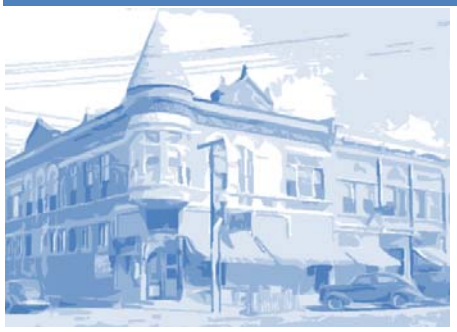

Iowa State University
Retail Trade Analysis Report
Fiscal Year 2009

# Washington County, Iowa

## Overview

The local retail sector provides an important gauge for economic conditions in Iowa's counties. This report examines county-level retail sales and related economic trends using a variety of comparative performance measures. The retail analysis is based on reported sales of goods and services that are subject to Iowa's statewide sales tax.

The following tables provide an overview of key retail performance indicators for the county and the state. The first table highlights changes for the fiscal year beginning July 1, 2008 and ending June 30, 2009. The second table summarizes retail indicators for the last 10 fiscal years, with real sales stated in Fiscal Year 2009-equivalent dollars.

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| 2008-2009 Percentage Change in: | Washington | State of Iowa |
|---|---|---|
| Real taxable sales | 3.5 ▲ | -0.8 ▼ |
| Number of reporting firms | 4.6 ▲ | 2.8 ▲ |
| Sales per firm | -1.1 ▼ | -3.5 ▼ |
| Population | 0.3 ▲ | 0.5 ▲ |
| Sales per capita | 3.2 ▲ | -1.3 ▼ |

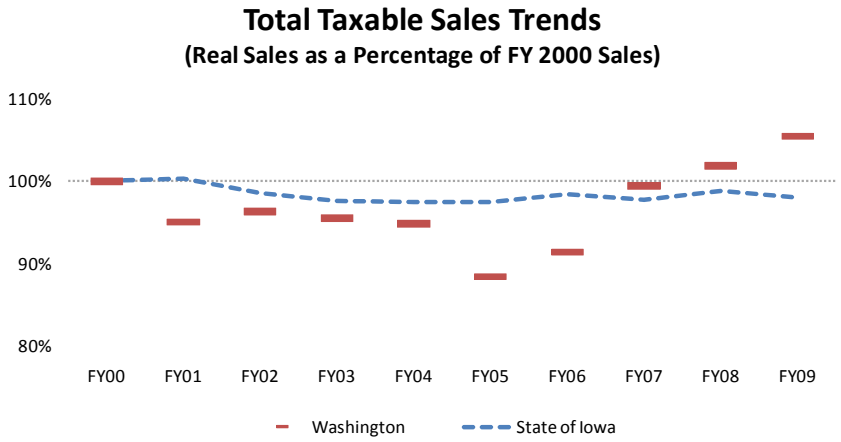
**10-Year Summary Statistics for Washington:**

| | | Total Sales ($ millions) | | Average Real Sales ($) | | Statewide Averages ($) | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | Reporting Firms | Nominal | Real | Per Firm | Per Capita | Per Firm | Per Capita |
| 2000 | 835 | 122.8 | 151.0 | 180,793 | 7,342 | 364,766 | 11,764 |
| 2001 | 849 | 119.5 | 143.5 | 169,179 | 6,934 | 362,531 | 11,735 |
| 2002 | 807 | 122.7 | 145.5 | 180,408 | 6,931 | 369,709 | 11,529 |
| 2003 | 741 | 124.0 | 144.3 | 194,869 | 6,877 | 383,404 | 11,411 |
| 2004 | 728 | 125.7 | 143.2 | 196,675 | 6,822 | 385,940 | 11,378 |
| 2005 | 710 | 120.5 | 133.6 | 188,145 | 6,358 | 387,144 | 11,347 |
| 2006 | 724 | 128.6 | 138.1 | 190,762 | 6,563 | 393,625 | 11,434 |
| 2007 | 769 | 143.3 | 150.2 | 195,430 | 7,118 | 385,877 | 11,285 |
| 2008 | 779 | 151.6 | 153.9 | 197,647 | 7,274 | 388,941 | 11,362 |
| **2009** | **815** | **159.2** | **159.2** | **195,482** | **7,505** | **375,270** | **11,209** |

# Local Economic Trends

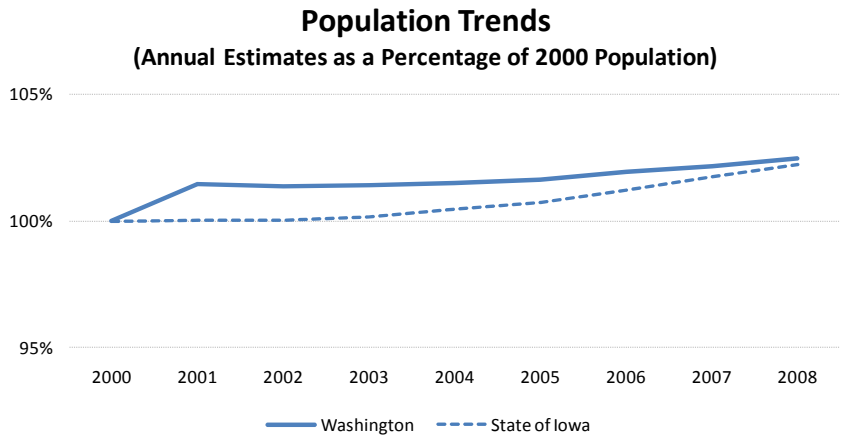
## Taxable Sales

The county's recent sales levels are illustrated at right. Using Fiscal Year 2000 as the base year, inflation-adjusted total taxable sales are indexed to show real growth during the last 10 fiscal years. A value of 100 percent in a given year would indicate that sales had remained flat compared to 2000. A value of 90 percent or 110 percent would equate to a 10 percent decrease or increase in real sales, respectively. The statewide sales trend is included for comparison.



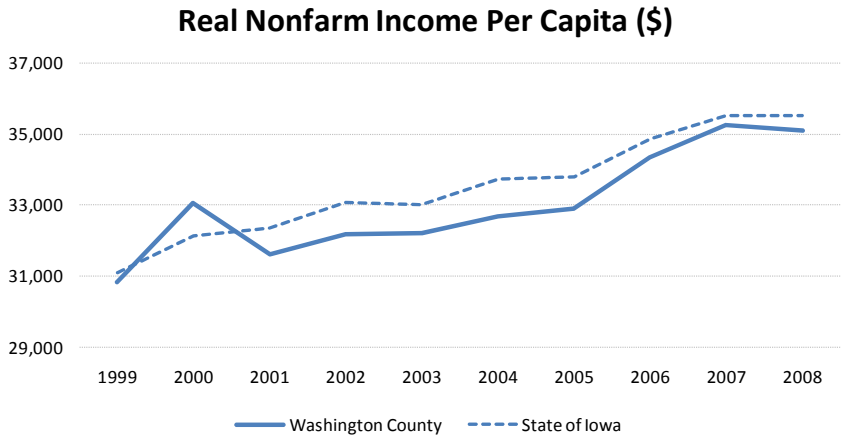

## Population

Population change is a key factor influencing local retail sales performance. From one year to the next, area population gains or losses alter the number of potential shoppers in the region. Longer-term population trends reflect the general economic climate of the region, with population growth suggesting a more favorable retail environment than decline. The chart at right shows annual population estimates for the county and state indexed to baseline values from the 2000 Census.




## Personal Income

The local demand for retail goods and services also depends on the income level of area residents. Per capita nonfarm personal income provides a useful gauge of the average income in the region. This measure includes residents' earnings, investment income, and government transfer payments. The chart at right illustrates inflation-adjusted average nonfarm income levels in the county and the state.

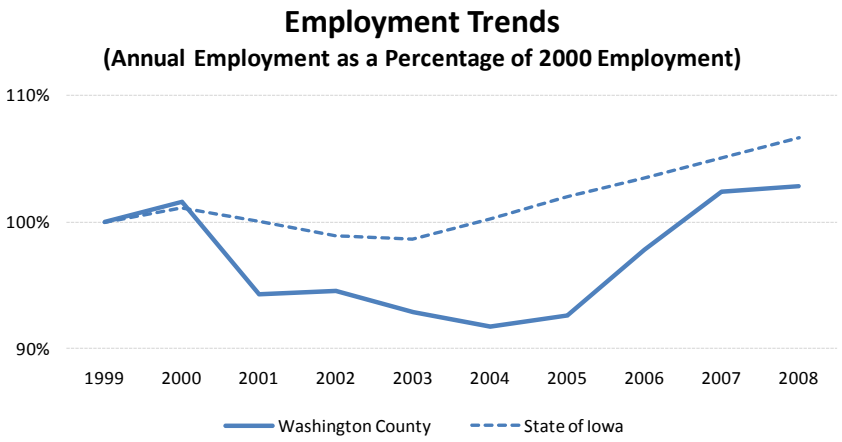


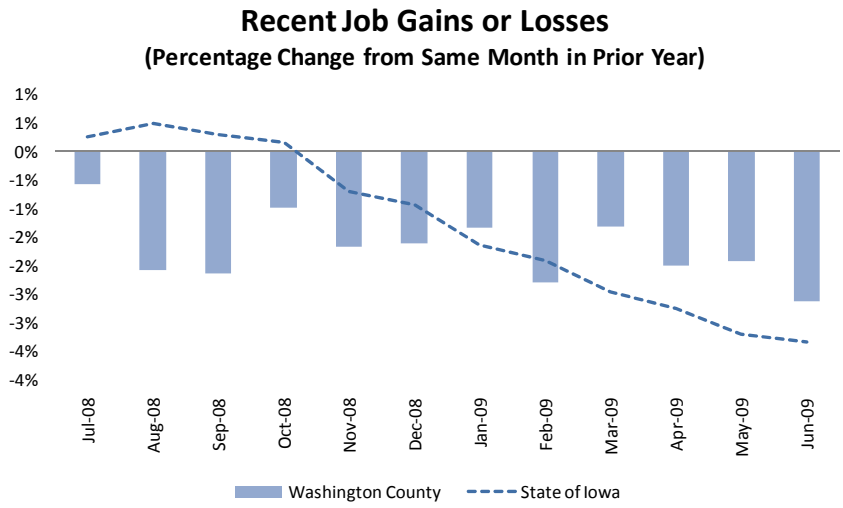
## Employment

Earnings from employment represent the primary source of income for Iowa residents, accounting for nearly 70 percent of the state's total personal income in 2008. Area job growth creates earnings opportunities for current residents and helps to attract new residents. Lagging employment growth rates may indicate a decline in the region's competitive strength.

The chart at top right shows the 10-year trend in total employment in the county and the state. The number of jobs in each year is expressed in percentage terms compared to employment in 1999.

The middle chart shows more recent job gains and losses in the region. The bars measure the county's percentage gain or loss in jobs during Fiscal Year 2009 on a month-by-month basis, with each month's employment compared to the same month in Fiscal Year 2008. The dashed line represents the statewide average job change for the period.

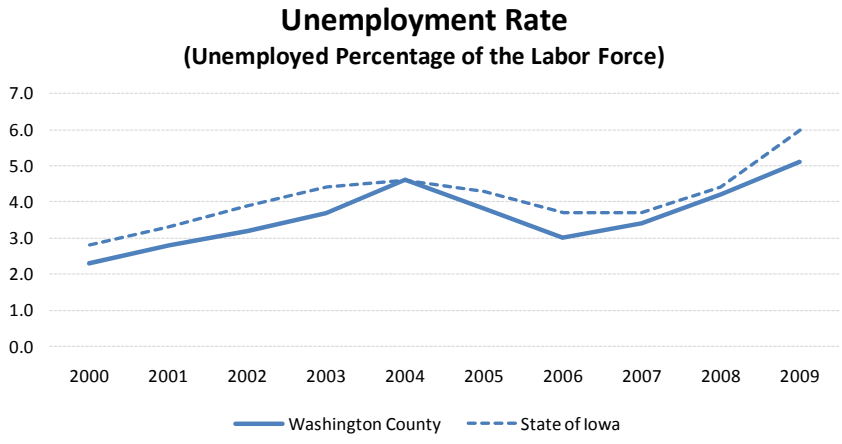



## Unemployment

Rising or persistently high levels of unemployment may contribute to household economic stress within the region and may ultimately create stress within the local retail sector.

The chart at right shows recent trends in county and state rates of unemployment. The unemployment rate measures the percentage of the county (or state) labor force that is unemployed but actively seeking work.



# Peer Group Analysis

With no two of Iowa's 99 counties exactly alike, one-to-one comparisons are not very useful for judging the strength or weakness of a particular county's retail performance. Peer group analysis, which measures sales levels across a set of counties sharing similar size and urbanization characteristics, can provide more reasonable benchmarks for local retail performance.

**Basis for Peer Group Assignments**

Metropolitan and micropolitan statistical area designations provide a convenient basis for describing the size and urbanization characteristics of Iowa's counties. Metropolitan areas (MSAs) are defined around a central city of 50,000 or more residents. Each MSA includes one or more core counties encompassing the central city plus any additional, outlying counties with significant economic ties to the core area. Micropolitan areas are defined in a similar fashion; however, their designation begins with a central city of 10,000 to 49,999 residents. While a micropolitan area could contain outlying counties in addition to its core county, most of Iowa's micropolitan areas are single-county entities. See Page 17 for a list of counties in Iowa's 9 metropolitan and 15 micropolitan statistical areas.

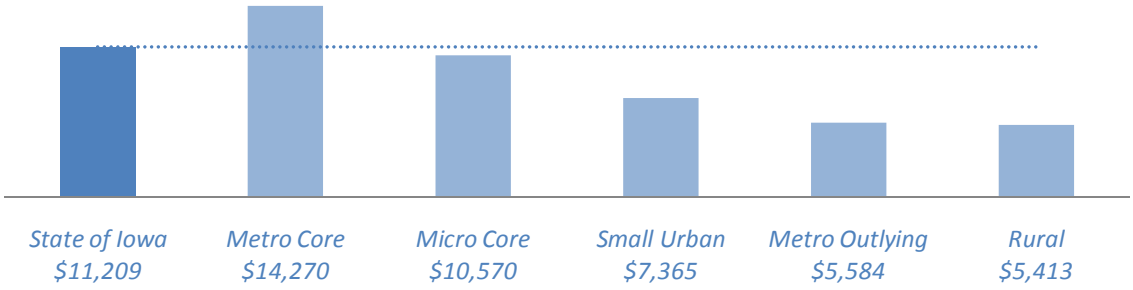
Many counties in Iowa are remote from or otherwise less influenced by metropolitan and micropolitan areas. We can further stratify these counties into two groups based on their own population characteristics. The smallest of these are rural counties, which have no single city containing more than 2,500 residents. Counties with cities of 2,500 or more may be characterized as "small urban" counties.

**Peer Group Definitions**

For this report, the county has been assigned to one of five peer groups containing similar counties. The groups are defined in the following table with the relevant peer group highlighted in blue (see Page 17 for a map identifying other counties in the peer group). The chart at the bottom of this page illustrates the comparative sales performance of the five county peer groups and the state as a whole.

| Peer Group | Description | Number of Counties | % of State Population | % of State Taxable Sales |
|---|---|---|---|---|
| Metro Core | Core county of a metropolitan statistical area | 10 | 49.5% | 63.0% |
| **Metro Outlying** | **Outlying county in a metropolitan statistical area** | **10** | **6.9%** | **3.4%** |
| Micro Core | Core county of a micropolitan statistical area | 15 | 16.5% | 15.6% |
| Small Urban | Any other county with largest city between 2,500 to 9,999 in population | 43 | 20.7% | 13.6% |
| Rural | Any other county with largest city <2,500 in population | 21 | 6.4% | 3.1% |

**Average Sales Per Capita by County Peer Group, FY 2009**

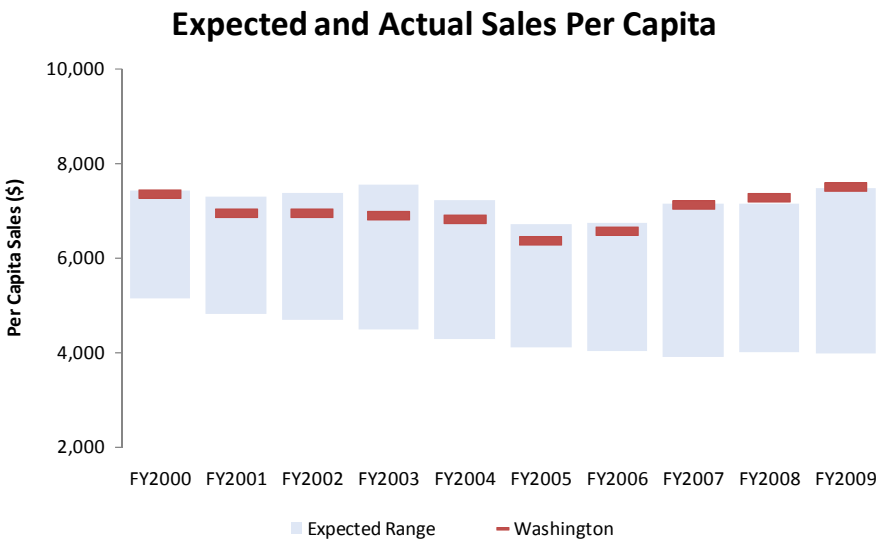


## Expected Range for Local Sales Per Capita

The retail performance of other counties in the peer group may be used to construct a range of reasonable, expected values for local average sales per capita.

In the chart at right, the county's annual per capita sales values are indicated with red dashes. A shaded blue bar illustrates the range of expected values for any county in the peer group in a given year. All values have been adjusted for inflation.

The expected range represents the 25th to the 75th percentile per capita sales values for the peer group. Any value above or below the blue bars would indicate the county ranks in the top quartile or bottom quartile, respectively, of all counties in its peer group.




## Top 10 Counties in Peer Group (by Sales Per Capita)

The peer group's top performers, measured by their average sales per capita in Fiscal Year 2009, are listed in the table at right.

Before using the top-performing counties to benchmark local retail performance, further investigation into their circumstances may be merited. The conditions leading to their superior performance may not be replicable in other counties.

| Top 10 Areas | Per Capita Sales (FY 2009) | Estimated Population (7/1/2008) |
|---|---|---|
| **Washington** | **$7,505** | **21,214** |
| Bremer | 7,456 | 23,509 |
| Jones | 7,024 | 20,430 |
| Grundy | 5,806 | 12,110 |
| Guthrie | 5,220 | 10,984 |
| Warren | 5,082 | 44,793 |
| Madison | 4,958 | 15,454 |
| Benton | 4,591 | 26,642 |
| Harrison | 4,025 | 15,245 |
| Mills | 3,572 | 15,127 |
| State of Iowa | 11,209 | |

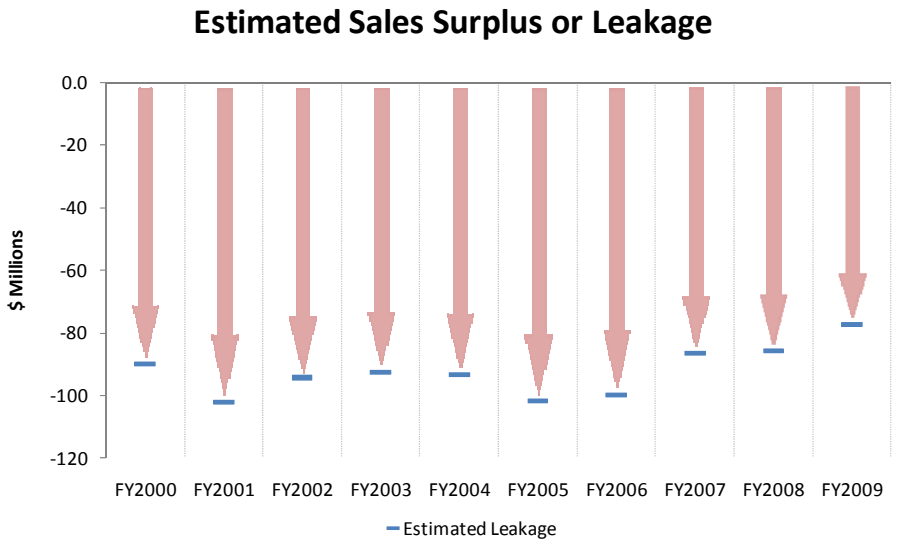
# Pull Factor Analysis

This section introduces three related measures for comparing the county's actual sales performance with the total sales one might expect for a county of its population size and income characteristics: trade surplus or leakage, trade area capture, and the pull factor ratio. All three measures are based on a hypothetical "self-sufficiency" level of sales at which the county's retail sector satisfies all of the retail needs of its own residents. This same hypothetical sales value might also be viewed as "break-even" level where any lost sales to local residents are exactly offset by sales to non-residents.

## Trade Surplus or Leakage

Trade surplus or leakage measures the dollar difference between the county's actual sales and the total sales it could generate if residents satisfied all their retail needs locally, i.e. its self-sufficiency level of sales.

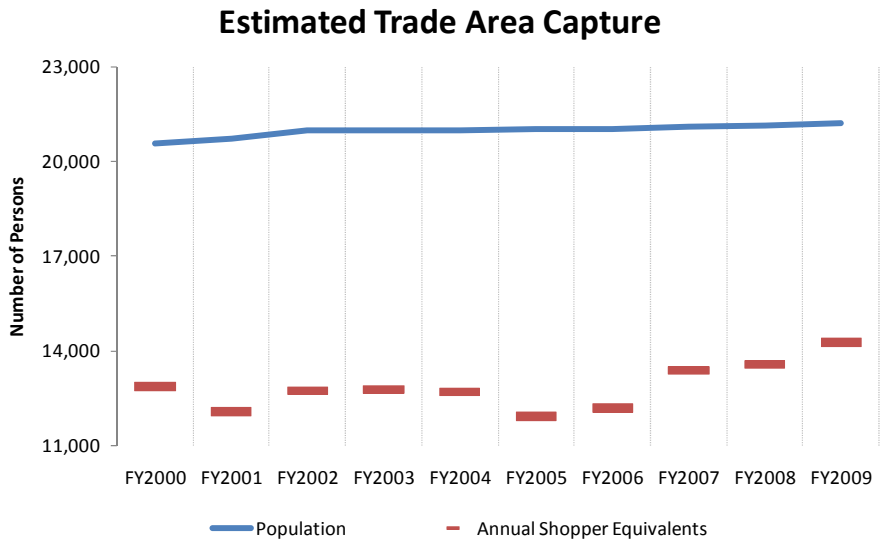
Any sales in excess of this self-sufficiency level suggests a surplus of sales that were attracted from non-residents. Any deficit suggests a leakage of local residents' retail spending to other counties. Sales right at the break-even point would result in a surplus or leakage value of zero.




## Trade Area Capture

The extent of a county's "trade area" can be approximated by estimating the number of customers whose annual retail needs it satisfies. If that number exceeds the resident population, the county's geographic trade area likely extends beyond its borders. If below, the county's trade area likely overlaps or is subsumed by that of a nearby county.

Trade area capture is estimated by dividing the county's actual total sales by the expected, per person annual retail purchases (anywhere) of its residents. The chart at right illustrates the county's trade area capture in relation to its estimated population.



## The Pull Factor Ratio

The county's pull factor ratio is calculated by dividing its trade area capture measure by its resident population.

A pull factor ratio equal to 1.0 suggests that the county's merchants are just satisfying the retail demands of local residents. This is equivalent to the "break even" sales level where the county is experiencing neither a surplus or leakage of sales.

A pull factor ratio greater than 1.0 suggests that the county's merchants are attracting shoppers from outside the county. For example, a county whose retail customer base is 25 percent larger than its population would have a pull factor of 1.25.

A pull factor ratio less than 1.0 indicates that the county's retail sector cannot satisfy all of the retail needs of its own residents.

Pull factor ratios may vary widely from one county to the next, even among counties in the same peer group. For this reason, the median pull factor value for the peer group as a whole provides the best comparison measure for the county.

The chart below shows the county's pull factor ratio in comparison with others in its peer group. The county's pull factor values are indicated with red dashes.

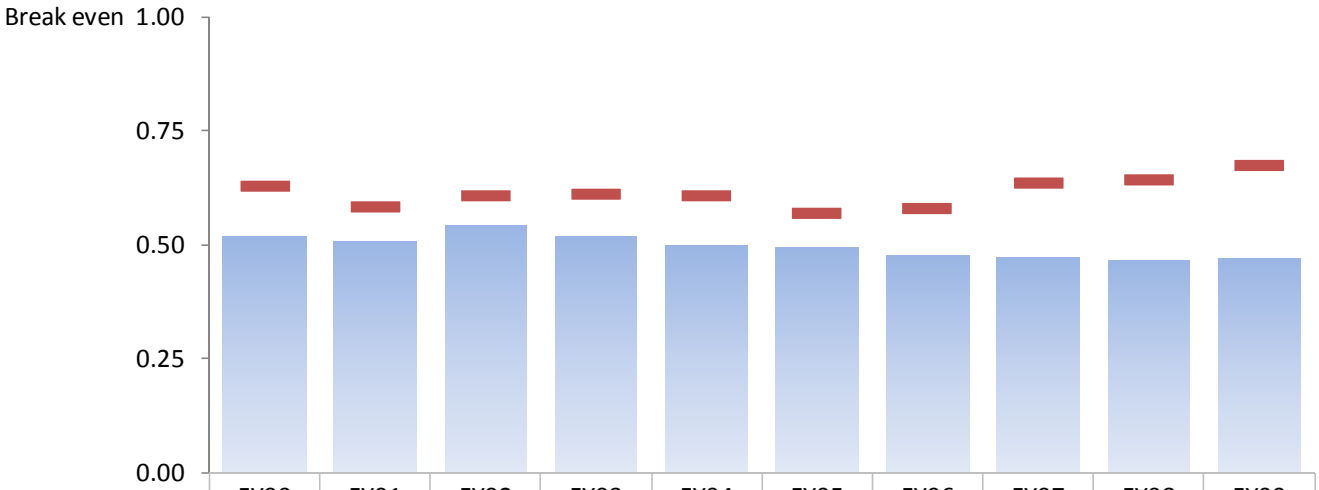
The height of the shaded blue bars indicates the median pull factors for the peer group in each year. If the county's pull factor exceeds the group median, it ranks among the top half of counties in its peer group. If its pull factor is below the group median, then it ranks among the bottom half of counties in its peer group.

Caution is urged in the interpretation of pull factors, especially for smaller counties.

For example, a high pull factor doesn't necessarily indicate retail self-sufficiency across all categories of retail sales. A county's pull factor could be inflated by a relatively strong performance in one or more categories, even if the county is experiencing substantial leakage of sales in other retail categories.

Similarly, a low pull factor does not necessarily suggest untapped sales potential in the local retail sector. Most small counties should expect to lose a at least a fraction of their residents' spending to larger micropolitan and metropolitan trade areas.

**Pull Factor Comparison With Peer Group**




| | FY00 | FY01 | FY02 | FY03 | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 |
|---|---|---|---|---|---|---|---|---|---|---|
| Peer Median | 0.52 | 0.51 | 0.54 | 0.52 | 0.50 | 0.50 | 0.47 | 0.47 | 0.46 | 0.47 |
| Washington | 0.63 | 0.58 | 0.61 | 0.61 | 0.61 | 0.57 | 0.58 | 0.63 | 0.64 | 0.67 |

# Regional Competition

Counties within a region compete with each other for shares of overall regional economic activity. This section explores some of the competitive forces at work in the surrounding area. First, the relative sizes of the county's trade centers are assessed. Next, important interactions with surrounding counties are examined using data on worker commuting flows. Finally, retail trade patterns in the region are illustrated using average per capita sales and pull factor ratios.

## Trade Centers Within the County

The table at right lists cities within the county that reported taxable sales during the most recent fiscal year. The detail shown may not sum to the county totals, in part because sales data are suppressed for cities with 10 or fewer permit-holders filing sales tax returns. Values for those smaller jurisdictions are included within the county totals.

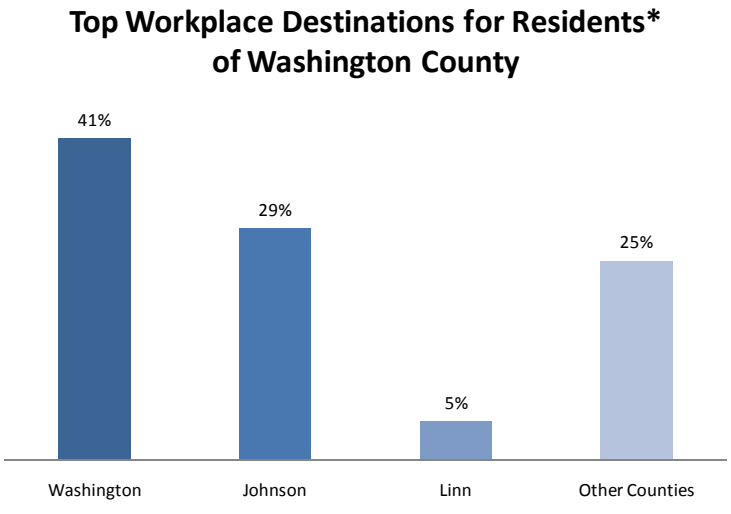
For each city listed at right, the values describe the entire city regardless of whether it crosses into a neighboring county. The county totals, however, exclude the portions of cities that fall within some other county's jurisdiction. Cities reporting discloseable sales in more than one county are indicated with an asterisk (*).

| FY 2009 Reporting Jurisdictions | Population | Reporting Firms | Total Sales ($ millions) |
|---|---|---|---|
| Ainsworth | 536 | 41 | 4.6 |
| Brighton | 677 | 33 | 2.4 |
| Crawfordsville | 300 | 20 | 0.5 |
| Kalona | 2,508 | 203 | 37.3 |
| Riverside | 972 | 71 | 22.4 |
| Washington | 7,196 | 342 | 80.1 |
| Wellman | 1,414 | 81 | 9.8 |
| **Washington Total** | **21,214** | **815** | **159.2** |

## Area Commuting Patterns

Worker commuting flows tell us a great deal about important, regional economic relationships that may influence the county's retail performance. For example, rates of worker out-commuting to other counties may reveal sources of potential sales leakage from the local retail sector. When residents commute to another county for work, the likelihood that they will shop locally, especially during traditional business hours, decreases.

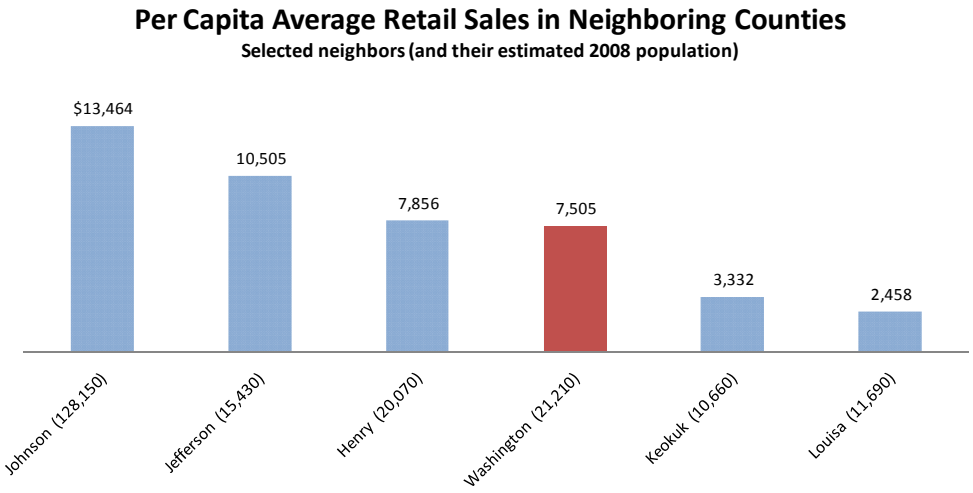
The chart at right shows the top workplace destinations for the county's working residents. The chart identifies the three counties that attracted the highest percentage of local workers, excluding self-employed residents, in 2008.

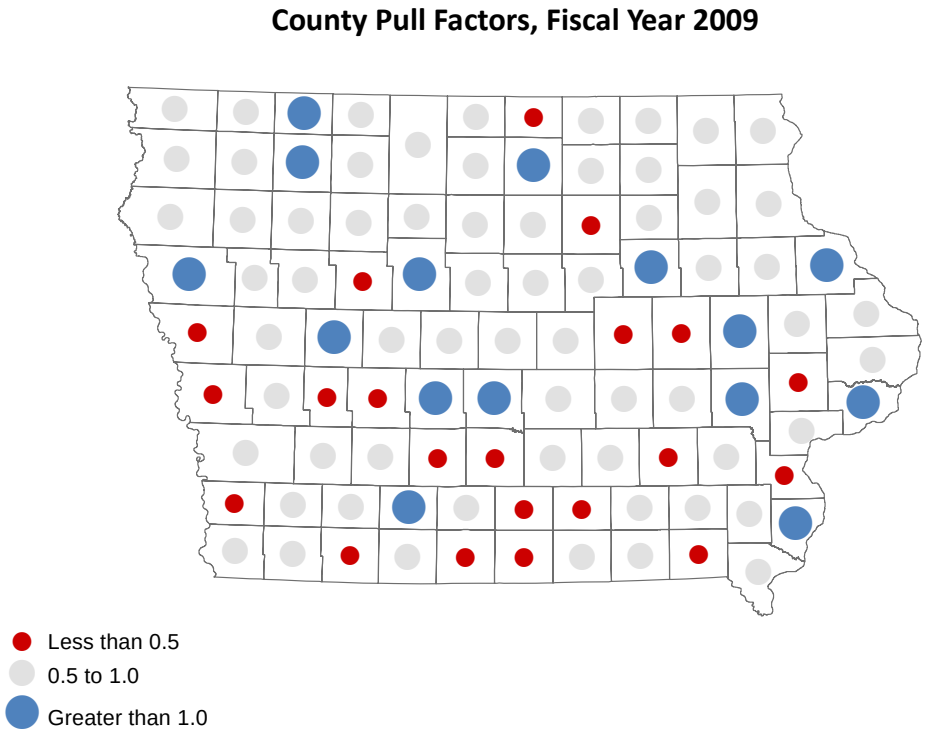



* Excludes self-employed residents

## Regional Shopping Patterns

Regional shopping patterns may be inferred from the relative trade levels in surrounding counties. The figures below illustrate which counties in the region are serving as regional magnets for retail trade activity. The bar graph shows Fiscal Year 2009 per capita sales values for the 5 nearest counties. Current population estimates for the counties are also indicated. The map illustrates county retail pull factors for Fiscal Year 2009 (see Page 7 for a definition of pull factors). The counties with a pull factor exceeding 1.0, identified in the map with large blue dots, are likely exerting a strong retail influence on surrounding counties.



# Sales Summary by Business Group

This section examines the distribution of county and state trade activity by type of retail firm, with comparisons across 12 different business groups. It should be noted that the business groups are not mutually exclusive in terms of the goods and services they sell. See Pages 12-13 for a detailed listing of the composition of each business group by type of firm.

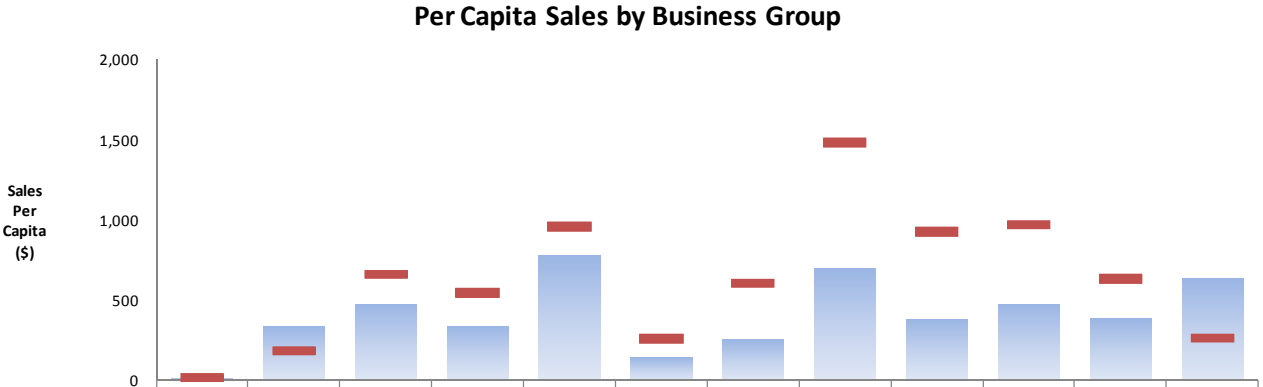
The following table shows the number of reporting firms, taxable sales, and average sales per firm by business group in the county. Data are suppressed for any business group with fewer than 20 sales tax returns filed during the fiscal year, and values for those suppressed categories are included within the "Miscellaneous Retail" group totals.

**Washington County Sales and Firms by Business Group, FY 2009:**

| | | | *Average Sales Per Firm ($)* | |
|---|---|---|---|---|
| **Type of Firm** | **Reporting Firms** | **Total Sales ($)** | **Washington County** | **State of Iowa** |
| Apparel Stores | 10 | 348,625 | 35,756 | 534,475 |
| Building Materials Stores | 12 | 3,913,072 | 319,434 | 1,450,422 |
| Eating and Drinking Establishments | 53 | 14,013,356 | 264,403 | 431,407 |
| Food Stores (excluding non-taxable food items) | 17 | 11,614,920 | 683,231 | 961,149 |
| General Merchandise Stores | 12 | 20,330,117 | 1,694,176 | 3,269,514 |
| Home Furnishings Stores | 19 | 5,480,490 | 284,701 | 684,212 |
| Specialty Retail Stores | 150 | 12,830,138 | 85,677 | 163,423 |
| Service Establishments | 274 | 31,428,589 | 114,913 | 149,329 |
| Wholesale Firms (retail transactions) | 56 | 19,618,376 | 350,328 | 519,675 |
| Miscellaneous Retail Firms | 152 | 20,572,455 | 135,792 | 232,233 |
| Automotive and Related Stores | 30 | 13,466,273 | 452,648 | 493,985 |
| Utility and Transportation Firms | 31 | 5,603,883 | 182,240 | 941,118 |

## County and Peer Group Sales Per Capita by Business Group

The chart below illustrates the county's sales performance by business group relative to its peer counties. The red dashes indicate the county's sales levels on a per capita basis. The blue bars measure the median per capita sales values for the peer group (see Page 4). If the county's value exceeds the group median in a given category, it ranks among the top half of its peer counties in that category. If the county's sales are below the group median, it ranks among the bottom half of its peers.

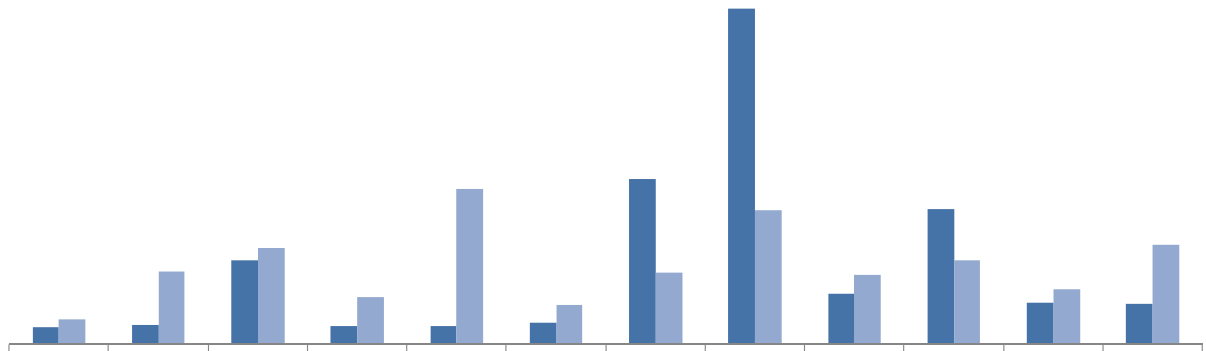



| | Apparel | Building Mat. | Eating and Drinking | Food Dealers | General Merch. | Home Furnishings | Specialty | Service | Wholesale | Misc. | Motor Vehicle | Utilities & Transp. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| # Peers Reporting | 5 | 9 | 10 | 8 | 10 | 8 | 10 | 10 | 10 | 10 | 10 | 10 |
| Peer Median | 16 | 335 | 475 | 340 | 776 | 139 | 248 | 695 | 380 | 473 | 385 | 629 |
| Washington | 16 | 184 | 661 | 548 | 958 | 258 | 605 | 1,482 | 925 | 970 | 635 | 264 |

## Distribution of Statewide Sales and Firms by Business Group

By number of firms, service establishments are the largest category of businesses reporting taxable retail sales in Iowa, accounting for 35 percent of the state's total filers. General merchandise stores are the largest category as measured by dollar value of sales, generating 16 percent of Iowa's total taxable retail sales. The chart below summarizes the percentage distribution of Iowa's retail firms and taxable sales by type of retail establishment.

**Percentage of Statewide Sales and Firms by Business Group**



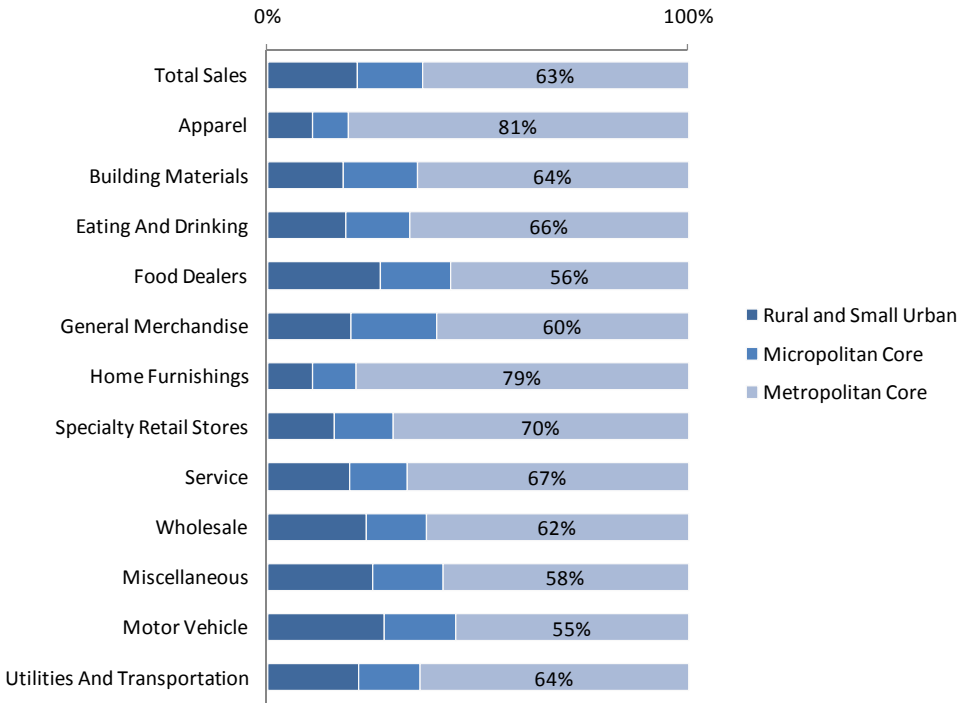
| | Apparel | Building Mat. | Eating and Drinking | Food Dealers | General Merch. | Home Furnishings | Specialty | Service | Wholesale | Misc. | Motor Vehicle | Utilities & Transp. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Reporting firms | 1.8% | 2.0% | 8.7% | 1.9% | 1.9% | 2.3% | 17.2% | 35.0% | 5.2% | 14.1% | 4.3% | 4.2% |
| Taxable sales | 2.5% | 7.5% | 10.0% | 4.9% | 16.2% | 4.1% | 7.5% | 13.9% | 7.2% | 8.7% | 5.7% | 10.4% |

## Distribution of Business Group Sales by County Type

Across all business groups, the majority of Iowa's sales activity occurs within the core counties of its metropolitan areas. As shown at right, the state's 10 metropolitan core counties garnered shares of statewide taxable sales ranging from 55 percent in the motor vehicle category to 81 percent in the apparel category.

Iowa's micropolitan core counties had their best showing in the general merchandise category with 20 percent of statewide taxable sales. Shares for the small urban and rural counties were highest in the motor vehicle group, which includes gas stations with convenience stores. *(See Pages 12-13 for the types of firms within each business group and Page 4 for county group definitions).*

**Percentage of Statewide Sales by County Group**



## Statewide Sales by Detailed Business Type

| BUSINESS GROUP | BUSINESS TYPE | Reporting Firms | Taxable Sales ($ millions) | % of Group Sales |
|---|---|---|---|---|
| **APPAREL** | CLOTHING AND CLOTHING ACCESSORIES STORES | 1,355 | 717.6 | 84.2 |
| | SHOE STORES | 240 | 134.5 | 15.8 |
| **BUILDING MATERIALS** | BUILDING MATERIAL DEALERS | 682 | 2,052.7 | 81.1 |
| | HARDWARE STORES | 412 | 311.6 | 12.3 |
| | GARDEN SUPPLY STORES | 472 | 84.4 | 3.3 |
| | PAINT AND GLASS STORES | 147 | 79.7 | 3.1 |
| | MOBILE HOME DEALERS | 33 | 3.7 | 0.1 |
| **EATING &DRINKING PLACES** | RESTAURANTS, TAVERNS, AND BARS | 7,777 | 3,355.2 | 100.0 |
| **FOOD STORES** | GROCERY STORES AND CONVENIENCE STORES | 1,086 | 1,555.6 | 95.2 |
| | SPECIALIZED GROCERIES | 615 | 79.3 | 4.8 |
| **GENERAL MERCHANDISE** | DEPARTMENT STORES | 295 | 4,349.6 | 80.0 |
| | MISCELLANEOUS MERCHANDISE STORES | 1,217 | 946.3 | 17.4 |
| | VARIETY STORES | 152 | 140.5 | 2.6 |
| **HOME FURNISHINGS AND APPLIANCES** | APPLIANCES AND ENTERTAINMENT EQUIPMENT | 1,018 | 849.6 | 61.6 |
| | FURNITURE STORES | 510 | 341.7 | 24.8 |
| | HOME FURNISHING STORES | 489 | 187.8 | 13.6 |
| **SPECIALTY RETAIL STORES** | OTHER SPECIALTY | 4,918 | 718.2 | 28.6 |
| | BEAUTY AND HEALTH(DRUG) | 771 | 350.2 | 13.9 |
| | SPORTING GOODS | 1,294 | 349.5 | 13.9 |
| | HOBBY AND TOY | 2,354 | 185.4 | 7.4 |
| | DIRECT SELLERS | 1,256 | 173.6 | 6.9 |
| | BOOK AND STATIONERY STORES | 426 | 167.0 | 6.7 |
| | JEWELRY | 554 | 163.0 | 6.5 |
| | STATIONARY, GIFT, NOVELTY | 1,072 | 111.9 | 4.5 |
| | VENDING MACHINE OPERATORS | 420 | 91.1 | 3.6 |
| | USED MERCHANDISE STORES | 1,489 | 81.0 | 3.2 |
| | FLORISTS | 460 | 55.5 | 2.2 |
| | LIQUOR STORES | 174 | 45.9 | 1.8 |
| | ELECTRONIC SHOPPING AND MAIL ORDER HOUSES | 155 | 14.2 | 0.6 |
| | FUEL AND ICE DEALERS | 27 | 5.0 | 0.2 |
| **SERVICES** | AUTOMOBILE REPAIR | 4,625 | 899.3 | 19.2 |
| | OTHER BUSINESS SERVICES | 4,708 | 803.7 | 17.2 |
| **(continued next page)** | HOTELS AND ALL OTHER LODGING PLACES | 2,049 | 663.0 | 14.2 |
| | ARTS AND ENTERTAINMENT | 1,823 | 458.7 | 9.8 |
| | BEAUTY/BARBER SHOPS | 6,575 | 339.8 | 7.3 |
| | MISCELLANEOUS REPAIRS | 2,225 | 261.7 | 5.6 |
| | OTHER PERSONAL SERVICES | 1,992 | 234.5 | 5.0 |
| | AUTOMOBILE RENTAL AND STORAGE | 552 | 196.7 | 4.2 |
| | LAUNDRY AND FLOOR CLEANING | 833 | 119.1 | 2.5 |
| | FINANCE, INSURANCE, REAL ESTATE AND LEASING | 1,111 | 114.9 | 2.5 |
| | OTHER SERVICES | 1,641 | 109.2 | 2.3 |

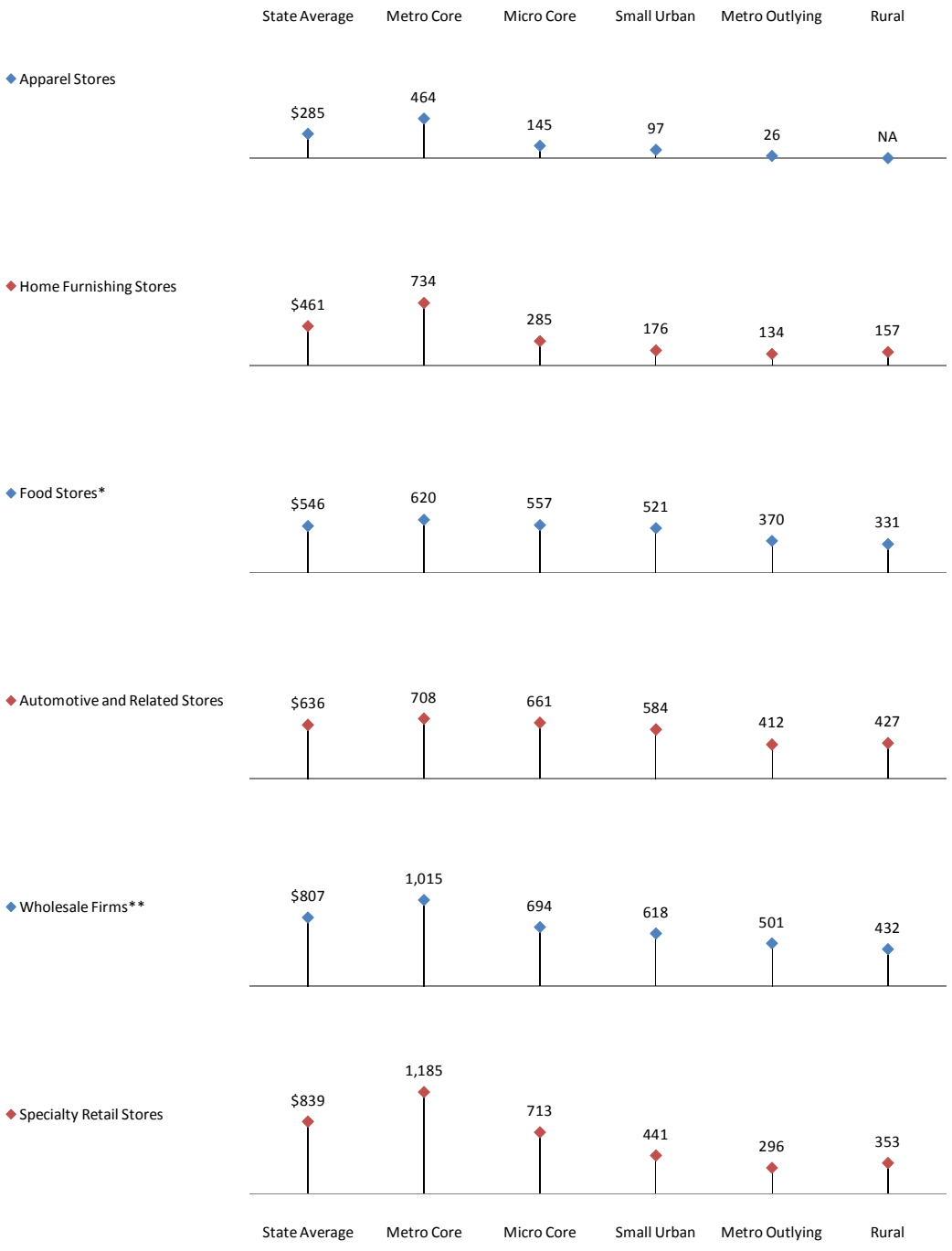
## Statewide Sales by Detailed Business Type (cont.)

| BUSINESS GROUP | BUSINESS TYPE | Reporting Firms | Taxable Sales ($ millions) | % of Group Sales |
|---|---|---|---|---|
| **SERVICES** (continued from previous page) | ELECTRONIC/PRECISION EQUIP. REPAIR/MAINTENANCE | 594 | 108.7 | 2.3 |
| | MOTION PICTURE AND VIDEO INDUSTRIES | 247 | 107.5 | 2.3 |
| | FUNERAL SERVICE AND CREMATORIES | 435 | 81.5 | 1.7 |
| | PHOTOGRAPHIC STUDIOS | 1,101 | 63.0 | 1.3 |
| | EDUCATION INSTITUTIONS AND ATHLETIC EVENTS | 260 | 52.1 | 1.1 |
| | EMPLOYMENT SERVICES | 164 | 48.2 | 1.0 |
| | UPHOLSTERY AND FURNITURE REPAIR | 322 | 11.5 | 0.2 |
| | WATCH, CLOCK, JEWELRY REPAIR | 42 | 2.8 | 0.1 |
| | FOOTWEAR AND LEATHER REPAIR | 30 | 1.9 | 0.0 |
| **WHOLESALE GOODS** | FARM AND GARDEN EQUIPMENT | 1,739 | 899.6 | 37.2 |
| | CONSTRUCTION MATERIALS | 981 | 805.3 | 33.3 |
| | MISCELLANEOUS NON-DURABLE GOODS | 1,271 | 452.4 | 18.7 |
| | MOTOR VEHICLE PARTS AND SUPPLIES | 179 | 91.8 | 3.8 |
| | GROCERIES AND FARM PRODUCTS | 271 | 77.8 | 3.2 |
| | MISCELLANEOUS DURABLE GOODS | 180 | 59.6 | 2.5 |
| | FURNITURE AND HOME FURNISHINGS | 24 | 29.8 | 1.2 |
| | APPAREL, PIECE GOODS | 8 | 0.6 | 0.0 |
| **MISCELLANEOUS** | PLUMBING AND HEATING CONTRACTORS | 1,530 | 424.0 | 14.5 |
| | AGRICULTURAL PRODUCTION AND SERVICES | 3,350 | 383.2 | 13.1 |
| | GENERAL CONTRACTORS | 1,740 | 344.9 | 11.8 |
| | INDUSTRIAL EQUIPMENT MANUFACTURERS | 463 | 300.0 | 10.2 |
| | OTHER SPECIAL TRADE CONTRACTORS | 1,173 | 286.0 | 9.8 |
| | FOOD MANUFACTURERS | 279 | 261.3 | 8.9 |
| | MISCELLANEOUS MANUFACTURERS | 685 | 212.4 | 7.2 |
| | ELECTRICAL CONTRACTORS | 896 | 149.9 | 5.1 |
| | NON-METALLIC PRODUCT MANUFACTURERS | 266 | 126.0 | 4.3 |
| | PUBLISHERS OF BOOKS/NEWSPAPERS; COMM. PRINTERS | 469 | 122.1 | 4.2 |
| | FURNITURE, WOOD AND PAPER MANUFACTURERS | 337 | 100.0 | 3.4 |
| | CARPENTRY CONTRACTORS | 503 | 88.3 | 3.0 |
| | MINING | 212 | 61.9 | 2.1 |
| | PAINTING CONTRACTORS | 573 | 35.6 | 1.2 |
| | NON CLASSIFIED | 128 | 32.8 | 1.1 |
| | APPAREL AND TEXTILE MANUFACTURERS | 27 | 4.6 | 0.2 |
| **MOTOR VEHICLE** | NEW AND USED CAR DEALERS | 1,014 | 595.0 | 31.2 |
| | AUTOMOTIVE PARTS AND ACCESSORIES | 1,342 | 592.8 | 31.1 |
| | GAS STATIONS/CONVENIENCE STORES WITH GAS | 1,103 | 534.9 | 28.1 |
| | RECREATIONAL AND ALL OTHER MOTORIZED VEHICLES | 397 | 181.7 | 9.5 |
| **UTILITIES & TRANSPORTATION** | COMMUNICATIONS | 1,092 | 1,532.9 | 43.8 |
| | ELECTRIC AND GAS | 463 | 1,327.4 | 37.9 |
| | WATER AND SANITATION | 949 | 471.0 | 13.5 |
| | TRANSPORTATION AND WAREHOUSING | 1,216 | 168.0 | 4.8 |

## Average Business Group Sales Per Capita by County Type

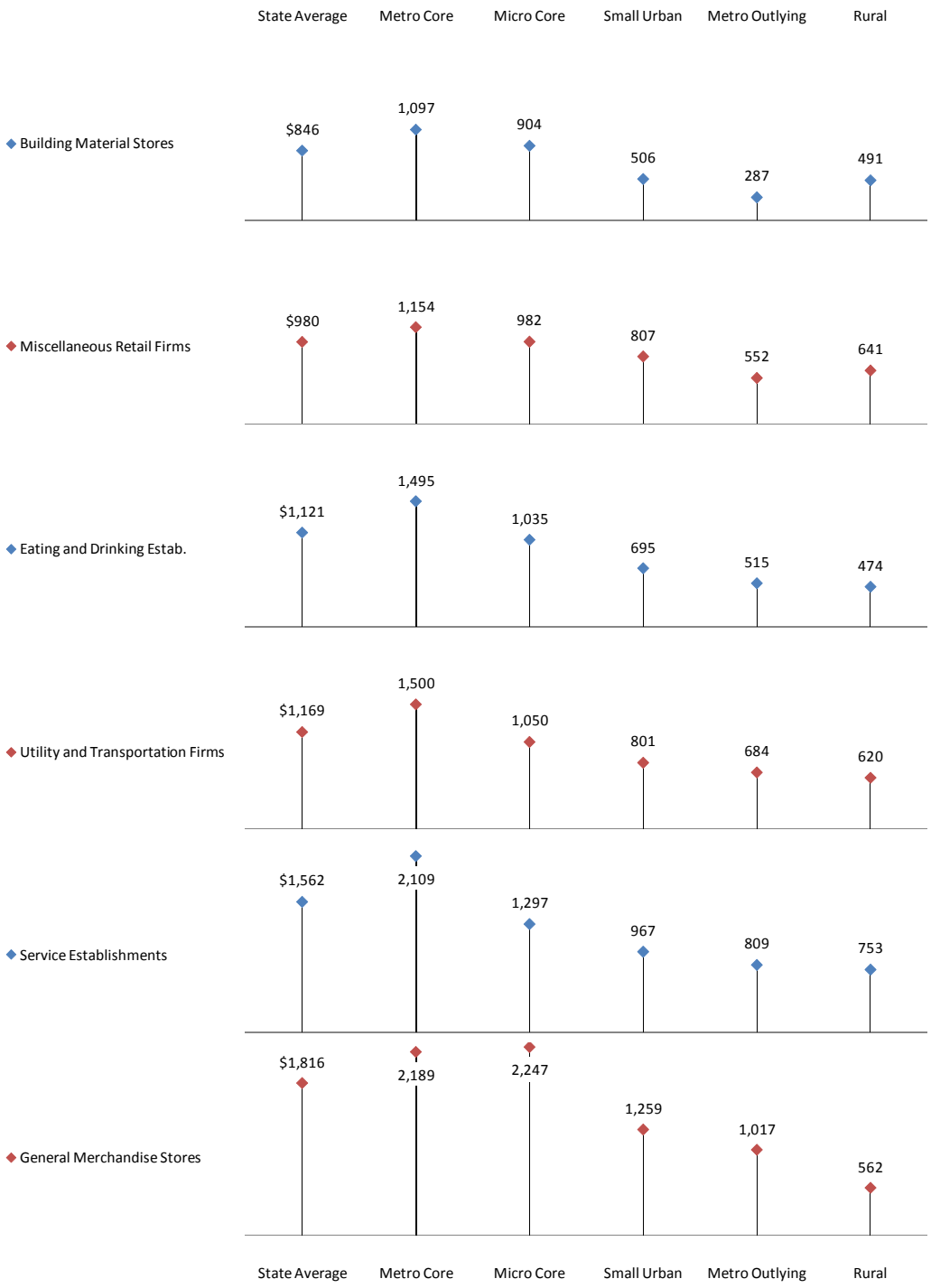
Average annual spending levels by Iowa's residents in various types of retail establishments are illustrated in the charts below. These charts contrast the statewide average per capita sales levels in 12 business groups with the averages across different types of counties (see Page 4 for definitions of the county groups). By multiplying the county's population by its appropriate peer group average in a given category, a ballpark estimate for the county's potential sales in that category may be obtained.

The business groups appear in ascending order based on their statewide average per capita sales in FY 2009. Apparel stores had the lowest per capita average sales in FY 2009, with an average statewide level of $285 per resident, while general merchandise stores had the highest at $1,816 per resident (shown next page).



## Average Business Group Sales Per Capita by County Type (cont.)

The metropolitan core counties demonstrated the highest average sales levels all but one of the 12 categories shown. The exception was in general merchandise stores, where average per capita sales in the micropolitan counties were highest. Rural counties and outlying counties in metropolitan areas tended to have the lowest per capita sales levels in all business groups. Differences across the county groups were most evident in the categories of apparel, home furnishings, specialty retail, and general merchandise stores. Performance was more consistent across the county groups in food stores, automotive and related stores, and miscellaneous retail firms.



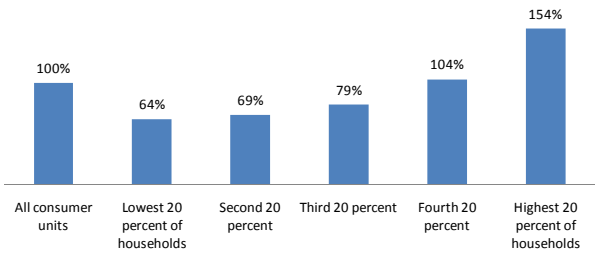
# Consumer Characteristics

### Spending Patterns by Income and Age

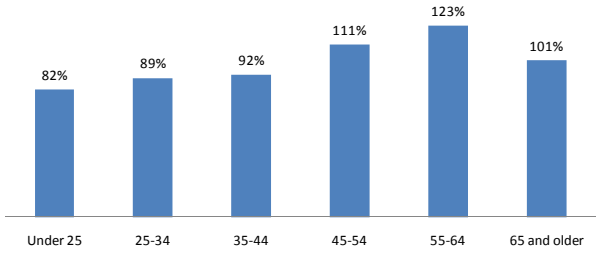
Consumer expenditure patterns vary depending on personal characteristics such as the age and income level of the consumer. The charts at right illustrate variation in U.S. per capita spending on a selected bundle of goods and services that would likely be subject to Iowa's sales tax (including food away from home, household supplies and furnishings, apparel, entertainment, and personal services). Average spending levels by income level and age group are expressed as percentages of the all-consumer average.

Spending by consumers in the top 20 percent of households by income level is more than twice the per capita average for households in the bottom 20 percent. Differences are also apparent by age group. Per capita spending is highest in households headed by persons 55-64 years of age, followed by those in the 45-54 age group. The under 25 age group has the lowest average spending levels.

**U.S. Average Per Capita Spending on Selected Goods and Services by Quintiles of Income and Age of Reference Persons, 2008**




Percentage of Average by Quintiles of Income




Percentage of Average by Age of Reference Person in Years

### Local Income and Age Distributions

Recent county-level statistics may be used to profile the distribution of area households by income and area population by age. If the county deviates strongly from statewide averages on these measures, one might expect some differences in local residents' spending compared to the average spending of all Iowa residents.

The table at right shows the county's median household income level and estimated poverty rate compared to the state. A lower median income level, a higher poverty rate, or both suggest that the percentage of county residents in low income brackets exceeds the statewide average. In these cases, comparatively lower retail spending levels may be anticipated locally.

The bottom half of the table at right illustrates the percentage distribution of the county's population by age group in years. The table also highlights which of the county's age groups represent a higher or lower percentage of total population as compared to the state.

**2008 Washington County Profile**

| Median Household Income ($) | Washington | | State of Iowa |
|---|---|---|---|
| Estimate | 50,130 | ▶ | 49,007 |
| 90% Confidence Interval | 46,690 - 53,570 | | 48,380 - 49,630 |

| Poverty Rate (%) | Washington | | State of Iowa |
|---|---|---|---|
| Estimate | 9.2 | ◀ | 11.4 |
| 90% Confidence Interval | 7.5 - 10.9 | | 11.1 - 11.7 |

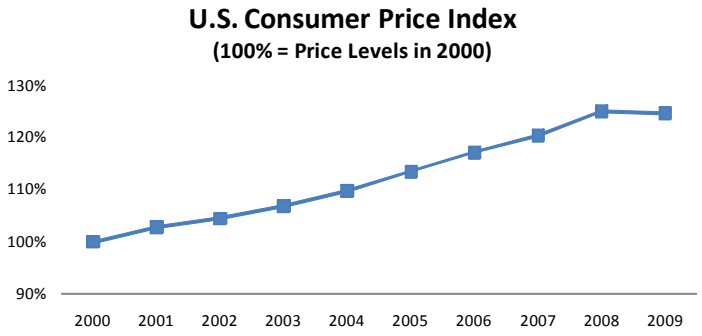
| Population (% of total) | Washington | | State of Iowa |
|---|---|---|---|
| Under 5 years | 6.9% | ▶ | 6.7% |
| Age 5 to 13 | 12.9% | ▶ | 11.5% |
| Age 14 to 17 | 6.0% | ▶ | 5.5% |
| Age 18 to 24 | 7.2% | ◀ | 10.7% |
| Age 25 to 44 | 22.9% | ◀ | 24.6% |
| Age 45 to 64 | 27.2% | ▶ | 26.1% |
| Age 65 years and over | 16.8% | ▶ | 14.8% |

# Other Factors Influencing Retail Sales

## Inflation

The rate of inflation measures changes over time in the purchasing power of the dollar. When price levels rise faster than earnings and other income, consumers may have to reduce or reallocate their spending.

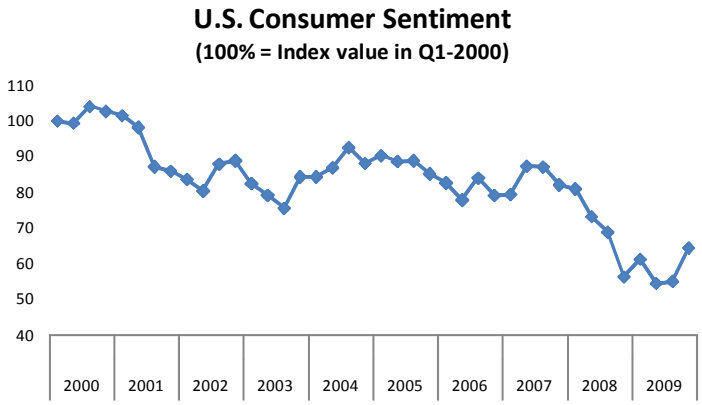
The pace of U.S. inflation during the last 10 years is illustrated at right. This chart shows annual changes in the U.S. Consumer Price Index for All Urban Consumers, using 2000 as the benchmark year.




## Consumer Confidence

Consumer confidence refers to how favorably or unfavorably consumers view prospects for the economy and their own financial situation. Pessimism about the economy can have a dampening effect on the discretionary purchases of households, while optimism can boost the likelihood of purchases.

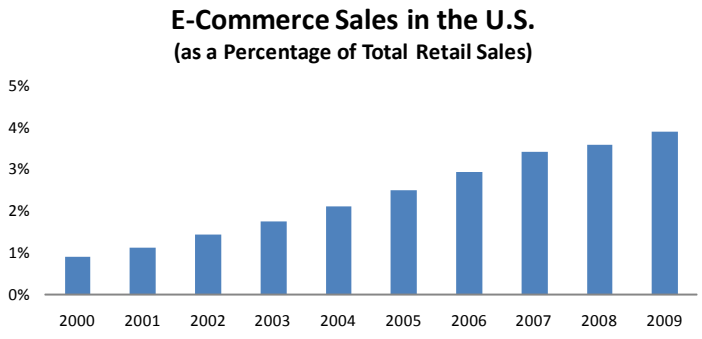
The chart at right illustrates a quarterly index of consumer confidence benchmarked to the 1st quarter of 2000. Source data were obtained from the Index of Consumer Sentiment, Reuters/University of Michigan Surveys of Consumers.




## Internet and Catalog Sales

E-commerce represents a small but rapidly growing share of retail activity in the United States. While e-commerce presents a sales growth opportunity for many retailers, it also poses a potentially important new source of retail sales leakage for Iowa's communities.

The chart at right shows the growing share of total U.S. retail sales that are transacted through e-commerce. E-commerce, which includes internet and catalog sales, describes transactions in which an order is placed by the buyer or price and terms of sale are negotiated over an internet or other online system.



# Historical Trade Statistics

Historical retail sales statistics for the county and state are presented in the table below. All dollar values, with the exception of nominal total sales, have been adjusted for inflation and restated in Fiscal Year 2009-equivalent dollars.

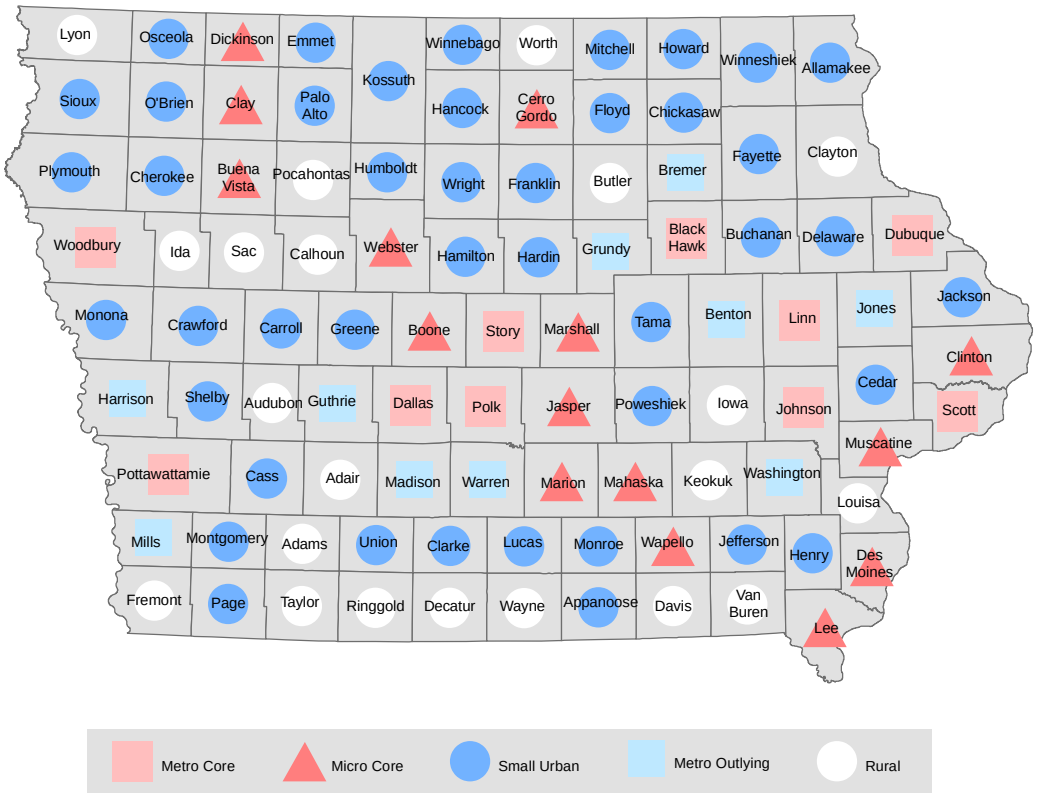
**Historical Statistics for Washington:**

| | | Total Sales ($ millions) | | Average Real Sales ($) | | Statewide Averages ($) | |
|---|---|---|---|---|---|---|---|
| Fiscal Year* | Reporting Firms | Nominal | Real | Per Firm | Per Capita | Per Firm | Per Capita |
| 1976 | 727 | 62.3 | 208.4 | 286,612 | 10,685 | 350,402 | 9,986 |
| 1977 | 738 | 70.7 | 224.0 | 303,788 | 11,369 | 362,285 | 10,580 |
| 1978 | 766 | 74.5 | 221.2 | 289,110 | 11,062 | 356,987 | 10,807 |
| 1979 | 781 | 82.2 | 227.6 | 291,621 | 11,324 | 363,487 | 11,321 |
| 1980 | 772 | 88.2 | 222.5 | 288,455 | 10,963 | 358,335 | 11,344 |
| 1981 | 782 | 84.8 | 193.6 | 247,588 | 9,613 | 317,788 | 10,261 |
| 1982 | 779 | 86.4 | 183.0 | 235,192 | 9,068 | 302,898 | 9,765 |
| 1983 | 806 | 91.8 | 184.9 | 229,506 | 9,214 | 293,786 | 9,634 |
| 1984 | 820 | 86.9 | 168.0 | 204,908 | 8,460 | 287,461 | 9,554 |
| 1985 | 827 | 88.0 | 164.3 | 198,735 | 8,292 | 283,940 | 9,492 |
| 1986 | 838 | 86.0 | 155.6 | 185,814 | 7,871 | 278,127 | 9,455 |
| 1987 | 819 | 89.9 | 158.8 | 193,923 | 8,095 | 293,416 | 9,861 |
| 1988 | 806 | 92.0 | 156.3 | 194,018 | 8,010 | 294,286 | 9,943 |
| 1989 | 814 | 87.8 | 143.3 | 175,992 | 7,296 | 299,652 | 10,052 |
| 1990 | 819 | 90.6 | 141.8 | 173,303 | 7,238 | 302,618 | 10,137 |
| 1991 | 797 | 98.2 | 146.9 | 184,306 | 7,490 | 302,981 | 10,073 |
| 1992 | 778 | 99.7 | 144.4 | 185,642 | 7,260 | 301,725 | 10,119 |
| 1993 | 795 | 101.6 | 143.2 | 180,253 | 7,093 | 301,504 | 10,242 |
| 1994 | 814 | 105.1 | 145.0 | 178,357 | 7,160 | 308,296 | 10,486 |
| 1995 | 823 | 102.6 | 138.6 | 168,402 | 6,843 | 314,745 | 10,723 |
| 1996 | 845 | 105.9 | 140.1 | 165,906 | 6,828 | 315,157 | 10,957 |
| 1997 | 860 | 111.8 | 144.6 | 168,166 | 6,995 | 330,889 | 11,139 |
| 1998 | 865 | 111.3 | 141.8 | 163,934 | 6,789 | 331,708 | 11,307 |
| 1999 | 860 | 120.1 | 151.5 | 176,240 | 7,235 | 354,837 | 11,802 |
| 2000 | 840 | 122.7 | 151.8 | 180,763 | 7,176 | 362,200 | 11,894 |

* NOTE: This table shows annual sales totals for fiscal years ending on March 31st of each year shown. Beginning in 2009, the state of Iowa adopted a fiscal year ending June 30 for the annual reporting of retail sales data. The 10-year trend data presented elsewhere in this report were compiled according to the new (July 1– June 30) fiscal year, and are not directly comparable to data on the old (April 1—March 31) fiscal year basis.

# County Group Definitions

## Peer Group Assignments




## Iowa's Metropolitan and Micropolitan Area Definitions

| Area Name | Member Counties in Iowa (* indicates core county) |
|---|---|
| Ames, IA Metropolitan Statistical Area | Story |
| Boone, IA Micropolitan Statistical Area | Boone |
| Burlington, IA-IL Micropolitan Statistical Area | Des Moines |
| Cedar Rapids, IA Metropolitan Statistical Area | Linn*; Jones; Benton |
| Clinton, IA Micropolitan Statistical Area | Clinton |
| Davenport-Moline-Rock Island, IA-IL Metropolitan Statistical Area | Scott |
| Des Moines-West Des Moines, IA Metropolitan Statistical Area | Polk*; Dallas*; Guthrie; Madison; Warren |
| Dubuque, IA Metropolitan Statistical Area | Dubuque |
| Fort Dodge, IA Micropolitan Statistical Area | Webster |
| Fort Madison-Keokuk, IA-MO Micropolitan Statistical Area | Lee |
| Iowa City, IA Metropolitan Statistical Area | Johnson*; Washington |
| Marshalltown, IA Micropolitan Statistical Area | Marshall |
| Mason City, IA Micropolitan Statistical Area | Cerro Gordo*; Worth |
| Muscatine, IA Micropolitan Statistical Area | Muscatine*; Louisa |
| Newton, IA Micropolitan Statistical Area | Jasper |
| Omaha-Council Bluffs, NE-IA Metropolitan Statistical Area | Pottawattamie*; Harrison; Mills |
| Oskaloosa, IA Micropolitan Statistical Area | Mahaska |
| Ottumwa, IA Micropolitan Statistical Area | Wapello |
| Pella, IA Micropolitan Statistical Area | Marion |
| Sioux City, IA-NE-SD Metropolitan Statistical Area | Woodbury |
| Spencer, IA Micropolitan Statistical Area | Clay |
| Spirit Lake, IA Micropolitan Statistical Area | Dickinson |
| Storm Lake, IA Micropolitan Statistical Area | Buena Vista |
| Waterloo-Cedar Falls, IA Metropolitan Statistical Area | Black Hawk*; Bremer; Grundy |

# Data Notes and Definitions

## Iowa's Retail Sales Tax Reporting

The state of Iowa imposes a tax on the gross receipts from sales of taxable tangible personal property and taxable services. In general, merchandise goods are taxable unless specifically exempted and services are taxable if specifically enumerated by the state.

Retailers file sales tax returns to the Iowa Department of Revenue on a semi-monthly, monthly, quarterly, or annual basis depending on their amount of sales.

The Department of Revenue compiles the data from sales tax returns and publishes quarterly and annual retail sales tax reports that provide the primary source of data for this report.

Iowa's sales tax reporting process may lead to occasional anomalies in retail sales data reported at the local level. The state compiles these data primarily for fiscal management purposes, and only secondarily for analytical purposes.

Certain accounting and other administrative constraints may result in the under-reporting or no reporting of sales activity for individual communities.

**Impact of Late Filers**. Retail sales totals for cities and counties exclude sales data for area merchants who did not meet their filing deadline. Data for the late filers are reported as an aggregated total in the state compilations and are not attributed back to specific communities. The exclusion of late returns may cause fluctuations in year-to-year sales amounts reported for individual localities, and is especially noticeable in small cities.

**Confidentiality**. In order to protect the confidentiality of individual filers, the Iowa Department of Revenue only reports data from localities with a minimum of 10 tax returns filed for a quarter or 40 returns per year. Sales data for localities not meeting this threshold level are reported for the county in which they are located.

Recent changes in the administration of Iowa's sales tax include the following:

- July 1, 2004. Iowa implemented several changes in its sales tax laws to meet Streamlined Sales Tax Project (SSTP) requirements. SSTP improves uniformity in sales tax laws across states, thereby encouraging businesses to collect and remit sales tax in every state in which they make taxable sales.
- January 1, 2006. The tax on certain types of energy was reduced to 0% after a 4-year phased decline.
- July 1, 2008. Iowa's sales tax rate increased from 5% to 6%.
- July 1, 2008. The Iowa Department of Revenue adopted a new fiscal year reporting period to align with the state fiscal year that runs from July 1 through June 30 of each year.

## Notable Exemptions and Exclusions from Iowa's Retail Sales Tax

Many retail transactions, because they are exempt or otherwise excluded from the state's sales tax, are not included in the taxable sales values reported in this report. Following are some notable exemptions from Iowa's sales tax. More detailed documentation is available from the Iowa Department of Revenue.

**Exempt or Excluded Goods.** Goods that are exempt from the sales tax include certain foods used for home consumption, prescription drugs, and medical devices. Sales of gasoline, subject to a separate fuel tax, are excluded from taxable retail sales. Taxable retail sales also exclude the sale or lease of new or used vehicles that are subject to registration. Vehicle purchases are taxed separately under the state's one-time registration fee.

**Exempt Services.** Unlike tangible goods, services are exempt from tax unless specifically enumerated. Professional services such as medical and legal are not subject to the sales tax.

**Utilities.** The state has phased out taxes on sales of metered gas, electricity, and fuel used as energy in residential dwellings, apartment units and condominiums. Specific exemptions may also apply to certain businesses and industries.

**Sales to Agriculture, Manufacturing, and Other Industries.** The state exempts sales of many goods and services that are used as inputs to agriculture and other industrial processes.

Sales tax exemptions for agriculture apply to the purchase of feed, seed, fertilizer, farm machinery and equipment, fuels and utilities, and some services.

Exemptions to manufacturing include purchases of tangible inputs that become an integral part of manufactured goods ultimately sold at retail; fuels, chemicals, and other inputs that are consumed during production processes; industrial machinery, equipment, and some computer equipment; and many services.

The state has created additional exemptions targeted toward specific industries such as wind energy and information technology. See the Department of Revenue Web site for more detailed information about exempt sales to industry and business.

**Sales to Tax-Exempt Organizations.** Local and state government entities are exempt. Sales to private nonprofit educational institutions for educational purposes are also exempt. Sales from fund-raising activities are exempt from sales tax if the proceeds are used for educational, religious, or charitable purposes.

## Cautions for Interpreting Reported Sales Data

**Non-Taxable Goods & Services**. The sales information presented in this report provides only a partial picture of retail and service sector activity in Iowa's communities, due in part to the data reporting practices and sales tax exemptions listed on the previous page.

**Large Public Institutions**. The presence of large public institutions such as correctional facilities or universities may distort local sales measures, as their institutional purchases are excluded from taxable sales but their residents are included in local population estimates.

**Sales or Service Territories.** Some cities' reported sales values may appear inflated if they are home to the business office or headquarters of a firm with a broad, geographically-defined service territory such as a rural telecommunications or cable television provider.

## Definitions of Retail Measures

**Retail Sales**. This term refers to the reported sales of goods and services that are subject to Iowa's retail sales tax.

**Reporting Firms**. This value reflects the average number of tax returns filed per quarter during the year, and it serves as a proxy for the number of local retail firms.

**Real Sales**. "Real" dollar values have been standardized to reflect the purchasing power of a dollar in the current fiscal year, thus removing the effects of price inflation.

**Nominal Sales**. Nominal sales are the dollar amounts reported in the year the transactions actually took place. These values have not been adjusted for inflation.

**Sales Per Firm**. Per firm sales are calculated by dividing the annual dollar value of sales by the average number of reporting firms in that year.

**Sales Per Capita**. Per capita (or "per person") sales are calculated by dividing the dollar value of sales by the estimated population for the subject place.

**Expected Per Capita Spending**. An expected value for residents' average spending on taxable retail goods and services is used in the calculation of trade surplus and leakage, trade area capture, and pull factor values. This expected spending estimate is based on a combination of factors, including: statewide average per capita sales; county-level nonfarm personal income; population; and a demand elasticity function derived from consumer expenditure survey data for Midwestern consumers. For more information, please contact the author.

## Other Data Sources and Notes

**City-to-County Assignments**: Many of Iowa's cities cross county boundaries. Unless otherwise noted, the county-level retail values reported here exclude the portion of any particular city's retail sector that lies within a different county jurisdiction.

**Commuting Flows**: Local Employment Dynamics Program, U.S. Census Bureau. These commuting flows describe the place of work and place of residence of wage and salary workers in 2008. Self-employed individuals such as sole proprietors and partners are excluded from these data.

**Consumer Spending Patterns**: Consumer Expenditure Survey, U.S. Bureau of Labor Statistics.

**Consumer Sentiment**: Index of Consumer Sentiment, University of Michigan Surveys of Consumers, via the Federal Reserve Bank of St. Louis.

**E-commerce Sales**: Monthly and Annual Retail Trade Survey, Quarterly E-Commerce Report, U.S. Census Bureau.

**Employment**: U.S. Bureau of Economic Analysis. Employment includes full-time and part-time jobs, with all jobs counted equally.

**Household Income and Poverty**: Small Area Income and Poverty Estimates, U.S. Census Bureau.

**Inflation Rate**: Consumer Price Index, U.S. Bureau of Labor Statistics.

**Nonfarm Personal Income**: U.S. Bureau of Economic Analysis. This report excludes farm earnings and income from measures of local personal income due to the annual volatility of farm income and the fact that many farm-related purchases are exempt from Iowa sales tax.

**Population**: Population Estimates Program, U.S. Census Bureau. With each annual data release, the U.S. Census Bureau occasionally revises its estimates from prior years. This report incorporates the most recently available estimates and revisions. Population-based statistics published in this report may not reconcile with those appearing in earlier retail trade analysis reports. In most cases, the discrepancies are minor.

**Price Deflators**: Except where otherwise noted in this report, the dollar values for all retail sales and personal income data have been adjusted for inflation using the Implicit Price Deflator for Personal Consumption Expenditures published by the U.S. Bureau of Economic Analysis.

**Unemployment**: Local Area Unemployment Statistics, U.S. Bureau of Labor Statistics.

Department of Economics
Iowa State University

Authored by
Liesl Eathington

175 Heady Hall
Iowa State University
Ames, Iowa 50011

Phone: 515-294-2954
Fax: 515-294-0592
E-mail: leathing@iastate.edu

Www.recap.iastate.edu

## Changes from Previous ISU Retail Trade Analysis Reports

Frequent users of the Iowa State University Retail Trade Analysis reports may notice changes in the availability of taxable sales data in the Fiscal Year 2009 reports compared to reports issued in previous years. These changes are summarized below.

**Historical Data**. The Iowa Department of Revenue has adopted a fiscal year ending June 30 for its annual reporting of retail sales data. Prior to 2009, retail data were reported for fiscal years that ended on March 31 of each year. Annual sales totals that were tabulated on the old fiscal year basis are not directly comparable with new fiscal year tabulations.

In this report, quarterly data from 1999 and after were compiled and restated on the new July 1 fiscal year basis to allow for 10-year trend analysis.

**Sales by Business Group**. This report presents a 1-year snapshot of taxable retail sales by business group for the county and state. Trends in business group sales are not reported due to the fiscal year change noted above as well as changes in how the Iowa Department of Revenue presents sales data by business group in its Annual Sales and Use Tax Reports. Beginning in Fiscal Year 2009, the Iowa Department of Revenue has ceased publication of detailed business group sales at the city level. The change has allowed for a more complete accounting of sales at the county level by reducing the incidence of data suppression (which protects the confidentiality of individual businesses). As a consequence of this change, however, older compilations of county-level sales by business group are not comparable to Fiscal Year 2009 totals for many of Iowa's 99 counties.

# Acknowledgements

For more than 25 years Iowa State University has provided retail trade analysis and outreach services to Iowa's communities.

This report's methodology has evolved from the earlier work of Kenneth E. Stone, now Professor Emeritus, later developed by a number of ISU employees, including Scott Baumler, Georgeanne Artz, and Meghan O'Brien.

This project was supported with funding from the Iowa Agriculture and Home Economics Experiment Station, the research program directed by the College of Agriculture and Life Sciences at Iowa State University.

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