



# Trade Sector Summary: Retail

Spring 2005

## Overview

This sector summary has been separated into retail and wholesale so as to segregate the effects of each on the trade sector as a whole.

**Retail** is the section of trade composed of companies who sell relatively small quantities of merchandise to the general public. Generally retailers offer only incidental services such as delivery or installation of an item.

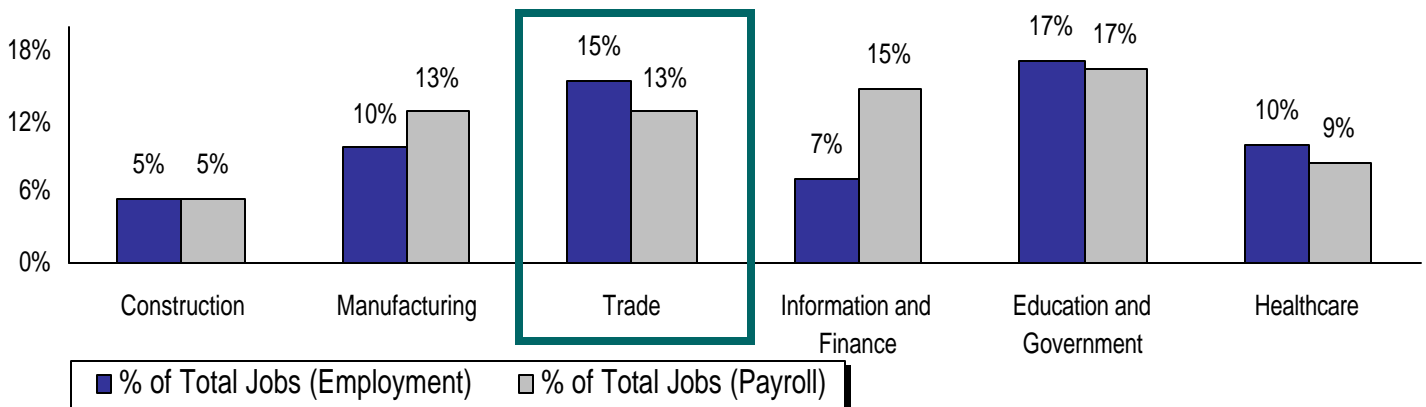
**Wholesale** is the middleman of trade. Selling to businesses instead of the general public, they also offer only incidental services.

The change in retail employment as a percentage of total county employment.

County	1993	2003	Net Change
Island	16.6%	15.2%	-1.4%
Skagit	15%	13%	-2%
Whatcom	15.5%	11.3%	-4.2%

Source: Center for Economic and Business Research

## Washington State Distribution of Jobs and Wages, 2003



Source: BLS and Washington State Employment Security

## Trends

Retail is an eclectic mix of general merchandise stores, clothing, electronics and food and beverage stores among others. To look at retail as a whole, it is difficult to decipher where changes have occurred over the years and what the effects of specific changes have been. One of the main concerns in some communities is the influx of the "big box store." These stores are blamed for the loss of jobs, decrease in wages, and pushing out of the smaller family owned businesses. It is not clear from the information below, however, if any such effects can be attributed to the opening of certain stores.

### Island:

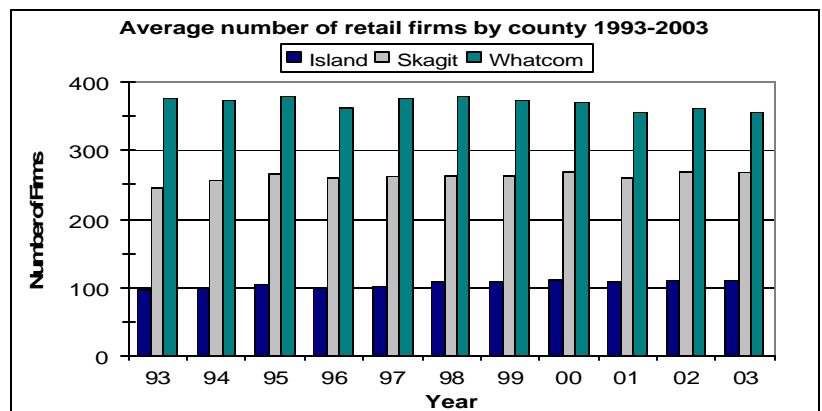
1999- Wal-Mart opens in Oak Harbor  
2000- Office Max opens in Oak Harbor

### Skagit:

1998- Wal-Mart opens in Mt. Vernon  
2000- Lowe's opens in Mt. Vernon

### Whatcom:

1997- Wal-Mart opens in Bellingham.  
1998- Home Depot opens in Bellingham  
2001- Best Buy opens in Bellingham



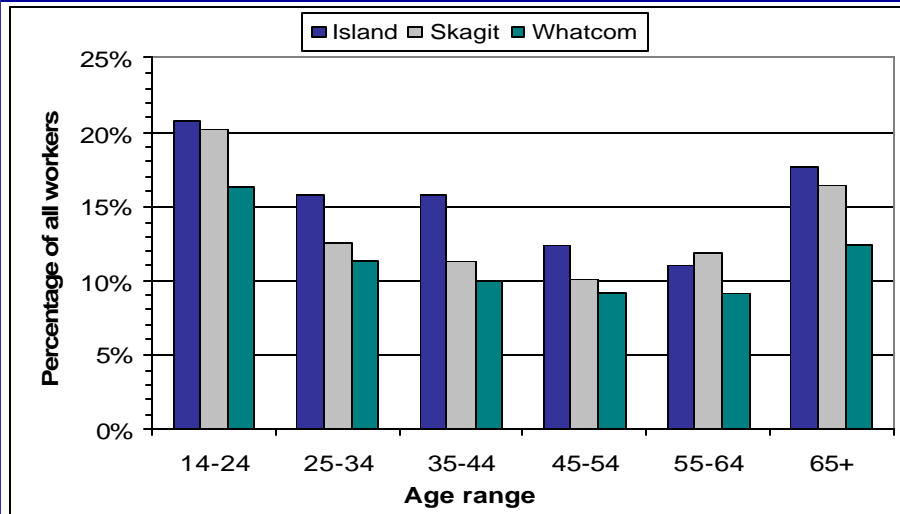
Source: Center for Economic and Business Research

## Employment

Retail is often thought of as a “young” sector, but with the aging of the workforce and the baby boom generation beginning to reach retirement age, it makes sense that retail would see a large amount of under 24 and over 65 workers.

The retail sector is one of the few sectors that utilizes unskilled workers and offers part time work. This coupled with the fact that for many under the age of 24, benefits are considered less important than wages, makes retail much more attractive than an entry-level career job. For those over 65, who may not want to learn a new skill, a part time job that offers additional spending money and very few pressures is ideal as a supplement to their often fixed income.

Retail as a percentage of all workers, distributed by age.



Source: Center for Economic and Business Research

## Subsectors in Retail

- Motor vehicle and parts
- Building material and garden supply stores
- Gasoline stations
- Furniture and home furnishings stores
- Food and beverage stores
- Clothing and clothing accessories stores
- Electronics and appliance
- Health and personal care
- Sporting goods, hobby, book and music stores
- General Merchandise stores
- Miscellaneous store retailers
- Non-Store retailers

## Earnings

Between 1993 and 1997 there is a noticeable trough in average annual retail wages. Adjusted for inflation, wages actually fell for several years before they began to rise. One important factor for the pattern in wages in retail is changes in the state minimum wage. However, it should be noted that the state’s high minimum wage is not always “binding.” As such, other factors need to be considered.

Many communities are often worried that the opening of national chain retailers will bring nothing but minimum wage jobs while pushing out the “better paying” smaller companies. 1997 is the year when many of these chain retailers began moving to Northwest Washington, and while it would be impossible to say whether wages would have gone up more had the chain retailers not come, it is worth noting that wages increased after the large chain stores opened.

Washington State minimum wage, level and growth

Year of Change	Min. Wage	% change in min. wage*
1/1/2005	\$7.35	2.7%
1/1/2004	\$7.16	2.1%
1/1/2003	\$7.01	1.6%
1/1/2002	\$6.90	2.7%
1/1/2001	\$6.72	3.4%
1/1/2000	\$6.50	14.0%

\*Growth in the minimum wage is due to annual cost-of living adjustments based on the federal Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

Source: WA State Dept of Labor & Industries

Average Annual Retail Wages by County



Source: Center for Economic and Business Research

## Sector Strength

By comparing potential sales to actual sales for each county and sub sector, it is possible to quantify how strong or weak the retail sector is in each county. This in turn allows businesses and local governments to adjust their strategies appropriately.

Potential sales in this analysis are based on actual sales in a given sector and county and sales in the same sector statewide. If sales in a particular sub sector in a county exceed the average for the state, then the county is said to have a surplus in that sub sector. If county sales are less than the average for the state, then the shortage is referred to as a leakage.

	Income Index	Per Capita Income	Median Income	Population
Island	85.0%	28,278	50,689	76,384
Skagit	90.7%	30,144	47,748	109,234
Whatcom	80.0%	26,617	42,372	176,571
State	100%	33,254	50,664	6,131,445

The three largest sub sectors and all retail were graphed to show how each county compared with its projected sales.

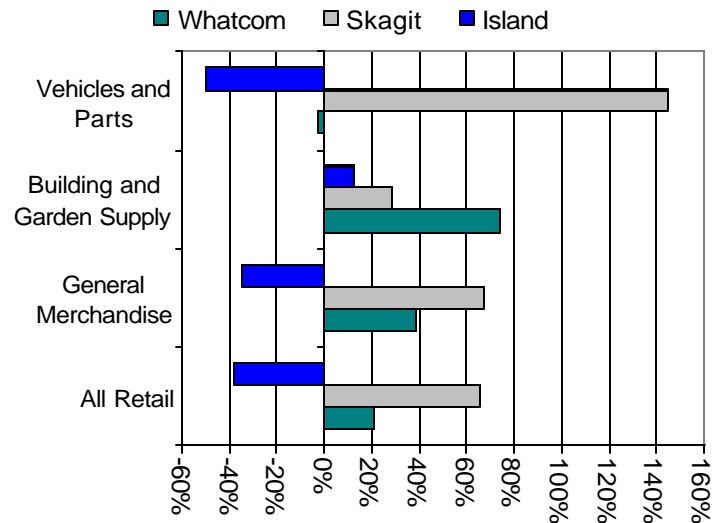
In all but two sub sectors Island county had leakage, with building and garden supply and food and beverage being the only cases of surplus sales. The average for all Island retail was a 40% loss against projected sales.

Whatcom county had one sub sector show a leakage, vehicles and parts, which may account for a small amount of Skagit's 140% surplus in the same sub sector. Whatcom's average for all retail sectors was a 20% surplus with the largest being 74% in building and garden supplies.

Skagit county showed the largest all retail surplus at 65% over projected sales. Much of this surplus can be traced to auto sales and general merchandise.

Each county's strengths and weaknesses will be discussed further in the following sections.

### Surplus and Leakage as a Percent of Total County Sales



Source: Center for Economic and Business Research

## Whatcom

Being in such close proximity to the Canadian border, Whatcom county is in a unique position to earn more money than potential sales would indicate. The building and garden supply sector was rather surprising for 2003. At 74% over potential sales, this sector obviously brought in customers from more than one group outside of Whatcom county. San Juan county residents are known to buy their supplies from as far North as Whatcom, as well as some Island county residents. In addition, Alaskan residents have been known to buy supplies to build an entire house from Washington state and have them shipped back to Alaska.

Gasoline stations are a wonderful example of bringing in foreign customers, as Canadian prices for gasoline are always higher than American prices. With a border crossing at Sumas and easily accessible gasoline stations between the border and Bellis Faire mall or Skagit county's outlet malls, it is no surprise that this sub sector had an almost 40% surplus.

Merchandise Group	Potential Sales*	Actual Sales (Whatcom)	Surplus or leakage as a % of potential
Food and Beverage	\$70,941,452	\$84,090,900	18.54%
Electronics and appliance stores	\$44,964,431	\$54,794,433	21.86%
Sporting goods, hobby, book and music stores	\$40,802,219	\$55,356,991	35.67%
Gasoline stations	\$25,143,835	\$34,817,067	38.47%
General Merchandise	\$179,186,885	\$248,321,552	38.58%
Building and Garden supply	\$89,543,706	\$156,091,399	74.32%
All Retail	\$925,589,510	\$1,116,140,441	20.59%

In the case of the general merchandise sub sector, the number of firms in business between 1993 and 2003 actually rose from 15 to 20. Because Skagit and Island counties each had major general merchandise box stores, one of the few logical explanations for a surplus in this category is visitors and tourists, primarily from Canada.

Overall, the retail sector in Whatcom county is very healthy, with a 21% surplus over potential sales. By definition, when actual sales exceed potential sales then money is either being diverted from other sectors, or brought in from outside the county. With the Canadian border so close, the latter is more likely.

Source: Center for Economic and Business Research

## Skagit

The relative strength of the retail sector in Skagit County is apparent when you compare actual sales in specific categories to sales expected based on population and income. The sale of motor vehicles and parts, as well as sales at general and miscellaneous merchandise stores are notably high. This finding is not surprising given the outlet mall and number of auto dealers along I-5 in Skagit County (helped by the lower tax rate and other factors).

Note: care should be taken when discussing surpluses and leakages in the retail sector in Skagit County. The data in the table below do not show the influence of the new outlet mall in Marysville, WA. Anecdotal evidence suggests that the number of

visitors at the mall and outlet center in Burlington, WA declined when the new stores opened in Marysville.

Merchandise Group	Potential Sales*	Actual Sales (Skagit)	Surplus or leakage as a % of potential
Electronics and Appliance stores	\$31,503,403	\$21,909,673	-30.45%
Food and Beverage	\$49,703,668	\$66,738,020	34.27%
Gasoline stations	\$17,616,510	\$25,203,352	43.07%
General Merchandise	\$125,543,603	\$210,599,970	67.75%
Miscellaneous store retailers	\$50,608,692	\$86,322,802	70.57%
Motor vehicle and parts	\$178,789,600	\$437,545,822	144.73%
All Retail	\$648,495,241	\$1,071,238,698	65.19%

Source: Center for Economic and Business Research

According to the Office of Financial Management of Washington state, “nearly 88 percent of all economic activity in Island County is directly and indirectly linked to the Navy presence.” ([www.ofm.wa.gov](http://www.ofm.wa.gov)) Any money spent on a military base is not taxed, nor is it counted as county revenue. If a military person had the chance to buy clothing, groceries, gasoline or any number of items on base in this manner, than it is no surprise that all sub sectors but food and beverage and building and garden supply showed a leakage.

## Island

While it would be easy to claim that the military base takes all of the retail sales away from private business owners in Island county, this does not explain why some subsectors, most noticeably Clothing and Accessories stores, have such large leakages. Military installations are often found lacking when it comes to fashionable clothing and accessories, so it is especially curious that this subsector has the largest leakage of all.

One explanation may be that Island county does not have a retail mall. There are no department stores, and the only “chain” stores to be seen are in Oak Harbor. These stores consist of a Wal-Mart, a Home Depot and a K-Mart. Looking at retail sales from this perspective, it is easy to see why all but two subsectors are bringing less money to Island county than potential sales would indicate.

Island county is also in a unique position geographically. To leave Camano Island one must take highway 532, directly into Snohomish county. Whidbey Island allows access through a bridge at Deception pass into Skagit county, or ferry service to Mukilteo (Snohomish) or Port Townsend (Kitsap). With no malls, or large retail outlets Island county residents would likely want to do all of their shopping at one time. In order to do this they probably travel to the most convenient shopping hub in Skagit, Snohomish or Kitsap county and do all their shopping in one trip, thus causing a large leakage from Island, and accounting for some of Skagit county’s surplus.

Merchandise Group	Potential Sales*	Actual Sales (Island)	Surplus or leakage as a % of potential
Clothing and accessories stores	\$29,206,857	\$5,293,679	-81.88%
Sporting goods, hobby, book and music stores	\$18,753,528	\$5,587,085	-70.21%
Electronics and appliance stores	\$20,666,565	\$6,417,686	-68.95%
Gasoline stations	\$11,556,617	\$4,787,883	-58.57%
Motor vehicle and parts	\$117,287,864	\$59,553,699	-49.22%
Miscellaneous store retailers	\$33,199,836	\$18,057,970	-45.61%
Health and personal care stores	\$11,072,910	\$6,231,987	-43.72%
All Retail	\$425,419,719	\$144,852,608	-38.49%

Source: Center for Economic and Business Research