



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.

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

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.

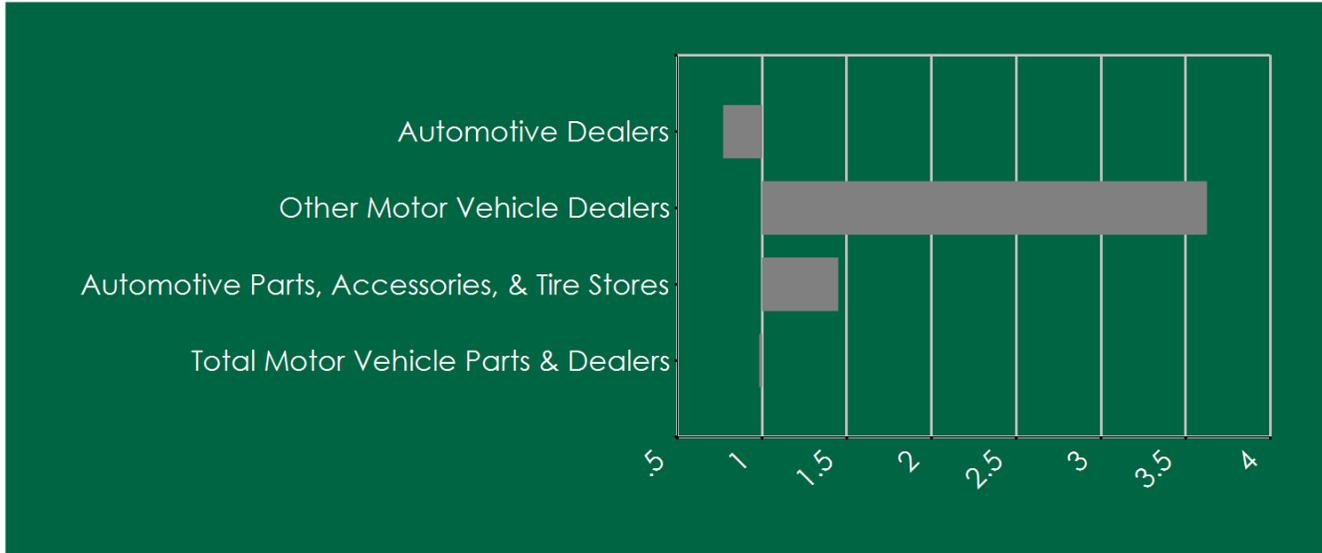
Figure 1. Leakage/Surplus Index and Estimated and Potential Sales by Major Store Types



| Store Type | Potential | Estimated Sales | Surplus/Leakage |
|---|--------------------|--------------------|-----------------|
| Motor Vehicle Parts & Dealers | 194,536,050 | 191,223,514 | 1.0 |
| Furniture & Home Furnishing Stores | 13,779,830 | 14,483,571 | 1.1 |
| Electronics & Appliance Stores | 12,682,356 | 2,167,239 | 0.2 |
| Building Material, Garden Equip. & Supplies | 46,188,447 | 117,628,037 | 2.5 |
| Food & Beverage Stores | 99,759,958 | 68,264,873 | 0.7 |
| Health & Personal Care Stores | 54,040,998 | 60,316,372 | 1.1 |
| Clothing & Clothing Accessories Stores | 30,207,923 | 129,992,265 | 4.3 |
| Sporting Goods, Hobby, Book, & Music Stores | 10,140,042 | 9,994,030 | 1.0 |
| General Merchandise Stores | 94,894,316 | 47,987,410 | 0.5 |
| Miscellaneous Store Retailers | 18,274,620 | 16,263,961 | 0.9 |
| Foodservice & Drinking Places | 85,307,690 | 117,757,903 | 1.4 |
| Total | 659,812,231 | 776,079,174 | 1.2 |

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Sub-Categories of Motor Vehicle Parts & Dealers



| Store Type | Potential | Estimated Sales | Surplus/Leakage |
|--|-------------|-----------------|-----------------|
| Automotive Dealers | 169,552,235 | 130,540,778 | 0.8 |
| Other Motor Vehicle Dealers | 11,244,417 | 40,767,747 | 3.6 |
| Automotive Parts, Accessories, & Tire Stores | 13,739,397 | 19,914,988 | 1.4 |
| Total Motor Vehicle Parts & Dealers | 194,536,050 | 191,223,514 | 1.0 |

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Sub-Categories of Furniture & Home Furnishing Stores



| Store Type | Potential | Estimated Sales | Surplus/Leakage |
|--|------------|-----------------|-----------------|
| Furniture Stores | 7,443,523 | 6,814,819 | 0.9 |
| Home Furnishing Stores | 6,336,307 | 7,668,752 | 1.2 |
| Total Furniture & Home Furnishing Stores | 13,779,830 | 14,483,571 | 1.1 |

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Sub-Categories of Electronics & Appliance Stores



| Store Type | Potential | Estimated Sales | Surplus/Leakage |
|--------------------------------------|------------|-----------------|-----------------|
| Household appliance stores | 2,041,686 | 449,166 | 0.2 |
| Electronics Stores | 10,640,671 | 1,718,073 | 0.2 |
| Total Electronics & Appliance Stores | 12,682,356 | 2,167,239 | 0.2 |

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



| Store Type | Potential | Estimated Sales | Surplus/Leakage |
|---|------------|-----------------|-----------------|
| Home Centers | 22,141,485 | 68,538,971 | 3.1 |
| Paint and Wallpaper Stores | 1,256,842 | 1,196,679 | 1.0 |
| Hardware Stores | 3,216,086 | 13,069,774 | 4.1 |
| Other Building Material Dealers | 12,622,211 | 21,724,139 | 1.7 |
| Outdoor Power Equipment Stores | 1,025,948 | 1,342,970 | 1.3 |
| Nursery, Garden Center, & Farm Supply Stores | 5,925,874 | 11,755,504 | 2.0 |
| Total Building Material, Garden Equip. & Supplies | 46,188,447 | 117,628,037 | 2.5 |

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Sub-Categories of Food & Beverage Stores



| Store Type | Potential | Estimated Sales | Surplus/Leakage |
|--|-------------------|-------------------|-----------------|
| Supermarkets and Other Grocery (except Convenience) Stores | 86,348,838 | 52,601,655 | 0.6 |
| Convenience Stores | 4,230,595 | 7,027,336 | 1.7 |
| Specialty Food Stores | 3,297,376 | 1,371,013 | 0.4 |
| Beer, Wine, & Liquor Stores | 5,883,148 | 7,264,869 | 1.2 |
| Total Food & Beverage Stores | 99,759,958 | 68,264,873 | 0.7 |

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Sub-Categories of Health & Personal Care Stores



| Store Type | Potential | Estimated Sales | Surplus/Leakage |
|---|------------|-----------------|-----------------|
| Pharmacies and Drug Stores | 44,218,405 | 51,288,583 | 1.2 |
| Cosmetics, Beauty Supplies and Perfume Stores | 3,563,546 | 3,797,922 | 1.1 |
| Optical Goods Stores | 2,405,807 | 2,599,343 | 1.1 |
| Other Health and Personal Care Stores | 3,853,240 | 2,630,523 | 0.7 |
| Total Health & Personal Care Stores | 54,040,998 | 60,316,372 | 1.1 |

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Sub-Categories of Clothing & Clothing Accessories Stores



| Store Type | Potential | Estimated Sales | Surplus/Leakage |
|---|-------------------|--------------------|-----------------|
| Mens Clothing Stores | 1,021,656 | 5,386,805 | 5.3 |
| Womens Clothing Stores | 4,779,736 | 12,843,649 | 2.7 |
| Childrens and Infants Clothing Stores | 1,212,158 | 5,907,737 | 4.9 |
| Family Clothing Stores | 12,020,379 | 49,312,834 | 4.1 |
| Clothing Accessories Stores | 1,259,267 | 2,543,850 | 2.0 |
| Other Clothing Stores | 1,775,068 | 3,764,078 | 2.1 |
| Shoe Stores | 4,499,148 | 45,886,532 | 10.2 |
| Jewelry Stores | 3,253,346 | 3,715,576 | 1.1 |
| Luggage & Leather Goods Stores | 387,165 | 631,205 | 1.6 |
| Total Clothing & Clothing Accessories Stores | 30,207,923 | 129,992,265 | 4.3 |

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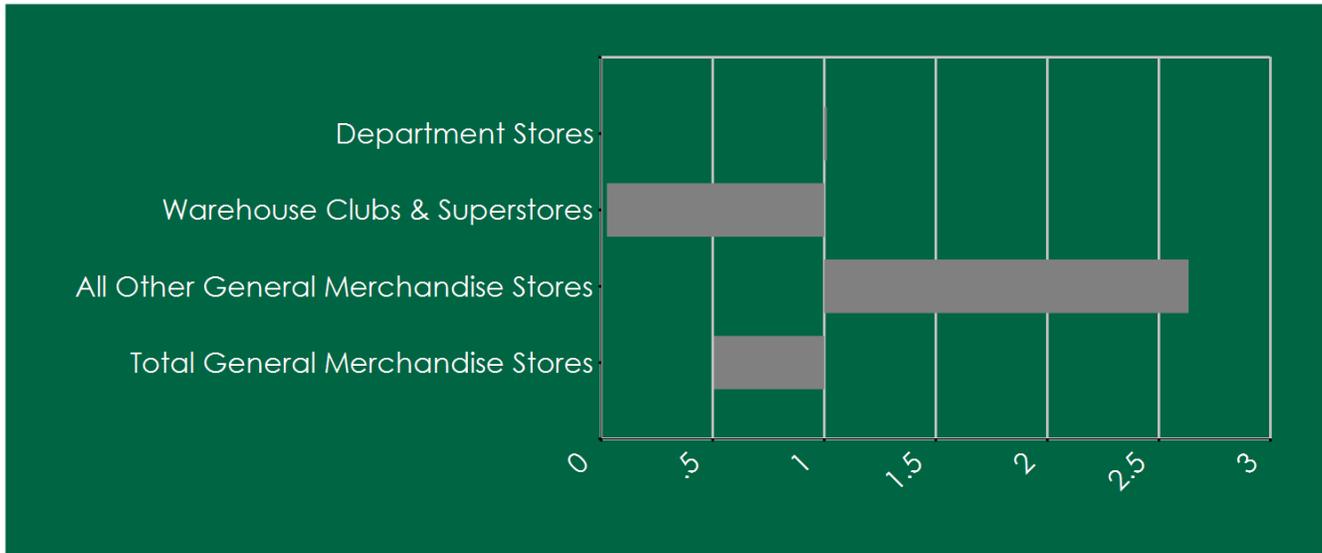
Sub-Categories of Sporting Goods, Hobby, Book, & Music Stores



| Store Type | Potential | Estimated Sales | Surplus/Leakage |
|---|------------|-----------------|-----------------|
| Sporting Goods Stores | 4,883,609 | 5,340,926 | 1.1 |
| Hobby, Toy, and Game Stores | 2,625,663 | 2,073,788 | 0.8 |
| Sewing, Needlework, and Piece Goods Stores | 372,684 | 708,366 | 1.9 |
| Musical Instrument and Supplies Stores | 542,441 | 346,538 | 0.6 |
| Book Stores | 1,273,190 | 1,427,318 | 1.1 |
| News Dealers and Newsstands | 442,456 | 97,094 | 0.2 |
| Total Sporting Goods, Hobby, Book, & Music Stores | 10,140,042 | 9,994,030 | 1.0 |

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Sub-Categories of General Merchandise Stores



| Store Type | Potential | Estimated Sales | Surplus/Leakage |
|--------------------------------------|------------|-----------------|-----------------|
| Department Stores | 19,293,831 | 19,508,938 | 1.0 |
| Warehouse Clubs & Superstores | 65,404,557 | 1,629,291 | 0.0 |
| All Other General Merchandise Stores | 10,195,928 | 26,849,181 | 2.6 |
| Total General Merchandise Stores | 94,894,316 | 47,987,410 | 0.5 |

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Sub-Categories of Miscellaneous Store Retailers

| Store Type | Potential | Estimated Sales | Surplus/Leakage |
|---------------------------------------|------------|-----------------|-----------------|
| Florists | 844,348 | 584,660 | 0.7 |
| Office Supplies and Stationery Stores | 1,651,229 | 3,278,857 | 2.0 |
| Gift, Novelty, and Souvenir Stores | 2,059,081 | 1,777,938 | 0.9 |
| Used Merchandise Stores | 2,434,920 | 3,781,594 | 1.6 |
| Other Miscellaneous Store Retailers | 11,285,042 | 6,840,913 | 0.6 |
| Total Miscellaneous Store Retailers | 18,274,620 | 16,263,961 | 0.9 |

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Sub-Categories of Foodservice & Drinking Places



| Store Type | Potential | Estimated Sales | Surplus/Leakage |
|---------------------------------------|------------|-----------------|-----------------|
| Special Food Services | 8,078,533 | 1,793,104 | 0.2 |
| Drinking Places (Alcoholic Beverages) | 3,201,051 | 8,482,137 | 2.6 |
| Restaurants and Other Eating Places | 74,028,106 | 107,482,662 | 1.5 |
| Total Foodservice & Drinking Places | 85,307,690 | 117,757,903 | 1.4 |

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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.