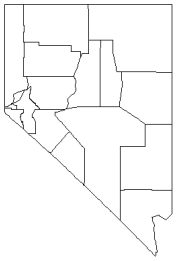
TECHNICAL REPORT
UCED 93-10

RETAIL SALES ANALYSIS

FOR

DOUGLAS COUNTY, NEVADA



UNIVERSITY OF NEVADA, RENO

Retail Sales Analysis

for

Douglas County

Study Conducted by

Ted E. Oleson, Jr., Manuel N. Lopez

Thomas R. Harris

and

Glen W. Atkinson

Ted E. Oleson, Jr. is an Instructor in the Department of Economics at the University of Nevada, Reno.

Manuel N. Lopez is a Research Associate in the Department of Economics at the University of Nevada, Reno.

Thomas R. Harris is a Professor in the Department of Agricultural Economics and Director of the University Center for Economic Development at the University of Nevada, Reno.

Glen W. Atkinson is a Professor in the Department of Economics at the University of Nevada, Reno.

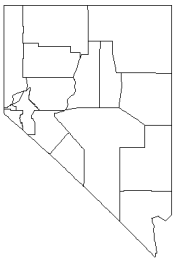
August 1994

UNIVERSITY OF NEVADA RENO

The University of Nevada, Reno is an Equal Opportunity/Affirmative Action employer and does not discriminate on the basis of race color religion sex age creed national origin veteran status physical or mental disability and in accordance with university policy sexual orientation in any program or activity it operates. The University of Nevada employs only United States citizens and aliens lawfully authorized to work in the United States.

This publication, *Retail Sales Analysis for Douglas County, Nevada* was published by the University of Nevada Economic Development Center. Funds for the publication were provided by the United States Department of Commerce Economic Development Administration under University Centers Program contract #07-06-03262-93. Also funds for research for this project were provided by the Douglas County Commissioners. This publication's statements, findings, conclusions, recommendations, and/or data represent solely the findings and views of the authors and do not necessarily represent the views of the United States Department of Commerce, the Economic Development Administration, Douglas County Commissioners, University of Nevada, or any reference sources used or quoted by this study. Reference to research projects, programs, books, magazines, or newspaper articles does not imply an endorsement or recommendation by the authors unless otherwise stated. Correspondence regarding this document should be sent to:

Thomas R. Harris, Director
University Center for Economic Development
University of Nevada, Reno
Department of Agricultural Economics
Mail Stop 204
Reno, Nevada 89557-0105



UCED
University of Nevada, Reno
Nevada Cooperative Extension
Department of Agricultural Economics

RETAIL SALES ANALYSIS FOR DOUGLAS COUNTY, NEVADA

EXECUTIVE SUMMARY

Introduction

- Economic development strategies have traditionally concentrated attention on the attraction of export industries, such as agriculture, mining and manufacturing.

- Development strategies, however, focusing solely on export industry promotion overlook increasing the multiplier effect through development of a region's commercial industries (retail, wholesale, and service sectors).

- A more comprehensive development strategy for contemporary and future time periods would be one which not only encourages the attraction of export industries but also emphasizes developing the community's commercial sector.

Trends in Retail Sales

- Retail sales in Douglas County have generally increased between 1980 and 1992, however, the two national recessions caused lower retail sales in the early 1980's and 1990's.

- Retail sales adjusted for inflation or real retail sales for Douglas County have been erratic from 1980 to 1992. For example, real retail sales in 1991 declined by 8.93% reflecting the economic recession and retail development in neighboring Carson City.

- The primary cause of these retail sales changes in Douglas County is a change in the gaming dominated economy to a suburban bedroom community without corresponding increases in retail establishments. Carson City, however, has developed a substantial retail sector which has been servicing the demands of Douglas County consumers.

- Per capita real retail sales in Carson City has been generally trending upward while per capita values for Douglas County have been decreasing. The divergence in per capita retail sales for these two counties is particularly evident for the retail categories of Automobiles and General Merchandise.

Computation of Pull Factors

- An analytical procedure to estimate retail sector activity for a community or county is the pull factor.

- Pull factors can be used to judge the retail sector activity of a given sector through time for a given county or to make cross-county comparisons of a county's retail sector.

- Pull factor estimates the portion of customers a county draws from outside its borders.

- What do pull factors tell us? If the pull factor is greater than 1.0, then the county is attracting consumers from outside the county's boundaries. However, if the pull factor value is less than 1.0, then the county is not capturing the commercial purchases of its own residents. When the pull factor is less than 1.0, the county is realizing sales leakage.

- Given that for the state of Nevada, county and local governments receive a large proportion of their revenues from sales taxes, retail sales leakages are of interest to this level of government.

Interpretation and Use of the Pull Factor

- For local economic development, pull factors can help identify selected retail sectors which can be targeted for development.

- Some pull factor values may reflect the dominance of a given industry in a given county such as mining and agriculture. In these cases, understanding the cause of the pull factor values may suggest little retail sector development opportunities. For example, a mining supply store has substantial sales in Elko County because of natural resource endowments. Clark County, on the other hand, has low mining supply store sales because of a lack of natural resource endowments. Therefore, suggesting a mining store development opportunity in Clark County because of a low pull factor would be incorrect.

- For Douglas County, pull factors for retail sales categories of department stores and new or used automobiles are low. However, neighboring Carson City has a large concentration of these retail category stores on the border of Carson City and Douglas County. This concentration may inhibit development of these retail establishments in Douglas County.

Pull Factor Analysis for Douglas County

- The pull factor value for Douglas County was 70% indicating the county was capturing 70% of potential county sales. The overall county pull factor peaked in 1984 and has been steadily declining since then.

- In 1992, Douglas County drugstores had the lowest pull factor of 7.2% while restaurants had the highest pull factor of 168.3%.

- Retail sectors in Douglas County showing the largest decrease in pull factors from 1980 to 1992 were apparel stores, restaurants, drugstores and automobile dealers.

- Overall pull factor values in 1992 for Carson City was 90% compared to 72% for Douglas County.

- For specific retail categories, pull factors in 1992 for Department Stores for Carson City and Douglas County were 178% and 18% respectively. Pull Factors for Automobiles were 203% and 33% respectively.

Potential Sales Analysis

- Lost sales are defined as the difference between potential sales and actual sales for retail categories with calculated pull factors less than 1.

- For 1992, estimated lost sales for Douglas County were calculated to be $124 million.

- Those lost sales can be translated to be lost sales tax revenue to Douglas County.

- Potential and lost retail sales by category for Douglas County can help local economic development officials in formulation of feasibility studies for retail sector development.

Business Development Strategies

Listed below are retail business development strategies that can potentially be used by decision makers in Douglas County:

- Analyze the Local Business Sector to Identify the Needs and Opportunities to be Pursued.
- Provide Management Assistance and Counseling to Improve the Efficiency and Profitability of Local Businesses.
- Assist New Business Start-Ups and Entrepreneurial Activity.
- Provide Assistance in Identifying and Obtaining Financing.
- Provide Assistance in Undertaking Joint Projects for Business District.
- Develop a One-Stop Permit Center.
- Involve Active Local Organizations and the Media.
- Promote the Development of Home Based Enterprises.

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 which 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; Smith; Smith and Pulver). 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.

Retail sales also are a major revenue source for local governments which 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 one 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 retail trade trends will allow identification of emerging retail trade centers and areas for potential growth or decline.

The purpose of this study is to analyze retail sales trends in Douglas County, Nevada. Specifically, this paper will

1.) Analyze Douglas County's retail trade sector activity from 1980 to 1992 in terms of overall sales, retail commodity specific sales and county per capita retail sales. The county per capita retail sales will show whether Douglas County's retail sales are keeping up with county population.

2.) Derive a "pull factor" for retail sales which estimates how much Douglas County could be selling if its residents were making all their purchases within the county.

3.) Estimate the amount of "lost sales" due to Douglas County shopping outside the county economy, and

4.) Review retail trade and small business development strategies available to local communities.

Trends in Sales

Retail sales in Douglas County have generally increased between 1980 and 1992, however the two recessions of the early 1980's and 1990's significantly affected local sales. As shown in Table 1, total retail sales increased from $166 million in 1980 to over $294 million in 1992. However, retail sales actually declined during 1981, 1985 and 1991. When sales are adjusted for inflation, real sales have actually shown even more volatility. As shown in Table 1 and Figure 1, real sales were dramatically impacted by the 1981 recession's effects on local gaming and did not recover until 1984. Between 1985 and 1990, real sales increased relatively slowly averaging only 1.43% per year. In 1991, real sales fell by 8.93%, reflecting the economic recession and other retail changes.

When sales are adjusted for both inflation and population changes, real per capita sales have been declining since 1984. While recessions may account for short-term cyclical changes, the state recovered after the early 1980's recession and was hit again by the 1991 recession, but Douglas County has been trending downward for eight years. The implications of this downward trend are important for the county since they indicate that as the population grows, people are not buying proportionately more retail goods, at least not from stores within the county. This in turn means that per capita local retail sales tax revenues will likewise decline.

The primary causes of these changes were the changing nature of the Douglas County economy from a gaming dominated economy to a suburban bedroom community, without corresponding increases in retail sales establishments and the development of a substantial retail sector in neighboring Carson City. In the early 1980's Douglas County's real per capita sales were significantly higher than either the state average or neighboring Carson City. This was largely due to the relatively small local population and a large gaming sector. In 1980, eating and drinking establishments contributed 64% of Douglas County's sales. By 1992, eating and drinking

contributed only 45% of local sales. This reflects the maturing gaming sector which has not grown significantly. On the other hand, Carson City's real sales per capita have generally been trending upward while Douglas County's have been declining. This is especially true in particular retail sectors such as Automobiles, General Merchandise/Department Stores.

Table 1. Douglas County Total and Real Sales, 1980-1993.

YEAR	TOTAL SALES	REAL SALES
1980	$166,852,676	$203,727,321
1981	150,248,614	166,757,618
1982	167,770,917	174,398,043
1983	192,076,424	192,847,815
1984	227,039,832	217,471,103
1985	223,619,894	206,101,285
1986	233,016,546	209,415,427
1987	235,261,238	210,543,438
1988	267,689,204	218,521,799
1989	286,861,494	223,586,511
1990	298,428,406	221,221,947
1991	284,284,520	201,477,335
1992	294,412,499	202,206,387
1993*	69,853,226	

* Includes First Quarter only

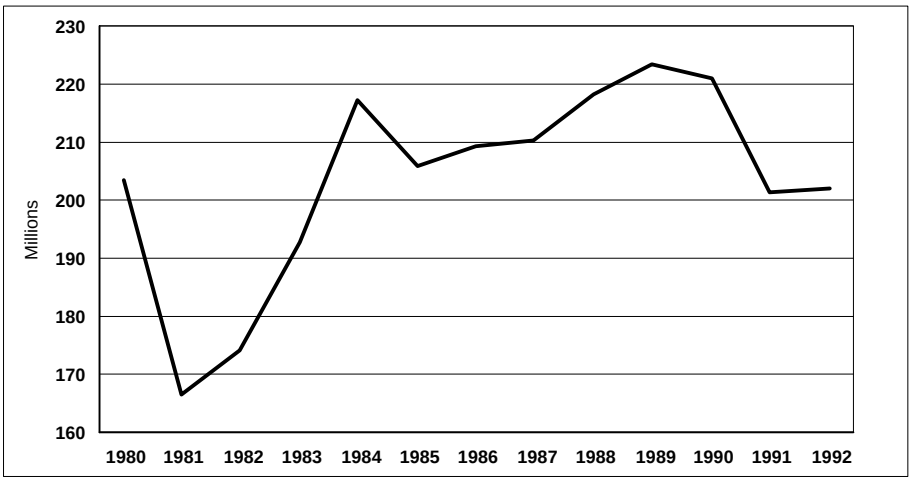


Figure 1. Real Sales for Douglas County, 1980 to 1992

Computation of the Pull Factor

Because of differences in population and income, it is often difficult to compare one county's sales with another. One method of measuring sales is to measure sales per resident of a large region, such as a state and then assume that local sales should follow the same pattern if local tastes and preferences are the same. After adjusting for differences in population and personal income, a pull factor is computed for each type of retail commodity.

The formula for computing the pull factor is as follows[1]:

Pull Factor =	**County Retail Sales**	*** County Income and Population Adjustment**	*** State Average Share of Income Spent on Retail Purchase**

The data used for this analysis is county retail sales from 1980 through 1992 as reported by the Nevada State Taxation Department. This data reports retail sales in thirty-two different categories. Data was only available for personal income through 1992, so even though retail sales were known for 1993, the pull factor could not be computed.

The pull factor measures how much a county is selling of a particular commodity versus how much it should sell if its residents were buying as much as the state average. Thus a pull factor of 100% means that the county is drawing all of resident's buying power but none from the outside. A pull factor of over 100%, say 150%, means that the county is drawing non-local customers equal to 50% more than the county population. Finally, a pull factor less than one means the county is not capturing the shoppers within its boundaries or they are spending less than the state average. The next section discusses how pull factors can be used to give local decision makers insights as to local retail sales activity and potential.

[1] For the detailed formula used, see appendix at the end of this paper or articles by Harris or Woods.

Interpretation and Use of the Pull-Factor

For economic development, the pull-factor analysis can help identify selected retail sectors which may be targeted for retail sector development. Most often a pull-factor below 100% 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 100% it may suggest that the county is drawing in residents from neighboring counties to shop.

A pull-factor above 100% indicates that the county sells more of a product than would be expected given its population and income. The most likely reasons for this volume of sales are either the local economy is specialized in a particular economic sector, or residents are shopping outside their own communities. If an economy is specialized in a particular economic sector it may buy more of a given retail product or products. For example, Elko County has a pull-factor for mining related products well above 100%. This does not necessarily mean however, that it has excess supply or is selling to neighboring county residents. Rather, in light of its local economy specializing in mining, it has a higher than average demand for such products. Similarly, Churchill County has a high pull-factor for Farm and Garden Supplies, attributable to its agricultural economy. In these cases, understanding the cause of the pull factor may suggest that a mining supply store may be needed in Elko County, while a county with a low pull factor for mining may not be suitable for such an operation.

The second reason for a high pull-factor is that the county is pulling in residents from neighboring counties. For example, in Carson City, its high pull-factor for automobiles and general merchandise stores probably reflects its role as a regional shopping area for the neighboring counties of Douglas, Lyon and Storey. Many communities have actually pursued a strategy of becoming a regional shopping center in much the same way that the 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.

If a county has a pull factor below 100%, this means that either the local economy does not demand this product, or local residents are purchasing the product outside the county. Churchill County, for example, is an economy dominated by agriculture and the local military base, as opposed to a tourist economy like Reno or Las Vegas. Not surprisingly therefore, the county's pull-factor for mining supplies is very low. In the context of demands of the local economy, these low pull-factors reflect low demand, not necessarily indicators of opportunities for a restaurant or mining supply store.

Especially in rural counties, a low pull-factor often indicates that local residents are shopping in neighboring counties. For example, Douglas County had a pull factor of 18% in department store sales while neighboring Carson City had a pull factor of nearly 180%. Driving through the counties on US 395, it is apparent that a large concentration of department stores are located on the south end of Carson City, while a large concentration of housing is located on the north end of Douglas County, just a few miles away. In such a case, it is likely that Douglas County is

importing retail products from Carson City as its residents' retail demand is leaking out of the county. By examining specific sectors such as Department Stores or Automobiles, which have particularly low pull-factors, it is possible to identify which types of retail stores might be the most successful in a county's economic development as part of an "import substitution" plan. In such a case, a low pull-factor may be used to estimate the current amount of local demand which is currently being lost and might be recaptured by a new retail operation.

Pull Factor Analysis for Douglas County

Overall Retail Sales

In 1992, the pull factor for Douglas County was 70%, indicating that the county was capturing only 70% of the sales which would be expected given its population and income. As shown in Figure 2, the pull factor peaked in 1984 and has declined ever since. The effect of the 1981 recession on sales is shown as is the subsequent recovery from 1982 through 1984.

Table 2. Overall Pull Factor for Douglas County.

Year	Pull Factor
1980	91%
1981	82%
1982	93%
1983	100%
1984	103%
1985	90%
1986	88%
1987	82%
1988	80%
1989	77%
1990	72%
1991	69%
1992	70%

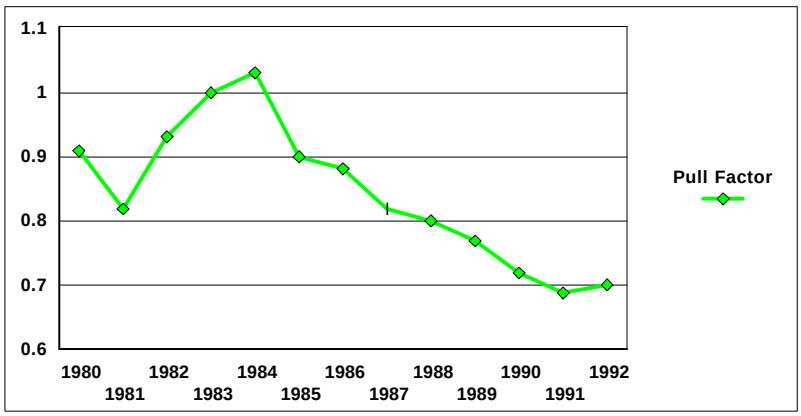


Figure 2. Retail Sales Pull Factor for Douglas County, 1980 to 1992

Sales by Sector

Table 3 disaggregates retail sales to show the amount of sales and pull-factors for particular retail sectors in 1992. This table shows that, with the exception of restaurants and photography, every retail sector has a pull factor less than 100%. The lowest sector was drugstores which had a pull-factor of only 7.2%. The highest sector was restaurants with a pull factor of 168.3%. As discussed previously, this sector is highly related to the gaming industry and the high value for Douglas County indicates the importance of gaming to retail sales. However, over the past several years, restaurants have been declining in relative importance. In 1980, restaurants had a pull factor of 316% and have been declining annually to their present value of 168.3%. This does not mean that restaurants are necessarily selling less, just that their sales have not been increasing as fast as would be expected, given the population and income growth in Douglas County and the growth in restaurant sales in the rest of the state.

Figure 3 illustrates the 1992 pull factors for the 32 retail sectors which are tracked by the Department of Taxation. Examining this graph, all sectors with a pull factor above 100% are "exporting" sectors while all those with a pull factor below 100% are "importing". All of the importing sectors are those in which Douglas County is purchasing less than expected inside the county. Presumably, the balance is made up from stores outside the county, such as in neighboring Carson City.

In addition to examining pull factors in a given year such as 1992, it is important to understand which sectors are increasing or decreasing in their pull factors. Sectors which have increasing pull factors indicate more local retail stores opening and/or stores attracting more residential customers. Sectors which have decreasing pull factors indicate that people are buying more from outside the county. The sectors which have shown the most significant increases in pull factors over the period of 1980 to 1992 are: general merchandise stores (department stores etc. from 4% to 18%), food stores (from 69% to 83%), home furnishings (from 56% to 83%), service stations

(from 21% to 44%), repair and other personal services (from 11% to 78%), and mobile home dealers (from 18% to 48%). In addition, building materials stores and hardware stores showed increases until approximately 1989 after which they declined. Combined, these sectors amounted to approximately $75 million in sales in 1992 or 25% of total retail sales in Douglas County.

The sectors which have shown the largest decreases in their pull factors are: apparel stores (from 56% to 23%), restaurants (from 316% to 168%), drugstores (28% to 7%), and automobile dealers (from 38% to 33%). These sectors amounted to $150 million in sales in 1992 or 51% of total retail sales.

Table 3. Pull Factor by Sector

Category	Pull Factor	Sales
Apparel Stores	23.0%	3,528,540
Department Stores	17.8%	6,375,859
Specialty Stores	50.0%	18,238,186
Food Stores	82.8%	19,924,581
Eating and Drinking Places	168.3%	133,562,504
Candy and Tobacco Stores	95.8%	169,668
Drugstores	7.2%	337,014
Household and Home Furnishings	83.2%	8,666,470
Radio, T.V. and Household Appliance Stores	19.7%	1,144,651
Secondhand Stores	20.2%	175,023
Printers, Publishers and Paper Products	96.8%	3,045,020
Farm Implement Stores	31.2%	293,244
Garden and Farm Supply Stores	72.3%	1,330,468
Vending Machine Operators	11.4%	104,487
Fuel and Ice Dealers	85.0%	539,773
Mining and Assay Offices	3.4%	236,538
Building Materials, Yards and Stores	94.6%	22,963,689
Hardware Stores	88.2%	3,521,089
New and Used Automobiles Dealers	33.4%	13,663,439
Travel, Aircraft, Motorcycle and Boat Dealers	28.3%	658,958
Service Station and Auto Supply Stores	44.3%	4,229,610
Itinerant Vendors	5.4%	19,662
Garages	48.5%	1,763,934
Photographers	125.5%	1,126,999
Repair Shops and Other Personal Services	77.7%	9,732,152
Mobile Home Dealers	47.8%	432,661
Construction/Special Trade Contractors	61.0%	8,733,538
Leasing Companies	16.0%	2,002,701
Health and Medical Equipment Supplies	10.3%	416,161
Manufacturers and Wholesalers	59.7%	15,612,260
Producers and Distributors	33.2%	4,424,259
All Other Outlets	33.7%	7,439,541
TOTAL		294,412,499

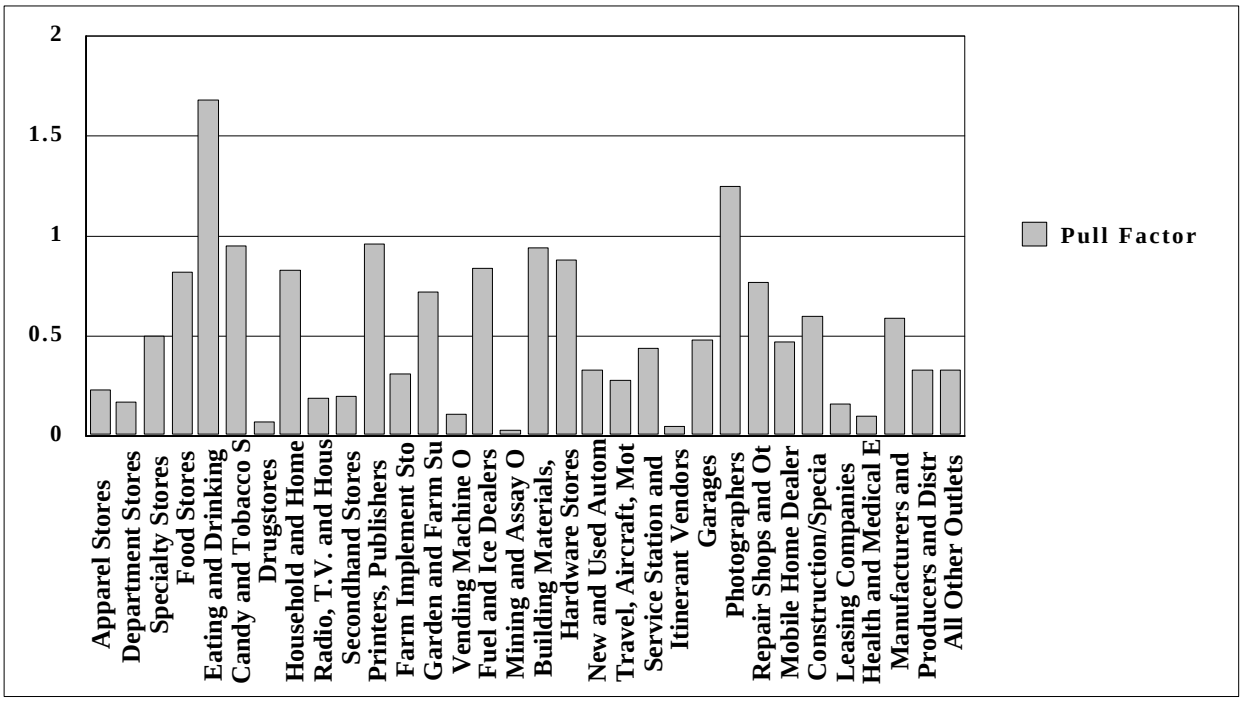


Figure 3. Pull Factors by Retail Sectors for Douglas County, 1992

Finally, Figure 4, presents comparative pull factors for particular sectors for both Douglas County and Carson City. The sectors were chosen for their relative importance in total retail sales. Overall, Carson City had a pull factor of 90% compared with Douglas County's 70%. However, the low pull factor in Carson City was caused by the lack of significant gaming activity and consequent low restaurant sales. In fact, Carson City had a pull factor for restaurants of only 49.4% compared with the 168% in Douglas County. Compensating for this lack of tourist based sales, Carson City has developed as a regional shopping center for neighboring counties, such as Douglas, Lyon and Storey. As Figure 4 illustrates, several retail sectors which normally cater to residents (as opposed to tourists) have high pull factors in Carson City and low pull factors in Douglas County. For example, while Douglas has a pull factor of only 18% for Department Stores, the corresponding value in Carson City was 180%. Similarly, the Automobile category had a pull factor of 33% in Douglas and 203% in Carson. The Automobile category is particularly important because of its size (almost $102 million in Carson compared with less than $14 million in Douglas). Generally, while many categories in Douglas County have been exhibiting declining pull factors, many of those same categories have been showing increases in neighboring Carson City.

Table 4. Pull Factor

Retail Sector	Carson City	Douglas County
Department Stores	178%	18%
Food	137%	82%
Restaurants	49%	168%
Drug Stores	7.2%	152%
Furniture	86%	83%
Building Materials	130%	94%
Hardware	132%	88%
Automobiles	203%	33%

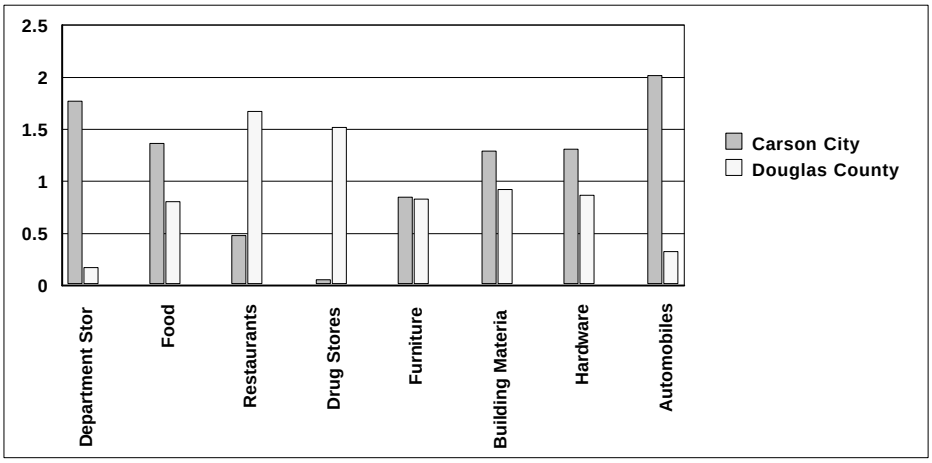


Figure 4. Comparative Pull Factors by Sector for Carson City and Douglas County

Potential Sales Analysis

As a final measure of the potential areas for economic development, an estimate of the "lost" sales is presented in Table 5. Lost sales are defined as the difference between actual sales and potential sales (calculated based on a pull factor of 100% and assuming that people purchased items at the statewide average rate after adjusting for income and population).[2]

Using the 1992 pull factor for Douglas County of 70%, total potential sales would be approximately $419 million while actual sales were $294 million. Thus, lost sales would be approximately $124 million. This means that if everyone in Douglas County were buying in Douglas County, there might be as much as $124 million more in annual retail sales. This represents a 42 percent increase over current sales levels. In turn, this would also increase local sales tax collections and distributions to some local governments proportionately.

When broken out by particular retail sector, the three retail sectors losing the most in sales are: department stores (losing over $29 million); automobiles (losing $27 million) and specialty stores (losing $18 million). While many other sectors have lost potential sales, many have relatively small total potential sales. For example, drug stores have one of the lowest pull factors (only 7.2%) but their total potential sales are only $4.6 million lower than the top three.

These estimates of potential and lost sales are especially useful in identifying particular economic development and retail recruitment strategies. For example, a drug store might be targeted and told that the market is fairly open (currently filling only 7.2% of estimated demand), and that there might be as much as $4 million dollars in annual potential sales in the community. Alternatively, little effort should be expended in attempting to attract a furniture store where a pull factor of 83% indicates that the market is being met relatively well by current stores. This information in turn can also help economic development officials or private companies attempting to prepare feasibility studies for particular locations.

As one final caveat, it should not be expected that just because department stores are so low in Douglas County and so high in Carson City that there will automatically be a market for a new store in Douglas County. The retail sector in Carson City has been developing for a number of years and retail centers tend to cluster together (e.g. in malls) making it difficult to just open a new department store somewhere by itself. Second, the commercial space in Douglas County is actually farther removed from many of the north valley residents than the sites in Carson City. Third, there would be tremendous competitive pressure from the already established retail stores which may deter new retailers.

[2] For a detailed explanation of the methodology used for estimating potential and lost sales, see the appendix.

Table 5. Actual and Lost Sales by Sector

Retail Sector

	1992 Actual Sales	Potential Sales	Estimated Lost Sales
Apparel	3,528,540	15,326,589	11,798,049
Department Store	6,375,859	35,892,547	29,516,688
Specialty	18,238,186	36,491,242	18,253,056
Food	19,924,581	24,068,082	4,143,501
Restaurants	133,562,504	NA	NA
Candy	169,668	177,090	7,422
Drugstores	337,014	4,656,978	4,319,964
Furniture	8,666,470	10,421,700	1,755,230
Appliance	1,144,651	5,816,112	4,671,461
Secondhand	175,023	866,265	691,242
Paper	3,045,020	3,145,325	100,305
Farm	293,244	938,741	645,497
Garden	1,330,468	1,839,437	508,969
Vending	104,487	919,581	815,094
Fuel	539,773	634,718	94,945
Mining	236,358	6,925,226	NA
Building Materials	22,963,689	24,278,586	1,314,897
Hardware	3,521,089	3,992,925	471,836
Automobiles	13,663,439	40,935,954	27,272,515
RV's	658,958	2,325,382	1,666,424
Auto Supply	4,229,610	9,553,840	5,324,230
Itinerant	19,662	362,354	342,692
Garages	1,763,934	3,635,738	1,871,804
Photography	1,126,999	NA	NA
Repair	9,732,152	12,529,243	2,797,091
Mobile Homes	432,661	905,270	472,609
Construction	8,733,538	14,324,083	5,590,545
Leasing	2,002,701	12,490,012	10,487,311
Health Equipment	416,161	4,043,047	3,626,886
Manufacturers	15,612,260	26,135,108	10,522,848
Producers	4,424,259	13,332,679	8,908,420
Other	7,439,541	22,107,549	14,668,008
Total	294,412,499	419,334,101	124,921,602

Business Development Strategies

Retail trade trends reflect the overall health of a local economy. All outshopping or sales leakage cannot be stopped. Often, existing shopping patterns have allowed a neighboring community to attract major retail stores which require a large population to support them. Attempting to simply duplicate these stores may be futile because the local population is insufficient to attract a second store. There are other programs and actions which can assist retail trade activities, however.

Concerned leaders and business persons can focus on business 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 can 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. These can be the foundation for a retail trade 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 by 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 or more detailed analyses are available from 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 lost 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.

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. Having this type of information available in one location will make life easier for potential businesses. The Small Business

Development Center at the University of Nevada, Reno publishes a guide to starting a business in Nevada which addresses many of these issues. Local governments can also work to consolidate their business functions in one central location.

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.

References

Harris, Thomas R. "Commercial Sector Development in Rural Communities: Trade Area Analysis." *Hard Times: Communities in Transition*. Western Rural Development Center, WREP 90, September, 1985.

Husteddle, R., R. Shaffer and G. Pulver. "Community Economic Analysis: A How to Manual." Ames, Iowa. North Central Regional Center for Rural Development, 1984.

Potterfield, Shirley L. and Glen C. Pulver. "Exports, Imports and Locations of Service Producers." International Regional Science Review, 14(1991):41-59.

Smith, Steve M. "Export Orientation of Nonmanufacturing Business in Nonmetropolitan Communities." American Journal of Agricultural Economics, 66(1984):145-155.

Smith, Steve M. and Glen C. Pulver. "Nonmanufacturing Business as a Growth Alternative in Nonmetropolitan Areas." Journal of Community Development Society, 12(1981):33-47.

Woods, Mike D. "Retail Sales Analysis in Oklahoma City by County, 1977, 1982, 1987." Oklahoma State University Agricultural Experiment Station, Bulletin B-801, October 1991.

Appendix

$$\mathbf{PF} = \mathbf{RS}_c * 1 / PCI_c * P_c * 1 / RS_s / PI_s$$

Where the following notation is used:

RS_c = Actual retail sales in county
RS_s = Actual retail sales for the state
PCI_c = Per capita income in county
P_c = County population
PI_s = Total personal income for the state

To compute a county's potential retail sales, the following formula was used:

Potential Sales = Actual Sales/Pull Factor

Using this information, "Lost Sales" were computed as:

Lost Sales = Potential Sales - Actual Sales