

Wergin Highlights Retail Trade Patterns in South Dakota

Sarah Wetzel For the Plain Talk, March 1, 2024



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Dr. Rand Wergin, associate professor of marketing at the University of South Dakota, presented some of his research on retail trade patterns in South Dakota to the Vermillion Rotary Club at their Feb. 7 meeting.

Wergin first explained the concept of “Retail Pull,” a mathematical model used to measure the retail strength of a community.

“What it does is it investigates how much money is imported or exported out of your community,” he said. “A retail pull of 1.0 is a balance. It means that everybody in your community is spending their dollars in that community. A retail pull of less than 1.0 means that people are spending their money in other communities and a retail pull of greater than 1.0 means you’re importing money, people are coming into your community to spend.”

Tourist towns like Custer are more likely to have a retail pull of more than 1.0, according to Wergin.

He presented retail sales numbers stretching from 2013-2022, the first real data giving us an idea of what’s going on post-pandemic.

Wergin made sure to point out that the data showed actual dollars not adjusted for inflation and the most recent 2023 retail data is not published so up to the year 2022 is the best he was able to show.

“You can see there’s a big spike,” he said, showing a chart. “And yes, inflation is covering some of that spike, but you see we’re spending money. We’re pretty good at spending money here in South Dakota.”

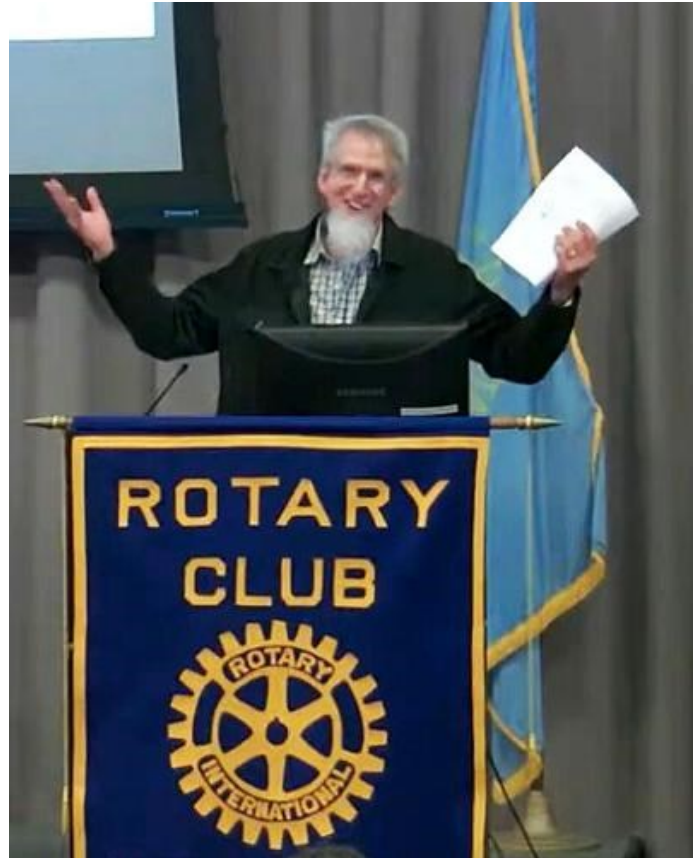
The spike mentioned showed an increase from \$27 billion in 2020 to \$38 billion in 2022 in retail sales.

Wergin’s charts showed the breakdown of the different retail categories and the retail pull of each one, making it clear the strengths of each South Dakota community.

“One of the cool things our government does for us is they break retail sales into these various SIC codes,” Wergin said. “You can see that auto dealers are our big ones so buying and selling cars is a huge portion of our retail sales economy. Miscellaneous, though, is the largest and that’s kind of a catchall.”

A high number in the “miscellaneous” category at the city level is somewhat of an indication of a robust economy, he said.

Once you look at retail sales by city you start to see some curious things, according to Wergin.



Dr. Rand Wergin of the University of South Dakota discussed such concepts as “retail pull” and areas in which Vermillion is economically the strongest during his recent presentation to the Vermillion Rotary Club.

“As you would expect, Sioux Falls wins,” he said. “Sioux Falls is the largest city in our state. They should win.”

Though Sioux Falls has the highest retail sales, that is only when you go by straight dollar amounts. If you divide the retail sales by population to even the playing field, things look different.

Looking at that, back in 2013 Aberdeen was the winner in the state, though they are no longer as strong.

“Aberdeen has been what we call a retail island,” Wergin said. “They suck a lot of retail dollars from their surrounding communities even as far as Pierre as far as I get to see.”

Looking at the trends, he said there has been a big decline in Aberdeen retail.

“I think the city leadership in Aberdeen should be concerned about their situation,” Wergin said. “They

are losing retail dollars. They are no longer a retail island.”

He shared some of the numbers of retail pull.

“Look at Sioux Falls, .86,” Wergin said. “That’s traditionally low. Rapid City 1.21. That’s a safe number.”

A surprise is Watertown with a retail pull of 1.27 and Aberdeen sitting at .94 which Wergin said was not expected.

“The pandemic has changed the state’s retail economy,” Wergin said. “Watertown always had a fairly nice retail pull and now they beat Aberdeen. Watertown is now, in my estimation, the third most important retail economy within our state. I did not expect to see that happening.”

He said Rapid City is holding steady, which makes sense with an economy that’s part tourism, part manufacturing and part air base.

“Yankton and Winner always hover about 1.0 or a little bit over 1.0,” Wergin said. “Winner, in some facets, is higher than 1.0 because it’s also a retail island, a much smaller retail island than Aberdeen, but it does attract a lot of business. But Yankton pulls a lot of money out of northern Nebraska.”

As for Vermillion, the population as of 2022 is 11,915 and there was a \$24,535 per capita income, he said.

Income is counted as money that flows into our economy versus money that flows out of our local economy. Students are counted as citizens, as is the case on the census.

Vermillion’s biggest retail strength includes General Merchandise stores with a retail pull of 1.94.

“When you look at the historical data you can see the year that Walmart moved in,” Wergin said. “Walmart has been very good for the city’s economy.”

Eating and drinking also had a fairly high retail pull of 1.74.

“That is a strength for our economy and it’ll be interesting to see what that looks like over a 10-year period,” Wergin said. “Eating and drinking places in 2013 was a 2.06. It’s dropped some and we can all lament the loss of Red Steakhouse. I think you can see there’s some influence there, you can see the loss we had in 2020, we dropped to 1.42 but I would think as city leadership, everything that we can do to support the tourism, if you will, the food and beverage industry in our community is to our benefit.”

His opinion is that the city should use its strengths to further grow the economy in Vermillion.

“I would argue that we have a very compelling downtown, but our downtown could be even more compelling for the restaurant scene and when I look at our economy that seems to be the focus of our restaurant scene,” Wergin said. “I think whatever we can do to build that downtown is going to be to our benefit in the city.”

For the money that is not going into the Vermillion economy, the question is where is it going and how can we redirect it back?

He said for things like lumber for home remodeling, it makes sense for shoppers to visit Yankton or Sioux City and there’s no point in fighting Amazon for apparel customers because that is simply not going to be a retail strength for this area.

What will get dollars spent in the economy is continuing to support auto retail which is currently at a 1.0 in Vermillion and eating and drinking retail by using attractive events and locations.

“We have the restaurants that would be equivalent to, within our state, a community of about 20,000,” Wergin said. “It’s just another way to visualize how big our footprint is as we pull in business.”

He said he would love to see a pedestrian-heavy downtown area in Vermillion.

“I think that would be so very compelling, but where are you going to put the cars so we can have a pedestrian downtown?” Wergin said. “I haven’t solved that problem and (neither have) other people much smarter than me.”

Part of a successful retail economy, he said, is making it easier to shop.

“We think about in a shopping environment, access is a huge issue,” Wergin said. “We all travel by car, there’s no public transportation of any validity within the state so you’ve got to be able to be accessed easily by car, so what are the choke points? Is there a bridge over a river? What do we have to get traffic into the shopping centers? Is parking accessible, is it an attractive shopping area? What are we doing to make it easy to get there and pleasant to be there?”

He said his research is published online and he has had conversations with a few city leadership officials from around the state.

To read the full report Dr. Wergin referenced in his presentation visit <https://red.library.usd.edu/emm-fp/2/>

For more information on Vermillion Rotary visit www.vermillionrotaryclub.org.