New Mexico Retail Trade Analysis

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Retail Pull Factors

Retail trade is the sale and distribution of merchandise to consumers through either a store location or non-store location such as the internet, phone, catalog, or advertising.

Retail trade is one of the key economic indicators of regional economies. The retail strength of a county is a function of the customer base served, the buying power of the customer base, and the quality of the retail environment. Retail pull factors measure retail sales captured by counties across New Mexico in nine sectors.

In 2018, according to the National Retail Federation (2020), 189,600 employees worked in the retail sector at 22,500 establishments across New Mexico. Employees in the retail sector earned an average wage of $29,008 accounting to $5.5 billion in direct labor income.

In 2020, in terms of percentage of retail sales by industry (Figure 1), the greatest amount of retail sales was in miscellaneous retail (29%), followed by food (23%), and auto dealers and gasoline services (13%). New Mexico residents retail expenditures on eating and drinking was 12% while general merchandise (8%), building materials, (6%) and health and personal care (5%) comprised nearly a fifth of total retail sales. Apparel and accessories (3%) and home furniture (1%) accounted for remaining retail sales in New Mexico.
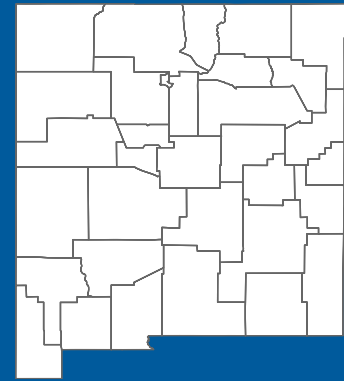
Program Overview

CREATE BRIDGES (Celebrating REtail, Accommodations, Tourism, and Entertainment by Building Rural Innovations and Developing Growth Economies) is a pilot project designed for multi-county regions to raise the awareness of the role retail, accommodations, tourism, and entertainment businesses play in the local economy; determine challenges, barriers, and opportunities related to those businesses; and develop and implement strategies to strengthen the retail, accommodations, tourism, and entertainment sectors within a region. CREATE BRIDGES is a collaborative partnership between the Southern Rural Development Center, the University of Arkansas, The University of Illinois, the University of Kentucky, New Mexico State University, North Carolina State University and Oklahoma State University. It is currently active in eight regions throughout the six partner states.
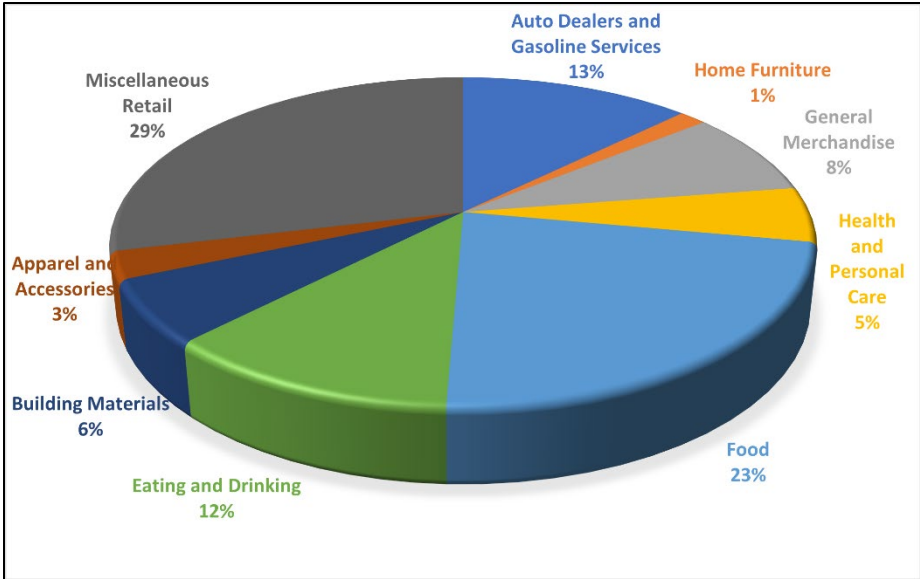
Figure 1. Percent Retail Sales in New Mexico by Detailed Industry, 2020

Source: New Mexico Taxation and Revenue Department (2022)
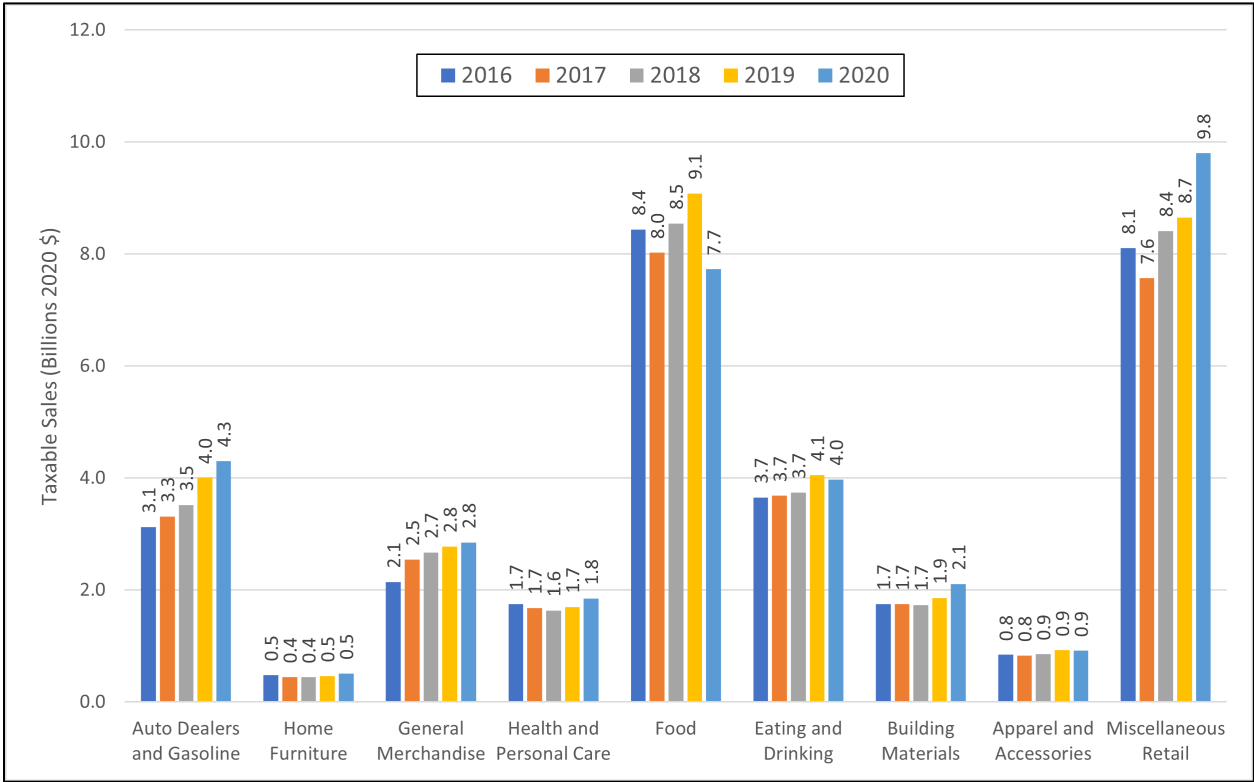

Figure 2. Comparison of Taxable Sales by Detailed Industry in New Mexico, 2016-2020

Source: New Mexico Taxation and Revenue Department (2022)

Based on New Mexico Taxation and Revenue Department's taxable sales data from 2016 to 2020 (Figure 2), New Mexico residents spent the most (over $8 billion) on miscellaneous

retail and food purchases (over $7 billion). Retail expenditures ranged from $3-4 billion in auto dealers as well as eating and drinking places with slight increases over the years. General merchandise saw an increase in expenditures from $2.1 to $2.8 billion. Retail expenditures on health and personal care (over $1.6 billion) as well as building materials (Over $1.7 billion) remained fairly stable over the last five years. Apparel and accessories expenditures ranged from $0.8 to 0.9 billion with slight changes. Retail expenditures on home furnishings were the least among all sectors in the range of $0.4 to $0.5 billion. All retail sales were adjusted for inflation and presented in 2020 dollars. Appendix B provides details of the retail trade classifications and the sectors or industries included in each category.

CREATE BRIDGES in New Mexico

In New Mexico, Celebrating REtail, Accommodations, Tourism, and Entertainment by Building Rural Innovations and Developing Growth Economies (CREATE BRIDGES) counties are found in the northeastern region of the state (Colfax, De Baca, Harding, Mora, Quay, San Miguel, and Union counties) as presented in Figure 3.
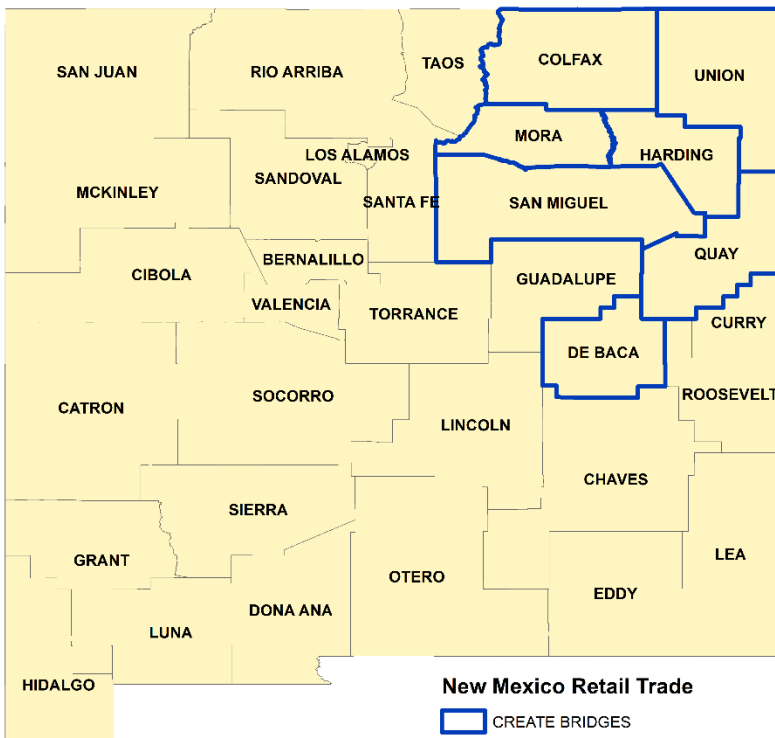

Figure 3. CREATE BRIDGES counties in New Mexico

In Table 1, total retail sales are summarized for New Mexico CREATE BRIDGES counties from 2016 to 2020. From 2016 to 2019, retail sales dropped or remained stable for most counties while Quay County experienced an increase. The 2020 pandemic year had a mixed effect in the region.

	2016	2017	2018	2019	2020
Colfax	150.97	143.58	142.13	138.25	193.08
Da Baca	11.40	10.64	10.49	9.65	9.26
Harding	2.58	3.33	2.87	4.29	4.21
Mora	14.68	11.94	12.69	12.15	13.31
Quay	159.19	191.32	205.22	210.09	196.05
San Miguel	250.41	228.22	237.34	265.54	270.52
Union	50.22	55.89	51.90	54.70	54.85

Table 1. Summary of total retail sales in CREATE BRIDGES counties in New Mexico (millions 2020$)

Source: New Mexico Taxation and Revenue Department (2022)
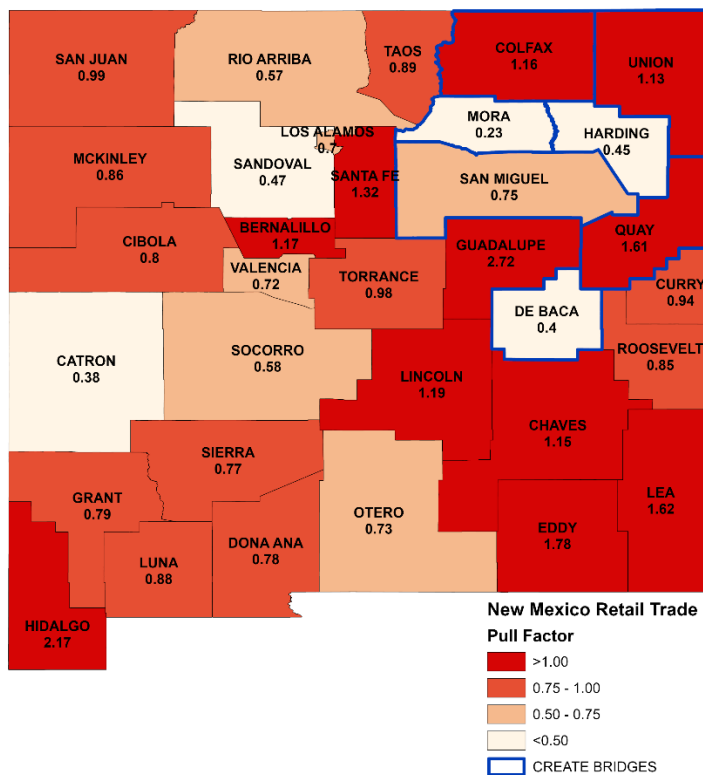
New Mexico Retail Pull Factors

Figure 4. New Mexico County Retail Trade Pull Factors

Sources: New Mexico Taxation and Revenue Department, 2022; U.S. Census Bureau, 2022a; U.S. Census Bureau, 2022c

In 2021, 11 counties in New Mexico had a retail trade pull factor greater than 1 indicating either a gain in customers from other counties or residents spent more than the state average on retail purchases (Figure 4). On the other hand, 22 counties had a pull factor below 1 indicating residents either spent less than other counties or purchased more goods outside their county. Residents in Guadalupe, Hidalgo and Eddy counties spent more than the state average while Mora, Catron, and De Baca County residents spent less

than the state average on retail purchases. The equation to compute retail trade pull factor is as follows:

$$Pull\ Factor_{\sec tor} = \frac{Retail\ sales_{county}}{Adjusted\ population_{county}} \div \frac{Retail\ sales_{state}}{Adjusted\ population_{state}}$$

Market share is the percentage of retail trade area captured by a county with respect to the state. In other words, market share is the percent of the total customer base in New Mexico captured by the county's retail trade.

Trade area capture is computed by multiplying the adjusted population with the pull factor for a region. Trade area capture is a measure of the size of customer base. The equation to compute market share is as follows:

$$Market\ share_{\sec tor} = \frac{Trade\ area\ capture_{county}}{Trade\ area\ capture_{state}} = \frac{Adjusted\ population_{county} * PF_{\sec tor}}{Adjusted\ population_{state} * PF_{\sec tor}}$$

In computing the retail trade measures, it was assumed that per capita income is homogenous across the state and the retail expenditures of the resident population are assumed to be equal. It was also assumed that there are no leakages of retail consumers/sales outside the state of New Mexico.

Commuting Patterns of Retail Customers

While trade area capture estimates number of retail customers within a county, it does not factor in cross-county traffic of retail customers. Retail customers travel across county borders to purchase goods and services. The net retail customers in a county are calculated by deducting the adjusted population (non-institutionalized population i.e., people that are not in hospitals, nursing homes, prisons) from the trade area capture estimate.

The map below (Figure 5) illustrates the number of retail customers either coming into a county or leaving a county for retail purchases. While 11 counties in New Mexico displayed a net in-commuting pattern whereas all the other counties (22 counties) displayed a net out-commuting pattern. Bernalillo, Santa Fe, Eddy, and Lea counties gained the most retail customers while Sandoval and Dona Ana counties lost the most retail customers. It is evident that metropolitan areas of Santa Fe, Albuquerque, and Los Alamos along with the eastern region attracted retail customers. Another trend is the loss of retail customers in counties that are neighboring Colorado, Arizona, and Mexico. These leakages are not necessarily out of state but indicates a vulnerability of the retail sector demand that is unmet locally.

The estimated retail customer surplus or leakage is calculated as follows:

Estimated Customers$_{county}$ = Trade Area Capture$_{county}$ Adjusted Population$_{county}$*
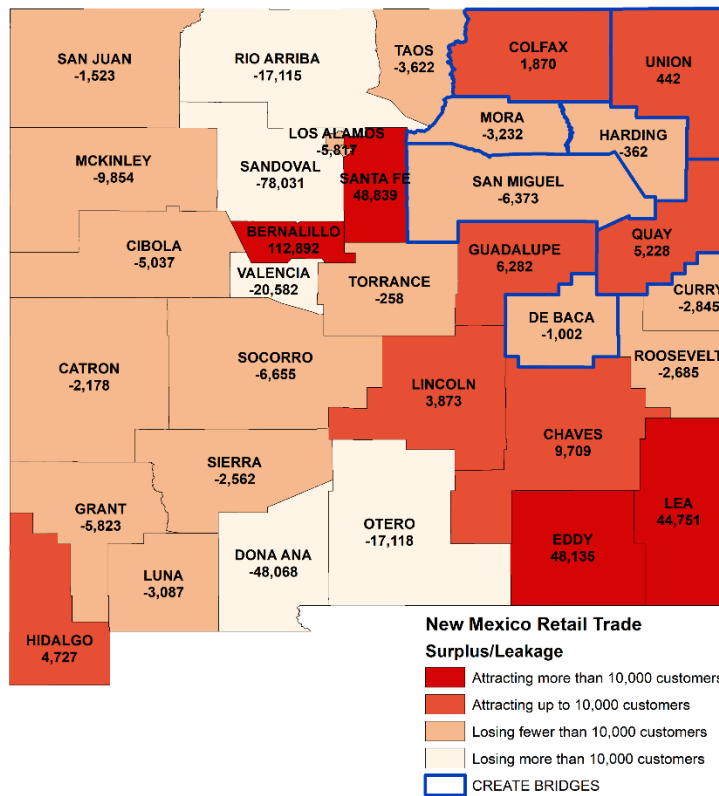

Figure 5. Estimated Retail Trade Customer Surplus/Leakage in New Mexico

Sources: New Mexico Taxation and Revenue Department, 2022; U.S. Census Bureau, 2022a; U.S. Census

Bureau, 2022c

Buying Power Index

The buying power index is a measure of the capability of the retail customers living in that county to buy retail goods as illustrated in Figure 6. The higher the index, the greater the ability to buy retail goods and support retail activity in the region. The buying power of retail customers in Los Alamos, Harding, Bernalillo, and Santa Fe counties is relatively higher. Retail customers in De Baca, McKinley, and Luna counties have a relative low buying power compared to other counties.

The buying power index is calculated by the following equation:

BPI = (2 Population %) + (3*Retail Sales %) + (5*Per capita income %)*

10 (sum of the weights)

Where Population % is the percentage of county population to that of the state of New Mexico, Retail Sales % is the percentage of retail sales in the county to that of the state of New Mexico, and Per capita income % is the percentage of per capita income in the county to that of the state of New Mexico. The weights in the equation above capture the role of income, quality of retail environment, and the critical mass of population in the demand for retail goods and services in New Mexico.
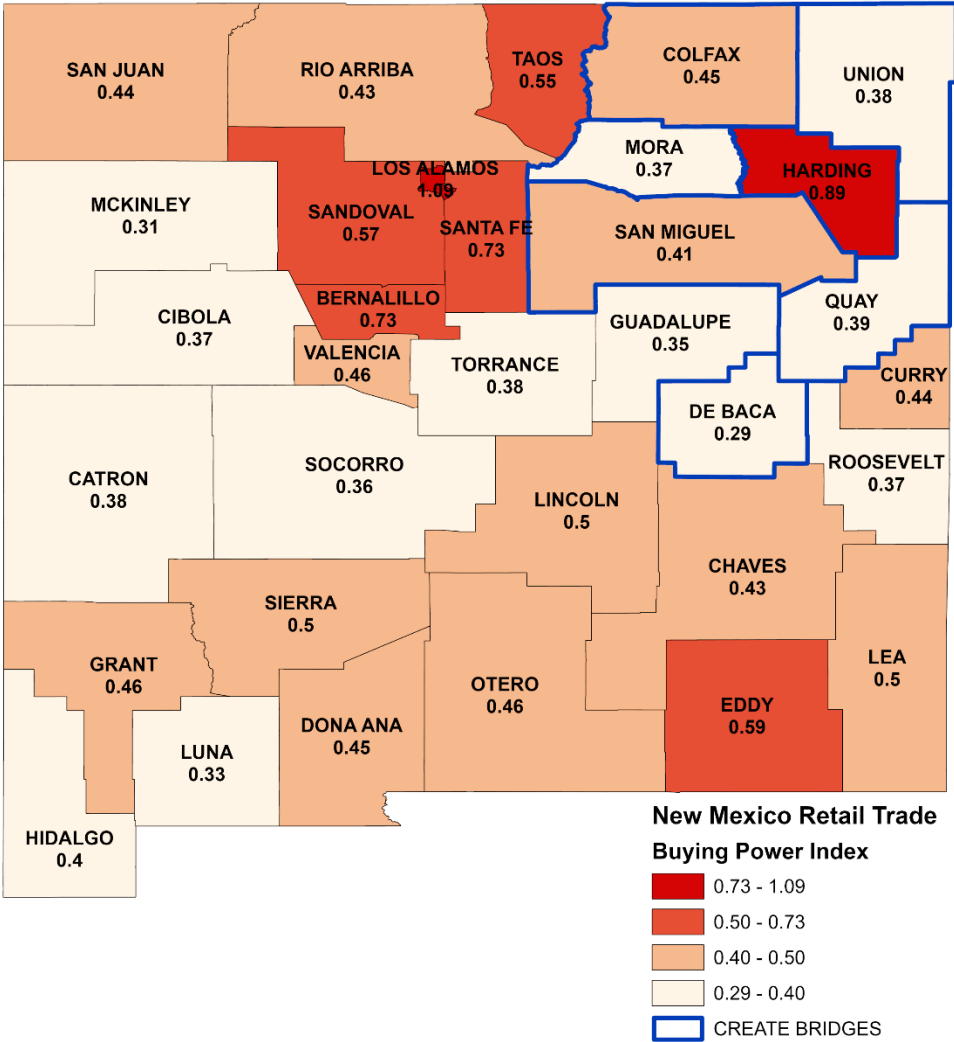

Figure 6. 2021 Buying power index of retail customers in New Mexico

Sources: New Mexico Taxation and Revenue Department, 2022; U.S. Census Bureau, 2022b; U.S. Census Bureau, 2022c

Appendix A provides details on county trade pull factors, trade area capture, market shares, estimated retail customer surplus/leakage, and buying power index for all counties in Oklahoma.

Summary and Conclusions

Retail trade is an important sector for New Mexico's economy supporting 189,600 employees working in 22,500 establishments across the State. Despite losses in food related sectors, retail sales did not suffer greatly during the COVID-19 pandemic. Retail expenditures on miscellaneous retail, food, and automobiles have been relatively higher than other sectors in New Mexico from 2016 to 2020.

Retail customers spent more than the state average in metropolitan areas around Santa Fe, Albuquerque, and Los Alamos along with eastern and southwestern regions of the state. Counties across the state surrounding metropolitan areas have lost retail customers. Retail goods and services for residents along the northwestern, western, and southern regions could be better served.

One of the limitations of this study in calculating the retail measures is that the economy of the state is considered closed to any out-of-state customers buying retail goods and services. It is also assumed that none of the retail customers within the state shop for retail goods and services outside the state. Of course, there is free movement of retail customers across the borders which is beyond the scope of this study and not estimated in this report. The taxable sales data analyzed does not include out-of-state, catalog, or internet sales. Despite these limitations, taxable sales data captures a majority of retail sales and is a good measure of retail activity in New Mexico.

Serving rural retail customers and retaining their business is a particular challenge for the retail sector as illustrated through various retail measures. Addressing the needs of low-income consumers and hard to reach areas in specific regions of New Mexico can provide growth opportunities for the retail industry in New Mexico.

Retail trade activity in the CREATE BRIDGES region in New Mexico can be improved. The region borders Colorado, Oklahoma, and Texas indicating a potential to attract retail customers from these states. The retail pull factors for the counties in the CREATE BRIDGES region are mixed – a few counties are relatively high (Colfax, Union, Quay) indicating the presence of anchor retail establishments that attract retail customers to this region and other counties (Mora, Harding, San Miguel and De Baca) that are losing retail customers. While the buying power index of Harding County is higher indicating a willingness to pay for retail goods in the local area, all other counties have relatively lower buying power indicating a demographic of lower income customers. Proximity to state highways is a strength of these communities which can be leveraged in terms of storage and distribution of retail goods in this region. An in-depth analysis of willingness to pay for

retail goods and understanding the preferences of local retail customers will help in recruitment and retention of appropriate retail outlets in the region.

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Appendix A

Retail Trade Pull Factor, Trade Area Capture, Market Share, Estimated Retail Customer Surplus or Leakage and Buying Power Index for Counties in New Mexico

County	County Trade Pull Factor	Trade Area Capture	Market Share	Retail Customers Surplus/Leakage	Buying Power Index
Bernalillo	1.17	780,771	37.6%	112,892	0.73
Catron	0.38	1,312	0.1%	-2,178	0.38
Chaves	1.15	72,537	3.5%	9,709	0.43
Cibola	0.80	20,577	1.0%	-5,037	0.37
Colfax	1.16	13,651	0.7%	1,870	0.45
Curry	0.94	44,433	2.1%	-2,845	0.44
De Baca	0.40	655	0.0%	-1,002	0.29
Dona Ana	0.78	166,217	8.0%	-48,068	0.45
Eddy	1.78	109,751	5.3%	48,135	0.59
Grant	0.79	21,529	1.0%	-5,823	0.46
Guadalupe	2.72	9,930	0.5%	6,282	0.35
Harding	0.45	298	0.0%	-362	0.89
Hidalgo	2.17	8,763	0.4%	4,727	0.40
Lea	1.62	116,724	5.6%	44,751	0.50
Lincoln	1.19	23,934	1.2%	3,873	0.50
Los Alamos	0.70	13,511	0.7%	-5,817	1.09
Luna	0.88	21,905	1.1%	-3,087	0.33
McKinley	0.86	62,016	3.0%	-9,854	0.31
Mora	0.23	941	0.0%	-3,232	0.37
Otero	0.73	47,006	2.3%	-17,118	0.46
Quay	1.61	13,861	0.7%	5,228	0.39
Rio Arriba	0.57	22,544	1.1%	-17,115	0.43
Roosevelt	0.85	15,339	0.7%	-2,685	0.37
San Juan	0.99	118,164	5.7%	-1,523	0.44
San Miguel	0.75	19,127	0.9%	-6,373	0.41
Sandoval	0.47	70,240	3.4%	-78,031	0.57
Santa Fe	1.32	200,932	9.7%	48,839	0.73
Sierra	0.77	8,693	0.4%	-2,562	0.50
Socorro	0.58	9,366	0.5%	-6,655	0.36
Taos	0.89	30,217	1.5%	-3,622	0.55
Torrance	0.98	14,585	0.7%	-258	0.38
Union	1.13	3,878	0.2%	442	0.38
Valencia	0.72	54,159	2.6%	-20,582	0.46

Appendix B
Retail Trade Classifications and Sectors Included

Apparel retail trade includes retail businesses that sell clothes, accessories, jewelry, luggage, leather, and other personal goods for men, women, and children.

Automotive retail trade includes new and used car, recreational vehicle, motorcycle, boat, and other motor vehicle dealers as well as stores selling automotive parts, tires, and accessories. Automobile service stations, gasoline stations combined with convenience stores, and car washes are included in this sector.

Building material retail trade includes building material supplies dealers, home centers, stores selling paint, wallpaper, lawn, garden equipment, and outdoor power equipment. Nursery, garden center and farm supply stores are also included in this sector.

Eating and Drinking retail trade includes restaurants, fast food places, refreshment stands, and drinking places such as bars, pubs, and taverns. The sector includes food courts in malls, hotel owned restaurants as well as bars and restaurants owned by civic, social, and fraternal associations.

Food retail trade includes grocery stores, supermarkets, convenience stores, specialty food stores including meat, fish, seafood, fruit, and vegetable markets. This sector includes bakery goods stores, confectionery and nut stores, and all other specialty food stores. Beer, wine, and liquor stores are also included in this sector.

Furniture retail trade includes stores that sell furniture, upholstery, appliances, and floor covering. Window treatment stores and all other home furnishings are included in this sector. This sector also includes consumer electronics, music, computer software, and musical instrument stores.

Miscellaneous retail trade includes florists, office supplies, stationery, gift, novelty, and souvenir stores. Merchandise, pet supplies, art dealers are also included in this sector. This sector also includes manufactured home dealers, tobacco stores, and other retail stores.

General merchandise retail includes department stores, discount stores, and supercenters. These stores sell dry goods, apparel and accessories, furniture and home furnishings, food, and hardware. Big box retail stores are included in this sector.