

# ECONOMIC PERSPECTIVE

Discussion of Recent Economic Developments  
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## Characteristics of Retail Industries

Retail industries are very important to the Board of Equalization (BOE), as over two-thirds of sales and use taxes are collected from retailers. What kinds of stores account for the most retail sales? How productive are they? Is productivity growing over time? And how do California retailers compare to their national counterparts? These are all important questions for BOE researchers to answer, particularly when estimating sales and use tax revenues related to proposed changes in tax law.

### Census Bureau Releases Survey Data

The questions posed above can be answered from data provided by the U.S. Census Bureau. The Census Bureau surveys retailers every five years, in years ending in "2" or "7." It takes several years for data to be released, and detailed industry and geographic data from the 2007 survey are starting to become available only this year. This analysis used data from the U.S. Census Bureau to describe selected characteristics of U.S. and California retail industries in 2007.

### Retail Industries Concentrated

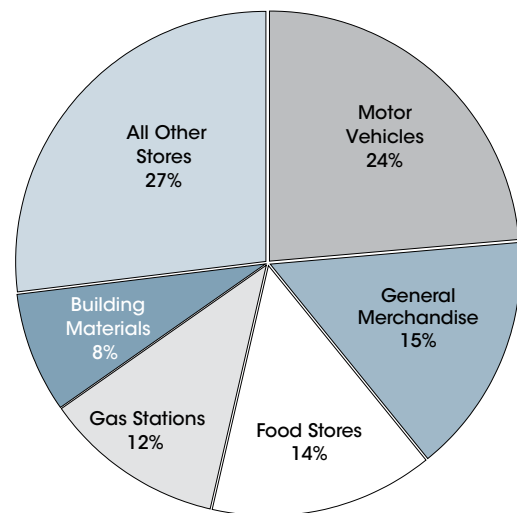
Retail industries are very concentrated by type of retailer. As shown in Chart 1, the 2007 U.S. data show that five types of retailers account for 73 percent of U.S. retail sales. These are motor vehicles dealers (24 percent), general merchandise stores (15 percent), food stores (14 percent), gas stations (12 percent), and building materials stores (eight percent).

### Retail Sales per Employee

One way to measure productivity of retail stores is sales per employee. As shown in Table 1, U.S. sales averaged \$263,966 per employee for all retail stores in 2007. There is quite a dispersion of productivity

around this average. Productivity ranged from a high of \$631,217 per employee for remote sellers (electronic shopping and mail order houses) to a low of \$66,985 per employee for florists. Highly productive retailers include remote sellers, gas stations (\$504,406 per employee), and car dealers (\$465,620 per employee).

Chart 1  
2007 U.S. Retail Sales



### Productivity Growth

Table 2 shows changes in real retail sales per employee from 2002 (the previous survey year) to 2007.<sup>1</sup> Based on this measure, retail productivity increased 8.4 percent for all retailers over these five years. Again, with this metric there was a great deal of variation by

<sup>1</sup> Price indices from the U.S. Bureau of Economic Analysis (Price Indexes for Personal Consumption Expenditures by Type of Product) were used to adjust the U.S. Census Bureau data for inflation by matching products to the industries using our best professional judgment.

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type of retailer. Real sales per employee of electronics and appliances rose 42.6 percent since 2002. At the other extreme, real gas station sales per employee declined 9.0 percent. Widespread adoption of new electronics products, such as “smart” cell phones and portable media music players could be contributing to the increases among electronics stores and remote sellers. More fuel efficient vehicles could be largely responsible for the decline in sales per employee for gas stations.

*Table 1*  
Sales per Employee in 2007 (Dollars)

Type of Retailer	Sales Per Employee
Electronic Shopping and Mail Order Houses	\$631,217
Gas Stations	\$504,406
Motor Vehicles and Parts	\$465,620
Direct Selling Establishments	\$277,911
<b>All Retail Stores</b>	<b>\$263,966</b>
Building Material and Supplies	\$242,499
Electronics and Appliances	\$224,071
Health and Personal Care	\$219,160
General Merchandise Stores	\$208,905
Furniture and Home Furnishings	\$191,585
Jewelry, Luggage, and Leather Goods	\$191,386
Food and Beverages	\$190,181
Other Miscellaneous Stores	\$188,625
Vending Machines	\$136,849
Sporting Goods	\$135,455
Office Supplies	\$127,673
Shoe Stores	\$127,106
Books and Periodicals	\$119,345
Used Merchandise	\$70,806
Florists	\$66,985

### Sales per Establishment

Another way to view the Census Bureau data is to calculate sales per establishment. As shown in Table 3, average sales per establishment were about \$3.7 million for all retail stores. Industries varied from a high of \$12.7 million per establishment for general merchandise stores to a low of \$0.3 million per establishment for florists. As with the other measures, remote sellers and motor vehicle dealers had sales per establishment that were among the highest of all retail industries, at \$9.9 million and \$7.1 million per establishment. By this measure, gas stations were pretty close to the overall retail average, at average sales of \$3.8 million per establishment.

*Table 2*  
Percentage Changes in Real Sales per Employee, 2002 to 2007

Type of Retailer	Change in Real Sales per Employee
Electronics and Appliances	42.6%
Direct Selling Establishments	39.7%
Electronic Shopping and Mail Order Houses	31.2%
Jewelry, Luggage, and Leather Goods	18.9%
Furniture and Home Furnishings	17.8%
Sporting Goods	16.7%
Shoe Stores	13.6%
Used Merchandise	11.9%
General Merchandise Stores	10.4%
Vending Machines	10.2%
Motor Vehicles and Parts	9.7%
Health and Personal Care	9.6%
<b>All Retail Stores</b>	<b>8.4%</b>
Florists	8.3%
Other Miscellaneous Stores	8.2%
Building Material and Supplies	7.9%
Books and Periodicals	6.3%
Office Supplies	4.9%
Food and Beverages	4.6%
Gas Stations	-9.0%

### California Shares of U.S. Retail

The Census Bureau also released some data for states. Generally, data for states are not as detailed as they are for the nation as a whole. By most measures, the data available indicate that California sales per employee and productivity growth by type of retailer were similar to the U.S. measures. In addition, the data show that Californians spend close to their proportionate share of the U.S. population on retail goods. According to the most recent Department of Finance data, California comprises about 12.5 percent of the U.S. population. The U.S. Census data show that California accounts for 12.1 percent of the U.S. retail sales, as shown in Table 4.

*Table 3*  
2007 U.S. Retail Sales per Establishment

Type of Retailer	Sales Per Establishment (Millions of Dollars)
General Merchandise Stores	\$12.7
Electronic Shopping and Mail Order Houses	\$9.9
Motor Vehicles	\$7.1
Building Materials	\$4.0
Gas Stations	\$3.8
Food Stores	\$3.7
<b>All Retail Stores</b>	<b>\$3.7</b>
Health and Personal Care	\$2.7
Electronics and Appliances	\$2.2
Direct Selling Establishments	\$1.9
Furniture and Home Furnishings	\$1.7
Sporting Goods	\$1.4
Book and Periodicals	\$1.4
Other Miscellaneous Stores	\$1.2
Jewelry, Luggage, and Leather Goods	\$1.1
Office Supplies	\$1.0
Shoe Stores	\$0.9
Used Merchandise	\$0.5
Florists	\$0.3

### California Variation From National Spending

Table 4 also shows types of retail stores for which Californians spent more or less than their proportionate population. Californians spend significantly more than average at sporting goods stores; the state accounts for 16.8 percent of U.S. sporting goods sales. Other types of stores at which we spent more than our population share include electronics and appliances (14.4 percent), used merchandise (13.9 percent), and food and beverage stores (13.6 percent). Kinds of outlets at which we spend less than the national average include vending machines (7.3 percent), direct sellers (7.5 percent) and gas stations (9.0 percent).

### U.S. Retail Sales Growth Coming Back

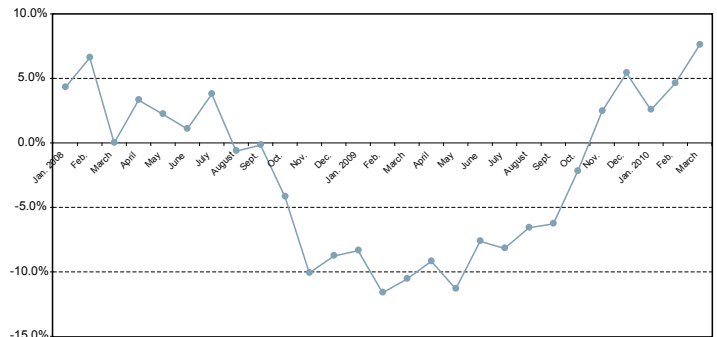
Turning to a discussion of recent trends in the overall economy, a variety of economic data indicate that the recession that started in December 2007 probably ended sometime in late summer of 2009. One of the indicators showing improvement is U.S. retail and food sales, an economic indicator that is conceptually similar to California taxable sales. As shown in Chart 2, U.S. retail and food services sales have risen in each of the most recent five months (data for each month are compared to corresponding months of the prior year). Chart 2 also shows that after declining at

rates close to ten percent in late 2008 through mid-2009, U.S. retail and food sales now appear to be increasing at rates similar to those experienced prior to the recession.

*Table 4*  
2007 California Shares of U.S. Retail Sales

Type of Retailer	California Share of U.S.
Sporting Goods	16.8%
Electronics and Appliances	14.4%
Used Merchandise	13.9%
Food and Beverages	13.6%
Office Supplies	13.3%
Electronic Shopping and Mail Order Houses	13.0%
Furniture and Home Furnishings	12.5%
<b>All Retail Stores</b>	<b>12.1%</b>
Motor Vehicle and Parts	11.9%
Building Materials	11.3%
Health and Personal Care	11.2%
Other Miscellaneous Stores	11.0%
General Merchandise	10.6%
Florists	10.2%
Gas Stations	9.0%
Direct Sellers	7.5%
Vending Machines	7.3%

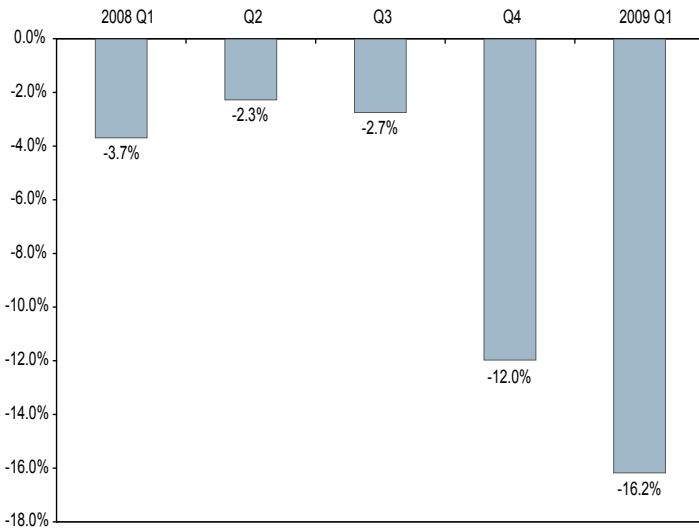
*Chart 2*  
Changes in U.S. Retail and Food Sales Starting in 2008  
(Months Compared to Same Months in Prior Year)



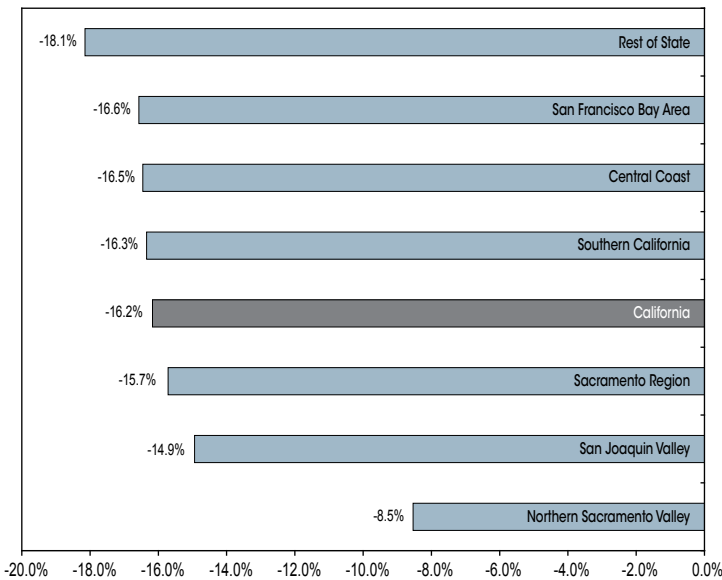
### California First Quarter 2009 Taxable Sales Drop Dramatically

Recently released data show that California taxable sales declined 16.2 percent in the first quarter 2009, which was one of the worst periods of the recession. (Taxable sales are compared to the same quarter a year earlier.) The decline was steeper than the one in the fourth quarter, as indicated by Chart 3, which shows changes in taxable sales since the recession started. As shown in Chart 4, with the exception of the Northern Sacramento Valley Region which performed significantly better, all the major regions of California had declines in taxable sales fairly close to the statewide average in the first quarter.

*Chart 3*  
Trends in Quarterly California Taxable Sales  
Since the Recession Started  
(Changes From Corresponding Quarter of Prior Year)



*Chart 4*  
Changes in First Quarter 2009 Taxable Sales  
Compared to First Quarter 2008 by Region



## Contact Us

Please contact us if you would like to be added to our mailing list, need additional copies, or have questions or comments.

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Current and past issues of this publication are on our website:

[www.boe.ca.gov/news/epcont.htm](http://www.boe.ca.gov/news/epcont.htm)

Taxpayers' Rights Advocate: 888-324-2798

To contact your Board Member, see [www.boe.ca.gov/members/board.htm](http://www.boe.ca.gov/members/board.htm)

## Online Resources

For more information about topics covered in this issue, please visit any of the websites listed below.

California Department of Finance  
[www.dof.ca.gov](http://www.dof.ca.gov)

California Employment Development Department (EDD), Labor Market Conditions in California  
[www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov)

Federal Reserve Bank of Philadelphia, Survey of Professional Forecasters  
[www.phil.frb.org/econ/spf/index.html](http://www.phil.frb.org/econ/spf/index.html)

National Association for Business Economists  
[www.nabe.com](http://www.nabe.com)

U.S. Bureau of Economic Analysis  
[www.bea.gov](http://www.bea.gov)

U.S. Bureau of Labor Statistics  
[www.bls.gov/cpi/](http://www.bls.gov/cpi/)

U.S. Census Bureau  
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