

Idaho's Retail Industry Overview at a Glance

| | <u>2006 Data</u> |
|---|------------------|
| Number of Retail* Establishments | 8,946 |
| Retail* Sales (millions) (Food Service & Drinking = \$1,592 of the \$21,205) | \$21,205 |
| Retail* Employment (thousands) (Food Service & Drinking = 41 of the 124) | 124 |
| Share of Non-Agriculture Employment | 19.4% |
| Total Retail* Compensation (millions) (Food Service & Drinking = \$480.5 of the \$2,510.5) | \$2,510.5 |
| Sales Tax** Revenues Collected (millions) | \$1,462.9 |

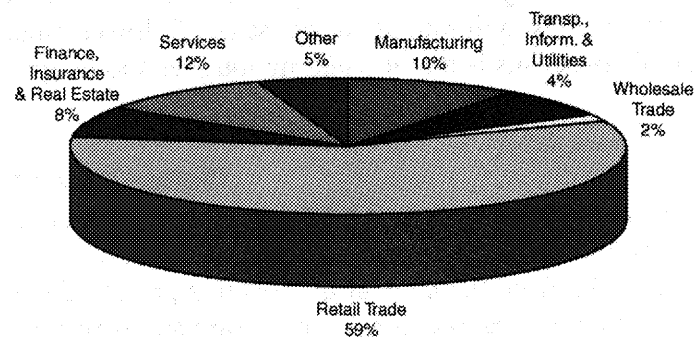
Value of Economic Activity Generated by Retail Sales

Every dollar of retail sales requires economic activity from other sectors of the economy.

Retail sales generate up-stream and down-stream benefits to a host of sectors.

For every \$1 spent in a retail store, \$3 is created into the economy.

Effects of Economic Activity of Retail Sales, by Share



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

* = "Retail" includes Book, Music & Hobby Stores, Building Materials & Garden Supplies, Clothing & Clothing Accessories, Electronics & Appliance, Food Service & Drinking Places, Furniture & Home Furnishings, Gasoline & Convenience Stores, General Merchandise Stores, Grocery, Health & Personal Care, Motor Vehicle & Parts Dealers, Sporting Goods, Miscellaneous Store Retailers, and Non-Store Retailers.

** = General sales, alcoholic beverage, motor fuel, cigarette & tobacco, beer & wine, and other selective sales taxes collected

Sources: Retail Industry Indicators 2007 NRF Foundation, Idaho State Tax Commission, Idaho Department of Commerce & Labor, IRA Member Survey 2007

Other Interesting Retail Facts

Top 10 Type of Retail Business

- 1) Auto & Parts Dealers
- 2) General Merchandise Stores
- 3) Grocery Stores
- 4) Food Service & Drinking Places
- 5) Gasoline & Convenience Stores
- 6) Building Materials & Garden Supplies
- 7) Non-Store Retailers (on-line, catalog, etc.)
- 8) Department Stores
- 9) Health & Personal Care Stores
- 10) Clothing & Clothing Accessories

Retail Profits

- ~ Retail industry profitability tends to average between just 2 and 4 percent – a relatively low rate for businesses with assets of \$50 million and over.

Employment

- ~ Nearly half of retail employees have college degrees, are currently in college, or have attended college. However, this percentage has declined slightly with the low unemployment rates.
- ~ Retailing provides employment opportunities for individuals who prefer to, or must, work part-time.
 - ~ Over 1/3 of total retail employees worked part-time in 2006.
 - ~ Of those working part-time, more than 86 percent choose to do so.
 - ~ The average part-time employee works between 21 and 24 hours.
- ~ Retail provides an exceptional opportunity for employment for younger workers and older workers
 - ~ Retailers employ half of all teenagers in the workforce.
 - ~ Nearly one-third of retail employees are 24 or younger.
 - ~ More than 13% of retail employees are 55 and older.
- ~ There were not enough applicants to hire sufficient holiday help for the last two years, especially in the Treasure Valley. In fact, most employers did not have full staff for the entire 2006 and 2007 calendar years.
- ~ More than one-third of all retail employees quit a job in 2006. Other industries, at least at the national level, average about a 24% quit rate. The hospitality industry, which includes restaurants, faces the highest quit rate of all industries, followed closely by the retail industry.
- ~ General consensus is that it's getting tougher and tougher to find skilled, stable employees.

Online Retail Sales

- ~ Online sales increased by over 20% in 2006 and by another 18% in 2007.
- ~ Over the last 10 years, online sales as a percentage of total retail and food sales have grown more than tenfold, from 0.7 percent in 1998 to a projected 9.4 percent in 2007.
 - ~ Online sales of computer hardware and software represent 44% of the entire market share for that category. Travel, like airline tickets, represents 34% of all money spent on travel.
 - ~ Other categories break-out as follows: Online sales of books represent 23% of that entire category, music/video sales represents 20%, toys/video games represents 19%, gift cards represents 17%, event tickets represent 17%, consumer electronics represents 16% and office supplies represent 13%. All categories represent 10% or less of their total market share – which is still a gain of 2% from their market shares in 2006.
 - ~ With the exception of appliances, vehicles, and food and beverages, the on-line market shares of all retail categories are climbing by at least a couple percentage points every year.
- ~ 17% of all purchases made online were for prescription drugs (**which hurts Idaho pharmacies**).

What Attracts Retailers to Idaho:

- Simple Tax Structure
- Favorable Corporate Tax Structure
- Comparatively Low Utility Rates
- Room for Growth / Ease of Land Development (comparatively)
- Right-to-Work State
- Few Employer/Employee Mandates (minimum wage, benefit requirements, health insurance coverage mandates, etc.)
- Dylan's Law/Home Rule State
- Fair Initiative Process
- Lower Cost of Living
- Lifestyle

Biggest Current Concerns of Idaho and Potential Idaho Retailers:

- Workers Compensation Rates and How Benefits are Awarded
A good system compared to other states, but rates and awards have been continually increasing
- Skyrocketing Cost of Health Insurance (partly a national issue, but states CAN do something)
- Declining Skills of Basic Workforce

More than 95% of all retailers have only one store outlet. And large retailers (more than 100 outlets nationally) represent less than 1% of the entire retail industry.

Benefits boost the value of retail employees' hourly wages by over 24 percent.

Over 40% of total retail sales are made at shopping centers and malls.

Retail sales are most concentrated among general merchandise retailers, where just four companies recorded over 65% of total category sales.

Over 90% of all retail companies employ 19 or fewer employees.

Nationally, retailing is expected to add another 1.6 million jobs by 2014, making it among the largest sources of future growth

Retail businesses generally pay between 30-40% of their net income in income taxes.

Over 20% of retailers are sole proprietors who tend to pay a higher rate of income taxes (33-41% of their net income) than corporations and other forms of ownership.

Retail sales are least concentrated among motor vehicle and parts dealers, where the top 50 retailers account for just 12.1% of total category sales.

Economic Performance and Projections

Holiday Sales

- ~ The holiday shopping season consistently accounts for over 18% of sales during the year.
 - ~ Holiday sales account for over 31% of jewelry stores annual sales, and almost 25% of department stores annual sales.
- ~ The jury is still out on the outcome of the 2007 holiday season in Idaho. Retail foot traffic was up by quite a bit, but the spending was not following suit.
 - Luxury items were still being purchased, but general items like apparel seemed to be down.
- ~ Gift Cards are the third most popular item purchased during the holiday, with more and more being purchased every year.
 - ~ Retailers don't count a gift card as a sale until it is redeemed, therefore, much of those sales will not be reflected in retailers "holiday" sales figures – and thus, neither will the sales tax.

2007 Retail Performance

- ~ Sales tax collection, and thus retail sales, outpaced projections for the first three quarters of the 2007 calendar year.
- ~ Retail sales began to decrease or flat-line this fall
 - ~ Reasons: Increase in fuel costs and the slowing down of the housing market
 - ~ Top Reason (speculated by Idaho retailers): Irresponsible reporting in Idaho's newspapers, who were (and still are) reporting too many national stories . . . and Idaho's market was not and is not the same as some of the big national markets that keep getting written about.
- ~ General merchandise stores helped local and state economies and generally only dampened small businesses at their initial openings. Several opened across Idaho in 2007, creating additional jobs and tax base.

Basic Economic Projection

Idaho's Retail Industry, overall, is projecting only a 3% increase in sales over the next 18 months, with larger increases beginning to occur in 12 months and continuing to increase through 24 months.

- ~ The Idaho Automobile Dealers Association is projecting a 3.2% decline in the market during 2008 – which accounts for over 20% of all retail sales. However, they project increases in 2009 and 2010.
- ~ Retailers overall are projecting sales to flatten or decline over the next six to seven months, but then start increasing in August through December 2008.
- ~ The outlook becomes even more positive (barring any unforeseen disasters) beginning in 2009, with continuous increases in sales throughout the year.