

# Registers Ring for Alaska's Retailers

by Neal Fried and Holly Stinson

Unlike elsewhere in the country, cash registers in Alaska are expected to ring louder this Christmas season than they have in a long time. Christmas is a critical season for many retailers. For some—such as jewelers, toy stores, and art dealers—the Christmas season can account for more than 50% of their annual sales.



## Even Without Christmas, Alaska's Retailers Are Doing Well

While many retailers' peak sales occur during Christmas, others find Christmas to be the slowest time of year. Auto dealers, souvenir sellers, and building suppliers are included in this group. Instead of buying cars, consumers are buying Christmas gifts; tourists are few and far between, and home construction is in the deep freeze. Even without the benefit of the Christmas frenzy, the past two years have been good ones for most Alaskan retailers.

## Retail Trade Defined

Retail trade includes any business that sells merchandise for personal or household consumption. There are a few exceptions, such as building supply stores, where most sales may be to contractors. The industry can further be broken down into the eight categories in Figure 2. Some of these classifications are clear. For example, bars and restaurants make up the eating and drinking category. Other categories are not quite as obvious. The miscellaneous retail category is dominated by retailers selling specialized items such as books, jewelry, souvenirs, flowers, pets, and sporting goods.

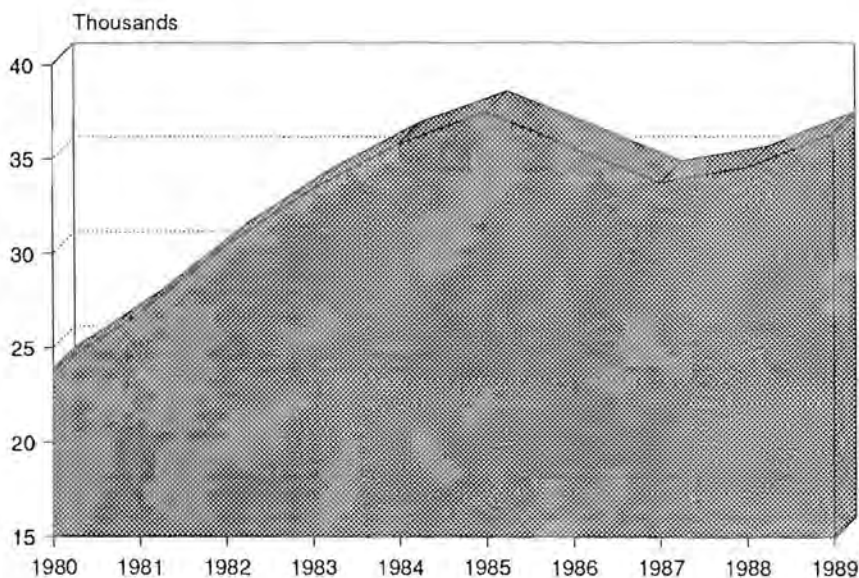
The firms classified in an industry group do not necessarily account for all sales in a particular merchandise category. For example, not all restaurant and bar activity is captured under the eating and drinking group because some bars and restaurants

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Figure 1

## Retail Trade Employment 1980-1989



Source: Alaska Department of Labor, Research & Analysis.

Table 1

### Per Capita Sales by State for 1987

	Sales (in thousands)	Population (in thousands)	Per Capita Sales	Rank
Alabama	\$21,260,901	4,084	\$5,206	40
ALASKA	3,606,187	524	6,882	12
Arizona	21,778,355	3,400	6,405	17
Arkansas	11,631,735	2,388	4,871	47
California	179,801,438	27,653	6,502	14
Colorado	20,688,591	3,293	6,283	19
Connecticut	25,101,778	3,212	7,815	2
Delaware	4,975,670	648	7,679	3
Florida	87,925,609	12,022	7,314	7
Georgia	39,994,882	6,227	6,723	16
Hawaii	8,084,416	1,082	7,472	5
Idaho	4,891,007	1,000	4,891	46
Illinois	68,263,937	11,584	5,893	27
Indiana	33,097,064	5,530	5,985	24
Iowa	15,081,608	2,823	5,342	37
Kansas	13,396,598	2,475	5,413	35
Kentucky	18,939,911	3,723	5,087	43
Louisiana	21,627,111	4,448	4,862	48
Maine	8,651,022	1,186	7,294	8
Maryland	32,009,372	4,536	7,057	11
Massachusetts	44,818,481	5,856	7,653	4
Michigan	56,697,319	9,205	6,159	21
Minnesota	27,279,799	4,244	6,428	15
Mississippi	11,357,667	2,624	4,328	50
Missouri	30,175,565	5,107	5,909	26
Montana	4,344,392	809	5,370	36
Nebraska	8,486,334	1,594	5,324	38
Nevada	7,320,982	1,006	7,277	9
New Hampshire	9,961,260	1,056	9,433	1
New Jersey	54,778,648	7,674	7,138	10
New Mexico	7,919,592	1,496	5,294	39
New York	103,212,226	17,835	5,787	31
North Carolina	39,051,791	6,409	6,093	22
North Dakota	3,729,644	671	5,558	33
Ohio	63,190,793	10,816	5,842	29
Oklahoma	16,073,548	3,259	4,932	45
Oregon	16,821,047	2,723	6,177	20
Pennsylvania	71,216,605	11,942	5,964	25
Rhode Island	6,314,662	986	6,404	18
South Carolina	18,949,588	3,426	5,531	34
South Dakota	3,683,364	709	5,195	41
Tennessee	28,532,933	4,855	5,877	28
Texas	97,175,804	16,781	5,791	30
Utah	8,378,777	1,680	4,987	44
Vermont	4,043,351	547	7,392	6
Virginia	38,960,210	5,914	6,588	13
Washington	27,249,801	4,542	6,000	23
West Virginia	9,029,979	1,898	4,758	49
Wisconsin	27,802,534	4,807	5,784	32
Wyoming	2,521,899	490	5,147	42
United States	1,493,308,759	243,419	6,135	

Source: U.S. Department of Commerce, Bureau of the Census.

are part of hotel and lodging operations. Grocery stores are in the food store category but they carry an increasing number of nonfood items as well. Despite the crossover between classifications, a look at this industry by category can provide insight into the different facets of retail trade.

#### It Was A Good Decade For Retail Trade

Because there are no reliable annual sales data for Alaska (due to lack of a sales tax in most areas of the state) employment is the next best measure for the retail industry. According to employment figures, the past decade was good to Alaskan retailers. Their employment grew by 50+% versus 35% growth for all industries.

Retail trade was not immune from the effects of the 1986-88 recession. However, employment in this sector did not fall as dramatically as in the rest of the economy. In 1988 employment in retail trade began to turn the corner. (See Figure 1.) Retailers enjoyed an exceptionally strong year in 1989 and continued to enjoy growth in 1990.

The timing is not surprising since it coincides with the recovery in the economy — overall employment and income also began to grow in late 1988. More jobs and higher income meant people began to buy more. By 1990, retail trade completely recovered the employment lost during the state's recession.

#### Alaska Is A Good Place For Retailers

All available statistics indicate that Alaska is a healthy market for retailers. Alaska ranks 12th in the country on a per capita sales basis. (See Table 1.)<sup>1</sup> Part of the explanation for Alaska's high ranking is the higher prices paid for goods in Alaska. However, these statistics were compiled during the depth of Alaska's recent recession — not a very healthy period for retail sales. Also, retail

purchases made at Alaska's military post exchanges and commissaries are not included in Table 1. For federal fiscal year 1989, these military purchases amounted to more than \$170 million.

While high prices are a factor in Alaska's lofty rank in per capita sales, the type of goods Alaskans purchase also influenced the rankings. In interviews conducted for this article, retailers said that Alaskans spend more money and buy better quality goods than shoppers elsewhere. The main reason for this is that Alaskans have more disposable income and therefore more purchasing power than residents of many states. Alaska's high disposable income is a result of two factors. Alaska's per capita income in 1989 was 23% above the national average. Also, Alaskans enjoy a lower than average tax burden.

Other statistics confirm that Alaskans have above average purchasing power. According to Sales & Marketing magazine's annual Survey of Buying Power, Alaska's median household effective buying income (EBI) was \$32,678 in 1989. This was 26% above the national average, and the fourth highest EBI in the nation. Anchorage, which is responsible for 54% of the state's retail sales, ranked 8th in retail sales per household in the nation out of more than 250 metropolitan areas.

In addition to above average income, demographics contribute to the favorable retail climate in Alaska. Alaska's population is younger on average than the nation's. A younger population tends to consume more and save less than an older population because they are busy establishing new households and families.

### **Tourism Provides A Boost To Retail Trade**

In addition to the benefits of higher incomes and a young population, Alaska's retail trade industry is the principal beneficiary of the Alaskan

tourism industry. According to a 1982 Department of Labor study, 29% of the state's retail trade jobs were attributed to visitor activity. Eating and drinking places were the biggest winners but general merchandisers and miscellaneous retailers also benefit from Alaska's visitors.

### **The General Merchandiser Has Something For Everyone**

One group of stores that fills up with customers during the Christmas rush is Alaska's general merchandisers. This may be because they have something for everyone — boots for the wife, a computer for the eldest daughter, a doll for the baby and a tie for the husband. Although their Christmas sales don't account for 50% of their annual business, it is their most lucrative season.

Seven out of Alaska's largest 100 employers are general merchandisers, including Sears, Nordstrom and J.C. Penney. There are also a large number of medium-sized and small operators. General merchandisers account for 11% of all retail sales. The average sales per store is \$4.2 million, which represents the highest per store sales in the industry.

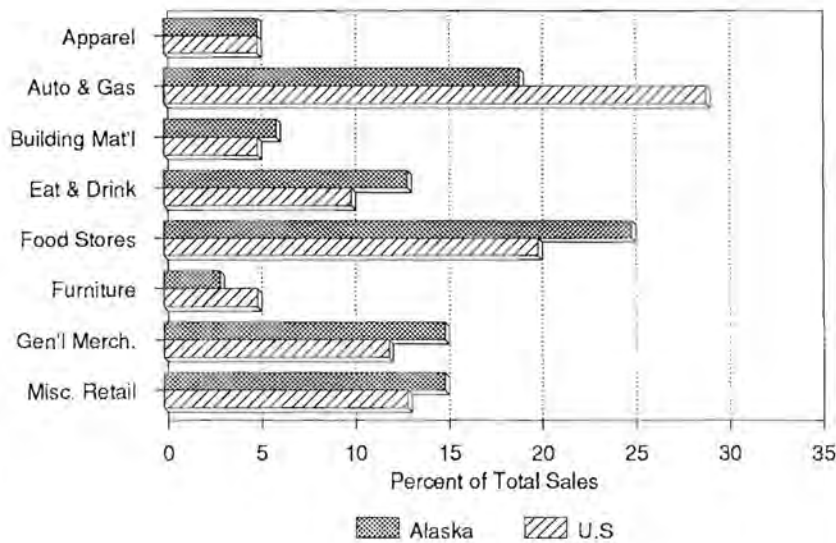
As a group, general merchandisers have done relatively well over the past decade. Employment grew steadily in the 1983-85 boom. (See Table 2.) During this time there was new entry into the market, such as Fred Meyer's new stores in Anchorage, Fairbanks and Juneau. Beginning in 1986, however, sales began to slump. Most operations cut the size of their staffs. Some closed permanently, like the Montgomery Wards store in Anchorage. A host of other smaller operations also shut their doors permanently.

In 1988 the markets began to return and by 1989 employment reached a new record high. Fred Meyer started building a second store in Fairbanks this fall and rumors are widespread that other merchants are planning to enter the Alaskan market.

Alaskans spend more money and buy better quality goods than shoppers elsewhere.

Figure 2

## Retail Sales by Category — Alaska and U.S., 1987



Source: Alaska Department of Labor, Research & Analysis.

Alaskans rely on mail order business more than other Americans.

### Apparel Stores Sell Specialized Items

One of retail's smallest categories is the apparel and accessory group. Lamonts, Alaska's largest apparel store, is an anomaly because most apparel stores are small independents. They usually offer a specialized line of clothing such as children's, western wear, or lingerie. Average sales per store were only \$193,111 in 1987. Although Alaskans spend nearly 7% of their consumer dollar on clothing, apparel stores must share their market with general merchandisers, catalog operations and sporting goods stores which also sell apparel.

### Miscellaneous Retailers Are Everywhere

Miscellaneous retailers are characterized by small independent stores, although some chain operations are also included in this category. Mis-

cellaneous retail stores are found in strip malls, nestled between anchor stores in large malls, or standing alone as store fronts in most of Alaska's communities. Also included in miscellaneous retail are fuel dealers and mail order businesses.

Gift and souvenir shops have the largest number of operations in the miscellaneous group. According to the Bureau of the Census, \$35.5 million worth of gifts and souvenirs were sold in Alaska in 1987, or \$229,000 per establishment. Another retailer in the miscellaneous category, sporting goods stores, has impressive per capita sales statistics. Alaskans spent \$91 per person on sporting goods while the average for the U.S. was \$41 per person.

### Mail Order Is A Big Business In Alaska

If the mail order portion of miscellaneous retail sales was adequately captured in the statistics, it would end up being a big slice of Alaska's retail pie. However, mail order sales statistics are elusive for two reasons. One is that orders placed with firms in other states show up as sales in those states, not Alaska. The second is that there are many retailers in Alaska, besides those who are set up primarily as mail order houses, who also do mail order business. Their mail order statistics are captured in their particular retail category, such as food stores or general merchandise. Their mail order sales are not included in the retail category for mail order businesses.

Alaskans order merchandise both from the Lower 48 and within the state. Many Anchorage retailers routinely ship goods to rural parts of the state. Although not captured in the statistics, there is little doubt, after talking to retailers, that Alaskans rely on mail order business more than other Americans.

## Building Material Suppliers Are Tied to Construction Industry

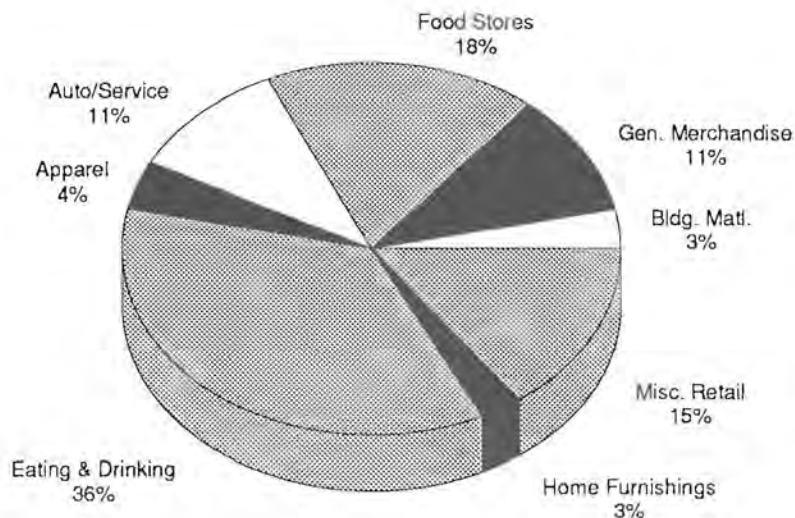
So far, we've examined those retail businesses which see their peak season at Christmas. Other sectors of retail trade don't see a big sales boost during the Christmas season — in fact for some retailers sales slow down at this time of year. One such category is building materials and garden supplies. For them, summer is the big sales season. While mobile home dealers are also included in this category, more than three-fourths of the sales are for building supplies.

Employment in this sector followed the roller coaster ride that the construction industry was on. As construction projects mushroomed in the early 1980s, so did jobs supplying building materials. Employment more than doubled from 1980 to 1985, and then fell during the recession. As sales to contractors, once the bread and butter of the business, dried up, merchants focused more on retail sales to survive. The spring of 1989 saw a resurgence of building activity, and an increase in jobs. Construction is expanding in 1990 over last year, both on the commercial and residential side. Like construction employment, jobs supplying the construction industry are growing but are still a long way from their 1985 peak.

### Automobile Businesses Indicate Good Economic Times

Another retail group that was hard-hit during the recession is automobile dealers and service stations. When hard times occur, limping along with an aging car instead of replacing it with a newer model is one of the first economic decisions a consumer makes. Car dealers are quick to notice a downturn in the economy; they are also among the first to note a recovery. While retail trade employment grew 5.2% from 1988 to 1989, jobs with auto dealers and service stations grew 11.5%. Em-

Figure 3  
Retail Trade Employment by Category, 1989



Source: Alaska Department of Labor, Research & Analysis.

ployment growth has continued at a healthy rate into 1990 throughout the state.

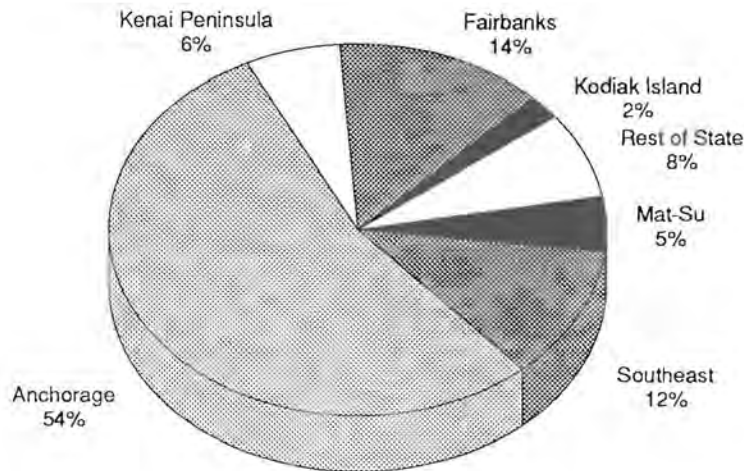
Not all of the local car dealers' business is a commentary on local economics—factory rebates and various financing packages can entice buyers even in bad times. The cost and time involved in transporting vehicles to Alaska is a factor that makes the Alaskan market different. Another factor is the climate — a cold environment is hard on automobiles. This, coupled with the desire for reliability in bad weather, explains why Alaskans tend to upgrade their vehicles sooner than in many other places.

This category is a much smaller part of the retail industry in Alaska, where it makes up 19% of total retail sales, than the U.S. as a whole. Nationwide, car dealers and service stations account for 29% of total retail sales. (See Figure 2.) Some of this differ-

Car dealers are quick to notice a downturn in the economy and among the first to note a recovery.

Figure 4

### Retail Sales in 1987 by Geographical Location



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

the inventory in this category (expensive and bulky), Anchorage dominates this market more so than any other retail sector. About two-thirds of the state's jobs and sales for furniture and other home furnishings are in Anchorage.

### Eating & Drinking Establishments Have Largest Share of Retail Jobs

Some of the lowest-priced retail goods are sold in Alaska's eating and drinking businesses. Only 13% of the retail dollars spent in the state go to establishments in this group. However, the eating and drinking sector has the largest share of the employment pie at 36%. (See Figure 3.) This translated into almost 13,000 jobs in 1989. There are additional jobs in this sector which are counted in the services industry as hotel employment.

This industry did not lose much employment during the last recession. Employment almost doubled from 1980 to 1985, then fell only slightly in 1986 and 1987 before recovering. Even when times are tough people find the money to go out. Also, the nationwide trend of eating meals away from home continues to grow.

Wages for all retail employment are lower, on average, than any other industry in Alaska, and people employed in restaurants and bars are paid the lowest average monthly wage within the industry. One reason wages are low is that many jobs in this category are structured to rely on customer gratuities as part of earnings. (Tips aren't included in average monthly wage figures.) Another is that part-time employment is more common in eating and drinking establishments than other retail businesses or in other industries. This tends to lower the average monthly wage.

Even when times are tough people find the money to go out.

ence can be explained by the fact that rural Alaskans often rely on all-terrain vehicles or the local taxi instead of owning a car. Alaska's limited road system is also a factor in this difference, along with the number of car purchases Alaskans make out of state.

### Anchorage Dominates The Market For Home Furnishings

Home furnishings garners the lowest total sales of all retail categories (3%). Furniture, draperies, floor coverings and appliances are found in this group. Most of the merchandise in this category carries high price tags and households purchase these items infrequently. Total sales of these items are masked by the fact that general merchandise stores also carry some of these items. Because of

Even so, employment as a waiter or waitress pays among the lowest of any occupation. This occupation had the second lowest average hourly wage in the Alaska Dept. of Labor's 1990 wage rate survey. (Tips excluded.) Some other occupations in eating and drinking did not fare much better. Short order cooks and dishwashers also have low hourly wages, and theirs are not usually bolstered by tips.

### One of Every Four Retail Dollars Is Spent At Food Stores

While Alaskans as a group spend fewer dollars in the auto and service station category, they spend proportionately more at the grocery store than other Americans. (See Figure 2.) Higher prices to cover the cost of freighting grocery items to the state explains some of this disparity.

It is also possible that more nonfood items are carried by Alaska's grocery stores than elsewhere. Today, there are grocers in Alaska that are also major general merchandisers and serve up a variety of prepared foods. As more families have two wage earners, the trend continues to more convenience and prepared foods. Grocery stores are now competing

with fast food and other types of restaurants.

Food stores enjoy the largest share of retail sales in Alaska. In 1987, one out of every four retail dollars was spent at these businesses. The purchase of other retail goods might be postponed, but many of the items carried by food stores are necessities.

Two grocery chains, Carr's Quality Centers and Safeway, are among Alaska's 100 largest employers. Another retailer in the Top 100 list, Alaska Commercial Company, sells groceries and general merchandise in several rural locations. They also have the distinction of being Alaska's oldest retailer, with origins dating back to 1867 when Alaska was purchased from Russia.

### Over Half of Sales Take Place In Anchorage

More than half of Alaska's retail sales transactions in 1987 took place in Anchorage. The fact that rural residents buy goods in Anchorage explains why a city with 42% of the state's population accounts for 54% of retail sales. (See Figure 4.) Not only off-road Alaskans buy in Anchorage; depending on the product

Anchorage, with 42% of the state's population, accounts for 54% of retail sales.

Table 2

## Retail Trade Employment 1980-1989

Category	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
TOTAL	23,868	26,867	30,436	33,393	35,773	37,453	35,580	33,716	34,508	36,312
Building Materials & Garden Supplies	1,034	1,290	1,647	1,879	2,043	2,259	1,458	1,138	1,123	1,243
General Merchandise Stores	3,257	3,149	3,069	3,217	3,564	3,813	3,757	3,421	3,553	3,883
Food Stores	3,711	4,341	4,955	5,315	5,729	6,028	5,842	5,848	6,160	6,415
Automotive Dealers & Service Stations	2,466	2,738	3,037	3,445	3,685	3,800	3,539	3,344	3,421	3,815
Apparel & Accessory Stores	1,093	1,177	1,430	1,450	1,486	1,529	1,426	1,469	1,487	1,532
Furniture & Homefurnishings Stores	641	798	1,000	1,338	1,519	1,394	1,219	975	945	1,017
Eating & Drinking Places	7,991	9,349	10,879	11,929	12,756	13,443	13,183	12,440	12,629	12,991
Miscellaneous Retail	3,675	4,025	4,419	4,820	4,991	5,187	5,156	5,081	5,190	5,416

Source: Alaska Dept. of Labor, Research & Analysis Section

and the price, residents connected by road may drive to Anchorage to make a purchase.

Other than this Anchorage/rural anomaly, other Alaska locations share about the same proportion of population, sales, and retail jobs. What can't be measured are the retail dollars spent outside Alaska, mostly through catalog sales. Also, in-person purchases are made when Alaskans travel out of state. High prices in many retail categories make these options attractive if transportation of the purchase is feasible.

#### **Retail Trade Jobs Growing Faster Here Than U.S.**

Alaska's proportion of the work force dedicated to retail trade is similar to that of the U.S. (16% vs. 17%). However, over the past decade, Alaska's retail employment has grown considerably faster than the nation's (52% versus 30%). On an annual average basis, Alaska had over 36,000 retail jobs in 1989.

Retail trade has the dubious distinction of having the lowest annual average monthly wage of any industry in Alaska. However, some sectors of retail trade enjoy higher wages. For example, automobile dealers and service stations had average monthly wages of \$2,066 in 1989, several hundred dollars more than any other retail category.

One reason for low average monthly wages is the fact that many people in retail trade work part-time. Average hours worked each week is lowest in this industry. Almost every type of retail outlet employs part-time workers in addition to full-time wage earners. Students put in time after school at fast food restaurants, gas stations and retail stores; parents juggle child-rearing with part-time retail jobs. As fast food outlets proliferate, more and more elderly people are coming out of retirement to work in these and other retail jobs.

#### **Summary: Alaska Is A Healthy Market for Retailers**

Alaska's retail trade industry — defined as those businesses selling merchandise for personal or household consumption — grew 50% in the 1980s. More than half of the state's retail sales are made in Anchorage even though it is home to only 42% of the state's population.

The retailing industry can be generally segmented along product lines, although distinctions between retailers can become blurred. Alaskan retailers offer customers a variety of choices, ranging from general merchandisers who have "something for everyone" to corner specialty stores that fill a particular market niche.

Eating and drinking establishments employ the most people in the industry. While purchases at food stores account for one of every four retail dollars spent. Mail order is also big business in the state, although statistics to support this claim are elusive.

Alaska is a good place for retailers to prosper. Alaskans have more to spend because their disposable income tends to be higher than the average American consumer. Alaska's population is also younger than average, and young people tend to consume more. The state's tourism industry provides another boost to retail business.

The Christmas season can account for more than half of some retailers' annual sales. Many businesses selling general merchandise, apparel, and other specialty items fall in this group. Unlike the rest of the country, Alaska's holiday sales are expected to top those of the last two years.

Presently the retail industry is in healthy shape. Confirmation of this are plans of new retailers entering the market to offer new products and competition, and to coax more dollars out of our pockets.

Alaska is a good place for retailers to prosper.

#### **Notes**

1. The information in Table 1 is from the U.S. Dept. of Commerce, Bureau of the Census. They publish a census of retail trade every five years for each state and for the U.S. The sales and employment data is given by kind of business and by borough or census area. The publication contains the most comprehensive data that exists for Alaska's retail trade industry.