MINERAL COUNTY

RETAIL SECTOR

LEAKAGE STUDY
MINERAL COUNTY
RETAIL SECTOR
LEAKAGE STUDY

Study Conducted by:

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“Where shopping flourishes, so do the communities that foster it. Where it fades, so do the economic prospects of communities that lose it.”

- National Council for Economic Development.

During the fall of 2003, the University Center for Economic Development conducted an analysis of the Mineral County retail sector. This analysis examined retail sector capture, leakage, and development possibilities for Mineral County, Nevada.

The report is divided into three sections. The first section provides an overview of national, state and county trends in the commercial sector. The second section completes an analysis of retail sector capture and leakage in Mineral County. The final section develops and suggests strategies for Mineral County to reduce or capture retail sector sales leakages.
MINERAL COUNTY RETAIL SECTOR LEAKAGE STUDY

EXECUTIVE SUMMARY

This study was commissioned by the Mineral County Development Corporation to investigate, estimate and provide suggestions for limiting retail sector leakages in Mineral County.

Section I. National, State and Mineral County Retail Sector Leakages

- During the 1980’s and 1990’s, there have been rapid changes in the national commercial sector. Growth has occurred in commercial sector segments such as discount general merchandisers, membership warehouse clubs, “category killer” stores, factory outlet malls, specialty mail order and Internet stores.

- Nationally, the retail sector employed 11.2% of total employment in 2001, which represents one in nine Americans in the workforce.

- Nationally, the retail sector in 1997 had sales of $2.5 trillion, employed 26 million people, and 1.1 million establishments.

- Nationally, the retail trade sector in 1997 generated sales of $2,200,271 per establishment, $94,000 in sales per employee and average compensation of $17,000 per employee.

- In the state of Nevada, the retail sector employed 10.6% of the state’s total employment in 1997.

- Statewide, the retail sector in 1997 had sales of $18.2 billion, employing 173,100 persons, with 6,222 establishments.

- Retail trade in Nevada generated $2,928,446 in sales per establishment, $105,300 in sales per employee, with an average wage of $18,600 in 1997.

- In Mineral County, the retail sector employed 9.6% of 2001 total county employment.

- Retail trade in Mineral County generated $32.1 million in sales, employing 366 people in 23 establishments in 1997.

- Retail trade in Mineral County generated sales of $1,396,870 per establishment, sales of $87,800 per employee, with an average wage of $13,600 per employee in 1997.
Section II. Analysis of Taxable Retail Trade in Mineral County.

- Nominal (not adjusted for inflation) total taxable retail sales in Mineral County declined from $24.2 million in 1997 to $17.5 million in 2001.

- Real (adjusted for inflation) total taxable retail sales in Mineral County declined from $23.7 million in 1997 to $16.0 million in 2001 or a decrease of 32.6 percent over this five-year period.

- When adjusted for both inflation and population, real per capita total taxable retail sales declined from $4,113 in 1997 to $3,373 in 2001 or a decline of 18 percent over the five-year study period.

- Population for Mineral County declined from 5,771 in 1997 to 4,743 in 2001, or a 17.8 percent decline. The decline in real per capita total taxable sales is slightly greater than county population decline.

- Of the four neighboring Nevada counties to Mineral County (Churchill, Esmeralda, Lyon, and Nye), only Lyon County realized an increase in per capita real total taxable sales from 1997 to 2001.

- Three mathematical procedures were used to estimate retail trade activity in Mineral County. These procedures were trade area analysis, location quotient, and employment-population ratios.

- Trade area analysis estimates local trade area activity through trade area capture and pull factors. These trade area analysis calculations estimate the extent the local commercial sector is capturing local and non-local retail trade.

- Trade area capture estimates the number of customers a county’s retail sector serves.

- If trade area capture exceeds the county population, either the county is capturing outside trade or local residents have higher spending patterns than the state average.

- If trade area capture is less than county population, either the county is losing potential trade or local residents have lower spending patterns than the state average.

- Trade area capture measures purchases by both residents and nonresidents and is often difficult to use to make intercounty comparisons. To make trade area analysis easier, the pull factor estimate is used.

- The pull factor is the ratio of county trade area capture to county population and measures a county’s drawing power. Also, over time, the pull factor ratio removes the influence of population changes when determining retail drawing power.

- A pull factor below one often indicates retail sector opportunity. This assumes that a low pull factor is due to local residents shopping outside the county.
A pull factor greater than one suggests a county’s retail sector is drawing customers from outside its borders from neighboring counties.

For Mineral County, the overall retail sector pull factor in 2001 was 0.41. This indicates that Mineral County is not capturing all of its potential retail sales.

The total retail sector pull factor for Mineral County declined from 0.53 in 1997 to 0.41 in 2001.

Disaggregation of total taxable retail sales into its eight-component retail sectors may provide insights as to selective local retail sector development.

Of the eight retail sectors, the Food Stores Sector in Mineral County indicated capture of outside demands. The pull factor for the Food Stores Sector in Mineral County increased from 1.43 in 1997 to 1.68 in 2001.

Mineral County decision makers may want to determine why this retail sector can capture local and outside trade and how to maintain its trade capture ability. Also, retail clusters around the Food Stores Sector may be an economic development alternative.

Location quotients can also be used to estimate opportunities for retail sector development in Mineral County.

Location quotient is the percent of total Mineral County employment in a selected retail sector divided by the percent of total national employment in the same selected retail sector.

A retail trade sector location quotient of 1.25 or greater indicates a retail sector that is an export. Retail trade sector location quotient between 1.25 and 0.75 indicates a self-sufficient retail sector, while a retail trade sector location quotient less than 0.75 indicates an importing retail sector.

For 2000, the Food Stores Sector was the only exporting sector. This sector’s location quotient value increased from 0.94 in 1994 to 1.49 in 2000. Mineral County decision makers may want to determine factors for this sector’s increased export activities and how to maintain and enhance its export viability.

In 2000, the Automobile Dealers and Service Station Sector and the Eating and Drinking Places Sector were self-sufficient sectors. The location quotient value for the Eating and Drinking Places Sector increased from 1994 to 2000, while the location quotient value for the Automobile Dealers and Service Station Sector declined. Mineral County decision makers may want to determine factors causing location quotient increases in the Eating and Drinking Places Sector and factors causing declines in the Automobile Dealers and Service Station Sector’s location quotient. From such analysis, Mineral County decision makers may be able to develop programs to enhance and protect activity of both retail sectors.
Five of Mineral County’s eight retail sectors had location quotients of less than 0.75. Of these five retail sectors, the Furniture and Home Furnishings Sector and the Miscellaneous Retail Stores Sector realized decreased location quotient values from 1994 to 2000. These two retail sectors may not be a focus for retail development activities in Mineral County.

Employment-population ratio is the given retail sector’s employment divided by the county’s population.

Since there is no critical value for employment-population ratios like pull factors and location quotients, employment-population ratios require intercounty comparisons.

Employment-population ratios circumvent reliance on a national average (such as location quotients) that may not be appropriate for a given local situation.

Employment-population ratios for 2000 were estimated for Mineral County, Churchill County, Esmeralda County, Lyon County, and Nye County.

The Food Stores Sector again showed its exporting ability. Its location quotient was 1.49, while its employment-population ratio was 18.34, the largest of the five county study area.

A retail sector candidate, such as the Apparel and Accessory Stores Sector has a location quotient value of 0.53, but the highest employment-population value in the five county study area. Therefore, this sector may have limited import substitution opportunities.

All three retail sector activity indicators should be weighed to develop a coherent county retail sector development program. Also, Mineral County decision makers may want to complete a Mineral County populace survey to determine local retail habits and opportunities. Also, a geographic information system (GIS) analysis would provide decision makers information as to local retail supply, which could be matched with demands to estimate retail sector expansion opportunities.
Section III. Business Development Strategies to Capture Local Commercial Sector Demands

- In developing commercial sector strategies, the following program can be used:

  i) Analyze the local business sector to identify the needs and opportunities to be pursued by the program.
  ii) Provide management assistance and counseling to improve the efficiency and profitability of local businesses.
  iii) Assist new business start-ups and entrepreneurial activity by analyzing potential markets and local skills and matching entrepreneurs with technical and financial resources.
  iv) Provide assistance in identifying and obtaining financing.
  v) Develop a one-stop permit center.
  vi) Involve active local organizations and the media.
  vii) Promote the development of home-based enterprises.

- To develop strategy for local retail sector development, Mineral County should investigate completing a strategic plan for Mineral County retail sector development.

- Steps for retail sector targeting initiative should involve the following steps:
  i) Develop a retail sector targeting committee;
  ii) Complete a visioning and goal setting exercise;
  iii) Gather data and analyze local commercial sectors;
  iv) Identify potential projects; and
  v) Review and update targets.
SECTION I:

NATIONAL, STATE AND MINERAL COUNTY RETAIL SECTOR TRENDS
SECTION I

NATIONAL, STATE AND MINERAL COUNTY RETAIL SECTOR TRENDS

OVERVIEW

The primary objective of Section I is to provide analysis of the changing national, state and county retail sectors. By understanding these retail sector changes, Mineral County decision makers may be able to better target or position local retail sector development activities to take advantage of these national, state and county trends.

Section I is divided into five sub-sections. The first sub-section discusses the different types of retail businesses that exist currently in the nation and their influence on contemporary and future retail sector trends. The second sub-section presents in bullet form trends in the national retail sector. The third sub-section presents in bullet form state of Nevada retail sector trends. The fourth sub-section presents in bullet form trends in Mineral County retail sector. The final sub-section of Section I presents in bullet form a summary of research findings pertaining to rural retail sector activity and opportunities.

THE CHANGING STRUCTURE OF THE RETAIL SECTOR

During the 1980’s and 1990’s, structure of the national retail sector changed more rapidly than during the period from the 1950’s to 1970’s. Shopping malls became powerful attractions and fundamentally changed shopping patterns. Retail sector consumers abandoned downtown shopping areas in large numbers and shopped in malls (usually in suburban areas) where the climate is controlled; there is plenty of free parking; there are gigantic anchor stores, lots of specialty stores and convenient shopping hours all under one roof. In fact, shopping at large malls has become a tourism activity for many vacationers.

Most downtown areas did not respond in a competitive way to these suburban malls. Most downtown areas left parking meters in place, continued to close at 5:00 or 5:30 p.m., continued to allow store workers to park in front of the store, and in general, had very little
coordination or cooperation in establishing policies or promoting downtown shopping. Many downtown areas are losing their former function as a central community shopping area and meeting place, and are evolving to be a blend of service type businesses such as real estate offices, lawyers, accountants, insurance agents and a small mix of retailers.

During the late 1980’s and 1990’s, the retail sector in the nation has realized rapid growth in several segments of the retail sector such as discount mass merchants. These segments are discount general merchandisers, membership warehouse clubs, “category killer” stores, factory outlet malls, specialty mail order and/or Internet stores.

*Discount General Merchandise Stores*

Discount general merchandisers encompass such national chains as Wal-Mart, K-Mart and Target, as well as several regional chains such as Shopko. These stores range in size from 30,000 to 140,000 square feet, depending on the age of the store and market area served. These stores typically have 30 or more departments and relatively low prices due to a lower level of service than traditional department stores, and also due to continual improvement of operating efficiency. Discount general merchandisers usually carry 40,000 to 80,000 “stock keeping units,” that is, separate items of merchandise.

*Membership Warehouse Clubs*

The first membership warehouse clubs were often referred to as warehouse clubs. These early clubs primarily targeted small retailers but as time went on, an increasing number of consumers started shopping in these warehouse clubs as they became aware of the cost savings due to low overhead.

Membership warehouse clubs are usually large stores, ranging from 80,000 to 140,000 square feet. Warehouse clubs are typically austere with bare concrete floors, unfinished ceilings and warehouse shelving. Much of the merchandise is placed on shelves in pallets by forklifts. Most of these stores have evolved to a point where about half of their sales are groceries. Substantial merchandise is sold in large packs, such as 24 roll packages of toilet tissue or 12 roll packages of paper towels.
Warehouse clubs operate on a very thin gross profit margin, ranging between 8% to 12% of sales. Therefore operating costs are kept low by austere facilities and by shipping merchandise directly from the manufacturer to the store. Because of limited selection of goods at these membership warehouse clubs, their impact on other commercial sector merchants is less when compared to discount general merchandise stores.

“Category Killer” Stores

Large retail stores that specialize in a fairly narrow line of merchandise are called “category killer” stores. These stores have a large selection within a narrow category of merchandise and often smaller stores cannot compete in categories where they have a limited selection. In most cases, store personnel are very knowledgeable about the merchandise. These stores typically require a high traffic count. This means stores such as Home Depot, Circuit City, The Good Guys, Office Depot, Staples, Oshman’s Sporting Goods, Sportsmart, etc. normally locate in mid- to large-sized cities. However, these chains are now experimenting with smaller format stores in smaller communities.

Factory Outlet Malls

Factory outlet malls originated on the East Coast but have now migrated across the nation. The first factory outlet malls were located downtown in vacant factories and warehouses. Now most of the malls are located along interstate highways and within the commuting distance of population centers.

Factory outlet malls vary in size from 8 to 10 stores to up to 75 to 100 stores. Most stores in factory outlet malls are apparel stores but more specialty stores such as bookstores or houseware stores are appearing in these malls.

We could not find a good study showing the sales of factory outlet malls. However, where shopping malls have located in states with good sales tax data such as Iowa, shopping malls generate $20 to $60 million per year in retail sales (Stone 1995).
Mail Order Houses and Internet Shopping

Mail order houses have evolved from general catalog sales like Sears, Montgomery Wards and JC Penney’s to specialty sales. Currently, there are thousands of specialty mail order houses that cover computers and supplies, office supplies, apparel for the whole family and sporting goods, just to mention a few. However, with improved telecommunications, the Internet and delivery services, mail order house sales in the future are forecasted to increase. Specialty mail order businesses seem to appeal to busy people, hobbyists and those located in remote areas.

NATIONAL RETAIL TRENDS

From the Regional Economic Information System (2003), the U.S. Census of Retail (2001), and Ryan (1998), the following is a list of national retail trends.

- The national retail sector employed approximately 11.2% of all employment in 2001, which represents approximately one in nine Americans in the workforce.
- In 2001, the national retail sector had more employment than the national manufacturing sector.
- Nationally, the retail sector in 1997 had sales of $2.5 trillion and employed 26 million people in 1.1 million establishments.
- In 1997, the national retail sector generated $2,200,271 per establishment, $94,000 in sales per employee, and average compensation of $17,000 per employee.
- Nationally, 21% of all retail firms generated less than $250,000 in sales in 1997.
- Nationally, 62% of total retail stores generated sales of less than $1,000,000 in 1997.
- 43,000 shopping centers generated $980.0 billion in sales in 1997.
- Retail employment is expected to grow by 13.3% between 2000 and 2010 representing 3.1 million new jobs.
- In 1945, the retail service area covered 15 miles.
- In 1995, retail service area expanded to 50 miles.
• In the 1960’s, the U.S. had 4 square feet of retail space per capita.

• In 1997, the U.S. had 12.5 square feet of retail space per capita.

**STATE OF NEVADA RETAIL TRENDS**

From the Regional Economic Information System (2003) and U.S. Census of Retail Trade (2001), the following trends in state of Nevada retail trade are listed below.

• Retail trade sector employed approximately 10.6% of Nevada employment in 2001.

• Retail trends in the state of Nevada accounted for $18.2 billion in sales, employing 173,100 people in 6,222 establishments in 1997.

• Retail trade in the state of Nevada generated sales of $2,928,446 in sales per establishment, $105,300 in sales per employee, with an average wage of $18,600 in 1997.

**MINERAL COUNTY RETAIL TRENDS**

From the Regional Economic Information System (2003) and U.S. Census of Retail Trade (2001) the following trends in Mineral County, Nevada retail trade are listed below.

• The retail trade sector employed 9.6% of total Mineral County employment in 2001.

• Retail trade in Mineral County accounted for $32.1 million in sales, employing 366 people in 23 establishments in 1997.

• Retail trade in Mineral County generated sales of $1,396,870 per establishment, $87,800 per employee, with an average wage of $13,600 per employee in 1997.
SYNOPSIS OF RESEARCH CONCERNING FACTORS
INFLUENCING RURAL COMMERCIAL SECTOR TRADE ACTIVITY

This is a list of short synopses of research findings concerning factors influencing rural commercial sector trade activity. The objective of this sub-section is to provide concise findings of academic and professional articles that may provide assistance to Mineral County decision-makers in formulating strategies and targets for local commercial sector development activities.

- Stone (1988) found that if a shopping mall is present in a county, total retail sales for that county increased by $75 per additional square foot of retail space. However, when a shopping mall is located outside the county and is within 25 miles of the county seat, total county retail sales decreased by $4.86 for each additional square foot of mall space. When a mall is located outside the county and within 26 to 50 miles of the county seat, county retail sales realized a loss of $0.61 for each additional square foot of mall space.

- Yanagida et al. (1991) developed an analytical framework for explaining pull factors across counties in the state of Nebraska. They found that lower retail sales leakages may be attributed to counties that are situated farther from trade centers, have large federally adjusted gross incomes and experience lower county population decreases than average rural Nebraska. Specifically for Nebraska counties, the smaller the population of the largest town, the more significant the sales leakage.

- Ayers et al. (1992) completed a study of rural retail businesses in 37 communities in the three states of Indiana, Iowa and North Dakota. Their analysis identified both supply and demand factors in capturing local demands. Factors capturing additional local demands were a more diverse local economy, providing business management training and technical assistance, establishing a mechanism to increase transfer of business operations to new owners, developing financial assistance programs for new and aspiring businesses and developing extension and outreach programs that assist communities to understand and cope with a changing economy.

- Gruidl and Andrianacos (1994) found that demand factors played a central role in rural commercial sector capture. County population and income levels were found to
have significant impacts on rural commercial sector expansion. However, elements underlying the supply side of the rural retail market such as access and adoption of new commercial sector technologies were important components to rural commercial sector trade. Gruidl and Andrianacos (1994) concluded their paper by calling for better understanding of the forces influencing rural commercial sector markets. If demand is found to be a major factor underlying rural commercial sector markets, then public policy efforts should focus on expanding basic or export sector employment and income. However, if declines result from supply side factors, such as efficiency of local retail trade sector, customer relations, etc., then efforts to improve competitiveness of rural commercial sector owners must be a primary objective.

- Darling and Tubene (1996) investigated commercial sector activity for 87 rural Kansas cities. Their results showed that city population alone explained significant variation in taxable commercial sector sales. Kansas cities with population over 5,000 consistently showed an inflow of commercial sector trade.
- Gale (1996) used time series data to investigate trends in rural commercial sector activity. Gale found that from 1982 to 1992, rural counties were losing their capture of local commercial sector trade. Factors influencing retention of commercial sector trade capture were high population density, lower farm reliance, larger county size and access to interstate highways.
- Bhuyan (1996) found through disaggregated analysis of commercial sector trade in North Dakota that niche markets for specific goods and services exist within rural counties where the firms may effectively compete.
- Harris and Shonkwiler (1997), Shonkwiler and Harris (1996) and Ebai and Harris (1997) found that commercial sector firms are interrelated and that number and type of commercial sector firms greatly impact the probability of existence of other types of commercial sector activities.
SYNOPSIS OF IMPACTS OF LARGE RETAIL STORES ON RURAL RETAIL TRADE

This is a list of short synopses of research findings concerning factors influencing rural sector activity by large big-box retail firms. The objective of this sub-section is to provide concise findings of academic and professional articles to Mineral County decision-makers pertaining to “big-box” retail firms and their potential impacts to Mineral County commercial sector.

- Keon, Robb, and Franz (1989) compared economic conditions in fourteen (14) Missouri counties with and without Wal-Mart stores. They found no evidence of net negative impact of Wal-Mart location, instead finding increases in broad measures of income, retail employment and income, and sales tax revenues. At the retail level, they found that overall number of retail stores declined, but there was more employment and slightly higher payrolls.

- Ozment and Martin (1990) investigate if Wal-Mart entered communities that had positive growth rates. After incorporating the effects of overall county or community growth rates, they found that Wal-Mart had few significant positive effects on the sample rural counties. The authors conclude that Wal-Mart may have selected faster-growing counties for store locations, and that the growth in the economy was not likely associated with Wal-Mart entrance.

- Stone (1997) examines four Iowa communities of 5,000 to 40,000 in population for the impact of Wal-Mart on local retail sales capture. Stone found that in the short-run Wal-Mart induced increases in several commercial sectors. Stone suggests that in the long-run, retail sales capture between counties with Wal-Mart versus those without will continue to modestly diverge. In the short-run, the divergence is more pronounced. The reason for this divergence is that consumers will travel to counties with a Wal-Mart and do substantial commercial sector purchasing in the county with a Wal-Mart.

- Barnes and Connell (1996) found for northeastern counties, that the location of Wal-Mart has impacts on patterns of commercial sector establishment numbers and sales. They found that the location of a Wal-Mart increased general
merchandising sector sales, but not establishment numbers, had little or no change on sales or establishment number for the grocery store sector, but decreased sales in the automobile sector and furniture sector while increasing sales in the eating and drinking sector, the apparel sector, and the drug store sector.

- Hicks and Wilburn (2001) investigated the impacts of an entrance of a Wal-Mart store in the host county and adjacent counties in West Virginia. They found the impact of a Wal-Mart store was much more pronounced than the overall county growth rate. Their results indicate a net benefit to employment and wages of having a Wal-Mart locate in a county. Interestingly, the increased new employment from the location of the Wal-Mart occurred mostly in the first year which tended to be permanent for at least three years. For adjacent counties employment decreased.

- Franklin (2001) found that the decision of Wal-Mart to enter West Virginia markets are based on population size, not population growth or per capita income.

- Stone and Artz (2001) found that for Midwestern counties, retail capture in the host counties of big-box building materials stores (Home Depot, Lowes, Menards, etc.) gained significantly after locating a big-box store. Before the big-box store, the average host county had building materials sales leakages, however, after six years of big-box store location, the average host county had building materials sales surplus of $20 million. Non-host counties had building materials sales leakage which only worsened over time. Economists would call this a zero-sum result. Some counties capture sales while others lose.
SECTION II:

ANALYSIS OF TAXABLE RETAIL TRADE IN MINERAL COUNTY
Introduction

Communities in Nevada have been concerned with all aspects of economic development for the past several years. Creating new jobs and additional income is of concern to rural communities and urban areas alike. Often however, retailing is viewed as unimportant while development focuses upon such “basic” sectors as manufacturing, mining, agriculture, or gaming. These basic industries produce goods and services that are sold outside the local or regional economy. These export sales bring outside dollars to the local or regional economy, which provides funds for further expansion of the local or regional economy. Export base theory suggests that expansion of a local or regional economy is only achievable by expanded export sales by these basic industries.

The non-basic or commercial sector industries, i.e., retail, wholesale and service sectors, by export base theory tend to circulate existing local dollars rather than attract “new” outside dollars. However, activities of the commercial sector such as retail trade create multiplier effects from export sales by basic industries. Recently it has been estimated that some commercial sectors such as retail bring outside dollars to a local or regional economy (Porterfield and Pulver, 1991; Smith, 1984; Smith and Pulver, 1981). Therefore, a more comprehensive economic development strategy would be one that encourages attraction or relocation of export industries but also emphasizes developing a local or regional economy’s commercial sector.

Taxable retail sales are also a major revenue source for local governments that provide most of the services demanded by area residents. Many local communities are promoting a “shop at home” campaign to keep local retail dollars in the community. As an official of a chamber of commerce stated recently, “people need to understand that if people live in one area and demand services from that community, but spend their money somewhere else, we are worse off!”

It will not be possible to eliminate all out-of-town spending or sales leakage for a local economy. However, analysis of taxable retail trade trends will allow identification of emerging retail trade centers and areas for potential growth or decline.

The purpose of the section is to analyze taxable retail sales trends in Mineral County, Nevada. Specifically, this paper will:
1. Analyze Mineral County’s taxable retail trade sector activity from 1997 to 2001 in terms of overall taxable retail sales and county per capita taxable retail sales. The county per capita taxable retail sales will show whether Mineral County’s taxable retail sales are keeping up with county population.

2. Derive a “pull factor” for taxable sales which estimates how much Mineral County could be selling if its residents were making all their purchases within the county, and

3. Estimate retail sector location quotient and employment population ratios for Mineral County.

**Trends in Sales**

Taxable retail sales in Mineral County have decreased between 1997 and 2001. As shown in Table 1, total taxable retail sales decreased from $24.2 million in 1997 to $17.5 million in 2001. When taxable retail sales are adjusted for inflation, real taxable retail sales have been decreasing at a faster rate. As shown in Table 1, real taxable retail sales have decreased from $23.7 million in 1997 to $16.0 million in 2001 or a decrease in Mineral County real taxable sales of 32.6 percent in five years. The year 2002 county retail sales were not used because these figures are preliminary. Revised 2002 county taxable retail sales data will not be available until next year’s publication from the State of Nevada Department of Taxation. Therefore, potential incorrect trends could be estimated using preliminary instead of revised data.

<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal Sales¹ ($)</th>
<th>Real Sales² ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>24,194,455</td>
<td>23,734,015</td>
</tr>
<tr>
<td>1998</td>
<td>21,774,051</td>
<td>21,133,700</td>
</tr>
<tr>
<td>1999</td>
<td>18,366,659</td>
<td>17,537,152</td>
</tr>
<tr>
<td>2000</td>
<td>20,282,137</td>
<td>18,886,430</td>
</tr>
<tr>
<td>2001</td>
<td>17,528,201</td>
<td>15,998,723</td>
</tr>
</tbody>
</table>

¹Nominal taxable retail sales have not had inflation discounted.

²Real taxable sales are derived using the implicit price deflator for personal consumption expenditures where 1996 = 100.
As shown in Table 2, when retail taxable sales are adjusted for both inflation and population, real per capita taxable retail sales in Mineral County have decreased from 1997 to 2001. Real per capita taxable retail sales in Mineral County have decreased from $4,113 in 1997 to $3,373 in 2001 or a decrease of 18.0 percent over the past five years. When real per capita retail taxable sales for Mineral County are compared to neighboring counties, Mineral County has the second lowest real per capita retail taxable sales in 2001. Of the five neighboring counties, only Lyon County realized a positive increase in real per capita taxable retail sales. Real per capita taxable retail sales in Lyon County increased by 30.3 percent during the five year study period.

Table 2. Real Per Capita Taxable Retail Sales for Mineral County, Churchill County, Esmeralda County, Lyon County, Nye County, and the State of Nevada from 1997 to 2001.

<table>
<thead>
<tr>
<th>Year</th>
<th>Mineral</th>
<th>Churchill</th>
<th>Esmeralda</th>
<th>Lyon</th>
<th>Nye</th>
<th>State of Nevada</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>$4,113</td>
<td>$6,159</td>
<td>$4,896</td>
<td>$3,149</td>
<td>$4,648</td>
<td>$9,071</td>
</tr>
<tr>
<td>1998</td>
<td>$3,866</td>
<td>$6,336</td>
<td>$3,581</td>
<td>$3,384</td>
<td>$4,413</td>
<td>$8,989</td>
</tr>
<tr>
<td>1999</td>
<td>$2,385</td>
<td>$6,356</td>
<td>$4,629</td>
<td>$3,578</td>
<td>$4,631</td>
<td>$9,569</td>
</tr>
<tr>
<td>2000</td>
<td>$3,724</td>
<td>$6,139</td>
<td>$2,941</td>
<td>$3,480</td>
<td>$4,803</td>
<td>$9,912</td>
</tr>
<tr>
<td>2001</td>
<td>$3,373</td>
<td>$5,897</td>
<td>$2,541</td>
<td>$4,103</td>
<td>$4,640</td>
<td>$9,826</td>
</tr>
</tbody>
</table>

Table 3 shows the study counties and state of Nevada population from 1997 to 2001. State of Nevada population grew by 19.1 percent, while the population for Mineral County declined from 5,771 in 1997 to 4,743 in 2001, or a 17.8 percent decrease for the study period. Of interest, is that real per capita retail taxable sales declined slightly faster than the population decline.


<table>
<thead>
<tr>
<th>Year</th>
<th>Mineral</th>
<th>Churchill</th>
<th>Esmeralda</th>
<th>Lyon</th>
<th>Nye</th>
<th>State of Nevada</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>5,771</td>
<td>23,466</td>
<td>1,067</td>
<td>30,846</td>
<td>28,168</td>
<td>1,790,207</td>
</tr>
<tr>
<td>1998</td>
<td>5,466</td>
<td>23,927</td>
<td>1,088</td>
<td>32,302</td>
<td>30,191</td>
<td>1,870,881</td>
</tr>
<tr>
<td>1999</td>
<td>5,338</td>
<td>24,132</td>
<td>1,036</td>
<td>33,916</td>
<td>31,454</td>
<td>1,946,366</td>
</tr>
<tr>
<td>2000</td>
<td>5,071</td>
<td>24,157</td>
<td>1,061</td>
<td>35,685</td>
<td>32,978</td>
<td>2,023,378</td>
</tr>
<tr>
<td>2001</td>
<td>4,743</td>
<td>24,928</td>
<td>1,038</td>
<td>37,329</td>
<td>34,384</td>
<td>2,132,498</td>
</tr>
</tbody>
</table>

Evaluation of Local Retail Sector Activity

For this paper, three different analytical procedures will be employed to estimate opportunities in the retail sector of Mineral County. The three analytical procedures are trade area analysis, location quotient, and employment-population ratio. Employing the three analytical procedures, potential retail sector development opportunities in Mineral County can be identified.

Trade Area Analysis

Sales retention is an area of economic development strategy that attempts to capture potential local retail sales. One approach to estimate retail sales potential is to estimate the number of people buying from local merchants (Hustedde et al, 1984; Stone and McConnon, 1984; Woods, 1991; Harris, 1985; Darling and Tayyem, 1991; Shaffer, 1989). Trade area analysis uses trade area capture and pull factors to measure the extent the local retail sector is capturing local and non-local retail sector demands.

Trade Area Capture

Trade area capture estimates number of customers a county’s retail sector serves. Trade area capture incorporates income and assumes that local tastes and preferences are similar to the tastes and preferences state-wide. Trade Area Capture ($TAC_{ij}$) is estimated below:

$$TAC_{ij} = \frac{AS_{ij}}{(AS_s / P_s) \cdot (Y_c / Y_s)}$$

where:

- $TAC_{ij}$ represents trade area capture for retail sector j in county i measured by customer equivalents,
- $AS_{ij}$ represents annual taxable retail sales in sector j in county i,
- $AS_s$ represents annual taxable retail sales in sector j for the state of Nevada,
- $P_s$ is the state population,
- $Y_c$ is county per capita income, and
- $Y_s$ is state per capita income.

Interpretation and Use of Trade Area Capture

If county trade area capture exceeds the county population, either the county is capturing outside trade or local residents have higher spending patterns than the state average. If trade area capture is less than county population, either the county is losing potential trade or local residents have lower spending patterns than the state average. Comparison of trade area capture estimates
for specific retail sectors with county population provides insights into which county commercial sectors are attracting or losing customers in the county. It is important to complete a trade area capture analysis through time to detect trends.

**Pull Factor**

Trade area capture measures purchases by both residents and nonresidents. The pull factor is the ratio of county trade area capture to county population and measures a county’s drawing power. Pull factor makes explicit the proportion of consumers that a county draws from outside its boundaries. Over time, pull factor ratio removes the influence of changes in county population when determining changes in drawing power.

\[
PF_{ij} = \frac{TAC_{ij}}{POP_i}
\]

where:

- \(PF_{ij}\) is the pull factor value for commercial sector \(j\) in county \(i\),
- \(TAC_{ij}\) is the trade area capture value for commercial sector \(j\) in county \(i\),
- \(POP_i\) is population in county \(i\).

**Interpretation and Use of the Pull-Factor**

For economic development, the pull-factor analysis can help identify selected retail sectors that may be targeted for retail sector development. Most often a pull-factor below 1.0 indicates a retail sector opportunity. However, this assumes that the low pull-factor is due to local residents shopping outside the county, which is not always true. Analogously, if a pull factor is above 1.0, it may suggest that the county is drawing in residents from neighboring counties to shop.

A pull-factor above 1.0 indicates that the county is pulling in residents from neighboring counties. For example, in Mineral County, its high pull-factor for food stores probably reflects its role as a regional shopping area for the neighboring communities of Hawthorne, Gabbs, Mina and Luning. Many communities have actually pursued a strategy of becoming a regional shopping center in much the same way that nations try to increase their exports. If a county is exporting its retail products, the local retail sector is bringing outside dollars into the local or regional economy which, like a basic sector yields respending opportunities which increase overall local or regional economic activity.
In rural counties, a low pull factor often indicates that local residents are shopping in neighboring counties. For example, Mineral County has a pull factor value of 0.11 for apparel and accessory stores. These retail expenditures are probably captured in the urban county of Washoe with its retail malls. Investigating retail sectors with low pull factors becomes part of a local economic development strategy of “import substitution.” In such a case, a low pull factor may be used to estimate the current amount of local demand that is currently being lost. This type of import substitution economic development activity will be designated for this paper as “gap analysis.” The question becomes if the gap is large enough to support a new retail business.

**Pull Factor Analysis for Mineral County**

**Overall Retail Sales**

In 2001, the overall taxable sale pull factor for Mineral County was 0.41, indicating that Mineral County in not capturing retail trade. As shown in Table 4, Mineral County pull factor values declined from 0.53 in 1997 to 0.41 in 2001. Compared to Churchill, Esmeralda, Lyon, and Nye Counties, the overall pull factor in Mineral County is higher than Esmeralda County, but somewhat lower than the pull factor values for Lyon and Nye counties. With an overall retail sector pull factor of 0.41 in 2001, Mineral County is losing 59 percent of potential retail sales or an average retail gap of approximately 2,800 customers.
Table 4. Pull Factor for Total Taxable Retail Sales for Mineral County, Churchill County, Esmeralda County, Lyon County, and Nye County, 1997 to 2001.

<table>
<thead>
<tr>
<th>Year</th>
<th>Mineral</th>
<th>Churchill</th>
<th>Esmeralda</th>
<th>Lyon</th>
<th>Nye</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>0.53</td>
<td>0.88</td>
<td>0.81</td>
<td>0.46</td>
<td>0.67</td>
</tr>
<tr>
<td>1998</td>
<td>0.49</td>
<td>0.89</td>
<td>0.61</td>
<td>0.50</td>
<td>0.64</td>
</tr>
<tr>
<td>1999</td>
<td>0.40</td>
<td>0.89</td>
<td>0.66</td>
<td>0.51</td>
<td>0.63</td>
</tr>
<tr>
<td>2000</td>
<td>0.44</td>
<td>0.84</td>
<td>0.41</td>
<td>0.48</td>
<td>0.61</td>
</tr>
<tr>
<td>2001</td>
<td>0.41</td>
<td>0.73</td>
<td>0.34</td>
<td>0.54</td>
<td>0.57</td>
</tr>
</tbody>
</table>

Disaggregation of retail taxable sales by eight retail sectors could provide insights to selective retail sector development. Additionally, this analysis may show disaggregated sectors that are losing local retail sales even though the overall county retail sector is capturing local and outside retail trade activity.

**Building Materials, Hardware, and Garden Supplies**

Table 5 shows the pull factor values for the Building Materials, Hardware, and Garden Supplies Sector for Mineral County, Churchill County, Esmeralda County, Lyon County, and Nye County from 1997 to 2001. From Table 5, Mineral County has been losing retail trade capture in this retail category from 1997 to 2001. Mineral County had a pull factor value for this retail category of 0.55 in 2001. This means that Mineral County was losing forty-five percent (45%) of local retail taxable sales in this retail category or lost local trade of approximately 2,130 customers.

Table 5. Pull Factors for Taxable Retail Sales in the Building Materials, Hardware and Garden Supplies Sector for Carson City, Churchill County, Esmeralda County, Lyon County, and Nye County, 1996 to 2001.

<table>
<thead>
<tr>
<th>Year</th>
<th>Mineral</th>
<th>Churchill</th>
<th>Esmeralda</th>
<th>Lyon</th>
<th>Nye</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>0.77</td>
<td>1.11</td>
<td>1.50</td>
<td>1.14</td>
<td>1.49</td>
</tr>
<tr>
<td>1998</td>
<td>0.28</td>
<td>1.08</td>
<td>1.06</td>
<td>1.33</td>
<td>1.51</td>
</tr>
<tr>
<td>1999</td>
<td>0.62</td>
<td>1.17</td>
<td>0.79</td>
<td>1.50</td>
<td>1.37</td>
</tr>
<tr>
<td>2000</td>
<td>0.54</td>
<td>1.08</td>
<td>0.48</td>
<td>1.18</td>
<td>1.47</td>
</tr>
<tr>
<td>2001</td>
<td>0.55</td>
<td>0.88</td>
<td>0.09</td>
<td>1.04</td>
<td>1.27</td>
</tr>
</tbody>
</table>

**General Merchandise**

Table 6 shows the pull factor values for the General Merchandise Sector for Mineral County, Churchill County, Esmeralda County, Lyon County, and Nye County. From Table 6,
Mineral County’s pull factor has declined from 0.15 in 1997 to 0.11 in 2000, and rose again to 0.14 in 2001.

From Table 6, the General Merchandise Sector for Churchill County has been above one from 1997 to 2001. This reflects the existence of Wal-Mart in Churchill County, which captures regional trade in this rural region.

With a pull factor of 0.14 in 2001, Mineral County was losing eighty-six percent (86%) of local taxable general merchandising trade, or approximately 4,080 customers. However, competing against Wal-Mart is problematic, but Mineral County decision makers may want to focus general merchandising efforts that do not directly compete with Wal-Mart.

<table>
<thead>
<tr>
<th>Year</th>
<th>Mineral</th>
<th>Churchill</th>
<th>Esmeralda</th>
<th>Lyon</th>
<th>Nye</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>0.15</td>
<td>1.74</td>
<td>0.12</td>
<td>0.10</td>
<td>0.15</td>
</tr>
<tr>
<td>1998</td>
<td>0.12</td>
<td>1.59</td>
<td>0.12</td>
<td>0.09</td>
<td>0.13</td>
</tr>
<tr>
<td>1999</td>
<td>0.12</td>
<td>1.61</td>
<td>0.19</td>
<td>0.08</td>
<td>0.12</td>
</tr>
<tr>
<td>2000</td>
<td>0.11</td>
<td>1.58</td>
<td>0.25</td>
<td>0.07</td>
<td>0.10</td>
</tr>
<tr>
<td>2001</td>
<td>0.14</td>
<td>1.34</td>
<td>0.25</td>
<td>0.08</td>
<td>0.13</td>
</tr>
</tbody>
</table>

**Food Stores**

Table 7 shows the pull factor values for the Food Stores Sector for Mineral County, Churchill County, Esmeralda County, Lyon County, and Nye County from 1997 to 2001. From Table 7, Mineral County is meeting not only local demands, but capturing demands outside the county. Of interest is the increased food store capture by Lyon County. The increase in Lyon County’s pull factor for food stores can be attributed to the new Smith’s grocery store in Dayton.

Given the strength of the Food Store Sector in Mineral County, Mineral County decision makers may want to investigate strategies to strengthen and maintain grocery store sales in Mineral County. Also, possible retail sectors that could cluster with the Food Stores Sector may be an avenue for future retail sector development.
Table 7. Pull Factor for Taxable Retail Sales for the Food Stores Sector for Mineral County, Churchill County, Esmeralda County, Lyon County, and Nye County, 1997 to 2001.

<table>
<thead>
<tr>
<th>Year</th>
<th>Mineral</th>
<th>Churchill</th>
<th>Esmeralda</th>
<th>Lyon</th>
<th>Nye</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>1.43</td>
<td>1.27</td>
<td>0.23</td>
<td>1.00</td>
<td>1.57</td>
</tr>
<tr>
<td>1998</td>
<td>1.47</td>
<td>1.24</td>
<td>0.10</td>
<td>1.02</td>
<td>1.48</td>
</tr>
<tr>
<td>1999</td>
<td>1.54</td>
<td>1.25</td>
<td>0.02</td>
<td>1.27</td>
<td>1.52</td>
</tr>
<tr>
<td>2000</td>
<td>1.60</td>
<td>1.13</td>
<td>0.02</td>
<td>1.29</td>
<td>1.49</td>
</tr>
<tr>
<td>2001</td>
<td>1.68</td>
<td>1.02</td>
<td>0.03</td>
<td>2.68</td>
<td>1.39</td>
</tr>
</tbody>
</table>

Automobile Dealers and Gasoline Service Stations

Table 8 shows pull factor values for the Automobile Dealers and Gasoline Service Stations Sector for Mineral County, Churchill County, Esmeralda County, Lyon County, and Nye County from 1997 to 2001. The pull factor for this sector in Mineral County has been declining from 0.96 in 1997 to 0.56 in 2001. This decrease in pull factor may reflect the concentration of auto malls in Carson City and Churchill County, which draw rural customers.

Mineral County had a pull factor value for this retail category of 0.56 in 2001. This means that Mineral County was losing forty-four percent (44%) of local retail taxable sales in this retail category or lost local trade of approximately 2,090 customers.

Table 8. Pull Factors for Taxable Retail Sales for Automobile Dealers and Gasoline Service Stations for Mineral County, Churchill County, Esmeralda County, Lyon County, and Nye County, 1997 to 2001.

<table>
<thead>
<tr>
<th>Year</th>
<th>Mineral</th>
<th>Churchill</th>
<th>Esmeralda</th>
<th>Lyon</th>
<th>Nye</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>0.96</td>
<td>1.28</td>
<td>1.04</td>
<td>0.65</td>
<td>0.93</td>
</tr>
<tr>
<td>1998</td>
<td>0.94</td>
<td>1.26</td>
<td>0.84</td>
<td>0.67</td>
<td>0.85</td>
</tr>
<tr>
<td>1999</td>
<td>0.59</td>
<td>1.27</td>
<td>0.57</td>
<td>0.63</td>
<td>0.80</td>
</tr>
<tr>
<td>2000</td>
<td>0.82</td>
<td>1.28</td>
<td>0.63</td>
<td>0.65</td>
<td>0.78</td>
</tr>
<tr>
<td>2001</td>
<td>0.56</td>
<td>1.11</td>
<td>0.54</td>
<td>0.63</td>
<td>0.83</td>
</tr>
</tbody>
</table>

Apparel and Accessory Stores

Table 9 shows the pull factor values for the Apparel and Accessory Stores Sector for Mineral County, Churchill County, Esmeralda County, Lyon County, and Nye County from 1997 to 2001. From Table 9, Mineral County has been losing local retail trade capture in this retail category from 1997 to 2001. From Table 9, all five study counties have pull factors less
than one for this retail category. This may be due to apparel and accessory sales in the metropolitan county of Washoe with its retail malls.

From Table 9, Mineral County had a pull factor value for this retail category of 0.11 in 2001. This means that Mineral County was losing 89 percent of potential taxable retail sales in this retail category or an approximate gap of 4,220 customers. Given the competitive nature of this industry and the large retail malls in metropolitan counties, there may be limited opportunities for this retail category in Mineral County.


<table>
<thead>
<tr>
<th>Year</th>
<th>Mineral</th>
<th>Churchill</th>
<th>Esmeralda</th>
<th>Lyon</th>
<th>Nye</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>0.17</td>
<td>0.32</td>
<td>0.01</td>
<td>0.05</td>
<td>0.08</td>
</tr>
<tr>
<td>1998</td>
<td>0.17</td>
<td>0.60</td>
<td>0.03</td>
<td>0.03</td>
<td>0.05</td>
</tr>
<tr>
<td>1999</td>
<td>0.15</td>
<td>0.23</td>
<td>0.02</td>
<td>0.04</td>
<td>0.05</td>
</tr>
<tr>
<td>2000</td>
<td>0.12</td>
<td>0.19</td>
<td>0.01</td>
<td>0.02</td>
<td>0.06</td>
</tr>
<tr>
<td>2001</td>
<td>0.11</td>
<td>0.10</td>
<td>0.11</td>
<td>0.11</td>
<td>0.06</td>
</tr>
</tbody>
</table>

**Home Furniture and Furnishing**

Table 10 shows the pull factor values for Home Furniture and Furnishing Stores Sector for Mineral County, Churchill County, Esmeralda County, Lyon County, and Nye County. From Table 10, Mineral County has been losing local retail trade in this retail category from 1997 to 2001. Also from Table 10, all five study counties have pull factors below one for this retail category from 1997 to 2001. This might be due to home furniture and furnishing sales in the metropolitan county of Washoe and its retail malls.

From Table 10, Mineral County has a pull factor of 0.18 in 2001 in this retail category. This means that Mineral County is losing 82 percent of potential taxable retail sales in this retail category or an approximate gap of 3,890 customers. Local economic development personnel might investigate the potential for expansion in this retail category.

<table>
<thead>
<tr>
<th>Year</th>
<th>Mineral</th>
<th>Churchill</th>
<th>Esmeralda</th>
<th>Lyon</th>
<th>Nye</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>0.22</td>
<td>0.68</td>
<td>0.22</td>
<td>0.29</td>
<td>0.30</td>
</tr>
<tr>
<td>1998</td>
<td>0.16</td>
<td>0.71</td>
<td>0.10</td>
<td>0.35</td>
<td>0.25</td>
</tr>
<tr>
<td>1999</td>
<td>0.16</td>
<td>0.72</td>
<td>0.37</td>
<td>0.40</td>
<td>0.43</td>
</tr>
<tr>
<td>2000</td>
<td>0.17</td>
<td>0.53</td>
<td>0.19</td>
<td>0.41</td>
<td>0.36</td>
</tr>
<tr>
<td>2001</td>
<td>0.18</td>
<td>0.51</td>
<td>0.31</td>
<td>0.32</td>
<td>0.29</td>
</tr>
</tbody>
</table>

Eating and Drinking Places

Table 11 shows the pull factor values for Eating and Drinking Places Sector for Mineral County, Churchill County, Esmeralda County, Lyon County, and Nye County. From Table 11, Mineral County has been losing retail trade in this category from 1997 to 2001. Also from Table 11, all five study area counties had pull factor values below one. Of interest is the pull factors in this retail category are approximately equal in Mineral and Lyon Counties. Given its rural nature, Mineral County may be competing well in this area.

From Table 11, Mineral County has a pull factor of 0.19 in 2001 in this retail category. This means that Mineral County is losing 81 percent of potential taxable eating and drinking places retail sales or an approximate gap of 3,810 customers. Local economic development personnel might investigate the potential for expansion in this retail category. Given the competition with the casino industry, expansion might be limited for this retail category.


<table>
<thead>
<tr>
<th>Year</th>
<th>Mineral</th>
<th>Churchill</th>
<th>Esmeralda</th>
<th>Lyon</th>
<th>Nye</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>0.23</td>
<td>0.39</td>
<td>0.31</td>
<td>0.24</td>
<td>0.31</td>
</tr>
<tr>
<td>1998</td>
<td>0.26</td>
<td>0.45</td>
<td>0.33</td>
<td>0.24</td>
<td>0.29</td>
</tr>
<tr>
<td>1999</td>
<td>0.23</td>
<td>0.41</td>
<td>0.24</td>
<td>0.22</td>
<td>0.27</td>
</tr>
<tr>
<td>2000</td>
<td>0.20</td>
<td>0.36</td>
<td>0.19</td>
<td>0.20</td>
<td>0.25</td>
</tr>
<tr>
<td>2001</td>
<td>0.19</td>
<td>0.35</td>
<td>0.17</td>
<td>0.19</td>
<td>0.24</td>
</tr>
</tbody>
</table>
**Miscellaneous Retail**

Table 12 shows the pull factor values for the Miscellaneous Retail Sector for Mineral County, Churchill County, Esmeralda County, Lyon County, and Nye County from 1997 to 2001. From Table 12, Mineral County has lost and then regained retail trade in this category from 1997 to 2001. Also from Table 12, all five of the study area counties have pull factor values less than one from 1997 to 2001 in this retail category. From Table 12, Mineral County has the lowest pull factors in the retail category of the five regional study area counties.

From Table 12, Mineral County has a pull factor of 0.46 in 2001 in the retail category. This means that Mineral County is losing 54 percent of potential taxable miscellaneous retail trade sales or an approximate gap of 2,560 customers. Local economic development officials might investigate the potential for expansion in this retail category. Given the competition with metropolitan counties, the expansion possibilities may be somewhat limited.

**Table 12. Pull Factors for Taxable Retail Sales in the Miscellaneous Retail Sector for Mineral County, Churchill County, Esmeralda County, Lyon County, and Nye County, 1997 to 2002.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Mineral</th>
<th>Churchill</th>
<th>Esmeralda</th>
<th>Lyon</th>
<th>Nye</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>0.44</td>
<td>0.51</td>
<td>2.06</td>
<td>0.28</td>
<td>0.66</td>
</tr>
<tr>
<td>1998</td>
<td>0.42</td>
<td>0.56</td>
<td>1.50</td>
<td>0.48</td>
<td>0.78</td>
</tr>
<tr>
<td>1999</td>
<td>0.27</td>
<td>0.62</td>
<td>2.38</td>
<td>0.45</td>
<td>0.86</td>
</tr>
<tr>
<td>2000</td>
<td>0.36</td>
<td>0.72</td>
<td>0.96</td>
<td>0.62</td>
<td>0.89</td>
</tr>
<tr>
<td>2001</td>
<td>0.46</td>
<td>0.61</td>
<td>0.82</td>
<td>0.59</td>
<td>0.76</td>
</tr>
</tbody>
</table>
Location Quotients and Employment-Population Ratios

Often pull factors assume that the assortment of retail goods offered by the county remains fixed and only the quantity varies. Retail market analysis should provide guidance about what different retail goods might be offered, depending upon cost to the firm, access to alternative sources, and customer demands. Temporarily ignoring cost differences among merchants, the question becomes what retail goods currently purchased elsewhere by Mineral County residents could potentially be provided locally. Another retail sector analysis tool are location quotients and employment-population ratios.

Computation of Location Quotient

Using employment data, location quotient values for retail sectors will be estimated as:

\[ LQ_i = \frac{e_i}{E} \div \frac{n_i}{N} \]  

(3)

Where:

- \( i \) is the county retail economic sector
- \( LQ_i \) is the county location quotient value for retail sector \( i \),
- \( e_i \) is county employment in retail sector \( i \),
- \( E \) is total county employment,
- \( n_i \) is national employment in retail sector \( i \), and
- \( N \) is total national employment.

Interpretation and Use of Location Quotients

A retail trade sector location quotient of 1.25 or greater indicates that the retail sector is an exporter or capturing retail trade outside the area. A self-sufficient retail sector is designated by a location quotient between 0.75 and 1.25. Finally, an importing retail sector is designated by a location quotient value of less than 0.75.

Results of Mineral County Retail Location Quotient Analysis

From Table 13, only one of Mineral County’s retail sectors were exporters in 2000. The Food Stores Sector was the retail exporting sector. The Food Stores Sector also realized an increase in location quotient values from 1994 to 2000. This indicates a stronger exporting sector. Mineral County decision makers may want to investigate reasons for export increase in the Food Stores Sector and how to maintain this increase.
Table 13. Location Quotient Values for Retail Sectors in Mineral County, 1994 and 2000.

<table>
<thead>
<tr>
<th>Category</th>
<th>Location Quotient 1994</th>
<th>Location Quotient 2000</th>
<th>Percentage Change from 2000 to 1994 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Materials &amp; Gardening Supplies</td>
<td>0.42</td>
<td>0.48</td>
<td>15.81</td>
</tr>
<tr>
<td>General Merchandising</td>
<td>0.17</td>
<td>0.24</td>
<td>36.91</td>
</tr>
<tr>
<td>Food Stores</td>
<td>0.94</td>
<td>1.49</td>
<td>58.17</td>
</tr>
<tr>
<td>Automobile Dealers and Service Stations</td>
<td>1.20</td>
<td>1.17</td>
<td>-2.97</td>
</tr>
<tr>
<td>Apparel and Accessory Stores</td>
<td>0.10</td>
<td>0.53</td>
<td>441.04</td>
</tr>
<tr>
<td>Furniture and Home Furnishing Stores</td>
<td>0.12</td>
<td>0.09</td>
<td>-24.77</td>
</tr>
<tr>
<td>Eating and Drinking Places</td>
<td>0.70</td>
<td>0.79</td>
<td>12.54</td>
</tr>
<tr>
<td>Miscellaneous Retail Stores</td>
<td>0.46</td>
<td>0.44</td>
<td>-4.92</td>
</tr>
</tbody>
</table>

Two Mineral County retail sectors in Table 13 (the Automobile Dealers and Service Stations Sector and the Eating and Drinking Places Sector) had location quotient values in 2000 that were between 0.75 and 1.25, which would indicate self-sufficiency. From 1994 to 2000, the Eating and Drinking Places Sector realized increased location quotient values. This would indicate increased self-sufficiency. However, during this same time period, the Automobile Dealers and Service Station Sector realized declining location quotient values. This would indicate a decrease in self-sufficiency and should be addressed. From Table 13, five retail sectors in Mineral County had location quotient values less than 0.5, which indicates an importer. Of these five retail sectors, two retail sectors (the Furniture and Home Furnishing Sector and the Miscellaneous Retail Stores Sector) realized decreased location quotient values from 1994 to 2000. Therefore, Mineral County decision makers might not consider these two retail sectors for local retail sector development.

Computation of Employment-Population Ratio

Employment-population ratio, like location quotients, can be used to identify retail sector development opportunities. Murray and Harris (1978) supplemented location quotient analysis with employment-population ratio. The ratio is the employment for a given retail sector divided by the county’s employment:

$$E:P = \frac{\text{Employment in Retail Sector } i}{\text{Population in County } j} \quad (4)$$

Interpretation of Employment-Population Ratio

Since there are no critical values such as for pull factors and location quotients, employment-population ratios require intercounty comparisons. Through intercounty
comparisons, it will be determined whether a county’s employment in a given retail sector is low which implies potential for expansion. The employment-population ratio circumvents reliance on a national average (such as location quotients) that may not be appropriate for a given local situation.

**Results of Mineral County Employment-Population Ratio**

The location quotient and employment-population ratios provide two somewhat independent insights into retail expansion potential. A location quotient value of less than 0.75 coupled with a low employment-population ratio indicates a good import substitution potential. A low location quotient and a high employment-population ratio indicate a somewhat limited import substitution possibility.

Table 14 shows the employment-population ratio for selected retail sectors for Mineral County, Churchill County, Esmeralda County, Lyon County, and Nye County for 2000. An exporting sector that will not be an import substitution candidate is the Food Stores Sector. The location quotient is 1.49 in 2000 and its employment-population ratio is 18.34, which is the largest ratio of the five county study area. Therefore, expanded opportunities in this sector may be somewhat limited, but efforts should be made to maintain this sector’s competitive advantage.

The retail import substitution candidate is the Apparel and Accessory Stores Sector. The location quotient for the Apparel and Accessory Stores Sector is 0.53 and Mineral County’s employment-population ratio for this sector is the highest in the five county study area. Therefore, it appears for import substitution that the Apparel and Accessory Stores Sector may not be a candidate for retail sector expansion in Mineral County.

**Table 14. Employment-Population Ratios per 1,000 Population for Selected Retail Sectors for Mineral County, Churchill County, Esmeralda County, Lyon County, and Nye County, 2000.**

<table>
<thead>
<tr>
<th>Retail Sector</th>
<th>Mineral</th>
<th>Churchill</th>
<th>Esmeralda</th>
<th>Lyon</th>
<th>Nye</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Materials and Garden Supplies</td>
<td>1.7748</td>
<td>7.4927</td>
<td>0.0000</td>
<td>2.2138</td>
<td>5.0337</td>
</tr>
<tr>
<td>General Merchandise</td>
<td>2.3664</td>
<td>13.4951</td>
<td>12.2526</td>
<td>0.3363</td>
<td>0.3336</td>
</tr>
<tr>
<td>Food Stores</td>
<td>18.3396</td>
<td>13.5364</td>
<td>1.8850</td>
<td>14.4599</td>
<td>14.3126</td>
</tr>
<tr>
<td>Automobile Dealers and Service Stations</td>
<td>10.4516</td>
<td>11.1769</td>
<td>1.8850</td>
<td>14.4318</td>
<td>9.3092</td>
</tr>
<tr>
<td>Apparel and Accessory Stores</td>
<td>2.3664</td>
<td>1.5730</td>
<td>0.0000</td>
<td>1.3451</td>
<td>0.3942</td>
</tr>
<tr>
<td>Furniture and Home Furnishing Stores</td>
<td>0.3944</td>
<td>3.6842</td>
<td>0.0000</td>
<td>0.9248</td>
<td>2.1226</td>
</tr>
<tr>
<td>Miscellaneous Retail</td>
<td>7.8880</td>
<td>12.5843</td>
<td>5.6650</td>
<td>20.7090</td>
<td>8.3692</td>
</tr>
</tbody>
</table>
Summary

Trade area analysis, location quotients, and employment-population ratios were used in this analysis to estimate Mineral County retail sector activity and potential. Results indicate that Mineral County is losing overall retail trade outside counties. However, when compared to the five county study area average (Mineral County, Churchill County, Esmeralda County, Lyon County, and Nye County), overall Mineral County retail trade pull factor was 0.11 points below the average.

However, when retail sectors are disaggregated, Mineral County has a few retail sectors that could be classified as exporting sectors. Using all three retail sector activity indicators, the Food Stores Sector is capturing local and outside trade. Mineral County food stores are a retail trade center for rural Central Nevada. From location quotient analysis, the Automobile Dealers and Gasoline Service Station Sector and the Eating and Drinking Places Sector are self-sufficient sectors.

In order to develop a coherent retail development strategy, Mineral County decision makers may want to survey Mineral County populace as to retail habits. Also, geographic information system (GIS) models could be used to map retail sector square foot supply. Matching trade area analysis retail sector with square foot demand to supply could yield information as to Mineral County retail sector opportunities or supply constraints.
SECTION III:

BUSINESS DEVELOPMENT STRATEGIES TO CAPTURE LOCAL RETAIL SECTOR DEMANDS
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BUSINESS DEVELOPMENT STRATEGIES TO CAPTURE
LOCAL RETAIL SECTOR DEMANDS

Overview

While a county is justifiably concerned about the aggregate package of goods and services offered, it is often a single good or service that is the initial lure that attracts customers. All the merchants in the community benefit from the key good or service. In shopping centers, that key merchant is referred to as the shopping center “anchor.” When a county examines its retail trade sector, there are three types of businesses to consider (Kivell and Shaw 1980). The first type is the generative business that produces sales by itself or attracts customers to the county, such as a shopping center anchor. The second type is the shared business that secures sales from the generative power of nearby businesses; an example is a small specialty store located near a large merchandise store. The third type is the business whose sales are a coincidental occurrence to other activities. Such businesses do not generate sales themselves nor from association with nearby shops. Examples are small ice cream shops, t-shirt shops and cafes in a shopping mall. For the county to realize its retail trade potential, a balance among the different categories of retail shops must be struck.

RETAIL SECTOR DEVELOPMENT STRATEGIES

Concerned leaders and business persons can focus on retail sector development by forming a business assistance committee to begin implementing some of the assistance activities or working with the existing chamber of commerce. The following activities may improve the climate for business and show the community’s commitment to support local business. They were developed and implemented in many other communities although not all are appropriate for any one community or county. These can be the foundation for a retail sector improvement program.

Analyze the local business sector to identify the needs and opportunities to be pursued by the program. Businesses often do not have the resources to study the economy (local, regional and national) and how they fit in. They need practical data and analysis that will help in their
individual business decision making. In particular, economic analysis can identify voids in the local or regional market that can possibly be filled by expanding or new businesses. Examples of such analysis include the pull factor analysis reported here and consumer surveys to identify needs and opportunities. The pull factor analysis here, especially, the sections on pull-factors by sector and potential or lost sales can be very useful to help a community identify particular businesses in which there may be significant local demand. Such an analysis can then be used to attract merchants to the area. Assistance with such analyses can often be found from the local Cooperative Extension office of the University of Nevada, Reno or more detailed analyses are available from the Nevada Small Business Development Center, Bureau of Business and Economic Research and the University Center for Economic Development in Reno.

In addition to economic analysis, information is useful about business districts as a whole. For example, perhaps the appearance of buildings and vacant lots is detrimental to attracting people to the business district; perhaps poorly coordinated store hours are a hindrance; or maybe the zoning regulations are locating the businesses inconveniently with respect to the residential population. Once these needs are identified, a business development program can initiate action. A periodic survey of business needs can form the basis of a business development program workplan.

**Provide management assistance and counseling to improve the efficiency and profitability of local businesses.** Many local businesses are owner operated, earn low profits and have difficulty obtaining financing. For example, a business may need help in preparing a business plan to qualify for financing to start or expand its operation. Business owners often need additional education and training in improving business management skills like accounting, finance, planning, marketing, customer relations, merchandising, personnel management or tax procedures. This assistance can be provided through seminars and one-to-one aid. Sources of assistance include the Small Business Development Center program sponsored by the Small Business Administration and operated through the University of Nevada, vocational technical centers, Service Corps of Retired Executives (SCORE) and the Cooperative Extension service. The intent is to aid small businesses in becoming more competitive.
Assist new business start-ups and entrepreneurial activity by analyzing potential markets and local skills and matching entrepreneurs with technical and financial resources.

The Nevada State Economic Development Commission and local Economic Development Authorities are often actively attempting to attract such new businesses. Establishing a business incubator is another way to assist new businesses. An incubator is a building with shared space or service requirements that reduce start-up costs for new businesses. Incubators have been successful in many locations, but are not right for every town. A successful incubator must have long-range planning, specific goals and good management in order to identify markets and entrepreneurs.

Provide assistance in identifying and obtaining financing. Small businesses often have difficulty obtaining long-term bank financing for expansion because they lack assets to mortgage, cannot obtain affordable terms or rates, or cannot present a strong business plan. A business development program can identify public loan programs (such as Industrial Development Bonds) and package them with private loans to make projects feasible, as well as provide assistance in undertaking joint projects for the business district:

- improving street appearance
- improving management of commercial area
- building renovation
- preparation of design standards
- joint promotions and marketing
- organizing independent merchants
- special activities and events
- fund raising
- improving customer relations
- uniform hours of operations
Undertaking these projects requires cooperation, organization and efficient management. These projects can improve a business district’s competitive position and attract new customers. The Main Street program provides many good examples of towns such as Carson City or Yerington working for economic revitalization. The Main Street Program developed by the National Trust for Historic Preservation is built around the four points of organization, design, promotion and economic restructuring.

**Develop a one-stop permit center.** There is a great deal of red tape involved in starting a business including registering a name, choosing a legal form, and determining what licenses, permits or bonds are needed. In a local community this may require visits to the building department, planning department, health department, business license bureau and other local agencies. Other concerns include internal revenue service requirements, unemployment insurance, sales tax permits and workmen’s compensation insurance.

**Involve active local organizations and the media.** Groups such as the chamber of commerce, civic clubs, etc. can encourage a healthy business climate. The local media can also support small business and aid in developing awareness of the importance of local business.

**Promote the development of home based enterprises.** Home-based work by individuals is increasing because of the flexibility offered and because in some areas it may be the most realistic alternative. Home-based enterprises can include a variety of full or part-time occupations such as consulting, tele-commuting, food processing, quilting, weaving, crafts, clothing assembly, mail order processing or assembling various goods.
STRATEGIC PLANNING FOR RETAIL SECTOR DEVELOPMENT IN MINERAL COUNTY

Results of the Mineral County retail sector market analysis and analysis of purchase patterns of Mineral County populace show some retail sectors that could be targeted by Mineral County decision-makers. Both analyses indicate that general merchandise stores, new and used car dealerships, automobile supply stores, clothing and shoe stores, furniture stores, major appliance stores, and small appliance stores should be investigated for potential development or relocation. Also other retail sector services such as home health care services, child day care services, residential care services, and computer and software services should be investigated.

Given the results of this study, Mineral County decision makers might consider developing a retail sector targeting committee. A targeting committee would target retail sector development programs and efforts at specific, retail industries or clusters of related retail industries. A retail targeting program identifies industries for which a county offers a competitive advantage in terms of labor skills and availability, location and availability of public services. A target approach enables community leaders to focus recruitment, retention and expansion and small business development programs rather than attempting to provide assistance for many different types of retail sector types. This tailoring of retail sector initiatives provides three advantages for a community:

- Targeting permits clearer identification of specific retail industry requirements and needs;
- Targeting enables the community to provide (for a given budget expenditure) fewer but more highly valued programs, and
- Targeting reduces the amount of financial incentives (e.g., tax rebates or labor training programs) needed to encourage the retail industry to locate in the region.
In order to develop a successful retail sector targeting several steps are suggested:

Step 1. *Develop a retail sector targeting committee.*

This committee should include retail sector and decision makers, i.e. county commissioners and county government employees in Mineral County.

Step 2. *Complete a visioning and goal setting exercise.*

Mineral County may want to complete a visioning and goal setting exercise for retail trade. This would provide focus for retail sector development.

Step 3. *Data Gathering and Analysis of Local Retail Sector*

This step will provide the retail sector targeting committee information pertaining to current Mineral County retail sector activity. Results of this analysis could be used by the retail sector targeting committee as well as the Metro Business Activity (MBA) analysis. The MBA analysis is a geographic information system (GIS) analysis that provides information on location of current retail sector industries in Mineral County. Results of the MBA analysis can be used to derive a more focused trade analysis for specific retail sectors and in specific areas of Mineral County.

The primary objective of this step is to provide a basis for potential impacts in Mineral County from targeted retail sector development. This step provides historic data and can assist in focusing retail sector goals and targets for Mineral County.


This step leads the targeting committee through a structural criteria-based process to assist in objectively choosing projects for retail sector targeting. This process would employ data collected in the previous step, the MBA program and fiscal impact model. This step will allow the targeting committee to set priorities for Mineral County retail sector development. Priorities could be short-term or long-term retail sector projects as well as delegating responsibilities.

This step is long-term in nature. Hopefully the retail sector targeting committee can have a long-term existence. This would provide an annual review of targeting goals and revision of goals as changes occur in Mineral County.
References


Ryan, W. “Trade Area Analysis.” Presented paper at the National Small Stores Institute, St. Louis, Missouri, March 1998.


APPENDIX A:

Standard Industrial Classification of Retail Sectors
STANDARD INDUSTRIAL CLASSIFICATION (SIC) OF RETAIL SECTORS

**SIC Major Group 52: Building Materials, Hardware, Garden Supply, And Mobile Home Dealers**

This major group includes retail establishments primarily engaged in selling lumber and other building materials; paint, glass, and wallpaper; hardware; nursery stock; lawn and garden supplies; and mobile homes.

It includes lumber and other building materials dealers and paint, glass, and wallpaper stores selling to the general public, even if sales to construction contractors account for a larger proportion of total sales. These establishments are known as retail in the trade. Establishments primarily selling these products for use exclusively by businesses or to other wholesalers are classified in Wholesale Trade.

Establishments primarily selling plumbing, heating, and air-conditioning equipment and electrical supplies are classified in Wholesale Trade.

- Industry Group 521: **Lumber And Other Building Materials Dealers**
- Industry Group 523: **Paint, Glass And Wallpaper Stores**
- Industry Group 525: **Hardware Stores**
- Industry Group 526: **Retail Nurseries, Lawn And Garden Supply Stores**
- Industry Group 527: **Mobile Home Dealers**

**SIC Major Group 53: General Merchandise Stores**

This major group includes retail stores which sell a number of lines of merchandise, such as dry goods, apparel and accessories, furniture and home furnishings, small wares, hardware, and food. The stores included in this group are known by such names as department stores, variety stores, general merchandise stores, and general stores. Establishments primarily engaged in selling used general merchandise are classified in Industry Group 593, and those selling general merchandise by mail, vending machine, or direct selling are classified in Industry Group 596.

- Industry Group 531: **Department Stores**
- Industry Group 533: **Variety Stores**
- Industry Group 539: **Miscellaneous General Merchandise Stores**
**SIC Major Group 54: Food Stores**

This major group includes retail stores primarily engaged in selling food for home preparation and consumption. Establishments primarily engaged in selling prepared foods and drinks for consumption on the premises are classified in Major Group 58, and stores primarily engaged in selling packaged beers and liquors are classified in Industry 5921.

- Industry Group 541: Grocery Stores
- Industry Group 542: Meat And Fish (seafood) Markets, Including
- Industry Group 543: Fruit And Vegetable Markets
- Industry Group 544: Candy, Nut, And Confectionery Stores
- Industry Group 545: Dairy Products Stores
- Industry Group 546: Retail Bakeries
- Industry Group 549: Miscellaneous Food Stores

**SIC Major Group 55: Automotive Dealers And Gasoline Service Stations**

This major group includes retail dealers selling new and used automobiles, boats, recreational vehicles, utility trailers, and motorcycles including mopeds; those selling new automobile parts and accessories; and gasoline service stations. Automobile repair shops maintained by establishments engaged in the sale of new automobiles are also included. Establishments primarily engaged in selling used automobile parts are classified in Wholesale Trade, Industry 5015.

- Industry Group 551: Motor Vehicle Dealers (new And Used)
- Industry Group 552: Motor Vehicle Dealers (used Only)
- Industry Group 553: Auto And Home Supply Stores
- Industry Group 554: Gasoline Service Stations
- Industry Group 555: Boat Dealers
- Industry Group 556: Recreational Vehicle Dealers
- Industry Group 557: Motorcycle Dealers
- Industry Group 559: Automotive Dealers, Not Elsewhere Classified
**SIC Major Group 56: Apparel and Accessory Stores**

This major group includes retail stores primarily engaged in selling new clothing, shoes, hats, underwear, and related articles for personal wear and adornment. Furriers and custom tailors carrying stocks of materials are included.

- Industry Group 561: *Men's And Boys' Clothing And Accessory Stores*
- Industry Group 562: *Women's Clothing Stores*
- Industry Group 563: *Women's Accessory And Specialty Stores*
- Industry Group 564: *Children's And Infants' Wear Stores*
- Industry Group 565: *Family Clothing Stores*
- Industry Group 566: *Shoe Stores*
- Industry Group 569: *Miscellaneous Apparel And Accessory Stores*

**SIC Major Group 57: Home Furniture, Furnishings, And Equipment Stores**

This major group includes retail stores selling goods used for furnishing the home, such as furniture, floor coverings, draperies, glass and chinaware, domestic stoves, refrigerators, and other household electrical and gas appliances. Establishments selling electrical and gas appliances are included in this group only if the major part of their sales consists of articles for home use. These stores may also repair household appliances, radios, televisions, and stereo equipment, but establishments primarily engaged in repair of these products are classified in Division I, Services. Dealers primarily engaged in selling antique and secondhand furniture are classified in Industry Group 593. Stores furnishing interior decorator service are classified according to the merchandise handled.

- Industry Group 571: *Home Furniture And Furnishings Stores*
- Industry Group 572: *Household Appliance Stores*
- Industry Group 573: *Radio, Television, and Consumer Electronics*
SIC Major Group 58: Eating and Drinking Places

This major group includes retail establishments selling prepared foods and drinks for consumption on the premises; and also lunch counters and refreshment stands selling prepared foods and drinks for immediate consumption. Restaurants, lunch counters, and drinking places operated as a subordinate service facility by other establishments are not included in this industry, unless they are operated as leased departments by outside operators. Thus, restaurants and lunch counters operated by hotels are classified in Services, Major Group 70; those operated by department stores in Major Group 53. Bars and restaurants owned by and operated for members of civic, social, and fraternal associations only are classified in Industry 8641. Mobile food and dairy wagons are classified in Industry 5963.

- Industry Group 581: Eating And Drinking Places

SIC Major Group 59: Miscellaneous Retail

This major group includes retail establishments, not elsewhere classified. These establishments fall into the following categories: drug stores, liquor stores, used merchandise stores, miscellaneous shopping goods stores, non-store retailers, fuel dealers, and miscellaneous retail stores, not elsewhere classified.

- Industry Group 591: Drug Stores And Proprietary Stores
- Industry Group 592: Liquor Stores
- Industry Group 593: Used Merchandise Stores
- Industry Group 594: Miscellaneous Shopping Goods Stores
- Industry Group 596: Nonstore Retailers
- Industry Group 598: Fuel Dealers
- Industry Group 599: Retail Stores, Not Elsewhere Classified