the pandemic hit in April 2020, retail shed 5,000 jobs in a single month compared to the previous April.

May employment was still down 4,200 from the previous May, with continuing store closures, social distancing requirements, and reluctant shoppers. By September, the losses were smaller with about 2,500 fewer jobs than the year before.

Types of stores that suffered most

Retail's 2020 losses weren't uniform. Some types of stores thrived during the pandemic while it crippled others.

The hardest-hit stores in Alaska sold clothes, sporting goods, books, electronics and appliances, health and personal care products, and miscellaneous items. The effect on health and personal care stores was a surprise because they include pharmacies and other necessities, but they also carry beauty products and other discretionary goods.

Furniture and home furnishings also took an unexpected downturn. While the need for new office furniture dropped with so many working from home, demand for furniture increased overall. Home sales and construction had both grown, and families were spending more time at home. However, the pandemic caused severe supply chain problems and product shortages.

Less surprising were the declines for electronics and appliance stores. This category, a casualty of online shopping, had been dragging for years. Its employment peaked in 2011, nationally and in Alaska.

The story was similar for sporting goods, books, and music, the category where e-commerce first made inroads. Alaska began losing jobs in these stores in mid-2015, in line with the national trend.

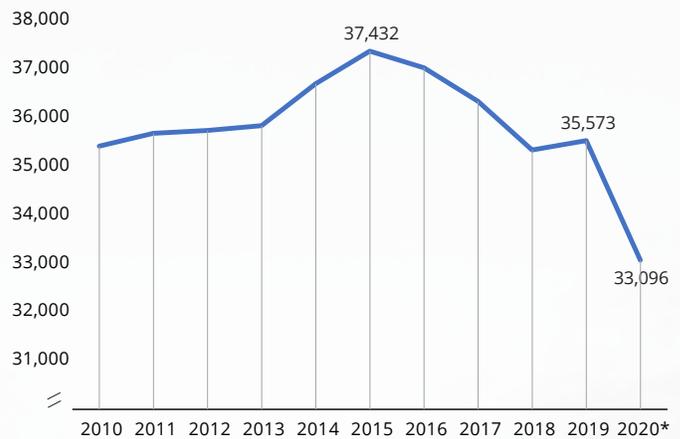
Clothes stores were another category hit early by online shopping, and the recession hastened the decline. Multiple national retailers had already gone dark in Alaska in recent years, including Forever 21, Nordstrom, and Banana Republic. Shopping behavior changed again when the pandemic arrived. Demand for new clothes fell as schools closed and more adults left their workplaces.

Some categories did well last year

Grocery stores lost relatively few jobs in 2020. They sell essentials, and e-commerce doesn't pose much of a threat. If anything, it's a surprise that grocery employment didn't grow as restaurants closed and people began eating mostly at home. As of February 2021, grocery spending was up nearly 15 percent from pre-pandemic levels, according to Opportunity Insights.

General merchandise stores (Fred Meyer and Costco are examples) followed a similar pattern, losing a modest number of jobs overall last year.

Retail jobs had been on a multiyear decline in Alaska before COVID-19



*Based on the first three quarters

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

Retail jobs by area, 2019 to 2020

	Jobs in 2019*	Jobs in 2020*	Change, 2019-20	Percent change
ALASKA	35,724	33,117	-2,607	-7.3%
Aleutians East Borough	45	53	8	17.8%
Aleutians West Census Area	137	140	3	2.2%
Anchorage, Municipality	16,461	14,896	-1,565	-9.5%
Bethel Census Area	797	806	9	1.1%
Bristol Bay Borough	70	59	-11	-15.7%
Denali Borough	ND	65	ND	ND
Dillingham Census Area	198	203	5	2.5%
Fairbanks North Star Borough	4,756	4,481	-275	-5.8%
Haines Borough	123	111	-12	-9.8%
Hoonah-Angoon Census Area	75	64	-11	-14.7%
Juneau, City and Borough	1,865	1,570	-295	-15.8%
Kenai Peninsula Borough	2,637	2,562	-75	-2.8%
Ketchikan Gateway Borough	1,030	761	-269	-26.1%
Kodiak Island Borough	479	471	-8	-1.7%
Kusilvak Census Area	341	352	11	3.2%
Lake and Peninsula Borough	30	30	0	0
Matanuska-Susitna Borough	3,758	3,945	187	5.0%
Nome Census Area	362	360	-2	-0.6%
North Slope Borough	230	269	39	17.0%
Northwest Arctic Borough	178	158	-20	-11.2%
Petersburg Borough	181	171	-10	-5.5%
Prince of Wales-Hyder CA	247	227	-20	-8.1%
Sitka, City and Borough	454	410	-44	-9.7%
Skagway, Municipality	206	78	-128	-62.1%
Southeast Fairbanks CA	208	198	-10	-4.8%
Valdez-Cordova Census Area	394	387	-7	-1.8%
Wrangell, City and Borough	123	125	2	1.6%
Yakutat, City and Borough	33	29	-4	-12.1%
Yukon Koyukuk Census Area	127	103	-24	-18.9%

*Based on the first three quarters for both years, for comparison

ND means not disclosable for confidentiality reasons.

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

Building material and garden stores thrived. Their employment grew 3.1 percent as people pursued home and garden projects while isolating and as residential construction flourished. E-commerce is also a minor competitor at best for these stores, as it's much harder to shop online for plants and two-by-fours.

Most Alaska areas lost retail in 2020

Most areas of the state lost retail jobs between 2019 and 2020, and how they fared depended on the size of their industries, the types of stores they have, and how much they depend on tourists.

For example, after the cruise ship season was canceled, Ketchikan lost more than a quarter of its retail jobs and Skagway lost 62 percent.

Anchorage lost the largest *number* of jobs because of wary consumers, store closures, online shopping, and few tourists. Fairbanks and Juneau, with their large retail sectors, suffered similar declines.

Some areas took a glancing blow. Retail in Kodiak is dominated by "essential" stores such as grocers, general merchandisers, and building supply stores. The Kenai Peninsula Borough's loss was also modest, which was unexpected because it has a large visitor industry and its sales took a dive last year. According to borough sales tax data, sales fell 15 percent borough-wide in the third quarter of 2020 compared to the previous year and dropped 45 percent in Seward.

A few places added retail jobs in 2020, led by Mat-Su

Some rural areas recorded minor retail gains, or at least smaller losses, as most have few stores or visitors. Rural areas that added retail jobs last year included Bethel, Dillingham, the Aleutians East and North Slope boroughs, the Kusilvak and Aleutians West census areas, and Wrangell.

The Matanuska-Susitna Borough was the star for retail growth, adding 187 jobs in 2020. Mat-Su has the third-largest retail industry in the state and a

Alaska retail employment and sales by category

	Jobs in 2019*	Jobs in 2020*	Change, 2019-20	Percent change	Total retail sales, 2017**
TOTAL RETAIL	35,724	33,117	-2,607	-7.3%	\$10.4 bil
Motor Vehicle/Parts Dealers	3,970	3,796	-174	-4.4%	\$2.1 bil
Furniture, Home Furnishings	790	671	-119	-15.1%	\$190.2 mil
Electronics and Appliances	595	526	-69	-11.6%	\$148.2 mil
Building Material and Garden	3,561	3,671	110	3.1%	\$1.0 bil
Food and Beverages	5,406	5,340	-66	-1.2%	\$1.9 bil
Health and Personal Care	1,053	922	-131	-12.4%	\$374.5 mil
Gasoline Stations	1,759	1,646	-113	-6.4%	\$694.6 mil
Clothing and Accessories	1,839	1,253	-586	-31.9%	\$361.9 mil
Sporting Goods, Books, Music	2,030	1,701	-329	-16.2%	\$308.7 mil
General Merchandise	10,454	9,943	-511	-4.9%	\$2.6 bil
Miscellaneous	2,996	2,429	-567	-18.9%	\$374.4 mil
Nonstore Retailers	1,271	1,219	-52	-4.1%	\$376.0 mil

*Based on the first three quarters of both years, for comparison

**Because Anchorage and Fairbanks don't have a sales tax, Alaska has no reliable, up-to-date retail sales figures. These estimates come from the U.S. Census Bureau; 2017 is the most recent year available.

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

population that continued to grow through 2020 (unlike most of the state), and it had no mandated closures. Mat-Su residents probably also spent more of their retail dollars closer to home as fewer commuted to Anchorage during the pandemic.

Changing technology makes a full retail recovery unlikely

Retail has always been and will remain hyper-competitive, with old standbys falling by the wayside as new actors take their place. The ways people shop will remain in flux as well, although in-person shopping is here to stay. It's a favorite pastime for some, and e-commerce can't efficiently and economically supply every type of good. Pent-up demand will give brick-and-mortar stores a boost this year, and they'll find new ways to compete with online retailers.

Still, e-commerce will continue to increase its share of the market. In the January issue of *Alaska Economic Trends*, we forecasted that 1,800 of the 2,400 retail jobs lost in 2020 would return in 2021. But a full recovery would require regaining the 1,600 jobs lost during the pre-pandemic recession too, and that's unlikely given the increasing popularity of online shopping.

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

About the retail data

For this article, retail includes any business that sells merchandise for personal or household consumption. In Alaska, this generally means a place with a storefront. Some Alaska retailers sell both in-store and online, but Alaska has few strictly online retailers.

While Alaskans probably shop online at least as much as most Americans, there is no barometer for online purchasing in Alaska. The state has no reliable or timely way to track retail sales because the two largest markets, Anchorage and Fairbanks, don't have a sales tax. The U.S. Census Bureau estimates Alaska retail sales, but they are survey-based and only come out every five years. (The table on the previous page gives the 2017 estimates, the most recent available. The bureau has released more recent numbers, but they are part of a new experimental data set.) Employment data augmented by limited consumer spending data remain the best proxy for the retail industry's health.

Retail has nearly a dozen broad categories. Most are straightforward, such as gas stations, furniture stores, and motor vehicle and parts dealers, but others need some explanation. Food and beverage stores include grocery and convenience stores while specialty food stores cover meat markets and bakeries. The miscellaneous category encompasses florists, office supply stores, pet stores, souvenir shops, used goods stores, and mobile home dealers. Nonstore retailers include mail order/online sellers and vending machines.

Many places are hybrids and not so easily defined. The largest category, general merchandise stores such as Fred Meyer and Costco, sells just about everything. In general, though, stores are categorized by what they sell most.

PERSONAL INCOME

Continued from page 9

high. In the preceding "normal" years — 2010 through 2019 — transfer payments made up between 14 percent and 17 percent of Alaskans' income. In 2020, that shot up to a record 21 percent.

A large share of the massive federal CARES Act, signed in March last year, went to individuals. For Alaska that included nearly \$2 billion in unemployment compensation, almost \$2.5 billion in stimulus payments, a Medicare reimbursement boost, and payments through various other relief programs.

Pandemic relief programs also bumped up Alaska's per capita income, which is total personal income divided by the number of residents. It rose from \$62,629 per person in 2019 to \$64,780 in 2020.

Less clarity on 2021's outlook

The pattern for personal income in 2021 is less

Transfer payments rose in Alaska with unemployment, relief checks



Source: U.S. Bureau of Economic Analysis

certain. Congress passed a second large COVID-19 relief bill last month, and those funds will soon work their way into Alaska's economy. That bill includes another \$1,400 in economic stimulus payments for most Alaskans.

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