

How is Alaska Retail Faring?

Industry grapples with recession as well as e-commerce growth

By NEAL FRIED

Alaska's retail industry is weathering a now-two-year recession and the growing influence of large online retailers. A recent rash of store closures has further raised questions about how the industry is faring.

Large recent losses include Toys R' Us, the surprise closing of three Sam's Club warehouses, and the expected shuttering of Sears. Combined, those stores employed about 500 people. The closures were caused by corporate and national restructuring or other troubles rather than local economic conditions, but they meant further retail losses in already tough times.

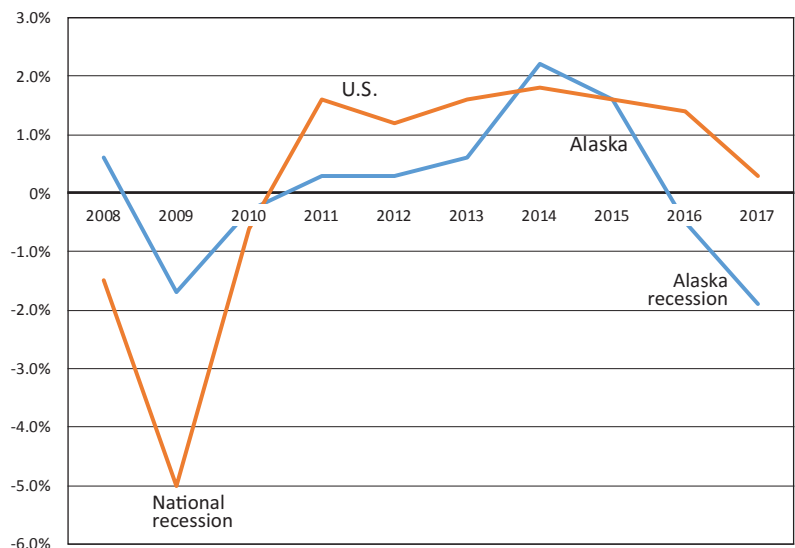
Alaska has no precise way to track retail sales because Anchorage and Fairbanks, the two largest markets, don't have a sales tax. Alaska had more than 2,300 retail businesses at last count, and in 2012, the most recent year available, Alaskans spent more than \$10 billion on goods.

The next-best way to gauge the industry's well-being is employment. Retail trade remains Alaska's largest private sector employer, representing 11 percent of

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Ups and Downs for Retail Jobs

ALASKA AND U.S., ANNUAL PERCENT CHANGE, 2008-2017



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

all jobs, and it's the industry people tend to interact with most.

Modest growth from 2011 to 2015

After the retail boom years of the 1990s, the industry settled into a period of modest job growth, with its

2 Jobs by Retail Category

ALASKA, 2017*

	Number of jobs
Total Retail Employment	36,340
Motor Vehicle and Parts Dealers	4,134
Furniture and Home Furnishings	815
Electronics and Appliances	656
Building Material and Garden	3,552
Food and Beverages	5,623
Health and Personal Care	1,178
Gasoline Stations	1,813
Clothing and Clothing Accessories	1,903
Sporting Goods, Books, Music, etc.	2,121
General Merchandise	10,735
Miscellaneous	2,592
Nonstore Retailers	1,217

*Preliminary

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

growth pattern mostly mirroring that of the population and the economy overall.

Alaska retail peaked at 37,416 jobs in 2015. The state recession began later that year and quickly took its toll on the industry, which lost jobs in 2016 for the first time since 2010. (See Exhibit 1.)

Losses in most retail categories

In 2016, Alaska retail employment declined by just under 1 percent, a loss of 346 jobs. The losses gained momentum in 2017 and the industry lost another 730 jobs, or about 2 percent.

There's evidence these losses were due to the state's recession rather than the growth of e-commerce because nationally, retail trade continued to grow from 2011 through 2017.

Employment in the largest retail group, general merchandise stores, has remained stable in Alaska but most types of retail have sustained some losses over the 2015 to 2017 period while continuing to grow nationally. (See Exhibit 3.)

Alaska's home furnishings and

How retail is categorized

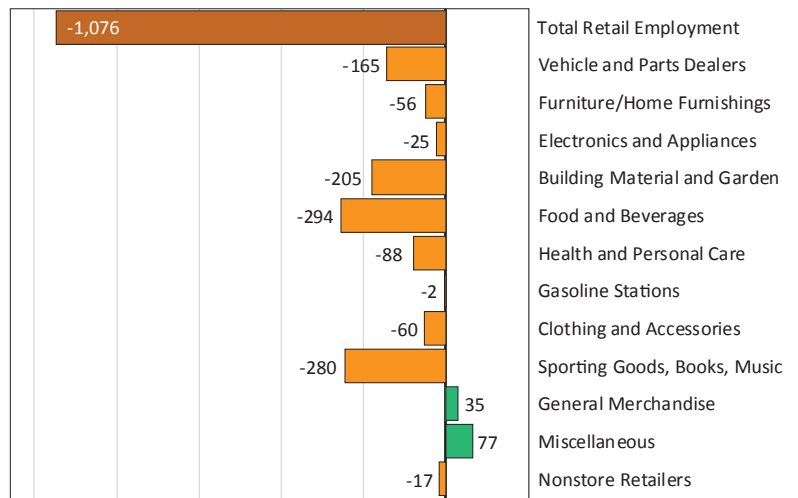
Any business that sells merchandise for personal or household consumption falls under the banner of retail trade. This industry has nearly a dozen broad categories, shown in Exhibit 2. Most of the categories are straightforward — gasoline stations, furniture and home furnishings, motor vehicle and parts dealers, sporting goods, and health and personal care, for example — but others require more explanation.

- Food and beverage stores include grocery stores but also convenience and specialty food stores such as meat markets or bakeries.
- The miscellaneous category includes florists, office supply stores, pet stores, souvenir shops, used goods stores, and mobile home dealers.
- Nonstore retailers include electronic shopping (for example, a local retailer without a storefront who sells exclusively online), mail order companies, vending machines, and fuel dealers.

Other categories are hybrids and aren't as easily defined. General merchandise stores, the largest category, is one of those. It includes department stores such as Fred Meyer, discounters like Walmart, and warehouse clubs such as Costco that sell a wide range of products. For the most part, though, stores are categorized by what they sell most.

3 Most Retail Categories Have Lost Jobs

ALASKA, 2015 TO 2017*



*Preliminary

Note: May not sum due to rounding

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

Even in this down market, new stores continue to open. But as long as Alaska's economy is contracting, retail jobs will follow suit.

building materials/garden categories have lost ground with a stagnant real estate market and a big decline in construction activity.

Another big job-loser has been the sporting goods, books, and music category, largely through the summer 2016 closure of four Sports Authority stores: two in Anchorage and one each in Wasilla and Fairbanks. As with Sam's Club and Sears, Sports Authority closures were nationwide (nearly 400 stores). But even without those closures, this category would have lost a moderate number of jobs in Alaska.

E-commerce affects some categories more than others

While e-commerce has turned up the heat on nearly all retail categories, it's hit a boiling point for some. The electronics and appliances category has lost ground with the state recession but it's taken a bigger beating from online purchasing. Even nationally, this sector has never recovered its pre-U.S. recession job levels. Other categories that have been hit hard nationwide by e-commerce and haven't recovered their past job levels include furniture and home furnishing stores, clothing stores, and sporting goods stores.

The online purchasing trend will only increase, putting more pressure on brick-and-mortar retailers in Alaska and around the country in the future. National retail job growth had almost dried up by 2017 despite a booming U.S. economy.

Nationally, e-commerce represents about 9 percent of all retail sales, up from 4 percent in 2008. By 2020, the online share is projected to top 12 percent, and these are conservative numbers.

While there are no data for Alaska, its e-commerce trends are likely similar. Even without knowing the specifics, it's safe to assume that if the Internet didn't exist, Alaska retail employment would have grown more during the past decade and recession-related losses would have been smaller.

Some areas' retail kept growing

Retail didn't decline everywhere in the state with the

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Retail Jobs by Alaska Area

EMPLOYMENT CHANGE, 2015 TO 2017*

Area	2017*	2015	Change 2015-17	% Change 2015-17
Alaska	36,340	37,416	-1,076	-2.9%
Aleutians East Borough	44	50	-6	-12.0%
Aleutians West Census Area	214	205	9	4.4%
Anchorage, Municipality	17,458	18,062	-604	-3.3%
Bethel Census Area	746	757	-11	-1.5%
Bristol Bay Borough	56	44	12	27.3%
Denali Borough	59	54	5	9.3%
Dillingham Census Area	193	181	12	6.6%
Fairbanks North Star Borough	4,703	4,882	-179	-3.7%
Haines Borough	124	139	-15	-10.8%
Hoonah-Angoon Census Area	75	70	5	7.1%
Juneau, City and Borough	1,840	1,933	-93	-4.8%
Kenai Peninsula Borough	2,536	2,691	-155	-5.8%
Ketchikan Gateway Borough	967	917	50	5.5%
Kodiak Island Borough	484	477	7	1.5%
Kusilvak Census Area	316	312	4	1.3%
Lake and Peninsula Borough	—	—	—	—
Matanuska-Susitna Borough	3,674	3,919	-245	-6.3%
Nome Census Area	341	354	-13	-3.7%
North Slope Borough	222	242	-20	-8.3%
Northwest Arctic Borough	170	171	-1	-0.6%
Petersburg Borough	175	181	-6	-3.3%
Prince of Wales-Hyder CA	251	252	-1	-0.4%
Sitka, City and Borough	450	453	-3	-0.7%
Skagway, Municipality	169	167	2	1.2%
Southeast Fairbanks CA	224	210	14	6.7%
Valdez-Cordova Census Area	377	345	32	9.3%
Wrangell, City and Borough	111	104	7	6.7%
Yakutat, City and Borough	—	—	—	—
Yukon Koyukuk Census Area	131	138	-7	-5.1%

*Preliminary

— indicates the data are suppressed for confidentiality, but these areas are included in the statewide total.

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

recession. Nearly half of Alaska's boroughs and census areas added retail jobs from 2015 to 2017. (See Exhibit 4.) Most of these were areas less affected by the recession in general (Wrangell, Kodiak, Bristol Bay, Dillingham, and Southeast Fairbanks). Many of those areas depend less on the oil industry and more on fishing.

The majority of recent job losses came from the larger markets: Anchorage, Juneau, the Matanuska-Susitna Borough, and the Kenai Peninsula Borough. Anchorage lost more than 600 retail jobs from 2015 to 2017. Fairbanks lost more than 100 retail jobs in 2016 but gained a few back in 2017.

A competitive industry that will face further obstacles

Retail has always been a tough, competitive industry, with old standbys frequently falling by the wayside and newcomers taking their place. Departures of some stalwarts over the last couple of decades were overshadowed by what replaced them. For example, Kmart, Sports Authority, Carr Gottstein, Montgomery Ward, Sam's Club, CompUSA, and Long's Drugs have all closed their doors in Alaska amid openings by giants such as Best Buy, Cabela's, Costco, Home Depot, H&M, and Victoria's Secret.

Even in this down market, new stores continue to open. A Duluth Trading Company and Carrs-Safeway in Anchorage, a Fairbanks Costco, and cannabis dispensaries around the state have opened recently or will open soon, to name just a few. But as long as Alaska's economy is contracting, retail jobs will follow suit — and even when recovery begins, the weight of online retail competition will continue to put a damper on the industry.

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