

CREATE BRIDGES Briefs 23-5

Oklahoma 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 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 Oklahoma.

In 2018, according to the National Retail Federation (2020), 429,300 employees worked in the retail sector at 56,100 establishments across Oklahoma. Employees in the retail sector earned an average wage of \$27,253 accounting for \$11.7 billion in direct labor income.

In 2021, as illustrated in Figure 1, in terms of percentage of retail sales by industry, the greatest amount of retail sales was in general merchandise (29%), followed by eating and drinking places (19%). Automobile and gasoline accounted for 16%, building materials comprised of 11%, and miscellaneous retail added up to 10% of retail sales. While food comprised 9% of retail sales, apparel and accessories accounted for 3% of retail sales, and home furniture accounted for remaining retail sales (3%) in Oklahoma.



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.

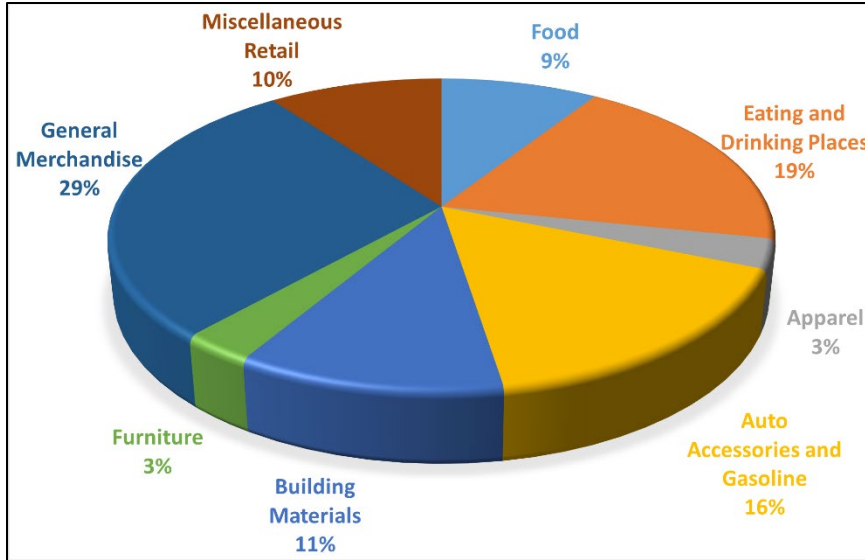


Figure 1. Retail Sales Breakdown in Oklahoma by Detailed Industry, 2021

Source: Oklahoma Business Bulletin, 2022

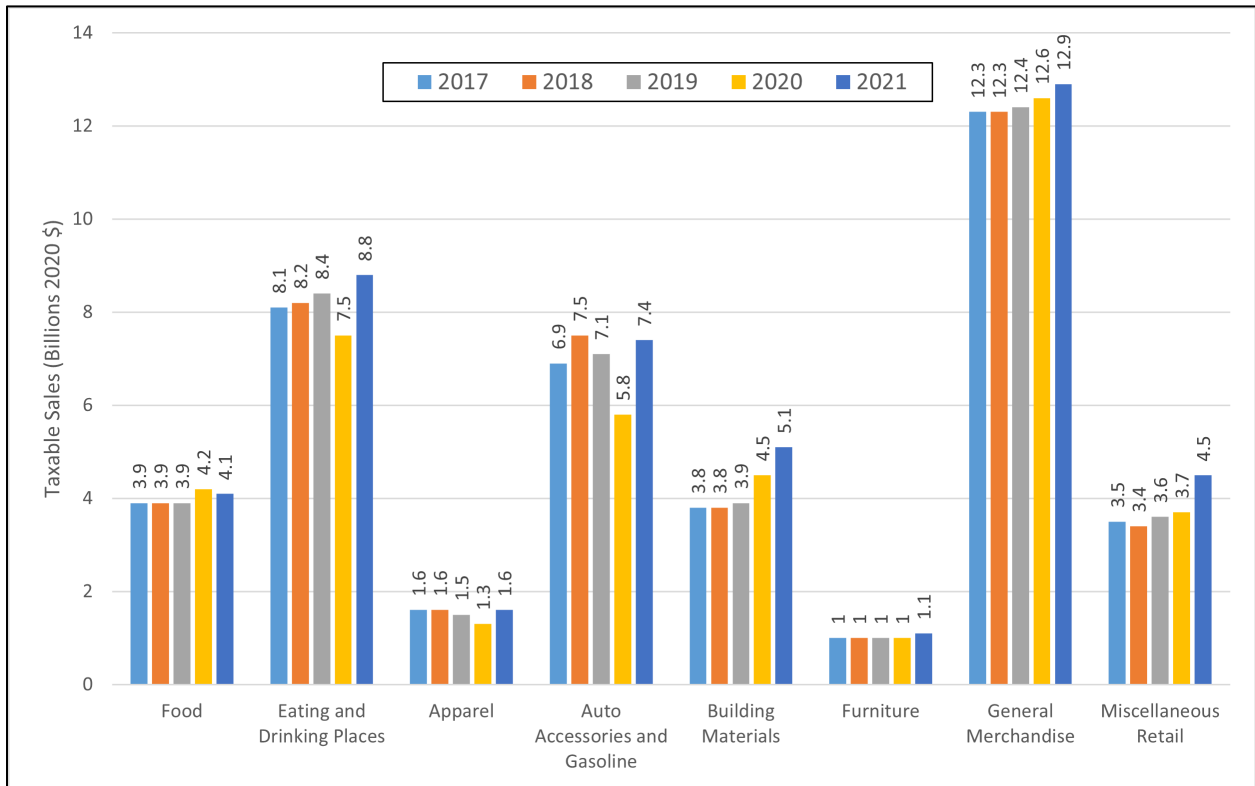


Figure 2. Comparison of Taxable Sales by Detailed Industry in Oklahoma, 2017-2021

Source: Oklahoma Business Bulletin, 2022

In terms of retail sales trends over the last five years (Figure 2), Oklahoma residents spent the most (over \$12 billion) in general merchandise followed by eating and drinking places

(over \$7 billion). Retail expenditures ranged from \$5-\$7 billion in automobiles, accessories, and gasoline services. Building materials expenditures increased from \$3.8 to \$5.1 billion and miscellaneous retail increased from \$3.5 to \$4.5 billion over recent years. Food expenditure remained fairly stable and increased slightly from \$3.9 to over \$4 billion. Apparel and accessories expenditures ranged from \$1.3 to \$1.6 billion with slight changes. Retail expenditures on home furnishings was the least among all sectors in the range of \$1 to \$1.1 billion. All retail sales were adjusted for inflation and presented in 2020 dollars. Retail expenditures in 2020 declined in eating and drinking places as well as automotive sectors but an increase in building materials, general merchandise, and miscellaneous retail. Appendix B provides a detail of the retail trade classifications and the sectors or industries included in each category.

CREATE BRIDGES in Oklahoma

In Oklahoma, Celebrating REtail, Accommodations, Tourism, and Entertainment by Building Rural Innovations and Developing Growth Economies (CREATE BRIDGES) counties are found in the Sandstone Hills region (Creek, Osage, and Pawnee counties) and the Crossing Borders region (Adair, Cherokee, Delaware, Mayes, and Sequoyah counties) as presented in Figure 3.

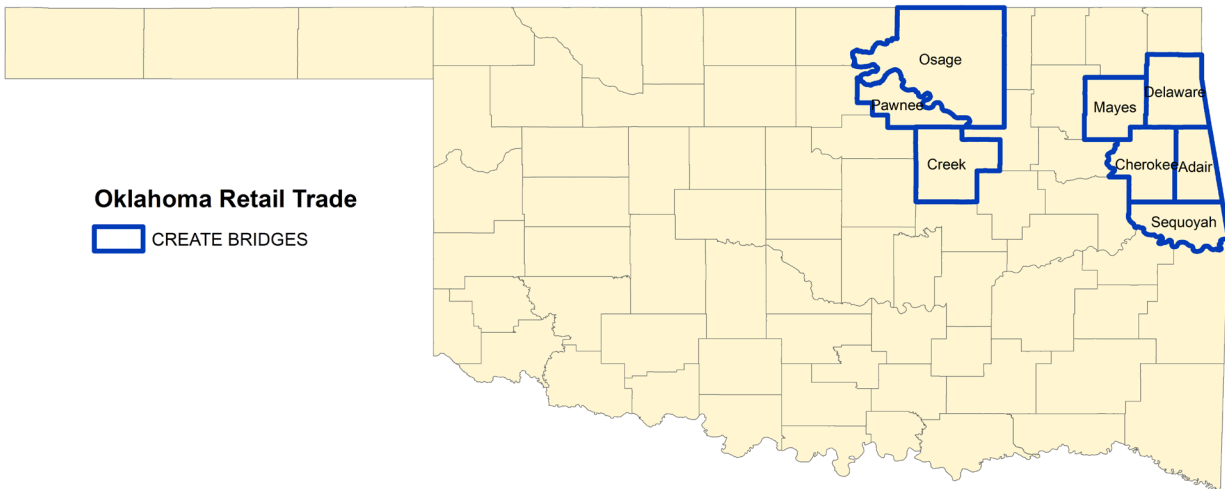


Figure 3. CREATE BRIDGES counties in Oklahoma

In Table 1, total retail sales are summarized for three cities Oklahoma CREATE BRIDGES counties from 2017 to 2021. Due to data limitations, data was not readily available at the county level and all prominent cities in each county. During this period, retail sales increased consistently for each county except during the pandemic year of 2020.

	2017	2018	2019	2020	2021
Creek County					
Sapulpa	211.24	218.94	223.69	227.12	248.67
Osage County					
Pawhuska	29.22	49.99	49.35	43.13	52.50
Cherokee County					
Tahlequah	304.49	311.55	318.85	327.74	371.57

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

Source: Oklahoma Business Bulletin, 2022

Oklahoma Retail Pull Factors

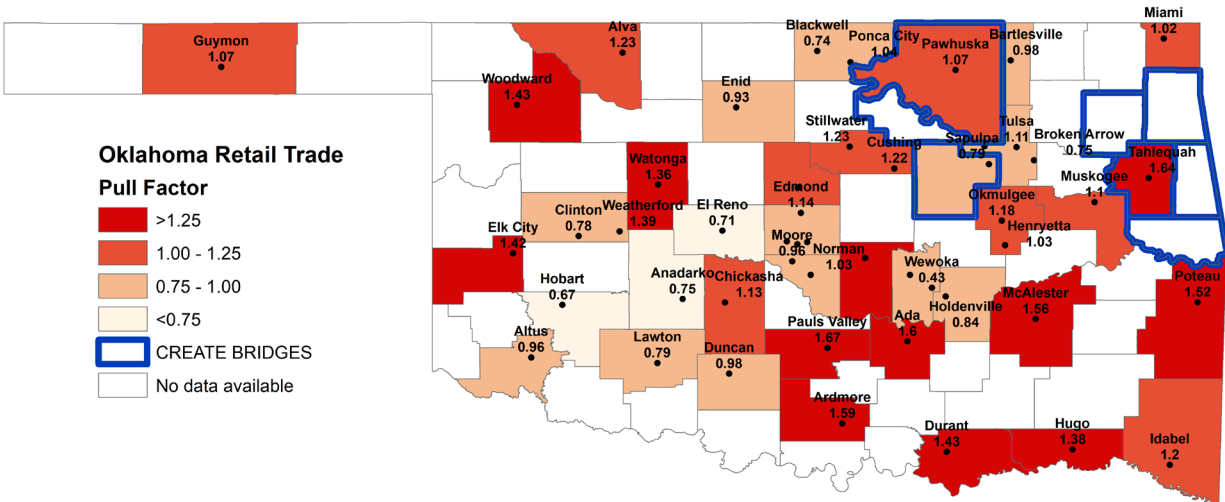


Figure 4. Oklahoma City Retail Trade Pull Factors

Sources: Oklahoma Business Bulletin, 2022; U.S. Census Bureau, 2022a; U.S. Census Bureau, 2022b

In 2021, 31 cities in Oklahoma had a retail trade pull factor greater than 1 indicating either a gain in customers from other cities or residents spent more than the state average on retail purchases (Figure 4). On the other hand, 18 cities had a pull factor below 1 indicating residents either spent less than other cities or purchased more goods outside their county. Residents in Taulequah, Pawhuska, Pauls Valley, Ada, Ardmore, McAlester, and Poteau cities spent more than others while Sapulpa, Wewoka, Hobart, and Reno residents spent less than the average on retail goods and services. The equation to compute retail trade pull factor is as follows:

$$Pull\ Factor_{sector} = \frac{Retail\ sales_{city}}{Adjusted\ population_{city}} \div \frac{Retail\ sales_{state}}{Adjusted\ population_{state}}$$

Market share is the percentage of retail trade area captured by a city with respect to the state. In other words, market share is the percent of the total customer base in Oklahoma captured by the city’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 a customer base. The equation to compute market share is as follows:

$$Market\ share_{sector} = \frac{Trade\ area\ capture_{city}}{Trade\ area\ capture_{state}} = \frac{Adjusted\ population_{city} * PF_{sector}}{Adjusted\ population_{state} * PF_{sector}}$$

In computing the retail trade measures, it was assumed that there are no leakages of retail consumers/sales outside the state of Oklahoma. Both retail pull factors and market share were calculated based on taxable sales report data obtained from the Oklahoma Business Bulletin. Taxable sales data consist of all sales reported by retail establishments. Taxable sales data does not include out-of-state, catalog, internet sales or sales data in counties with fewer than six retail establishments. Despite these limitations, taxable sales data captures a majority of retail sales and is a good measure of retail activity.

Trade Area Capture of Retail Customers

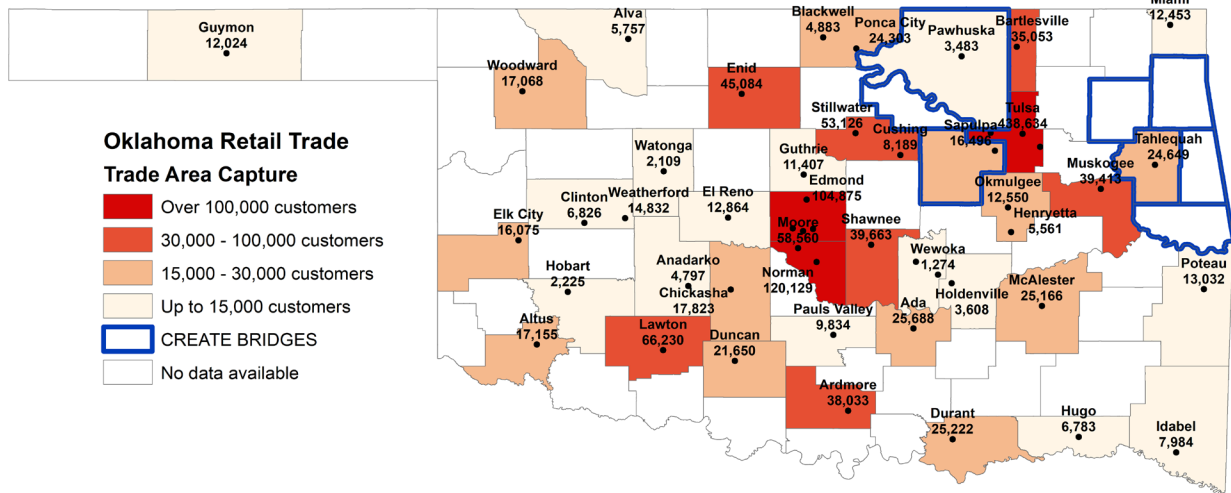


Figure 5. Estimated Trade Area Capture of Retail Customers in Oklahoma

Source: Oklahoma Business Bulletin, 2022; U.S. Census Bureau, 2022a; U.S. Census Bureau, 2022b

Retail customers travel across borders to purchase goods and services. The map above (Figure 5) illustrates the number of retail customers purchasing retail goods and services within their city and county. While 18 cities did not capture all the retail customers in the local area, 31 cities attracted outside retail customers to the local area. Oklahoma City, Tulsa, Norman, and Edmond attracted the most retail customers. The cities and counties adjacent to the metropolitan areas are losing the most retail customers. The cities of Wewoka, Watonga and Hobart captured the least number of retail customers in the local

area. Another trend is the loss of retail customers in cities and counties that are neighboring states of Texas, Kansas, and Arkansas.

Summary and Conclusions

Retail trade is an important sector for Oklahoma's economy supporting 429,300 employees working in 56,100 establishments across the State. The retail sector has exhibited strong growth over the years, particularly in 2021 demonstrating a strong economic recovery from the COVID-19 pandemic. Retail expenditures in the general merchandise, eating and drinking places, and automobiles and parts sectors have been particularly noteworthy over the last five years.

Retail customers spent more than the state average in metropolitan areas in the central region around the Tulsa and Oklahoma City areas. Cities and counties surrounding metropolitan areas have lost retail customers across the state. While Central Oklahoma captured local retail dollars, the northern and western 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 state borders, which is beyond the scope of this study.

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 Oklahoma can provide growth opportunities for the retail industry in Oklahoma.

Retail trade activity in the CREATE BRIDGES region can be improved. The Crossing Borders region is adjacent to Arkansas and the Sandstone Hills region is adjacent to Kansas indicating a potential to attract retail customers across these states. The retail pull factors for cities in the CREATE BRIDGES region are relatively high, indicating the ability to attract retail customers to this region. The trade area capture of retail customers is relatively low, indicating a lack of anchor retail establishments that cater to the needs of retail customers in this area, which also helps in stemming the loss of retail customers outside this region. The buying power of retail customers is relatively high, indicating a willingness to pay for retail goods and services in the local area. Proximity to state highways and interstate 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 recruiting the appropriate retail outlets in these regions.

The analysis was based on city retail trade data, lack of county level retail trade sales numbers was a major limitation of this study. Access to county level retail sales numbers can significantly improve the analysis and adds more depth to the study. It is worthwhile investing resources in capturing county wide retail sales for future analysis.

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