Consensus Panel Study on Measuring the Transformation of Retail Trade and Related Activities

Introductory Remarks by

J. Steven Landefeld,

Panel Chair

Overview

- Changes in Retail Trade and Related Industries

- Impact on Measurement

- Satellite Account Solutions

- Maintenance and Updating

Changes in retail trade

- Growth of on-line retailers
  - New mix of goods and services:
    - Timely, low cost, delivery of products to home
    - Broader range of choices
    - Ability to easily compare prices and characteristics
    - Growing number of other goods and services beyond traditional retail including on-line entertainment, grocery and food delivery, travel and tourism, and prescription drugs.
- <mark>Blurring</mark> of the line between on-line and in-store retailers is becoming <mark>blurred</mark>
    - Many traditional brick and mortar stores such as Macy's and Walmart are among the top ten on-line retailers
- Big changes in the structure of the industry (and supporting industries)
    - "You could now have a major retailer that owns a warehousing and distribution center, and products never go through a store." Jack Kleinhenz, 2020
    - Improvements in the use of technology and productivity throughout the retail the supply chain.
    - Many different organizational models ranging from fully integrated firms (with wholesale trade, warehousing and transportation services supplied by subsidiaries) to firms that use a mix of contractors and subsidiaries in their supply chain.

Challenges to Measuring Retail Trade

- Dividing Apples by Oranges
  - NAICS classification rules for auxiliaries
  - Possible inconsistencies in classification between Census, BEA, and BLS (e.g. sales and output vs. employment)
  - Possible differences in the measure of same real output depending on the ownership and organization of the supply chain
- Measuring a rapidly changing output mix
  - Identifying and measuring the components of output
  - Identifying the characteristics of the real output and using appropriate prices to measure their real value/productivity.
- Providing measures that help understand the sources of productivity growth
  - Using concepts/definitions that most accurately measure the contribution of retail trade to aggregate productivity
  - Developing supplemental data/tabulations that help identify technology, management, and other inputs to productivity growth in retail trade and supporting industries.

Possible Satellite Accounts

- Satellite Accounts Purpose: Supplements to National Accounts that: 1) Provide additional detail such as the rearrangement of classifications and 2) Provide measures based on alternative concepts. These Satellite accounts can be used with the National Accounts without reducing the usefulness of the core accounts.
  - U.S. examples of type 1 include BEA's travel and tourism, culture, and outdoor recreation accounts
  - U.S. examples of type 2 include BEA's ownership-based international accounts (ownership/geography), health (disease/new prices), household production and environmental economic accounts (nonmarket/market)

Possible Satellite Accounts to Address Challenges in Measuring Retail Trade

- Type 1:
  - Alternative retail trade concept/definitions
  - Harmonized source data for productivity accounts
  - Breakdown of goods and services components of retail trade and related industries
  - Breakdown into analytically important components (size of firm, foreign vs. domestic-owned firms, use of imported inputs, etc)
- Type 2:
  - Alternative measures of retail trade output
  - Alternative price indexes to value the emerging mix of goods and services embodied in retail trade
  - Estimates of the value-added contributions to U.S. retail trade by domestic and foreign suppliers

Purpose of Today's Public Meeting on Measuring the Transformation of Retail Trade and Related Activities

- To provide information from industry experts, academics, and data users to the panel on changes in retail trade and their impact on the BLS employment and productivity data.
  - This information will help the panel in developing conclusions and recommendations on the "value of" and "specifications for" a satellite account to address the measurement challenges posed by the transformation of retail trade and related industries.
- Hopefully, we will have a broad discussion of impacts and options today. My perspective from many years developing and having to implement CNSTAT, UN, OEDC, IMF and other panel reports, handbooks and guidelines is:
  - Be cognizant of issues such as feasibility and resources, but the recommendations should be largely long-term aspirational goals.
  - The recipient agencies can then prioritize the recommendations according to such criteria as they might adopt, which will likely include resources, feasibility, accuracy, importance and relevance to data users, and bang-for-the buck.