

An industry that touches everyone

Aspate of new large retailers opened in late 2008 and more are scheduled to open in 2009, at the same time retail is facing closings and layoffs across the country. But it's too early to tell if Alaska will fully escape those travails. Only time will tell.

Target, the nation's fifth-largest retailer, entered Alaska's market for the first time in 2008, opening stores in Anchorage and Wasilla. There are also plans for new Wal-Marts in Kenai and Anchorage, a Kohl's and Best Buy in Anchorage, a Lowe's in Anchorage and Kenai, and plans for other retailers around the state.

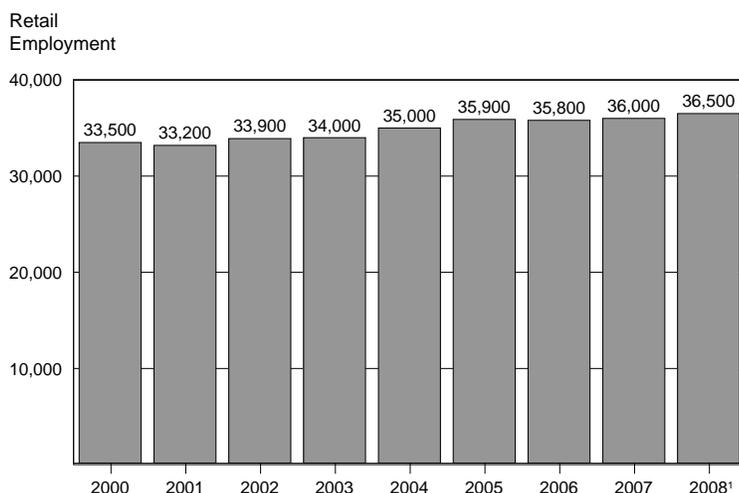
After the retail boom years of the 1990s, Alaska's retail industry settled into a period of modest growth. (See Exhibit 1.) Since 2000, increases in retail trade employment have mirrored overall economic and population growth.

Retail trade is still Alaska's largest private-sector employer and is probably the industry we have more interactions with than any other. (See Exhibit 2.) Nearly everyone has a daily or at least weekly encounter with retail.

Even if a person can avoid buying something, he or she can't help but notice the ever-changing physical retail landscape. At last count, Alaska had more than 2,600 retail establishments.

Yet the state's retail scene remains in a constant flux in both its large and smaller markets. And in the case of some of Alaska's small communities that have few or no local retail options, there's a good chance the industry is being accessed via the Internet, phone or catalog. Alaskans spend more than \$7 billion on retail each year and the industry generates more than 36,000 jobs. (See Exhibit 3.)

1 Retail Has Grown Modestly Retail employment, 2000 to 2008



¹ Estimated

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

Retail defined – it covers a lot

The banner of retail trade covers any business that sells merchandise for personal or household consumption. The industry is broken down into a dozen broad categories. (See Exhibit 4.)

Most of the categories are clear, such as gas stations, furniture and home furnishings, motor vehicle and parts dealers, sporting goods,¹ and health and personal care. But others aren't so apparent. For example, the food and beverage stores category includes grocery stores, convenience stores and specialty food stores.

The general merchandise stores category includes department stores (JCPenney), dis-

¹ The sporting goods category also includes hobby, book and music stores.

counters (Wal-Mart) and warehouse clubs (Costco).

The miscellaneous category includes florists, office supply stores, pet stores, souvenir shops, used goods stores, mobile home dealers and others.

The nonstore retailers category includes Internet shopping, mail order, vending machines and fuel dealers.

And more often these days, retailers fit into more than one category. When that happens, the retailer is classified by what the retailer does most. For instance, some Alaska Commercial Company, Fred Meyer and Costco stores sell groceries, gas and have places to eat. But they're assigned to the general merchandise category because that's what they do most.

The biggest players are general merchandisers, and food and beverage stores

When it comes to the largest employer and the category with the most sales, general merchandise is the winner.

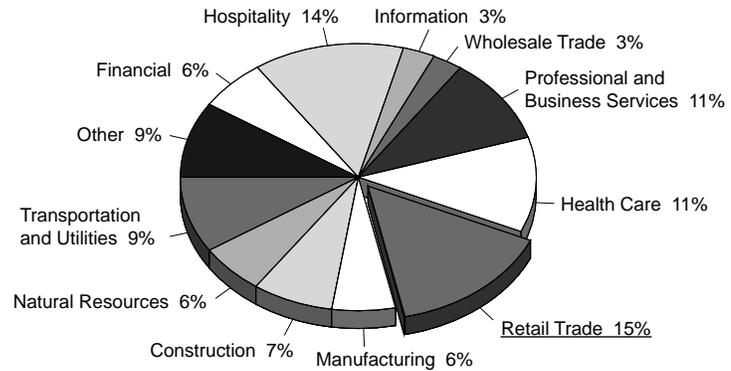
Fred Meyer was the largest employer – measured by employment – in the general merchandise category in 2007. (See Exhibit 5.) Wal-Mart, Alaska Commercial Company and Sears are other big players.

General merchandisers tend to be large – the average sales per establishment in Alaska was nearly \$18 million in 2002.² They're also in the top for per capita sales. (See Exhibit 6.)

The food and beverage stores category – again, the more traditional grocery and convenience stores – ranked second in employment in 2007 and third in sales. The largest player in the category is Carrs/Safeway, a long-time player on Alaska's retail scene.

² The year 2002 is the most recent year for which data are available. The data are from the U.S. Census Bureau's *2002 Economic Census (for Retail Trade)*. The data are released every five years; 2007 data will be released in 2009-2010. Alaska has no reliable annual sales data due to a lack of a sales tax in most areas of the state.

Retail is the Largest Slice Alaska's private-sector employers, 2007 **2**



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

The other category with retail sales of more than \$1 billion in 2007 was motor vehicle and parts dealers, also big employers. Given the high price ticket items they sell, it's no surprise they rank second in sales per establishment. Lithia Motors is largest in terms of employment.

The building materials category also has large employers. Since 2000, players like Home Depot and Lowe's have opened stores in Fairbanks, Kenai, Wasilla, Juneau and Anchorage.

In 2000, neither Home Depot nor Lowe's was on the list of Alaska's top 100 private-sector employers measured by employment. But by 2007, Home Depot was in 25th place and Lowe's was in 41st place. Spenard Builders Supply is still the building materials store with the largest employment in the state; it was in 20th place on the top 100 list in 2007.

Gasoline stations are another relatively large employer, and they probably have the most ubiquitous presence. The average sales per gas station ran about \$2.2 million in 2002. That's one figure that will likely climb steeply when the 2007 figures are released.

No longer the fast grower – but still lots of new players

Retail is still a rough and tumble, hyper-competitive industry. Such stalwarts as Kmart, Pay 'n Save, Market Basket, Carr-Gottstein, CompUSA, Long's Drugs, Pay 'N Pak, many

3 Retail Sales and Employment by Area Alaska, 2002¹ and 2007

	Employment in 2007	Number of Establishments in 2002	Sales in 2002	Per Capita Sales in 2002
Alaska Statewide	36,017	2,611	\$7.43 billion	\$11,611
U.S.				\$10,617
Aleutians East Borough	39	7	\$8.1 million	\$3,000
Aleutians West Census Area	180	19	\$45.5 million	\$8,991
Anchorage, Municipality of	17,490	927	\$3.78 billion	\$14,120
Bethel Census Area	679	55	\$69.7 million	\$4,223
Bristol Bay Borough	50	10	\$6.4 million	\$5,512
Denali Borough	59	11	\$5.9 million	\$3,161
Dillingham Census Area	196	15	\$35.1 million	\$7,150
Fairbanks North Star Borough	4,656	332	\$1.11 billion	\$13,129
Haines Borough	149	20	\$19.2 million	\$8,157
Juneau Borough	2,098	166	\$375.3 million	\$12,109
Kenai Peninsula Borough	2,496	270	\$482.8 million	\$9,528
Ketchikan Gateway Borough	1,044	111	\$219.3 million	\$16,038
Kodiak Island Borough	520	52	\$149.0 million	\$10,927
Lake and Peninsula Borough	29	8	\$2.0 million	\$1,262
Mat-Su Borough	3,296	210	\$615.6 million	\$9,567
Nome Census Area	264	35	\$52.0 million	\$5,567
North Slope Borough	207	19	\$41.1 million	\$5,680
Northwest Arctic Borough	139	16	\$25.1 million	\$3,476
Prince of Wales-Outer Ketchikan Census Area	215	33	\$35.7 million	\$6,290
Sitka Borough	538	73	\$86.2 million	\$9,807
Skagway-Hoonah-Angoon Census Area	n/a	46	\$34.6 million	\$10,677
Southeast Fairbanks Census Area	219	29	\$29.5 million	\$4,968
Valdez-Cordova Census Area	394	66	\$90.5 million	\$8,994
Wade Hampton Census Area	278	25	\$31.0 million	\$4,266
Wrangell-Petersburg Census Area	310	63	\$53.4 million	\$8,268
Yakutat Borough	28	4	\$3.9 million	\$5,561
Yukon-Koyukuk Census Area	114	9	\$24.8 million	\$3,916

Note: The abbreviation n/a means not available.

¹ The year 2002 is the most recent year for which data are available. The data are released every five years; 2007 data will be released in 2009-2010. Alaska has no reliable annual sales data due to a lack of a sales tax in most areas of the state.

Sources: Alaska Department of Labor and Workforce Development and U.S. Census Bureau, 2002 Economic Census (for Retail Trade)

of the Gottschalks stores and other larger and smaller players have closed stores, are no longer in business or have pulled out of Alaska.

Yet those closings were overshadowed by the new players that replaced them. It's almost like musical chairs. The first five years of the 1990s are sometimes referred to as the retail boom years – the period did literally transform Alaska's retail landscape. Those five years included the invasion of the big box stores, category killers and discount warehouses – some of the names of those stores are now among Alaska's largest private-sector employers and largest retailers (as far as employment): Wal-Mart, Sam's, Costco,

Lowe's, Gap, Old Navy, Barnes & Noble, Home Depot and others.

Many existing Alaska retailers also expanded their operations. And, of course, there are more than 2,000 other medium-sized and smaller retailers in the state that held their own, were started or expanded during the same period.

But unlike the 1980s and 1990s when retail trade in Alaska grew far more rapidly than the overall economy, Alaska's retail employment since 2000 has grown roughly at the same speed as the state's overall economy and population. (See Exhibit 7.)

Also unlike the 1980s and 1990s, Alaska has moved closer to national norms. The proportion of workers devoted to the retail industry in Alaska and the nation is now nearly the same. In 2007, the retail industry in Alaska was responsible for 15 percent of the state's

private-sector wage and salary employment, compared to 14 percent for the nation.

So, that begs the question, is Alaska's retail landscape still under-retailed or is it now a mature or more mature market? There's no easy answer because other data and local experts still quote higher sales per square foot in Alaska. It could mean that in the future, retail trade growth might more closely mimic national growth rates and trends.

Perhaps the word accommodation might best describe the future of retail trade – it will grow as the economy and population grows and might not do as much catching up.

Alaska's probably a good market for retail

Even though statistics on Alaska's retail trade are somewhat limited due to a 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.

According to census data, Alaska's per capita sales run 9 percent above the national average. (See Exhibit 3.) Higher prices probably account for most of the difference.

Alaska's relatively higher incomes are also likely a plus. Alaska's per capita income in 2007 ranked 15th in the nation and its per capita disposable income moved up to seventh place. Alaskans' lower-than-average tax burden plays well into the hands of the retail industry.

The state's household income in 2007 ranked fourth in the nation, and household income in the state's largest retail market, Anchorage, is among the highest in the nation. The state's demographics may also play a positive role. Alaska has the second-youngest population in the country. And it has one of the most migratory populations in the country, which means frequent household formation is common – a blessing for many retailers.

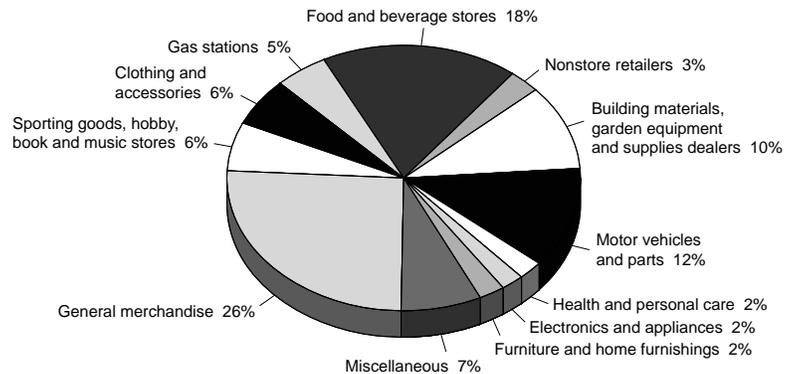
Alaska Permanent Fund dividends are included in income figures; this unique Alaska program may give the retail industry an extra boost that doesn't exist elsewhere.

There are no detailed statistics that tell us how Alaskans spend their Permanent Fund dividends, but even to the casual observer it's obvious that a substantial slice of the dividends goes to retailers. And the recent record payout of nearly \$2 billion, or \$3,269³ per person, certainly can't be ignored.

It's hard to tell whether the annual Permanent Fund dividend retail spree means Alaskans

³ The \$3,269, which was paid out beginning in September, includes the one-time \$1,200 energy rebate to help residents facing high energy costs.

Retail Trade Employment A breakdown, Alaska 2007 **4**



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

Retail Trade's Largest Employers By employment, Alaska 2007 **5**

Employer	Business Activity
Carrs/Safeway	Grocery
Fred Meyer	General merchandise
Wal-Mart/Sam's Club	General merchandise
Spenard Builders Supply	Building products
Home Depot	Building products
Alaska Commerical Company	General merchandise
Costco	General merchandise
Lowe's	Building products
Lithia Motors	Car dealership
Sears	General merchandise
Tesoro Northstore Company	Gas stations
Nordstrom	Apparel
Holiday Stationstores	Gas stations
Alaska Sales and Services	Car dealership
JCPenney	Apparel

Note: For Alaska's 100 private-sector employers with the most employment, see *Trends'* October 2008 issue. On the Web, go to labor.alaska.gov and click on the *Trends* issue in the lower right.

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

spend their retail dollars at a slightly different time than their national counterparts, or if Alaskans spend more than their national counterparts on retail because of the dividend. We may never know. But in all likelihood, the Permanent Fund dividend gives Alaska retailers an edge.

The visitor industry is another big plus for Alaska's retailers. A healthy slice of retail employment comes from the visitor industry.

6 A Breakdown of Retail Trade Sales for Alaska and the U.S., 2002¹

	Alaska Sales in 2002	Alaska Per Capita Sales in 2002	U.S. Sales in 2002	U.S. Per Capita Sales in 2002
Total	\$7.43 billion	\$11,611	\$3.05 trillion	\$10,617
Motor vehicle and parts dealers	\$1.79 billion	\$2,797	\$801.74 billion	\$2,785
Furniture and home furnishings	\$147.0 million	\$230	\$91.81 billion	\$319
Electronics and appliances	\$152.8 million	\$239	\$82.22 billion	\$286
Building materials, garden equipment and supplies dealers	\$485.1 million	\$757	\$246.56 billion	\$856
Food and beverage stores	\$1.25 billion	\$1,957	\$456.94 billion	\$1,587
Health and personal care	\$132.5 million	\$207	\$177.94 billion	\$618
Gasoline stations	\$511.8 million	\$799	\$249.14 billion	\$865
Clothing and clothing accessories	\$303.8 million	\$474	\$167.93 billion	\$583
Sporting goods; hobby, book and music stores	\$214.4 million	\$335	\$73.21 billion	\$254
General merchandise	\$1.87 billion	\$2,922	\$445.22 billion	\$1,547
Miscellaneous	\$273.3 million	\$427	\$90.81 billion	\$315
Nonstore retailers	\$298.8 million	\$467	\$172.86 billion	\$600

¹ The year 2002 is the most recent year for which data are available. The data are released every five years; 2007 data will be released in 2009-2010. Alaska has no reliable annual sales data due to a lack of a sales tax in most areas of the state.
Source: U.S. Census Bureau, 2002 Economic Census (for Retail Trade)

Retail sales strongest in urban areas

Nearly half (49 percent) of all retail employment and just over half (51 percent) of retail sales originate in Anchorage. Both are slightly larger than the city's percentage of the state's population – 42 percent. (See Exhibit 3.)

Anchorage has the most developed and extensive retail sector in the state and benefits both from its residents' high household income and the fact that it plays the role of the retailer for residents around the state. Some of Anchorage's largest retailers claim that 25 percent or more of their sales are to people living in the Bush.

However, what's also true is that over time, Anchorage's share of retail employment and sales has declined as the retail industry has expanded to markets in other communities. Now many residents in those communities can fill more of their retail needs locally.

That's particularly true in the Matanuska-Susitna Borough, home of the state's most dynamic retail sector. Now Mat-Su residents can often find the selection they want in the Mat-Su area without having to drive to Anchorage. The same has happened in Fairbanks and Kenai.

Yet it's not surprising that per capita retail sales and employment are higher in urban areas than in rural areas. That's both because income tends to be lower in rural Alaska and many rural residents spend most of their consumer dollars outside their communities.

Interestingly, the Ketchikan Gateway Borough was the area in the state with the highest per capita sales in 2002 – \$16,038, according to the U.S. Census Bureau.

One possible explanation for the high figure is the huge number of cruise ship visitors the borough has each year. More than 890,000 cruise ship passengers visited Ketchikan in 2008, and many of them became retail customers.

Another benefit to local retailers is that consumers from Prince of Wales Island and other surrounding areas shop in Ketchikan.

In contrast, areas such as the Yukon-Koyukuk Census Area, Northwest Arctic Borough, Denali Borough, Aleutians East Borough, and Lake and Peninsula Borough have per capita retail sales below \$4,000, because they lack regional centers with retail outlets. All the areas, except

the Denali Borough, also have below-average incomes.

The broad expansion of Alaska's retail industry over the years hasn't just meant more jobs – it's also meant that more of Alaskans' retail dollars are staying in Alaska communities and the state. In other words, retail's leakages in Alaska's economy are being plugged.

Economists call the phenomenon the "import substitution effect," which means an increasing share of Alaska's retail needs, like health care needs, are met locally instead of people having to go outside Alaska to fill those needs. As the state's retail sector grows, more retail choices exist and more retail money is spent in Alaska – all causing the industry to expand further.

Strong evidence of that exists in communities that levy a sales tax. Retail sales in Palmer and Wasilla have doubled since 2000, while Palmer and Wasilla's population grew by 35 percent. Retail employment in the Mat-Su area has climbed by more than 900 jobs, or 37 percent, since 2000. Significant increases in retail in other places such as Fairbanks, Kodiak, the Kenai Peninsula and Juneau have had similar impacts.

The retail expansion in those areas means that area residents are fulfilling more of their retail needs closer to home versus in Anchorage or through the Internet and catalogs.

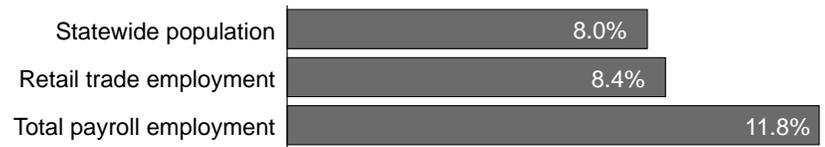
Yet wages tend to be low

Retail trade does have the dubious distinction of having the second-lowest annual average monthly wage of any Alaska industry. The average monthly wage for retail in 2007 was \$2,267, versus \$3,627 for the average for all industries.

One reason why retail trade has such low wages is that a large percentage of the work force works part time.

Another reason is that, generally speaking, the hourly wages for some of the largest occupational categories in the industry are also low, further depressing the overall wages.

Growth Similar to Broader Economy Alaska, 2000 to 2007



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

There are, however, some above-average opportunities in retail, such as in management positions or as business owners. For instance, in 2007 the average monthly wage for workers in the automobile dealership industry was \$3,851. There are also commissioned sales people and others in various segments of the industry who have high average monthly wages.