



Retail Leakage and Surplus Analysis

The Retail Leakage and Surplus Analysis examines the quantitative aspect of the community's retail opportunities. It is a guide to understanding retail opportunities but it is not an analysis that indicates unconditional opportunities. The analysis is sometimes called "a gap analysis" or "a supply and demand analysis" and can aid in the following:

- Indicating how well the retail needs of local residents are being met
- Uncovering unmet demand and possible opportunities
- Understanding the strengths and weaknesses of the local retail sector
- Measuring the difference between estimated and potential retail sales

Understanding Retail Leakage

Retail leakage means that residents are spending more for products than local businesses capture. Retail sales leakage suggests that there is unmet demand in the trade area and that the community can support additional store space for that type of business.

However, retail leakage does not necessarily translate into opportunity. For example, there could be a strong competitor in a neighboring community that dominates the market for that type of product or store.

Understanding Retail Surplus

A retail surplus means that the community's trade area is capturing the local market plus attracting non-local shoppers. A retail surplus does not necessarily mean that the community cannot support additional business. Many communities have developed strong clusters of stores that have broad geographic appeal. Examples of these types of retailers include: sporting goods stores, home furnishing stores, restaurants, and other specialty operations that become destination retailers and draw customers from outside the trade area.

Examining the quantitative aspects (Leakage/Surplus) is only part of the evaluation of community's retail opportunities. Before any conclusions can be drawn about potential business expansion or recruitment opportunities, qualitative considerations such as trade area psychographics and buying habits must be analyzed in context of other market factors.

Interpreting Leakage Index

- 1.0 = equilibrium, meaning that demand and sales in the area being analyzed are in balance.
- .80 = demand exceeds sales by 20%, meaning that consumers are leaving the area being analyzed.
- 1.2 = sales exceed demand by 20%, meaning that consumers are coming from outside the area being analyzed.

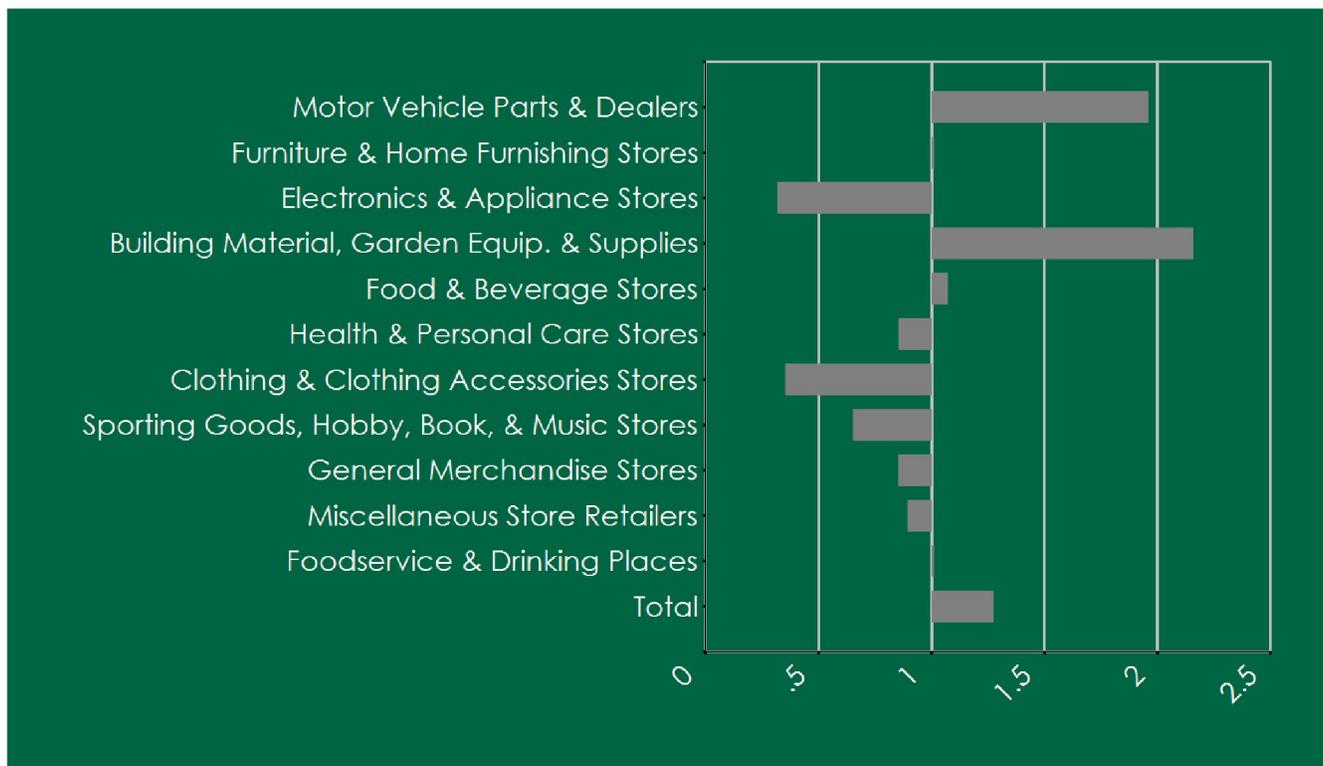
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Leakage/Surplus Index by Major Store Type

The quantitative comparison of retail leakage and surplus in the twelve major store types shown in the chart and table below provides an initial measure of market opportunities. Combining this analysis with the knowledge of the local retail situation will take the process of identifying retail possibilities one step further.

Figure 1 provides the leakage/surplus indices and following is the sales potential and estimated sales for major store types.

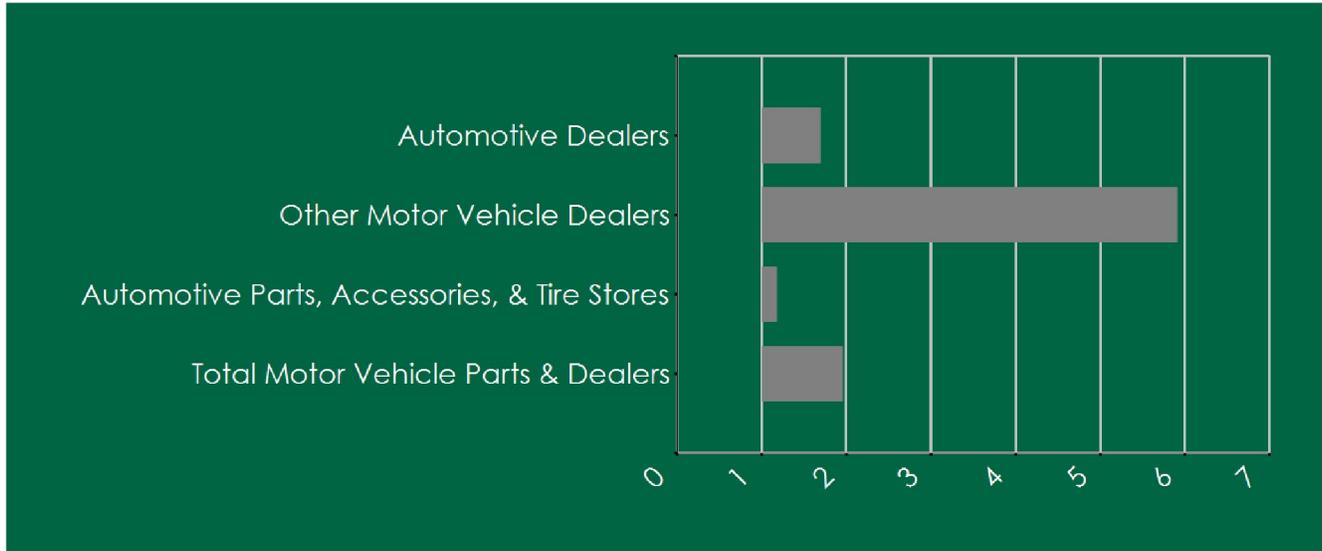
Figure 1. Leakage/Surplus Index and Estimated and Potential Sales by Major Store Types



Store Type	Potential	Estimated Sales	Surplus/Leakage
Motor Vehicle Parts & Dealers	108,531,945	212,740,675	2.0
Furniture & Home Furnishing Stores	10,283,788	10,397,221	1.0
Electronics & Appliance Stores	9,816,675	3,117,623	0.3
Building Material, Garden Equip. & Supplies	37,467,760	80,830,318	2.2
Food & Beverage Stores	60,880,762	65,282,332	1.1
Health & Personal Care Stores	29,591,958	25,295,447	0.9
Clothing & Clothing Accessories Stores	19,313,170	6,807,572	0.4
Sporting Goods, Hobby, Book, & Music Stores	9,017,132	5,882,548	0.7
General Merchandise Stores	63,042,320	53,777,465	0.9
Miscellaneous Store Retailers	15,847,055	14,174,447	0.9
Foodservice & Drinking Places	54,882,394	55,467,712	1.0
Total	418,674,959	533,773,360	1.3

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Sub-Categories of Motor Vehicle Parts & Dealers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	92,479,323	156,676,032	1.7
Other Motor Vehicle Dealers	7,846,243	46,386,762	5.9
Automotive Parts, Accessories, & Tire Stores	8,206,379	9,677,882	1.2
Total Motor Vehicle Parts & Dealers	108,531,945	212,740,675	2.0

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Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	4,713,628	8,715,709	1.8
Home Furnishing Stores	5,570,160	1,681,513	0.3
Total Furniture & Home Furnishing Stores	10,283,788	10,397,221	1.0

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Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Household appliance stores	1,207,439	1,865,510	1.5
Electronics Stores	8,609,236	1,252,112	0.1
Total Electronics & Appliance Stores	9,816,675	3,117,623	0.3

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Sub-Categories of Building Material, Garden Equip. & Supplies



Store Type	Potential	Estimated Sales	Surplus/Leakage
Home Centers	17,547,859	70,847,335	4.0
Paint and Wallpaper Stores	1,428,130	1,399,556	1.0
Hardware Stores	2,628,285	732,816	0.3
Other Building Material Dealers	10,189,371	3,592,761	0.4
Outdoor Power Equipment Stores	788,693	2,550,681	3.2
Nursery, Garden Center, & Farm Supply Stores	4,885,423	1,707,168	0.3
Total Building Material, Garden Equip. & Supplies	37,467,760	80,830,318	2.2

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Sub-Categories of Food & Beverage Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	51,776,125	60,218,465	1.2
Convenience Stores	2,500,201	1,498,646	0.6
Specialty Food Stores	1,898,249	2,511,927	1.3
Beer, Wine, & Liquor Stores	4,706,186	1,053,294	0.2
Total Food & Beverage Stores	60,880,762	65,282,332	1.1

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Sub-Categories of Health & Personal Care Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	24,276,473	10,968,593	0.5
Cosmetics, Beauty Supplies and Perfume Stores	1,858,716	1,080,296	0.6
Optical Goods Stores	1,416,600	4,263,718	3.0
Other Health and Personal Care Stores	2,040,170	8,982,840	4.4
Total Health & Personal Care Stores	29,591,958	25,295,447	0.9

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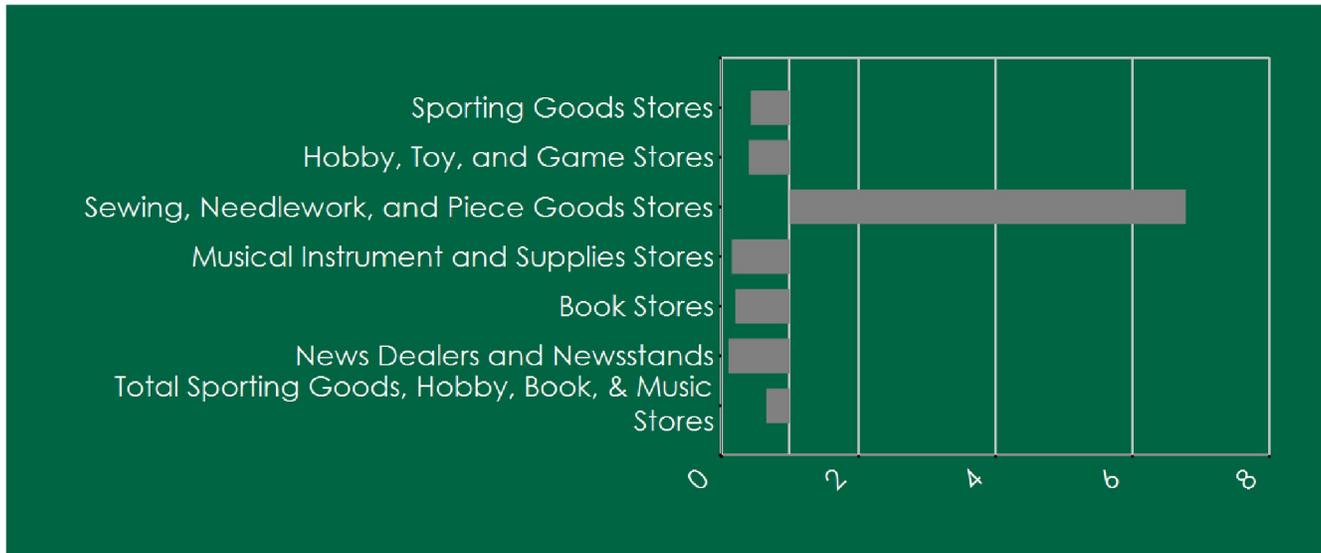
Sub-Categories of Clothing & Clothing Accessories Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Mens Clothing Stores	613,317	0	0.0
Womens Clothing Stores	2,552,457	213,527	0.1
Childrens and Infants Clothing Stores	877,093	669,964	0.8
Family Clothing Stores	7,353,153	2,710,660	0.4
Clothing Accessories Stores	794,175	331,814	0.4
Other Clothing Stores	939,473	390,296	0.4
Shoe Stores	2,352,235	1,602,104	0.7
Jewelry Stores	3,573,797	857,269	0.2
Luggage & Leather Goods Stores	257,469	31,938	0.1
Total Clothing & Clothing Accessories Stores	19,313,170	6,807,572	0.4

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Sub-Categories of Sporting Goods, Hobby, Book, & Music Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Sporting Goods Stores	5,004,999	2,133,373	0.4
Hobby, Toy, and Game Stores	2,104,151	838,979	0.4
Sewing, Needlework, and Piece Goods Stores	391,278	2,651,570	6.8
Musical Instrument and Supplies Stores	432,964	66,152	0.2
Book Stores	801,964	163,351	0.2
News Dealers and Newsstands	281,776	29,122	0.1
Total Sporting Goods, Hobby, Book, & Music Stores	9,017,132	5,882,548	0.7

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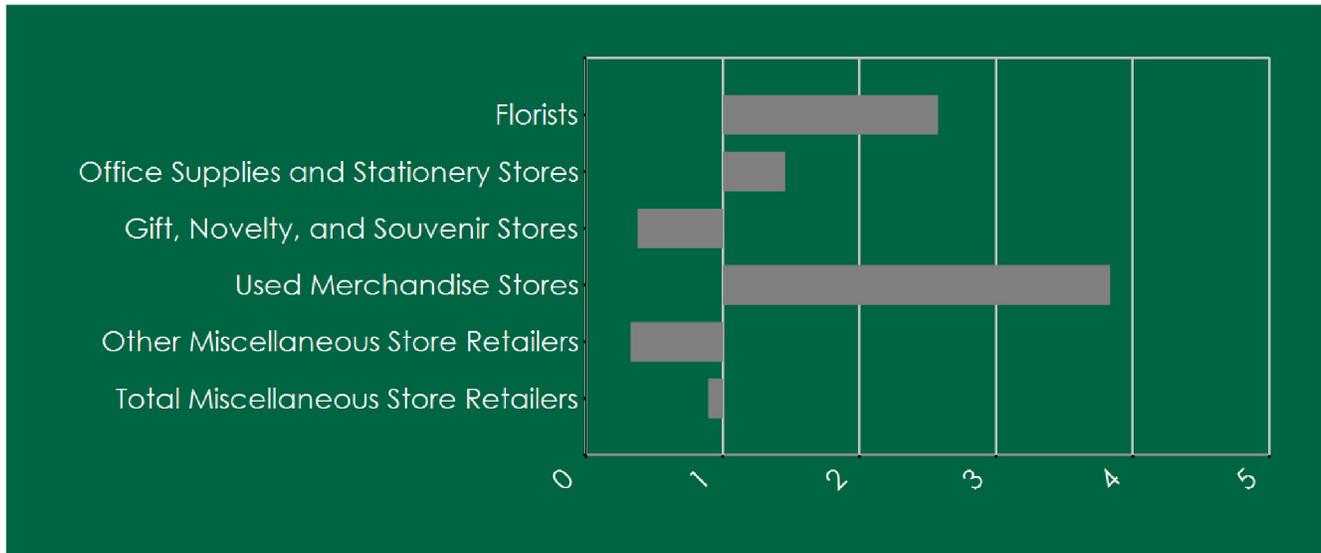
Sub-Categories of General Merchandise Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores	13,018,586	26,707,906	2.1
Warehouse Clubs & Superstores	42,808,114	17,965,626	0.4
All Other General Merchandise Stores	7,215,619	9,103,933	1.3
Total General Merchandise Stores	63,042,320	53,777,465	0.9

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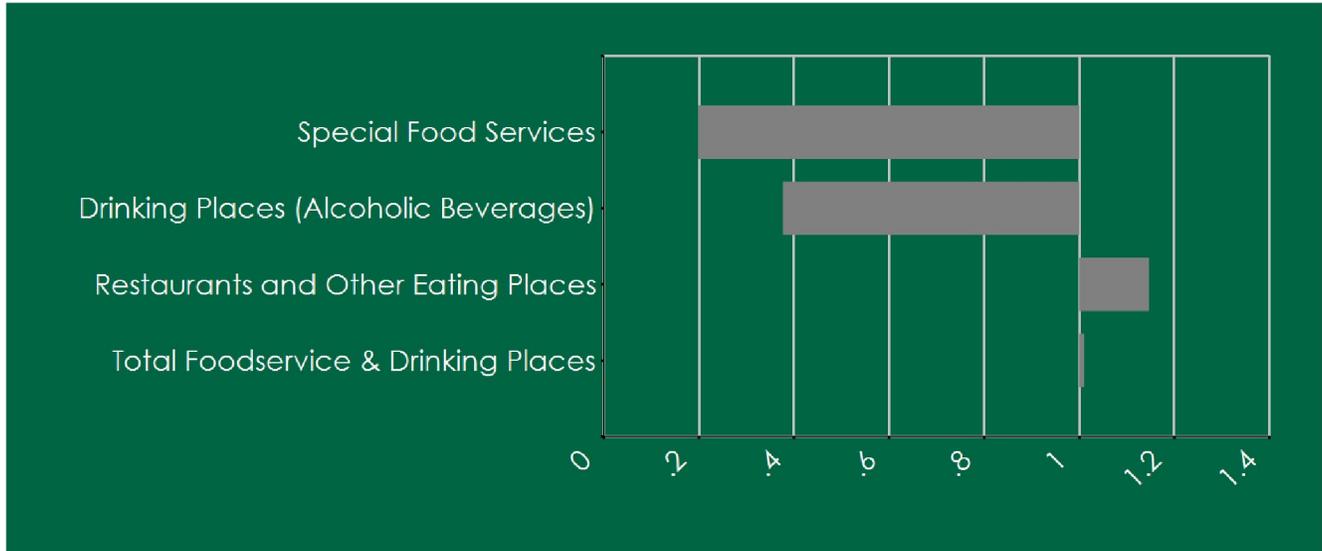
Sub-Categories of Miscellaneous Store Retailers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	653,384	1,682,939	2.6
Office Supplies and Stationery Stores	1,222,418	1,780,950	1.5
Gift, Novelty, and Souvenir Stores	1,498,393	566,128	0.4
Used Merchandise Stores	1,735,382	6,650,708	3.8
Other Miscellaneous Store Retailers	10,737,478	3,493,722	0.3
Total Miscellaneous Store Retailers	15,847,055	14,174,447	0.9

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Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Estimated Sales	Surplus/Leakage
Special Food Services	5,623,769	1,114,341	0.2
Drinking Places (Alcoholic Beverages)	2,733,589	1,029,632	0.4
Restaurants and Other Eating Places	46,525,036	53,323,739	1.1
Total Foodservice & Drinking Places	54,882,394	55,467,712	1.0

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Sources and Methodology

The primary data sources used in the construction of the database include:

- Current Year CAPE (Census Area Projections & Estimates) Consumer Expenditure Estimates
- Census of Retail Trade, Merchandise Line Sales
- Census Bureau Monthly Retail Trade

The Census of Retail Trade presents a table known as the Merchandise Line summary, which relates approximately 120 merchandise lines (e.g. hardware) to each of the store types. For each merchandise line, the distribution of sales by store type can be computed, yielding a conversion table which apportions merchandise line sales by store type.

The CAPE (Census Area Projections & Estimates) Consumer Expenditure database was re-computed to these merchandise lines by aggregating both whole and partial categories, yielding, at the block group level, a series of merchandise line estimates which are consistent with the CAPE Consumer Expenditure database.

These two components were then combined in order to derive estimated potential by store type. The results were then compared to current retail trade statistics to ensure consistency and completeness.