

SUPPORTING STATEMENT
U.S. Department of Commerce
U.S. Census Bureau
Monthly Retail Trade Survey (MRTS)
Office of Management and Budget (OMB) Control No. 0607-0717

PART A. JUSTIFICATION

1. Necessity of Information Collection

The Monthly Retail Trade Survey (MRTS) provides estimates of monthly retail sales, end-of-month merchandise inventories, and quarterly e-commerce sales of retailers in the United States. In addition, the survey also provides an estimate of monthly sales at food service establishments and drinking places.

Sales, inventories, and e-commerce data provide a current statistical picture of the retail portion of consumer activity. The sales and inventories estimates in the MRTS measure current trends of economic activity that occur in the United States. The survey estimates provide valuable information for economic policy decisions and actions by the government and are widely used by private businesses, trade organizations, professional associations, and others for market research and analysis. The Bureau of Economic Analysis (BEA) uses these data in determining the consumption portion of Gross Domestic Product (GDP).

Retail and Food Services Sales during 2013 amounted to \$4.5 trillion. The estimates produced in the MRTS are critical to the accurate measurement of total economic activity. The estimates of retail sales represent all operating receipts, including receipts from wholesale sales made at retail locations and services rendered as part of the sale of the goods, by businesses that primarily sell at retail. The sales estimates include sales made on credit as well as on a cash basis, but exclude receipts from sales taxes and interest charges from credit sales. Also excluded is non-operating income from such services as investments and real estate.

The estimates of merchandise inventories owned by retailers represent all merchandise located in retail stores, warehouses, offices, or in transit for distribution to retail establishments. The estimates of merchandise inventories exclude fixtures and supplies not held for sale, as well as merchandise held on consignment owned by others. BEA uses inventories data to determine the investment portion of the GDP.

Retail e-commerce sales are estimated from the same sample used in the MRTS to estimate preliminary and final U.S. retail sales.

The MRTS sample is updated every five years to account for new retail employer businesses (including those selling via the Internet), business deaths, and other changes to the retail business universe. Research was conducted to ensure that retail firms selected in the MRTS sample engaged in e-commerce are representative of the universe of e-commerce retailers. Total e-commerce sales for 2013 were estimated at \$263 billion.

We publish retail sales and inventories estimates based on the North American Industry Classification System (NAICS).

The U.S. Census Bureau conducts this voluntary survey under the authority of Title 13, Section 182 of the United States Code.

Listed below are the retail form numbers and a description of each form:

<u>Series</u>	<u>Description</u>
SM-44(12)S	Non Department Store/Sales Only/WO E-Commerce Non
SM-44(12)SE	Department Store/Sales Only W E-Commerce
SM-44(12)SS	Non Department Store/Sales Only/Screenener
SM-44(12)B	Non Department Store/Sales and Inventory/WO E-Comm. Non
SM-44(12)BE	Department Store/Sales and Inventory/ W E-Comm.
SM-44(12)BS	Non Department Store/Sales and Inventory/Screenener
SM-45(12)S	Department Store/Sales Only/WO E-Commerce
SM-45(12)SE	Department Store/Sales Only/W E-Commerce
SM-45(12)SS	Department Store/Sales Only/Screenener
SM-45(12)B	Department Store/Sales and Inventory/WO E-Commerce
SM-45(12)BE	Department Store/Sales and Inventory/W E-Commerce
SM-45(12)BS	Department Store/Sales and Inventory/Screenener
SM-72(12)S	Food Services/Sales Only/WO E-Commerce
SM-20(12)I	Non Department and Department Store/Inventory Only

Each form has two versions; one with an “E” suffix, the other with an “A” suffix. The forms are identical, except that those with the “E” suffix are sent to smaller firms (which we refer to internally as “EINs”), while those with the “A” suffix are sent to larger firms, which we refer to internally as “alphas”. Thus, there are a total of 28 variants of forms.

2. **Needs and Uses**

BEA is the primary Federal user of data collected in the MRTS. BEA uses the information in its preparation of the National Income and Products Accounts, and its benchmark and annual input-output tables. Statistics provided from retail sales and inventories estimates are used in the calculation of GDP. If the survey were not conducted, BEA would lack comprehensive data from the retail sector. This would adversely affect the reliability of the National Income and Products Accounts and GDP.

The Bureau of Labor Statistics (BLS) uses the data as input to their Producer Price Indexes and in developing productivity measurements. The data are also used for gauging current economic trends of the economy. Private businesses use the retail sales and inventories data to compute business activity indexes. The private sector also uses retail sales as a reliable indicator of consumer activity.

Information quality reviews are an integral part of the pre-dissemination review of the information disseminated by the Census Bureau (fully described in the Census Bureau's Information Quality Guidelines). Information quality reviews are also integral to the information collections conducted by the Census Bureau and are part of the clearance process that is required by the Paperwork Reduction Act.

3. **Use of Information Technology**

The Census Bureau offers and encourages electronic submission of responses via the Internet by using its Centurion software. Responding via the Internet provides companies with a convenient reporting method and reduces respondent burden. This method of data collection also reduces the amount of data that has to be keyed; therefore, reducing data capture costs. No additional software is needed by the respondent. In addition, all data submitted through Centurion are encrypted. A cover letter and an insert are included in the mailing package with instructions for reporting online (see Attachments 2, 3, and 4).

In addition, companies can report electronically using facsimile technology. A facsimile machine gives respondents the capability to fax data to our collection facility in Jeffersonville, Indiana. Responding via fax expedites our receipt of questionnaires. Businesses may also respond by mail.

An automated system for check-in of returned forms and the use of fax during telephone follow-up allow for more timely identification of completed questionnaires. Also during telephone follow-up, staff use an automated system to obtain and capture the data during the telephone call.

4. **Efforts to Identify Duplication**

Research with other governmental agencies, trade associations and other data users (both

government and private sector) via telephone conversations, meetings, trade journal articles, and written correspondence indicates that these data are not available from other sources on an ongoing basis.

Annual sales and inventories by retailers are collected in the Annual Retail Trade Survey, (OMB Approval # 0607-0013), and retail sales are collected in the quinquennial Economic Census. While the annual and quinquennial Economic Census data provide levels of sales for retail trade, they do not provide data with the frequency needed to monitor the current state of the economy.

Sales data are also collected in the Advance Monthly Retail Sales Survey (OMB Approval # 0607-0104). The advance sales estimates are based on early reporting of sales by a subsample of firms in MRTS. Because of the early reporting, the advance estimates can differ from the MRTS estimates, which are based on later reporting.

5. **Minimizing Burden**

The Census Bureau developed a program that transfers data between the Advance Monthly Retail Sales Survey and the MRTS. Approximately 4,900 firms are canvassed in the Advance Monthly Retail Sales Survey. About 2,200 cases consistently respond and data are transferred from the Advance Monthly Retail Sales Survey to the MRTS.

The Census Bureau accepts data prepared on a company's own form. This relieves the respondent of the burden of posting data to a report form.

The stratified random sample design used in the MRTS uses the least number of sampling units required to produce national level estimates with the desired level of reliability, thus minimizing respondent burden. Sales data are requested from the largest retail firms and from a sample of small and medium-sized firms. The selection of a new sample every five years replaces about 97 percent of the small and medium-sized firms that participate in the survey, thus minimizing respondent burden by redistributing reporting burden.

Furthermore, firms are not required to maintain additional records. The data requested are generally maintained in existing company records. Carefully prepared estimates are acceptable if book figures are not available. Finally, interviewers use computers with on-line edits of response data to conduct follow-up and delinquent interviews, thus reducing the number of callbacks to respondents.

6. **Consequences of Less Frequent Collection**

Estimates from the MRTS are used extensively by government and private economists and others to evaluate current economic conditions. The monthly retail sales and inventories estimates are important economic indicators and provide timely input for BEA's computation of the National Income and Product Accounts. Less frequent data collection would create a serious gap in the economic information available to evaluate current economic conditions and to formulate economic policy.

7. **Special Circumstances**

Because the survey is vitally important in determining monthly changes in sales, inventories, and quarterly e-commerce, respondents are selected to report on a monthly basis. Data collected contribute to the Advance Monthly Sales for Retail and Food Services as well as the Manufacturing and Trade Inventories and Sales economic indicators.

The data we collect in this survey are normally maintained on a monthly basis by respondents. Because the timeliness of the MRTS is critical to its value, respondents are asked to return completed questionnaires within eight business days of receipt of the form.

8. **Consultations Outside the Agency**

A pre-submission notice was placed in the Federal Register on January 15, 2014 (79 FR pg 2633-2634), inviting the general public and other Federal agencies to comment on the information collection. We received one letter, from the Bureau of Economic Analysis, supporting the survey, a copy of which is included as attachment 19.

9. **Paying Respondents**

The Census Bureau does not provide any payment or gifts to respondents for participating in the MRTS.

10. **Assurance of Confidentiality**

Data collected in this survey are confidential under Title 13, Section 9 of the United States Code. Only persons sworn to uphold the confidentiality of Census Bureau information may see the questionnaires and may use them only for statistical purposes. Additionally, all reports are immune from legal process.

Respondents are advised of this and are told that the survey is voluntary in a letter that accompanies the initial report form. In addition, the survey forms indicate that the survey is voluntary (attachments 1-17).

11. **Justification for Sensitive Questions**

The MRTS requests only routine business information that is generally available from existing company records and is not of a sensitive nature.

12. Estimate of Hour Burden

Approximately 12,000 retail businesses are requested to report in the MRTS each month.

According to responses given by a sample of respondents, we computed an average of seven minutes per response. This results in an annual burden of 14,427 hours (see chart).

<u>Firm Size</u>	<u>Total Number of Respondents</u>	<u>Responses per Respondent</u>	<u>Annual Responses</u>	<u>Annual Hours per Response</u>	<u>Burden Hours</u>
EIN's	7,642	12	91,704	.1166/7min.	10,699
Large Co's	2,663	12	31,956	.1166/7min.	3,728
Total	10,305	12	123,660	.1166/7min.	14,427

The cost to respondents for fiscal year 2014 is estimated to be \$440,714 based on the median hourly salary of \$30.55 for accountants and auditors. (Occupational Employment Statistics- Bureau of Labor Statistics May 2012 National Occupational Employment and Wage Estimates, \$30.55 represents the median hourly wage of the full-time wage and salary earnings of accountants and auditors SOC code 13-2011)
<http://stats.bls.gov/oes/current/oes132011.htm>

13. Estimate of Cost Burden

We do not expect respondents to incur any costs other than that of their time to respond. The information requested is of the type and scope normally maintained in company records and no special hardware or accounting software or system is necessary to provide answers to this information collection. Therefore, respondents are not expected to incur any capital and start-up costs or system maintenance costs in responding. Furthermore, purchasing of outside accounting or information collection services, if performed by the respondent, is part of usual business practices and not specifically required for this information collection.

14. Cost to Federal Government

The cost to the Federal Government for the MRTS in Fiscal Year 2014 is \$3,400,000 all borne by the Census Bureau.

15. Reason for Change in Burden

The annual reporting burden for the MRTS is expected to increase as a result of the introduction of the new sample, which is discussed more fully in Supporting Statement B.

16. Project Schedule

The Census Bureau mails forms to the respondents on the last workday of the reference month. The return date requested is eight business days after receipt. An automated system screens the questionnaires for completeness and consistency when the data are keyed beginning with the tenth workday of the month. Data are tabulated and edited, summary estimates are analyzed, and data tables are prepared.

Sales data for select industries are released in the press release “Advance Monthly Sales for Retail Trade and Food Services” and inventories data are released in the press release “Manufacturing and Trade Inventories and Sales” approximately 40 days after the reference month. Sales and inventories data are released electronically on the same day.

E-commerce sales estimates are released quarterly as part of the “Quarterly Retail E-commerce Sales” report, approximately 45 days following the reference period.

17. Request to Not Display Expiration Date

We wish to continue to display the expiration date.

18. Exceptions to the Certification

There are no exceptions to the certification statement.

19. NAICS Codes Affected

The following are the 3-digit NAICS codes for the retailers affected by the information collection:

<u>NAICS Code</u>	<u>Description</u>
441	Motor Vehicle and Parts Dealers
442	Furniture and Home Furnishings Stores
443	Electronics and Appliances Stores
444	Building Material and Garden Equipment and Supplies Dealers
445	Food and Beverage Stores
446	Health and Personal Care Stores
447	Gasoline Stations
448	Clothing and Clothing Accessories Stores
451	Sporting Goods, Hobby, Book, and Music Stores
452	General Merchandise Stores
453	Miscellaneous Store Retailers
454	Nonstore Retailers
722	Food Services and Drinking Places