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NET TAXABLE RETAIL SALES FOR MAJOR TRADING CENTERS IN NEBRASKA

In 1969 there were twenty-seven localities whose net taxable retail sales amounted to at least 25 percent[1] of the sales generated in those regions,[2] for which they may be designated as major retail trade centers (See Table I). These localities comprise most of the state's major retail trade centers. In 1969 the net taxable retail sales volumes of the twenty-seven centers ranged from a high of $1,019 million for Omaha to a low of $12.4 million for West Point.[3]

These centers are dispersed throughout the state and not only have populations of unequal size, but also serve regions of unequal populations. There is, therefore, no homogeneity among these centers demographically, geographically, or in magnitude of retail activity. Given their heterogeneity, the absolute magnitudes of the retail activities of these centers is of little interest. It is their growth and their drawing power as trade centers that are of concern. Data now available from the Nebraska Tax Commissioner and the Nebraska Department of Revenue make possible at least a cursory analysis and evaluation of the 1969 situation and some comparisons of 1969 with 1968.[4]

The purposes of this article are several.[5] One is to offer a description of changes from 1968 to 1969 in the absolute level of net taxable retail sales for the selected group of trade centers. Another, to which greater emphasis is given, is to analyze the drawing power of the centers in terms of their sales shares versus their population and buying income shares. This analysis of the particular centers is offered in part as a matter of special interest and in part as an example of the type of analysis possible for other centers. Thus, another purpose is to invite attention to, and/or inquiry about, any local situation or situations that might be of special interest to the readers.

Led by Falls City, with its 29.6 percent gain, twelve of the twenty-seven trade centers (listed in Table I) showed sales increases from 1968 to 1969 in excess of the 9.7 percent increase registered for the state as a whole. Taken as a group, the twenty-seven centers recorded a 9.6 percent increase. Falls City's gain was markedly above that of the next largest gainer, Kearney, which was up 15.0 percent. Only Hastings reported a decline, being down by 1.4 percent.[6]

Of the twelve centers which gained at rates in excess of the state as a whole, ten are to be found in regions that are densely populated, as compared with the state as a whole, yet not necessarily in regions where the population growth has been the greatest. Obviously, yet worth noting, two years of data do not permit even a conjecture about long-run developments. Each business community should become aware, however, of both the magnitude of and the recent changes in the volume of sales in its own and in its competitive centers. Continuing growth of a competitive center's retail activity at rates greater than one's own center's growth should be cause for enough concern to motivate an organized group-action program.

Eleven of the twenty-seven localities had relative gains that were lower than those of their respective regions' gains. Thus, other centers, even though smaller in size, have had stronger gains —at least from 1968 to 1969. No single explanation is available for all the particular situations. It may be noted, however, that Omaha's increase of 8.9 percent is equal to that of its region's gain. Despite a sizable "movement" of trade to suburban shopping areas, many of which are located outside the area designated for tax reporting purposes, as Omaha, it must have maintained its draw of customers from outside the area. Since procedurally some of the sales made "outside of Omaha" were "recorded" for tax purposes as "at Omaha," there could also have been a considerable increase in sales in other spatially "smaller" yet nearby

[1]It is the author's choice, for practical purposes, of the criterion of "at least 25 percent" that is the only factor limiting the group to those considered in this article.

[2]See Business in Nebraska, December, 1968, and (unpublished) paper of the Nebraska Department of Economic Development titled Nebraska Planning and Development Regions for descriptions of the regions and of the methodology underlying their determination.

[3]There were ten localities other than the twenty-seven considered herein that had sales volumes in excess of the $12.4 million. These ranged between $37.6 million for Bellevue and $12.6 for Auburn.

[4]See Nebraska Tax Commissioner, Statistical Supplement to the 1968 Annual Report: Sales Tax, and Nebraska Department of Revenue, 1969 Sales Tax Summary.

[5]The reader is urged to refer to the September, 1969, and September, 1970, issues of Business in Nebraska for previous articles which contain data and explanations that are relevant as background material for this article. Copies of these issues may be obtained upon request from the Bureau of Business Research.

[6]The decline as reported is not of such a magnitude as to preclude the possibility of a minor "error" in the data and should not be taken as a matter of great concern. Data available elsewhere indicate the "drop" to be in the sales figures reported for the first six months of 1968 and 1969; there was a 7.5 percent increase in sales for the last six months of 1969 over 1968. A further investigation is being made.

trading centers such as Millard and Ralston. On the other hand, Nebraska City's situation—one of a very low share of a highly populated region's sales and a less-than-regional growth rate—apparently reflects a failure to share in a regional growth that was spread more widely throughout the region. Both Grand Island and Kearney, on the other hand, had rates of gain in excess of those of their regions, which in turn both grew notably faster than the state as a whole. Thus these localities gained greater shares of an increasing retail activity in their respective regions.

Omaha and Lincoln, with nearly 92 and 99 percent, respectively, of their region's sales, clearly dominate the retail activity of their contiguous regional area(s). Others with considerable dominance were North Platte, Grand Island, McCook, and So. Sioux City. This does not mean, of course, that there is no interregional trade; the point is that there is a wide range in the extent to which the various centers share in the retail activity of their respective regions.

There could be some particular, and perhaps nearly unique, feature that is operating to prevent the attainment by a particular center of a larger share of its region's potential. Thus, for example, a center may be serving a region that is also served by a highway network which increasingly eases the spatial movement of consumers "to and from" other regions and their trade centers. Or, a center may simply be in a region which has several centers each with a considerable drawing power. Each is able to maintain now, and perhaps in the future, the trading allegiance of a large share of the region's potential retail customers and their spendable incomes.

Of special concern in both the above situations should be the near future changes in "share of region" positions. If a decline in one's regional share sets in, the center will find that there is a marked increase in the difficulty of either increasing or maintaining the local rate of growth. Importantly, an increase in the absolute level of a center's retail activity should not be permitted to cause an "overlooking" of a symptomatic decline in regional share. Retailers will have enough "trouble" keeping abreast of conditions in today's rapidly changing business world; being myopic about some developments does not contribute to progress.

Indicative of a trade center's retail drawing power is its ability to generate a share of some larger area's volume of retail sales that is greater than the center's share of that larger area's consumer units and/or consumer income. A center's retail trade position may be objectively gauged or measured as a ratio of (1) the center's dollar volume of retail sales as a percent of the state's retail sales to (2) the center's population as a percent of the state's population and to (3) the center's effective buying income as a percent of the state's effective buying income. Thus, for example, if Center A had 4 percent as its share of the state's retail sales and 2 percent as its share of the state's population, it would

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TABLE I
NET TAXABLE RETAIL SALES FOR SELECTED[1] TRADE CENTERS AND REGIONS IN NEBRASKA, 1968 AND 1969

Trade Center[1, 3]	Net Taxable Retail Sales[2] $000,000's 1968	1969	% Change '68 to '69	Region[4]	Net Taxable Retail Sales[2] $000,000's 1968	1969	% Change '68 to '69	Trade Center as % of Region, 1969
Falls City	14.2	18.4	+29.6	7	45.5	54.4	+19.6	33.8
Kearney	47.9	55.1	+15.0	15	70.0	79.2	+13.1	69.6
West Point	10.9	12.4	+13.8	6	39.4	44.2	+12.2	28.1
Grand Island	101.4	114.6	+13.0	12	141.3	158.0	+11.8	72.5
Lincoln	333.6	376.7	+12.9	2	338.7	382.0	+12.8	98.6
Columbus	48.3	54.1	+12.0	10	90.2	102.3	+13.4	52.9
Lexington	21.5	24.0	+11.6	16	48.4	54.0	+11.6	44.4
Norfolk	49.4	55.1	+11.5	11	105.2	116.8	+11.0	41.2
Seward	16.9	18.8	+11.2	8	55.7	61.6	+10.6	30.5
Chadron	13.0	14.4	+10.8	23	53.3	56.9	+ 6.8	25.3
Broken Bow	17.5	19.3	+10.3	26	53.3	59.6	+11.8	32.4
O'Neill	15.0	16.5	+10.0	24	52.2	56.4	+ 8.0	29.3
Kimball	13.0	14.2	+ 9.2	21	38.0	41.4	+ 8.9	34.3
North Platte	59.2	64.5	+ 9.0	18	67.1	73.6	+ 9.7	87.6
Omaha	936.2	1,019.3	+ 8.9	1	1,022.3	1,113.4	+ 8.9	91.5
So. Sioux City	16.9	18.4	+ 8.9	3	23.8	26.1	+ 9.7	70.5
Beatrice	36.1	39.3	+ 8.9	14	76.9	83.5	+ 8.6	47.1
Scottsbluff	51.4	55.8	+ 8.6	22	92.5	101.0	+ 9.2	55.2
Sidney	17.9	19.4	+ 8.4	21	38.0	41.4	+ 8.9	46.9
Nebraska City	21.4	23.1	+ 7.9	4	76.9	85.5	+11.2	27.0
Fremont	62.6	67.1	+ 7.2	5	94.4	103.8	+10.0	64.6
Holdrege	19.5	20.9	+ 7.2	17	47.3	50.6	+ 7.0	41.3
York	25.2	26.9	+ 6.7	9	56.4	58.5	+ 3.7	46.0
Ogallala	18.5	19.6	+ 5.9	19	36.9	40.5	+ 9.8	48.4
Alliance	19.4	20.4	+ 5.2	23	53.3	56.9	+ 6.8	35.9
McCook	28.8	29.8	+ 3.5	20	41.3	42.5	+ 2.9	70.1
Hastings	73.1	72.1	-- 1.4	13	109.0	110.1	+ 1.0	65.5
27 Centers	2,088.8	2,290.2	+ 9.6	25 Regions	2,868.1	3,155.5	+10.0	72.6
State	2,906.0	3,197.5	+ 9.7	State	2,906.0	3,197.5	+ 9.7	- - -

[1]Includes municipalities having 25 percent or more of their state planning and development regions' sales; no municipality in Region 25 had 25% or more of its sales. [2]The sales as reported for the municipality include some transactions of establishments located outside, yet near to, the municipal limits; and some transactions in rural areas contiguous to the municipality. [3]In order of percent change from 1968 to 1969. [4]"Planning and Development" regions as delineated by Nebraska Department of Economic Development in unpublished paper Nebraska Planning and Development Regions. Also described in Business in Nebraska, December, 1968.

Source: Nebraska Tax Commissioner, Statistical Supplement to 1968 Annual Report: Sales Tax; Nebraska Department of Revenue, 1969 Sales Tax Summary; and computations by Bureau of Business Research.

have a sales-share/population-share ratio of 200.0. Or, a center having 4 percent as its share of the state's retail sales and 3 percent as its share of the state's effective buying income would have a sales-share/income-share ratio of 133.0.

It should be reiterated that the net taxable retail sales, which will be referred to as retail sales below, of a particular center are not necessarily limited to those made within the corporate limits of the municipality which is referred to as the "trade center." As pointed out previously, some sales are reported and recorded for tax purposes as for a municipality even though the actual point of sale may be in a shopping center, a suburban locality, or even a rural area nearby yet outside of the corporate city.

A center's share of retail sales of, say, a region or the state should certainly be greater than its corporate entity's share of, say, the population since a considerable part of the sales volume would be either generated at locations or made to customers from outside the corporate limits. Most surely, if the center is drawing customers from its contiguous suburban or rural areas, it will have a sales-share/population-share ratio greater than 100.0. Otherwise, it would not even be drawing a volume of customers equivalent to the population potential of its corporate entity. The same is true for the sales-share/income-share ratio. There is, however, no objective criterion by which one can judge what this greater-than-100.0 ratio should be. In general, it can only be postulated with some logical justification that if the ratios are greater than 100.0, then the retail sales volumes are being generated in part by a net inflow of consumer units, or a net inflow of buying income, or some combination that produces a net inflow of aggregate retail spending.

Those concerned with local retail trade situations should be able to make comparative analyses or evaluations between or among trade centers and, given the necessary historical data, over time. Given a seemingly high ratio, or ratios, these indicators of strong retail drawing power should invite attention to conditions giving, say, Center A its advantageous position over other centers. This should then induce emulation of those conditions—especially in the cases where the centers are competitive by reason of their spatial proximity. Even more importantly, it is the center with the "weaker," lower ratio that should be concerned with finding out how to strengthen its position. Regardless of whether all its disadvantageous conditions can be modified, the center, as a community of businesses interested in a common matter, should be able to make its decisions with greater rationality..

Table II presents data that give some measure of the strength of the retail attraction of those twenty-seven centers that in 1969

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TABLE II
RETAIL ATTRACTION OF SELECTED[1] TRADE CENTERS IN NEBRASKA, 1969

Trade Center[1, 2, 5]	Net Taxable Retail Sales $000,000's 1969	Population Preliminary[3] April 1970	Buying Income[4] $000,000's 1969	Trade Center as a % of State			Ratio of Sales % to	
				Sales %	Population %	Income %	Population % %	Income % %
Omaha	1,019.3	348,066[3]	1,273.1	31.88	23.71	29.23	134.5	109.1
Lincoln	376.7	148,092	519.4	11.78	10.09	11.92	116.7	98.8
Grand Island	114.6	30,917	110.9	3.58	2.11	2.55	169.7	140.4
Hastings	72.1	23,233	75.4	2.25	1.58	1.73	142.4	130.1
Fremont	67.1	22,922	86.8	2.10	1.56	1.99	134.6	105.5
Scottsbluff	64.8[5]	14,247	51.1	2.03	0.97	1.17	209.3	173.5
North Platte	64.5	19,287	65,5	2.02	1.31	1.50	154.2	134.7
Norfolk	60.6[5]	16,111	56.3	1.90	1.10	1.29	172.7	147.3
Kearney	55.1	19,113	53,4	1.72	1.30	1.23	132.3	139.8
Columbus	54.1	14,817	52.3	1.69	1.01	1.20	167.3	140.8
Beatrice	39.3	12,395	NA	1.23	0.84	NA	146.4	NA
McCook	29.8	8,213	NA	0.93	0.56	NA	166.1	NA
York	26.9	6,702	NA	0.84	0.46	NA	182.6	NA
Lexington	24.0	5,584	NA	0.75	0.38	NA	197.4	NA
Nebraska City	23.1	7,262	NA	0.72	0,49	NA	146.9	NA
Holdrege	20.9	5,529	NA	0,65	0,38	NA	171.1	NA
So. Sioux City	20.9[5]	7,951	NA	0,65	0.54	NA	120.4	NA
Alliance	20.4	6,767	NA	0.64	0.46	NA	139.1	NA
Ogallala	19.6	4,853	NA	0.61	0.33	NA	184.8	NA
Sidney	19.4	6,289	NA	0.61	0.43	NA	141.9	NA
Broken Bow	19.3	3,699	NA	0.60	0.25	NA	240.0	NA
Seward	18.8	5,332	NA	0.59	0.36	NA	163.9	NA
Falls City	18.4	5,356	NA	0.58	0.36	NA	161.1	NA
O'Neill	16.5	3,702	NA	0,52	0,25	NA	208.0	NA
Chadron	14.4	5,088	NA	0.45	0.35	NA	128.6	NA
Kimball	14.2	3,611	NA	0.44	0.25	NA	176.0	NA
West Point	12.4	3,181	NA	0.39	0.22	NA	177.3	NA
State Total	3,197.5	1,468,101	4,355.7	100.00	100.00	100.00	----	----

[1]Includes municipalities having 25% or more of their respective planning and development regions' net taxable retail sales in 1969.
[2]In order of volume of sales in 1969 except for the three noncounty-seat municipalities of Scottsbluff, Norfolk, and So. Sioux City, for which the sales have been adjusted upward to include estimates of the amounts of motor vehicle sales that would have been recorded in these places if they had been the county seats, at which motor vehicles' sales are recorded at time of vehicle registration. This adjustment was made in order to increase the comparability of the sales volumes of the three localities to those of the other localities. Note footnote 5 below.
[3]Preliminary April, 1970, census figures as published in U.S. Bureau of Census, Population Counts for States: Nebraska in Preliminary Report, PC (P1)--29, July, 1970. Population for Omaha is the "corrected" figure released subsequent to the release of the preliminary report.
[4]"Effective Buying Income" as published in Sales Management, Survey of Buying Power, 1970 issue.
[5]Includes estimates of county motor vehicle sales (which would have been recorded and reported for the county seat) of $8.5 million for Scottsbluff, $5.5 million for Norfolk, and $3.0 million for So. Sioux City. These estimates are based on motor vehicle sales recorded for first quarter of 1970.
Source: See Sources for Table I.

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had sales volumes that were 25 percent or more of the sales volumes of their respective planning and development regions. Sales-share/income-share ratios can be developed for only ten of these centers. Sales-share/population-share ratios can, however, be developed for all of them. Some of the particular centers will be noted below; others of particular interest may be considered by the reader.

In 1969, ten centers had sales of $50 million or more and, as a group, accounted for 61 percent of the state total of nearly $3.2 billion. Three centers—Omaha with $1,019 million, Lincoln with $377 million and Grand Island with $115 million—combined to account for slightly over $1.5 billion, or 47 percent of the state's total.

Three of the twenty-seven centers had sales-share/population-share ratios in excess of 200.0. Another thirteen had ratios between 150.0 and 200.0 with five of these being between 175.0 and 200.0. For these sixteen, this is evidence of a strong attraction of consumer units from outside their immediate "municipal" boundaries.[7]

There does not appear to be any reason to postulate that those centers having the highest sales-share/population-share ratios are also those serving predominantly either "rural" or "urban" areas. Of the sixteen centers, nearly one-half are found to be in the "open spaces" of the western half of the state. The remainder are found in the midst of the more densely populated eastern sector. Both Broken Bow and Scottsbluff—two of the three leading centers—have spatially nearby competitive centers, which also have fairly high ratios in terms of the population factor. Others in the "open spaces" of the state with high ratios for the population factor—such as Ogallala, McCook, and O'Neill—appear to maintain their strength as a result of their spatial "isolation" from competitive trade centers. Again, the reader is reminded of the lack of any general theory that explains these divergences. Each center and its relevant group of competitive centers must be viewed as a special case.

For those ten centers for which estimates of "effective buying income" are available, there is a close relationship between the order of the sales-share/income-share ratios and the order of the sales-share/population-share ratios. For example, Scottsbluff's number one ranking in sales-share/population-share ratio of 209.3 is accompanied by a number one ranking in sales-share/income share ratio of 173.5. At the lower end of the list of ten is Lincoln, with respective ratios of 116.8 and 98.8. Thus all ten communities had positive drawing power and sales activity well above the potentials of their local population bases. Except for Lincoln—and Omaha and Fremont to a lesser extent—these centers were likewise able to maintain a sizable net inflow of buying income notably above their local income potentials.

In the case of Omaha, it can only be conjectured that a disproportionate part of the potential income in its densely populated outlying areas either remained in those areas as savings or "moved out" as spending on retail items into local yet suburban shopping areas not identified for tax purposes as a part of the Omaha trade center. The case of Lincoln is indeed unique and without clear explanation. To the extent that the outflow of spending from the Lincoln academic community's residents "back to their hometown" centers more than offsets the inflow from non-Lincoln residents, there would be a less-than-100.0 ratio for the sales-share/income-share relationship. Although counted as resident and although on balance there appears to be a net inflow of consumer units (and perhaps a net inflow in the absolute dollar volume of retail spending) and hence a sales-share/population-share of nearly 117.0, the share gained of the overall, total income that could be spent appears to have fallen below the potential. On balance, therefore, the net inflow of consumer units, while indicating a positive draw, appears to be from one group of nonresident and, perhaps, low per capita spenders while the net outflow of buying income proves to be from another group of high per capita spenders. Or, to paraphrase, it appears that the "small-spenders" trade in the Lincoln center, yet the "big-spenders" trade elsewhere.

EDWARD L. HAUSWALD

[7]This does not necessarily mean that other centers, of either larger or smaller population bases, do not likewise have strong drawing power now or that they are not gaining strength. As pointed out above, the selection of the 27 centers used herein has been the result of the author's choice of the criterion, 25 percent or more of regional sales. He reminds the reader again that he would welcome any inquiries and would try to provide data on other centers or situations of special interest.

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