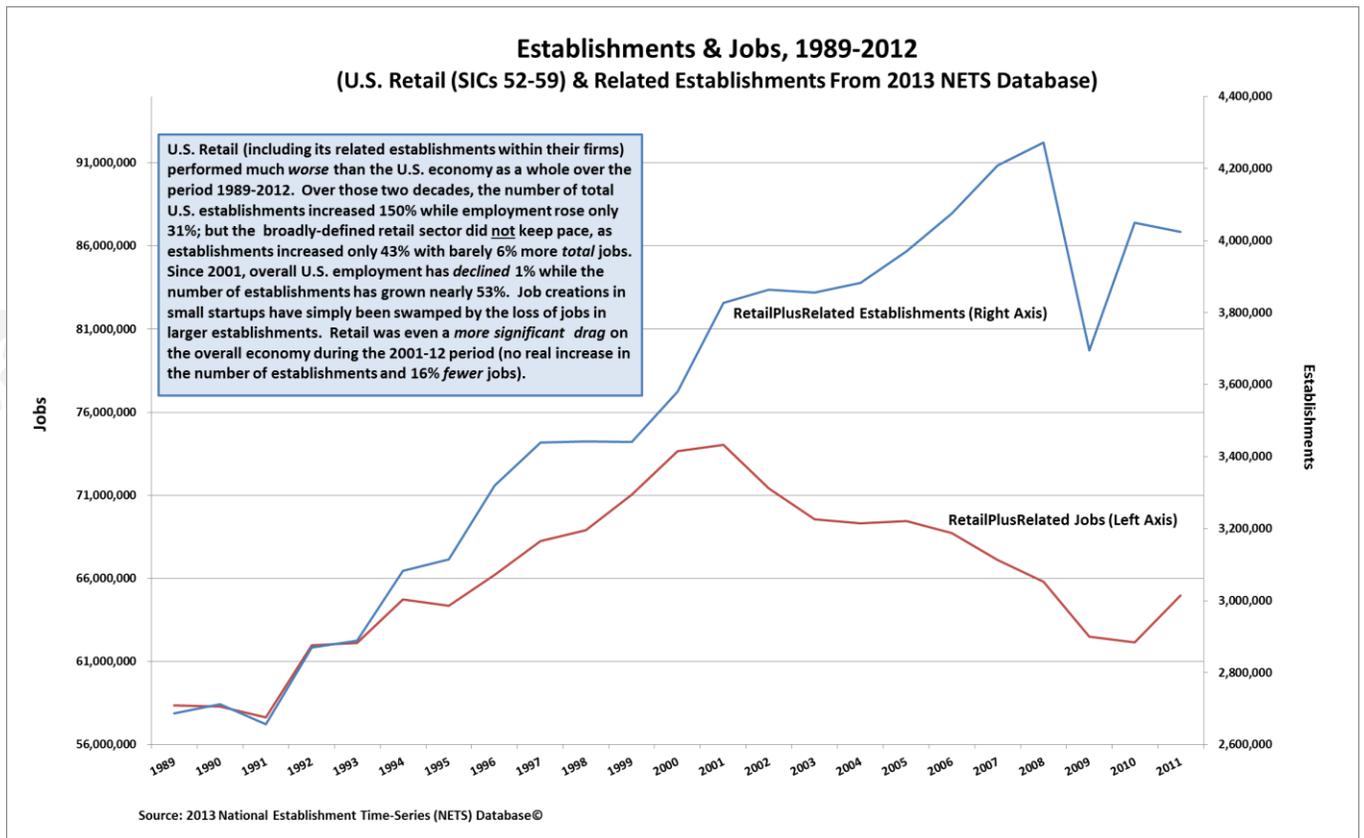




Donald W. Walls
President

2013 National Establishment Time-Series (NETS) Retail Database[©]

The 2013 National Establishment Time-Series (NETS) Database[©] is the only historical database of its kind that provides time-series information on establishment sales growth performance, job creation and destruction, changes in primary markets, mobility patterns, and historical D&B ratings, to name a few. The annual time-series of information for over 54.7 million U.S. establishments from January 1990 to January 2013 and the detailed 8-digit SIC classification system (over 18,500 industries) allows us to "drill down" to specific sectors of interest at much greater detail than even the 6-digit federal NAICSS. We used this capacity to define the *Retail Database* in a way that allows us to look at *full role* of retail activity in the U.S. economy.



In order to build the Retail Database, we first identified *all* establishments (8.57 million) that *ever* reported their primary market (SIC8) as retail (SIC 52-59) during the period 1990-2013. Then, in the second round, we found all establishments that were *related* to them (had the *same* headquarters) which increased the Database size 16% to 9.98 million establishments. Those additional establishments include such *support activities* as banking and personal credit institutions, consumer finance, real estate agents and managers, insurance, engineering, temporary help services, computer integrated systems design, software development, warehousing, trucking,

advertising agencies and refuse systems to mention just a few. The expanded establishments also included those entities like hotels, colleges and universities, public schools, religious organizations, and hospitals that had their own *imbedded retail activities*. Lastly, *complimentary services* like travel agencies, beauty shops, rent-a-car services, video disk/tape rental, cellular phone service, interior design services, equipment rental and leasing, child day care, life insurance, and tax return preparation, to mention a few, were an essential part of our expanded retail sector.

Over the period 1989-2012, the number of retail (SIC 52-59) establishments grew by only 44% while total U.S. establishments expanded by 150%. However, the growth in retail-only *jobs kept pace* with the overall economy (30% vs. 31%). As the graph above illustrates, the same cannot be said for our *expanded retail* sector. The broadly-defined retail sector simply did not keep pace, as establishments increased only 43% with barely 6% more total jobs (1989-2012). The expanded retail sector was even a *more significant drag* on the overall economy during the 2001-12 period (no real increase in the number of establishments and 16% *fewer* jobs).

The NETS Retail Database—because it is establishment-based¹—allows the researcher to parse the various contributions to growth to different activities within the firm. It allows us to see how much *productivity* has permitted firms to shift employment from retail-only establishments to related service and financial activities (e.g., from grocery stores to consumer banking or from hardware or furniture stores to interior design services). For instance, between 1989 and 2008 (pre-Great Recession) retail jobs grew 39% while sales expanded by 80% with sales per employee growing 29%. Retail actually *bested the overall economy* that only had 34% job growth, 71% sales growth and 27% sales per employee growth. Thus, a much greater decline in the retail sector during the Great Recession tends to account for its overall poor performance 2001-12.

This specialized Database also lets one explore the role of merger and acquisition and its relationship to changes in primary market focus. For instance, active retail establishments in 2013 were more than *twice* as likely to have been involved in a merger or acquisition (6.9% vs. 3.2% for the private sector as a whole). More importantly, mergers and acquisitions disproportionately affect jobs: retail mergers/acquisitions accounted for nearly 23% of all 2013 retailing jobs, even greater than the 21% share for the entire U.S. private sector. Some retail sectors are, of course, much more affected by mergers/acquisitions. For instance, in 2013 21% of *active* General Merchandise Store establishments (35% of their jobs) and 11% of Apparel and Accessory Store establishments (26% of jobs) had been involved in mergers.

Another question that begs for in-depth analysis is the observation that, in the entire U.S. economy, if an establishment's primary market changes dramatically (at the SIC3 level), the likelihood of a merger or acquisition goes from 2.6% to 12.2%! In the retail sector alone, the equivalent numbers are from a higher 4.8% for those establishments with no major change in primary market to 13.5% for those who did experience a change. Those retail establishments *active* in 2013, with *no change* in their primary market, who were involved in mergers and acquisition still impacted nearly 20% of jobs in that category; but establishments that had *both* a change in primary market and were involved in a merger accounted for over 35% of jobs in that category.

This short monograph suggests just a few of the insights one can gain into the retail sector by exploring establishment performance. If understanding the U.S. retail sector in-depth is your goal, please take a look at the *Retail2013.xlsx* analysis that summarizes **2013 NETS Retail Database** by CBSA and SIC8 or contact us at the email address below.

¹ An "establishment" in the NETS Database is a unique primary market (SIC8) at a unique location. Unlike the federal definition (a firm's unique location), for multi-establishment firms, there may be more than one establishment at a location.