

Idaho's Retail Industry Overview at a Glance

| | <u>2007 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 |

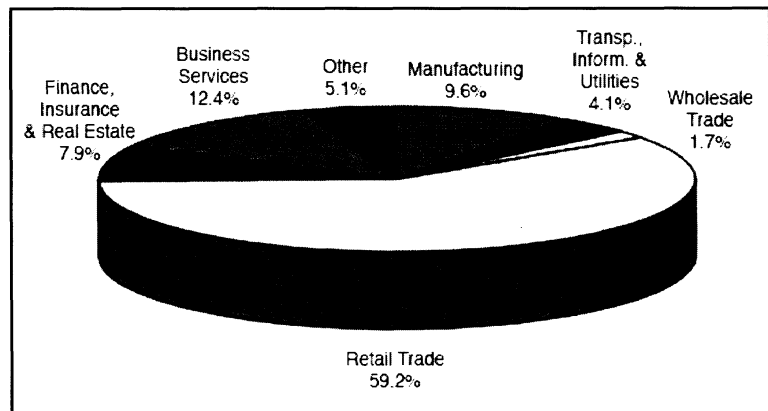
Value of Economic Activity Generated by Retail Sales

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

Basic Economic Projection

Idaho's Retail Industry, overall, is projecting an 8% to 10% decrease in sales over the next 18 months. However, the retail industry is projecting an increase of real disposable personal income spending by 2% over the next 18 months.

* = "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) Department Stores
- 2) On-Line & Mail Order Houses
- 3) General Merchandise Stores
- 4) Non-Store Retailers
- 5) Auto & Parts Dealers
- 6) Pharmacies & Drug Stores
- 7) Bldg Materials & Garden Supply
- 8) Gasoline Stations
- 9) Grocery Stores
- 10) Family Clothing Stores

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.

Holiday Sales

- ~ The holiday shopping season consistently accounts for over 18% of sales during the year.
 - ~ Holiday sales account for over 30% of jewelry stores annual sales, and almost 25% of department stores annual sales.
- ~ 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.
- ~ The jury is still out on just how bad the 2008 holiday season was in Idaho - although many retailers were pleasantly surprised, reporting that sales were not as dismal as the reported national trend.

Employment

- ~ Nearly half of retail employees have college degrees, are currently in college, or have attended college.
- ~ 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 2007.
 - ~ Of those working part-time, more than 85 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.
- ~ More than one-third of all retail employees quit a job in 2007. Other industries, at least at the national level, average a 22.6% 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, despite the high unemployment rate.

Online Retail Sales

- ~ Online sales increased by over 20% in 2006, 18% in 2007, and another 17% in 2008
- ~ Over the past five years, online retail sales as a percentage of total retail sales have more than doubled, from 1.9% in 2003 to 4.2% in 2007.
 - ~ Online sales of computer hardware and software represent 48% of the entire market share for that category.
 - ~ Other categories break-out as follows: Online sales of books represent 26% of that entire category, music/video sales represents 26%, gift cards represents 24%, toys/video games represents 22% and consumer electronics represents 20%. All other categories represent 15% or less of their total market share – which is still a gain of 2% from their market shares in 2007.
 - ~ 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
- 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 & Potential Idaho Retailers – And Economic Initiatives to Promote Growth:

- 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 and the “Want” to Work
- Legislative initiatives to assist business and promote growth include deleting the HPI on the homeowner's exemption, eliminating the corporate income tax (as discussed at the ATI conference), and eliminating the business personal property tax.
- Retail specific economic initiatives include implementing a Sales Tax Holiday to stimulate the economy, no local option or increased sales taxes, and initiatives that promote (not penalize) buying in Idaho.

