



ESTIMATING THE ECONOMIC CONTRIBUTION OF MICHIGAN'S FOOD RETAIL INDUSTRY

► EXECUTIVE SUMMARY

The food retail industry in Michigan is instrumental in facilitating access to food and other goods for its customers. Food retail stores are often the anchors of commerce in urban and rural communities across the state. In order to help the Michigan food retail industry respond to this dynamic consumer environment, it is important to first understand the industry's contribution to the state's economy. This contribution analysis goes beyond quantifying total industry sales and accounts for linkages to other industries, including payments to other industries and the public sector, and how wages paid to grocery industry employees and suppliers circulate and generate additional economic activity. This analysis and report, funded by the Associated Food and Petroleum Dealers, uses available public data and the IMPLAN input-output economic analysis tool to estimate the Michigan food retail industry's contribution to Michigan's economy.

Study Highlights

- Michigan's food retail industry includes as major players grocery stores, supermarkets, specialty stores, gas stations, convenience stores, general merchandise stores, and pharmacies. Through its supply chain and multiplier effects of employee spending, the food retail industry is critically linked to other industries such as real estate, transportation, health care, insurance, utilities, and advertising.
- Accounting for its direct sales, its linkages to other industries, and the spending of its employees' households, in 2014 the food retail industry contributed a net \$15.4 billion in total value added to Michigan's economy, or 3% of the state's gross domestic product (GDP).
- In 2014, Michigan's food retail industry directly supported 198,000 full- and part-time jobs and an additional 75,000 jobs in other industries through multiplier effects, representing 5% of the state's overall employment and a total of \$9.3 billion in employee compensation.
- Jobs directly or indirectly supported by Michigan's food retail industry in 2014 provided an average annual income of approximately \$34,000.
- The food retail industry and its employees are estimated to have contributed nearly \$900 million in state and local taxes to Michigan's economy in the year 2014.

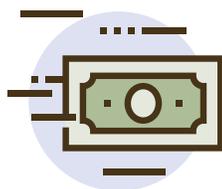
Authors: Laura Goddeeris and Rich Pirog, Michigan State University Center for Regional Food Systems // Published: September, 2016
Access the full report here: foodsystems.msu.edu/resources/food_retail_industry_economic_contribution_analysis

Summary of Michigan's Food Retail Industry Contributions, 2014

Note: The food retail industry's full contributions to Michigan's economy encompass its indirect linkages to supplier industries as well as the induced spending of employees along the supply chain. Key contributions include the number of full- and part-time jobs supported, employee and proprietor income, and the total value added to the state's gross domestic product (GDP). These summary figures, based on 2014 data, estimate Michigan's food retail industry annual contributions to the state's economy.

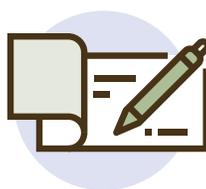
		EMPLOYMENT	LABOR INCOME	TOTAL VALUE ADDED TO MICHIGAN GDP
 Direct effect		197,977	\$5,839,152,969	\$9,408,694,342
 Indirect effect		31,004	\$1,563,296,965	\$2,710,643,445
 Induced effect		44,234	\$1,881,464,537	\$3,310,417,343
Total effect		273,215	\$9,283,914,471	\$15,429,755,130

BREAKING DOWN MULTIPLIER EFFECTS



DIRECT EFFECTS

contributions made by the food retail industry itself



INDIRECT EFFECTS

retailers' purchases for operating expenses from other industries

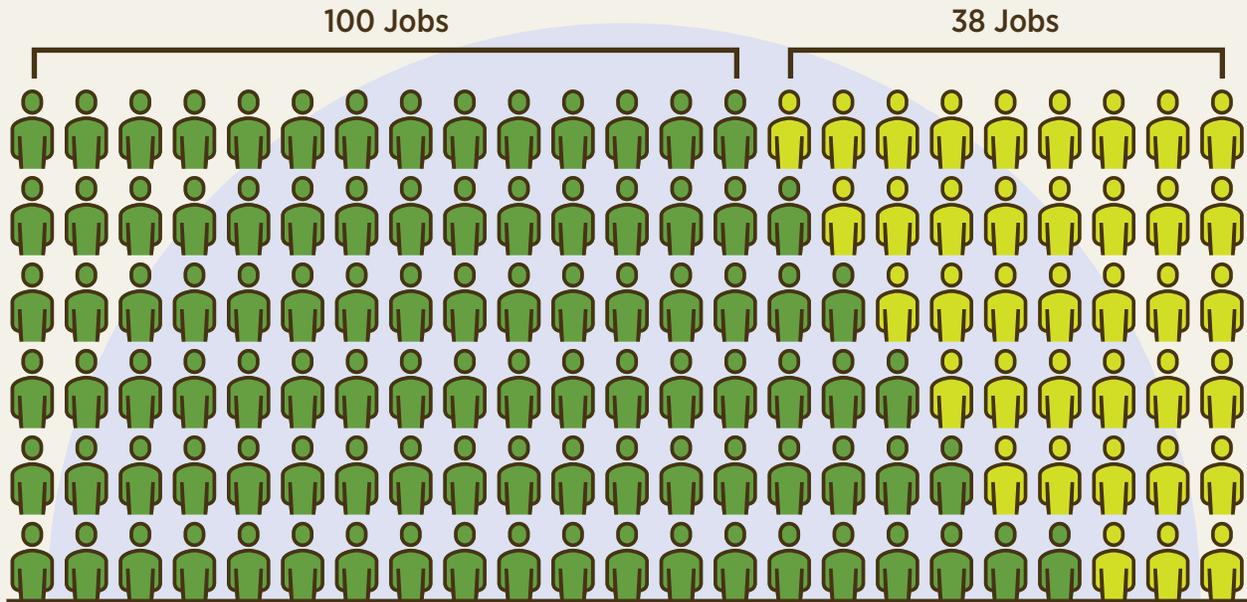


INDUCED EFFECTS

directly and indirectly supported employees' spending patterns

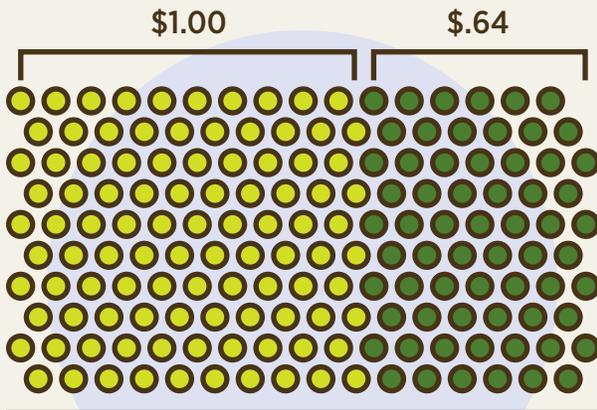
Industry contribution can be quantified in multiple forms; key examples include total jobs supported, compensation to employees, and total value added to the state's GDP. Each contribution indicator can be broken down into three tiers of effects. The first tier, the **direct effects**, includes the contributions made by the food retail industry itself. But the full scope of the industry's contributions to the state's economy does not end there. Aside from the purchase of inventory intended for resale, which we do not count because those costs are recaptured through sales to consumers, retailers in the industry also make purchases for operating expenses from other industries such as real estate or warehousing, advertising, and utilities. These types of backward linkages produce what are known as **indirect effects**, affecting the same types of indicators—jobs, employee compensation, value added—in their suppliers' industries. Finally, we take into account the directly and indirectly supported employees' spending patterns and their resulting **induced effects**. Another phrase commonly used to describe both indirect and induced effects of an industry is **multiplier effects**.

FOOD RETAIL INDUSTRY MULTIPLIERS



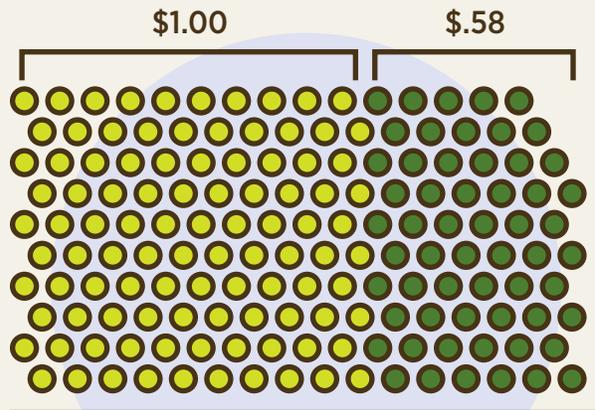
Contribution to Michigan's Job Market

For every 100 full- or part-time jobs directly supported within the food retail industry in 2014, an additional 38 full- or part-time jobs were supported in the industries to which it is linked.



Contribution to Michigan's GDP

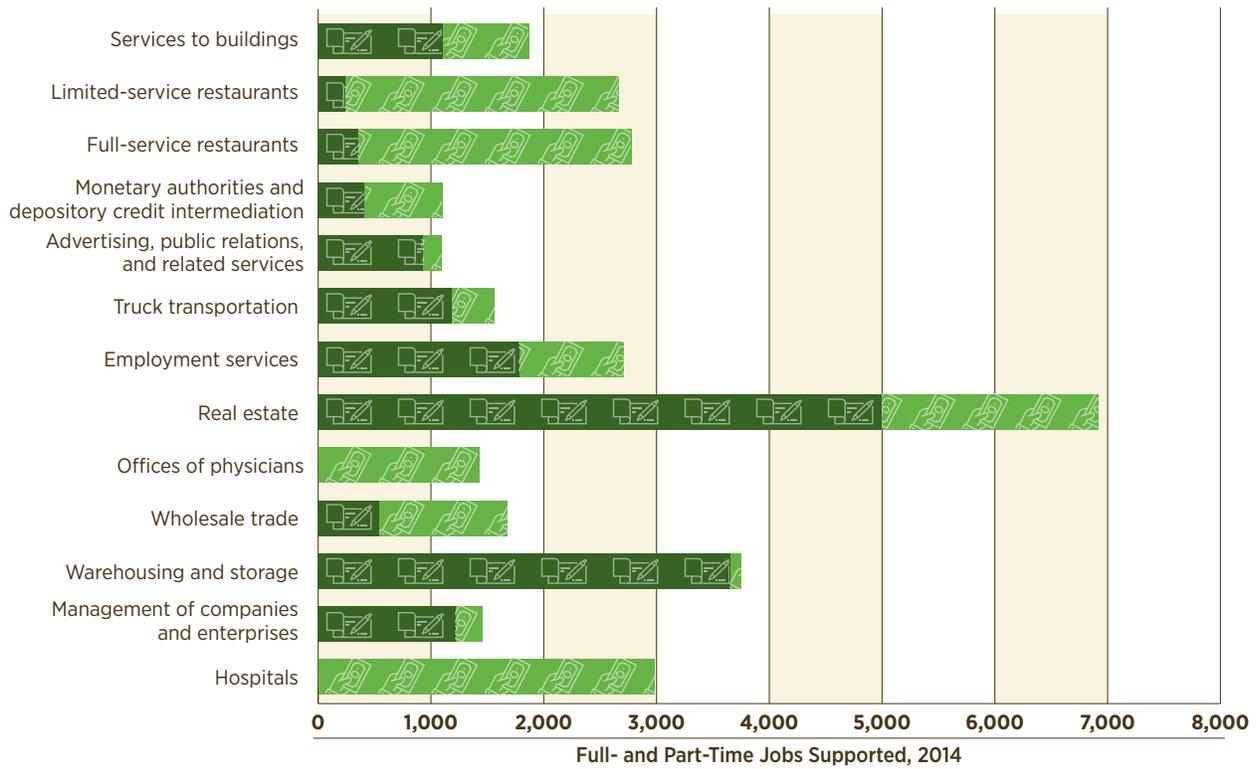
For every dollar directly contributed by the food retail industry to Michigan's GDP in 2014, approximately 64 additional cents circulated through the state's economy.



Contribution to Michigan's Labor Income

For every dollar of employee or proprietor income generated by the food retail industry in 2014, an additional estimated 59 cents of labor income in the rest of Michigan's economy was generated through multiplier effects.

Top Industries Linked to Food Retail by Jobs and Labor Income



 Indirect Effects
  Induced Effects

