A STUDY OF RETAIL TRADE IN CITIES ACROSS KANSAS

AN ANNUAL REPORT OF TRADE PULL FACTORS AND TRADE AREA CAPTURES

Annual report for Fiscal Year 2014

Kansas Department of Revenue
Office of Policy and Research
Issued December 2014

INTRODUCTION

The City Trade Pull Factor report provides different measures of retail market data for selected cities. This report is the 24th annual report documenting city retail activity in Kansas' communities.

As published by Kansas State University the pull factor study reported on the first class cities of Kansas. The department expanded the report to include four groups of cities that many would consider to be regional centers for their communities. The cities are illustrated on Map 1. In addition to 1st class cities, the report also provides analysis for three other groups of cities that are not 1st class cities:

- cities with a population exceeding 10,000;
- cities generating 75% or more of their county's state sales tax collections; and
- cities generating 65-75% of the county's state sales tax collections.

The City Trade Pull Factor report provides different measures of retail market data for the cities for fiscal year 2014, which represents the period July 1, 2013 through June 30, 2014. Retail market data is presented three ways.

- The first measure is a location quotient of retail trade called the *City Trade Pull Factor* (CiTPF). It is a measure of the relative strength of the retail business community. The City Trade Pull Factor is computed by dividing the per capita sales tax of a city by the statewide per capita sales tax. A CiTPF of 1.00 is a perfect balance of trade. The purchases of city residents who shop elsewhere are offset by the purchases of out-of-city customers. CiTPF values greater than 1.00 indicates that local businesses are pulling in trade from beyond their home city border. Thus, the balance of trade is favorable. A CiTPF value less than 1.00 indicates more trade is being lost than pulled in, that residents are shopping outside the city. This is an unfavorable balance of trade.
- The *Trade Area Capture* (TAC) of a city is a measure of the customer base served by a community. It is calculated by multiplying the city's population by the CiTPF.
- The *Percent Market Share* (MS) is the percent the city's Trade Area Capture is of the state as a whole. TAC is calculated by dividing the city's TAC by the sum of all city TAC numbers.
- The *Percent of County Trade (PCT) is* a concentration factor that shows the percent capture of retail trade of the city within its county.

For historical data on this expanded list of cities, please refer to the prior reports. The fiscal year 2005 report contains data for fiscal years 2004 and 2003 in the appendixes.

Prior year reports and other community-related reports and can be found (or linked) at the Department of Revenue's web site, www.ksrevenue.gov .

DISCUSSSION AND ANALYSIS

Map 1 provides a graphic view of the cities that are included in the study. The state is divided into the 11 regions used in the Governor's Economic Development reporting. The inclusion of the additional groups of cities provides a greater overall view of where the retail activity is in the state and where it is concentrated. The 1st class cities are concentrated in eastern and central Kansas. By expanding the report to include three additional groups of cities, the report provides a more complete picture of retail activity across the state. These 54 cities account for 78% of all retail sales in the state and are home to 64.6% of the state's population. In fiscal year 2013, there were also 57 cities included in this study, representing 77% of all retail sales.

There are 25 cities classified as first class cities in Kansas. These are historical designations, used to identify the larger, more dominant cities in their respective counties. These cities account for 66.6% of the state's sales tax collections and 56.2% of the state's population. Their combined CiTPF is 1.18, up from 1.17 in FY 2013.

Table 1, Group A lists the first class cities, their pull factors, trade area capture, and concentration factor. The 1st class city with the highest city trade pull factor (CiTPF) in FY 2013 is Lenexa with a factor of 1.55. Garden City is close behind with a CiTPF of 1.52. Lenexa is an example of a city with a relatively low population base having a strong retail presence. Salina is 3rd with a CiTPF of 1.46 and Overland Park is 4rd, with a CiTPF of 1.43. Combined, these four communities account for over $390 million of state sale tax collections or 15.8% of the statewide total. Lenexa and Overland Park, in Johnson County, account for most of the retail sales and reflects Johnson County's dense population and above average purchasing power.

The 1st class city with the highest trade area capture (TAC) is Wichita. This business community serves an estimated 434,020 customers and far surpasses Overland Park's TAC, calculated at 259,882 customers, due to the larger population base in Wichita. Wichita's state tax collections represent 15% of the total collections in the state.

There are several 1st class cities that dominant their county's retail trade and serve as regional retail centers. The following cities show a percentage of county sales exceeding 90%:

City	% of County Sales	City	% of County Sales
Salina	95.1%	Topeka	91.1%
Lawrence	93.0%	Emporia	91.7%
Liberal	93.2%	Manhattan	90.9%

Table 1, Group B lists cities that have populations exceeding 10,000 but are not 1st class cities. Twelve cities are included in this group and they have a wide variance in CiTPF. Merriam has a pull factor of 4.12 whereas Haysville's pull factor is 0.26. Merriam's location within Johnson County (Interstate 35 runs through the middle of the city) results in it having a much larger retail concentration and therefore a very high CiTPF even with

a low population total.   The PCT also varies significantly among these cities, from a high of 78.6% for Hays to a low of 0.5% for Haysville. It shows that within this group of cities we have regional trade centers such as Hays and Great Bend and population bedroom communities, such as Gardner, Haysville and Derby.

Table 1, Group C are non-1st class cities with a population less than 10,000 but their concentration factor is 75% or more, meaning that they are the retail centers for their county. There are 7 cities within this group compared to 12 cities in FY 2013's report. The CiTPF ranges from 2.02 for Colby to 1.08 for Clay Center. All of these cities have pull factors greater than 1.0 as would be expected being they are the retail centers for their home county.

Table 1, Group D consists of a group of 10 cities that also make out the majority of a county's sales tax. They are non-1st class cities with population less than 10,000 and PCT is between 65% and 75%. Many of these cities are the retail centers for their counties, several having pull factors near or greater than 1.0, indicating they are providing the retail needs for their residents. This group of cities shows the most change from year to year, as slight changes in collections and/or population can affect the city's PCT when it hovers near the 65% threshold.

CITY HISTORICAL ANALYSIS

Pull factors since fiscal year 2010 were reviewed to determine if there are any trends that can be identified in terms of pull factor changes and in city rankings.   Table 2 provides the pull factors for FY 2010 and FY 2014 for comparison.

Policy Implications

In 2003 the Kansas Legislature passed a law that placed Kansas in conformity with the Streamlined Sales Tax Agreement. This legislation required destination sourcing, under which retail businesses must collect sales tax based on the local rates in effect at the place where the customer takes delivery of a purchase. Vehicle purchases are excluded from the destination sourcing requirement. Prior to the change, only telecommunications and utility sales were taxed in this manner. Full reporting of destination sourcing was not required until January 2005. With the publication of the FY 2014 report, destination sourcing has been in place for the entire study period and the effect is now longer as pronounced as it has been for the past several reports.

Destination sourcing results in charging the sales tax rate based on where delivery occurs and in some industries, this impacts how sales are recorded. For instance with furniture retailers, if the furniture is delivered to the purchaser's home, the sale is recorded as occurring at the taxing jurisdiction of the purchaser. The primary types of retailers affected by destination sourcing are furniture dealers, home improvement (lumber) stores, household and electronic appliance dealers, and certain repair service providers.

Destination sourcing affects the city trade pull factor because the measure is based on sales tax collections. Prior to the new law, all sales of a retailer were recorded based on the business location. With destination sourcing, sales that are delivered are recorded where the delivery occurred. If the sale were into a neighboring community, it would be recorded as such – resulting in a loss of sales tax collections in the city where the store is located.   With a few exceptions, the overall impact of destination sourcing on most cities' total sales tax collections has not been significant, so determining if a change in a city's sales tax collections is a direct result of destination sourcing is challenging. Based on the changes seen in the historical data, many regional shopping areas' pull factors were staying constant or slightly decreasing. Likewise, smaller cities' pull factors showed slight increases. This ongoing shift in the measures since destination sourcing was enacted is anticipated to continue with the growth of Internet shopping and the delivery of goods to the purchaser's address.

Data Sources

The data used in this report consists of city population and state sales tax collections. City populations are from the U.S. Census Bureau as certified by the Division of the Budget July 1, 2014 and published as the official population reports for the state of Kansas, adjusted to remove the institutionalized population. The institutionalized population does not trade within the retail community, so should not impact the computing of the measures. People in prisons are part of the institutionalized population. To arrive at the adjusted population data for this report, state and federal prison populations were deducted from the city and county totals. This was a change beginning with the FY 2012 report. In the past, group quarter data from the US Census was subtracted from the population data. This would consist primarily of nursing home populations. A review of the data shows that deducting group quarter data has no impact on the pull factor and other statistics presented herein and therefore the decision was to only adjust prison population. The Census counts are published on their web site: www.census.gov.

State sales tax collections are generated by the Department of Revenue from sales tax returns filed by the state's retailers. The department has improved the data series used for this report. Sales tax reports issued by the department are available on the department's web site located at http://www.ksrevenue.org.

Table 1
City Trade Pull Factors, Trade Area Capture, Percent of County Sales
Fiscal Year 2014

Group A, 1st class cities	FY 14 Collections		FY 2014 Per Capita	Pull Factor	Trade Area Capture	Percent of County Share	Adjusted Population 2013 Cert 7/1/2014
Lenexa	$	67,833,919	$ 1,347.41	1.55	78,023	10.8%	50,344
Garden City	$	35,749,515	$ 1,325.73	1.52	41,119	81.9%	26,966
Salina	$	60,584,936	$ 1,266.25	1.46	69,685	95.1%	47,846
Overland Park	$	225,943,262	$ 1,246.51	1.43	259,882	35.9%	181,260
Leawood	$	39,513,180	$ 1,197.70	1.38	45,448	6.3%	32,991
Hutchinson	$	46,525,403	$ 1,162.44	1.34	53,514	82.7%	40,024
Topeka	$	146,027,706	$ 1,150.27	1.32	167,962	91.1%	126,951
Manhattan	$	62,807,326	$ 1,118.70	1.29	72,241	90.9%	56,143
Liberal	$	23,009,432	$ 1,097.99	1.26	26,466	93.2%	20,956
Fort Scott	$	8,029,531	$ 1,012.04	1.16	9,236	89.0%	7,934
Olathe	$	133,020,525	$ 1,008.61	1.16	153,001	21.1%	131,885
Dodge City	$	27,780,652	$ 986.56	1.13	31,954	88.7%	28,159
Wichita	$	377,340,850	$ 976.17	1.12	434,020	75.6%	386,552
Pittsburg	$	19,257,484	$ 944.09	1.09	22,150	75.0%	20,398
Emporia	$	23,211,729	$ 935.99	1.08	26,698	91.7%	24,799
Lawrence	$	82,384,844	$ 907.21	1.04	94,760	93.0%	90,811
Coffeyville	$	8,835,642	$ 888.09	1.02	10,163	35.1%	9,949
Junction City	$	22,099,936	$ 870.49	1.00	25,420	85.2%	25,388
Parsons	$	8,835,598	$ 869.30	1.00	10,163	74.1%	10,164
Shawnee	$	52,025,758	$ 808.82	0.93	59,840	8.3%	64,323
Newton	$	14,350,979	$ 750.69	0.86	16,507	64.1%	19,117
Kansas City	$	109,633,872	$ 738.36	0.85	126,102	89.8%	148,483
Atchison	$	7,997,597	$ 732.05	0.84	9,199	88.4%	10,925
Leavenworth	$	23,455,394	$ 653.52	0.75	26,979	67.8%	35,891
Prairie Village	$	12,517,395	$ 571.78	0.66	14,398	2.0%	21,892
Total, Group A	$	1,638,772,465	$ 1,011.5	1.16	1,884,925		1,620,151
% of Statewide		66.6%			65.4%		56.2%
Statewide Total	$	2,461,836,163	$ 869.4	1.00	2,881,731		2,881,731

Table 1
City Trade Pull Factors, Trade Area Capture, Percent of County Sales
Fiscal Year 2014

Group B, Not 1st Class Cities - population exceeds 10,000	FY 14 Collections	FY 2014 Per Capita	Pull Factor	Trade Area Capture	Percent of County Share	Adjusted Population 2013 Cert 7/1/2014
Merriam	$ 40,374,219	$ 3,578.96	4.12	46,439	6.4%	11,281
Hays	$ 32,424,426	$ 1,541.23	1.77	37,295	78.6%	21,038
Great Bend	$ 22,437,199	$ 1,411.06	1.62	25,807	71.7%	15,901
McPherson	$ 16,891,764	$ 1,267.96	1.46	19,429	63.7%	13,322
El Dorado	$ 12,319,626	$ 1,094.59	1.26	14,170	30.1%	11,255
Derby	$ 23,088,320	$ 1,001.79	1.15	26,556	4.6%	23,047
Ottawa	$ 12,075,772	$ 967.45	1.11	13,890	74.3%	12,482
Winfield	$ 9,658,525	$ 834.57	0.96	11,109	43.1%	11,573
Andover	$ 9,673,902	$ 788.74	0.91	11,127	23.6%	12,265
Arkansas City	$ 9,661,603	$ 785.18	0.90	11,113	43.1%	12,305
Gardner	$ 11,076,518	$ 541.03	0.62	12,740	1.8%	20,473
Haysville	$ 2,513,474	$ 228.41	0.26	2,891	0.5%	11,004
Total, Group B	$ 202,195,348	$ 1,149.2	1.12	197,267		175,946
% of Statewide	8.2%			10.5%		6.1%
Subtotal, Groups A, B	$ 1,840,967,813	$ 1,025.0	1.18	2,082,192		1,796,097
% of Statewide	74.8%			72.3%		62.3%

| Group C, Not 1st Class Cities - sales tax collections make up 75% or more of total county sales tax	FY 14 Collections	FY 2014 Per Capita	Pull Factor	Trade Area Capture	Percent of County Share	Adjusted Population 2013 Cert 7/1/2014
Colby	$ 9,493,335	$ 1,752.83	2.02	10,919	86.4%	5,416
Pratt	$ 9,636,795	$ 1,379.44	1.59	11,084	83.1%	6,986
Norton	$ 2,665,384	$ 1,301.46	1.50	3,066	75.0%	2,048
Goodland	$ 5,782,811	$ 1,269.00	1.46	6,651	87.8%	4,557
Concordia	$ 6,350,408	$ 1,207.07	1.39	7,304	82.1%	5,261
Beloit	$ 4,469,976	$ 1,162.24	1.34	5,141	78.6%	3,846
Clay Center	$ 3,975,186	$ 937.77	1.08	4,572	78.3%	4,239
Total, Group C	$ 42,373,895	$ 1,309.7	1.27	41,139		32,353
% of Statewide	2.3%			2.0%		1.8%
Subtotal, Groups A, B, C	$ 1,883,341,708	$ 1,030.0	1.18	2,123,331		1,828,450
% of Statewide	76.5%			73.7%		63.4%

Table 1
City Trade Pull Factors, Trade Area Capture, Percent of County Sales
Fiscal Year 2014

Group D, Not 1st Class Cities - sales tax collections make up 65-75% of total county sales tax	FY 14 Collections		FY 2014 Per Capita	Pull Factor	Trade Area Capture	Percent of County Share	Adjusted Population 2013 Cert 7/1/2014
Holton	$	4,345,607	$ 1,325.69	1.52	4,998	73.8%	3,278
Iola	$	7,232,739	$ 1,288.57	1.48	8,319	68.4%	5,613
Council Grove	$	2,062,096	$ 975.45	1.12	2,372	71.5%	2,114
Phillipsburg	$	2,345,660	$ 923.12	1.06	2,698	67.0%	2,541
Garnett	$	3,051,315	$ 922.68	1.06	3,510	70.6%	3,307
Scott City	$	3,267,686	$ 840.24	0.97	3,759	69.5%	3,889
Larned	$	2,844,521	$ 787.96	0.91	3,272	73.5%	3,610
Ulysses	$	4,623,826	$ 736.98	0.85	5,318	70.4%	6,274
Syracuse	$	1,086,059	$ 619.19	0.71	1,249	67.6%	1,754
Oberlin	$	1,010,946	$ 574.07	0.66	1,163	66.0%	1,761
Total, Group D	$	31,870,454	$ 933.5	0.91	30,995		34,141
% of Statewide		1.3%			1.1%		1.2%
Subtotal, Groups A, B, C, D	$	1,915,212,163	$ 1,028.3	1.18	2,154,326		1,862,591
% of Statewide		77.8%			74.8%		64.6%

Map 1.
City Trade Pull Factors
By Kansas Economic Reporting Regions
Fiscal Year 2014
(Data for this map is presented on Table 1)
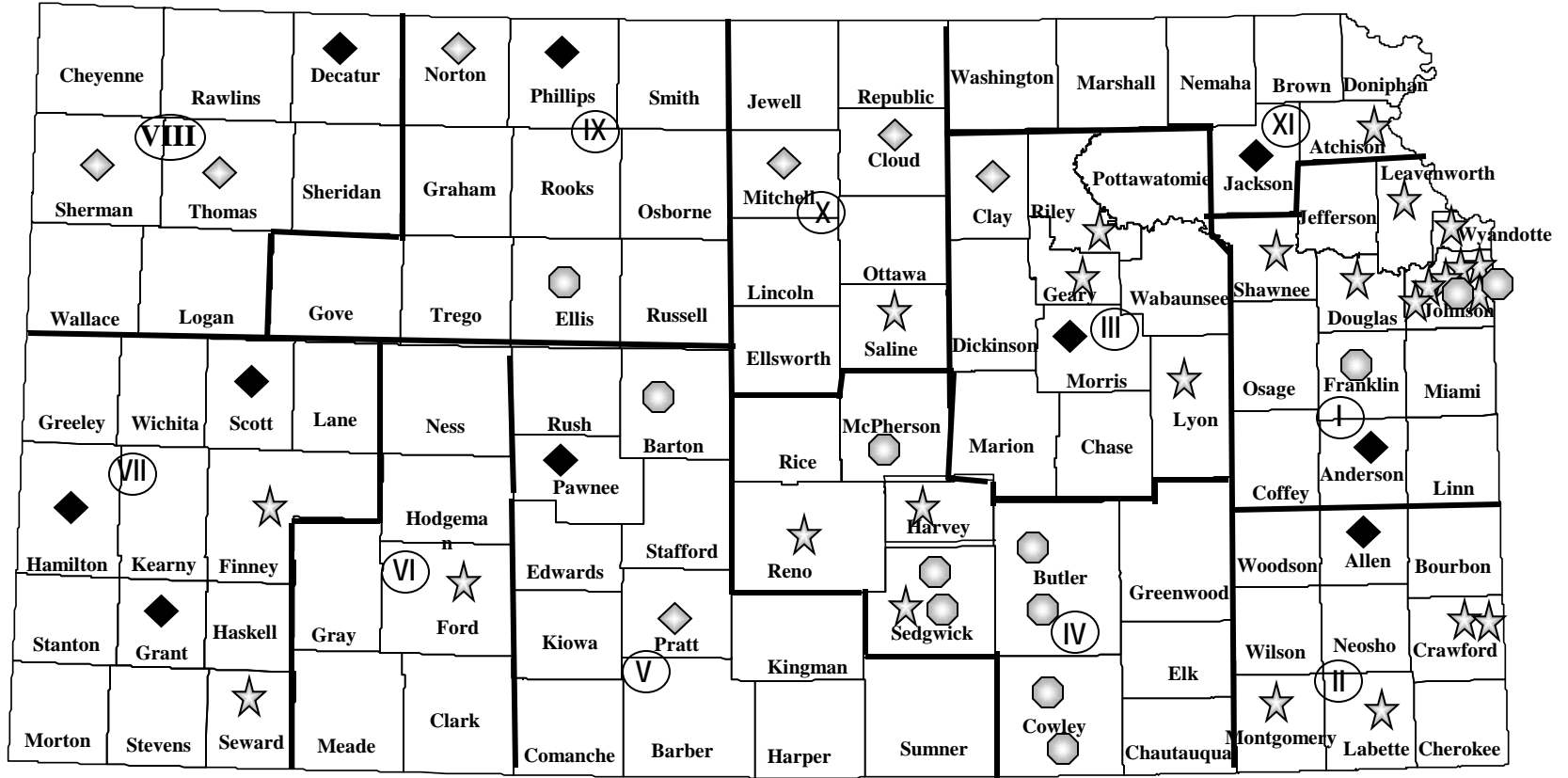
☆ 1st Class Cities	◇ Non 1st Class cites, population <10,000, sales >75% of county
⬡ Non 1st Class cites, Population >10,000	◆ Non 1st Class cites, population <10,000, sales 65%-75%% of county

Table 2
Historical Pull Factors
FY 2010 Compared to FY 2014

| | Fiscal Year 2010 | | | Fiscal Year 2014 | |
City Name	Pull Factor	Rank	City Name	Pull Factor	Rank
Group A, 1st Class Cities					
Lenexa	1.55	1	Lenexa	1.55	1
Overland Park	1.54	2	Garden City	1.52	2
Salina	1.53	3	Salina	1.46	3
Topeka	1.47	4	Overland Park	1.43	4
Hutchinson	1.40	5	Leawood	1.38	5
Manhattan	1.36	6	Hutchinson	1.34	6
Garden City	1.35	7	Topeka	1.32	7
Junction City	1.33	8	Manhattan	1.29	8
Leawood	1.31	9	Liberal	1.26	9
Dodge City	1.26	10	Fort Scott	1.16	10
Olathe	1.24	11	Olathe	1.16	11
Liberal	1.24	12	Dodge City	1.13	12
Pittsburg	1.19	13	Wichita	1.12	13
Fort Scott	1.18	14	Pittsburg	1.09	14
Wichita	1.18	15	Emporia	1.08	15
Emporia	1.12	16	Lawrence	1.04	16
Parsons	1.07	17	Coffeyville	1.02	17
Coffeyville	1.05	18	Junction City	1.00	18
Lawrence	1.02	19	Parsons	1.00	19
Shawnee	0.98	20	Shawnee	0.93	20
Newton	0.97	21	Newton	0.86	21
Atchison	0.96	22	Kansas City	0.85	22
Kansas City	0.87	23	Atchison	0.84	23
Leavenworth	0.84	24	Leavenworth	0.75	24
Prairie Village	0.65	25	Prairie Village	0.66	25
Group B, Not 1st Class Cities - Population exceeds 10,000					
Merriam	3.06	1	Merriam	4.12	1
Hays	1.80	2	Hays	1.77	2
Great Bend	1.61	3	Great Bend	1.62	3
McPherson	1.39	4	McPherson	1.46	4
El Dorado	1.23	5	El Dorado	1.26	5
Derby	1.21	6	Derby	1.15	6
Winfield	1.12	7	Ottawa	1.11	7
Ottawa	1.10	8	Winfield	0.96	8
Arkansas City	1.03	9	Andover	0.91	9
Andover	1.01	10	Arkansas City	0.90	10
Gardner	0.67	11	Gardner	0.62	11
Haysville	0.25	12	Haysville	0.26	12

Table 2
Historical Pull Factors
FY 2010 Compared to FY 2014

| | Fiscal Year 2010 | | | Fiscal Year 2014 | |
City Name	Pull Factor	Rank	City Name	Pull Factor	Rank
Group C, Not 1st Class Cities - sales tax collections 75% or more of total county sales tax					
Colby	2.19	1	Colby	2.02	1
Pratt	1.69	2	Pratt	1.59	2
Concordia	1.63	3	Norton	1.50	3
Iola	1.49	4	Goodland	1.46	4
Goodland	1.49	5	Concordia	1.39	5
Beloit	1.40	6	Beloit	1.34	6
Chanute	1.35	7	Clay Center	1.08	7
WaKeeney	1.27	8			
Norton	1.20	9			
Clay Center	1.12	10			
Ulysses	1.08	11			
Larned	1.06	12			
Group D, Not 1st Class Cities - sales ax collections make up 65-75% of total county sales tax					
Holton	1.74	1	Holton	1.52	1
Phillipsburg	1.26	2	Larned	0.91	2
Smith Center	1.15	3	Council Grove	1.12	3
Council Grove	1.11	4	Garnett	1.06	4
Garnett	1.10	5	Ulysses	0.85	5
Scott City	1.01	6	Scott City	0.97	6
Oakley	0.95	7	Iola	1.48	7
Hugoton	0.87	8	Syracuse	0.71	8
Johnson City	0.73	9	Phillipsburg	1.06	9
Syracuse	0.71	10	Oberlin	0.66	10
Oberlin	0.69	11			