

LET'S TALK BUSINESS

Ideas for Expanding Retail and Services in Your Community

Issue 25

September 1998

Retail Mix in Tourism Communities

Much More than Knickknack and Souvenir Shops

by Bill Ryan

An important benefit of retail development is that it provides local residents with convenient access to goods and services. While retail stores are typically located near population centers, many are in more remote areas with high tourism visitation. Some argue that most stores in tourism communities provide little to local residents in terms of necessary, day-to-day goods and services. But a review of business establishment data in Wisconsin indicates that there are significantly more retailers in tourism communities and that these businesses represent a broad mix of retail categories. This issue highlights some of the preliminary findings from current UW-Extension research on retail and tourism in Wisconsin.

Analysis

Retailing in selected tourism communities was compared with retailing in other small Wisconsin communities with similar population to determine difference in the number and mix of establishments. Business data from American Business Information, Inc. was used to identify all retail businesses currently operating in 1998 in these communities and their precise six-digit SIC classification.

Eight tourism communities were identified for this analysis including Bayfield, Eagle River, Hayward, Hurley, Lake Geneva, Minocqua, Sturgeon Bay and Wisconsin Dells. These communities are retail hubs within counties that have high per capita tourist expenditures (based on Wisconsin Department of Tourism data). The tourism communities were then compared with all 109

small cities and villages in Wisconsin with MCD populations between 2,500 and 10,000.

Number of Retailers

One measure of a community's retail health is the number of establishments relative to local consumer expenditure demand. The higher this ratio, the more likely it is that the community is capturing more local business and pulling in retail activity for non-residents.

The zip code areas of the eight tourism communities had a combined total of 1,500 businesses with an estimated resident retail spending potential of \$566.9M (Claritas, Inc., 1997 estimate). This equals 2.68 stores for each \$1M in local resident retail spending potential.

The zip code areas of the comparison communities had a combined total of 11,000 businesses with an estimated resident retail spending potential of \$9,427M (Claritas, Inc., 1997 estimate). This equals 1.17 stores for each \$1M in local resident retail spending potential.

Relative to local consumer spending potential, the tourism communities had over two times as many retail establishments than comparison communities of similar size (2.68 vs. 1.17). This suggests that the tourism communities have a significantly higher concentration of retailing. The implied impact of tourism on local retailing makes sense as shopping and food expenditures represented 52%



Photo courtesy of the Wisconsin Main Street Program

of visitor spending in Wisconsin (Davidson-Peterson Associates, Inc.).

Mix of Retailers

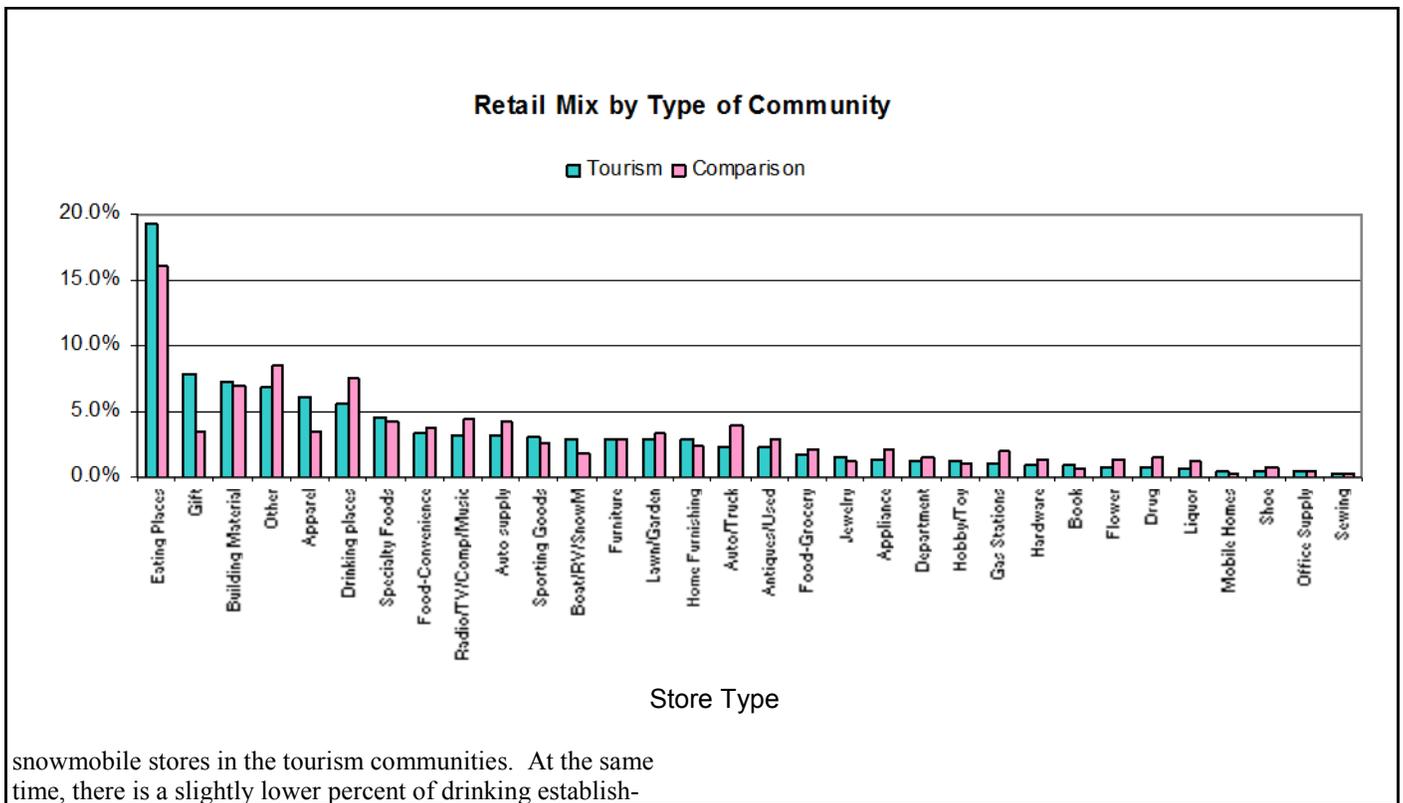
An equally important measure of retailing in a community is retail mix. Communities with a diverse mix of retailers are better able to provide local residents with a broad range of goods and services. Mix was analyzed by sorting business establishments in both the tourism and comparison communities by 4-digit SIC code into 32 store categories. The number of stores, as a percent of total retail establishments, is presented on the graph below.

Surprisingly, the overall mix of businesses in tourism communities is quite similar to that of the comparison communities. As a percent of the total number of stores, there are more eating places, gift, apparel, sporting goods, and boat/RV/

ments, radio/TV/computer/music, auto supply, auto/truck dealers, appliance, gas station, drug, and liquor stores. But overall, the mix is quite similar. This challenges the common perception of a limited retail mix in “tourist towns.”

Conclusions

Tourism activity impacts the number and variety of stores in a community. Communities with significant tourism visitation may have more than twice the number of retail businesses than other towns with similar resident consumer spending potential. What is surprising is that these tourism communities have a wide variety of retail establishments as indicated by their retail mix. Without the influx of visitor dollars, many small communities would probably not be able to support the number and types of retailers that they have.



Bill Ryan is a business development specialist with UW-Extension’s Center for Community Economic Development.