

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 actual 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.

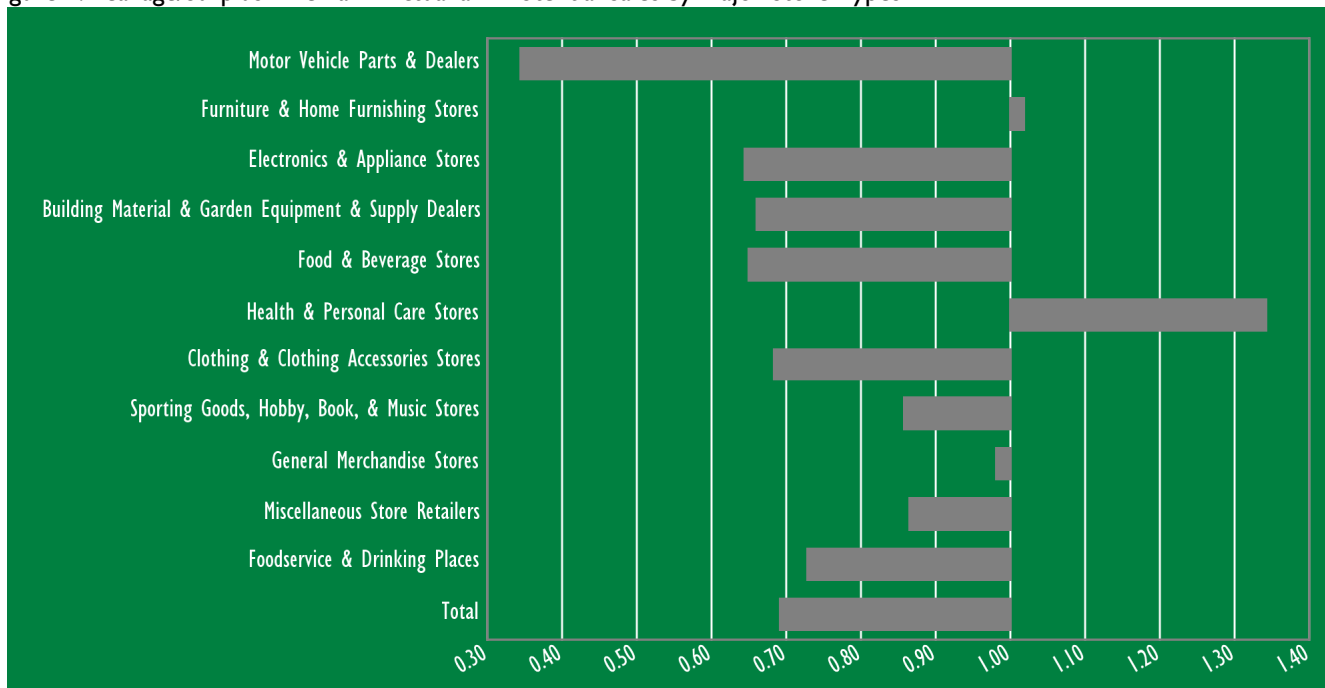
1.2 = sales exceed demand by 20%, meaning that consumers are coming from outside the area being analyzed.

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 actual sales for major store types.

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



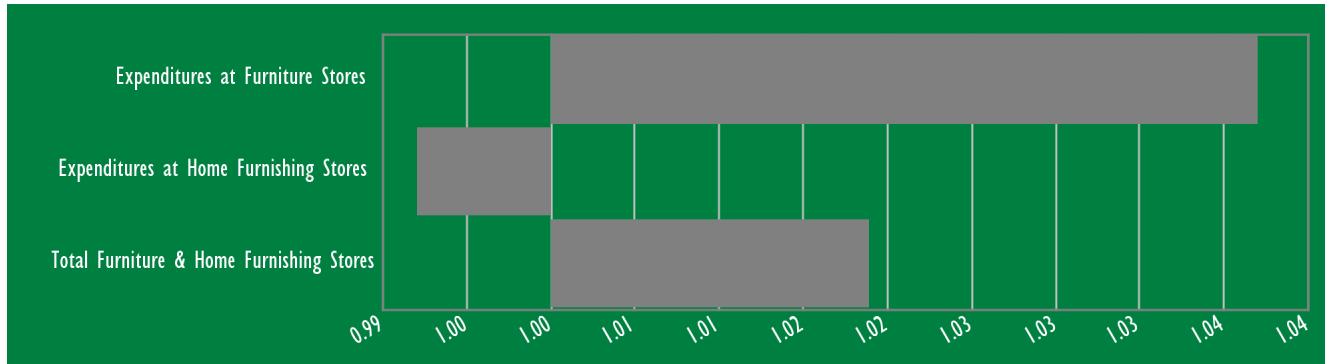
Store Type	Potential	Actual Sales	Surplus/Leakage
Motor Vehicle Parts & Dealers	47,529,839	16,378,835	0.3
Furniture & Home Furnishing Stores	4,952,667	5,046,395	1.0
Electronics & Appliance Stores	5,962,646	3,838,866	0.6
Building Material & Garden Equipment & Supply Dealers	17,241,468	11,375,121	0.7
Food & Beverage Stores	38,279,988	24,858,131	0.6
Health & Personal Care Stores	18,477,801	24,782,963	1.3
Clothing & Clothing Accessories Stores	11,148,398	7,629,840	0.7
Sporting Goods, Hobby, Book, & Music Stores	5,339,496	4,576,205	0.9
General Merchandise Stores	10,212,470	10,029,104	1.0
Miscellaneous Store Retailers	7,509,053	6,496,807	0.9
Foodservice & Drinking Places	14,421,852	10,502,146	0.7
Total	181,075,678	125,514,413	0.7

Sub-Categories of Motor Vehicle Parts & Dealers



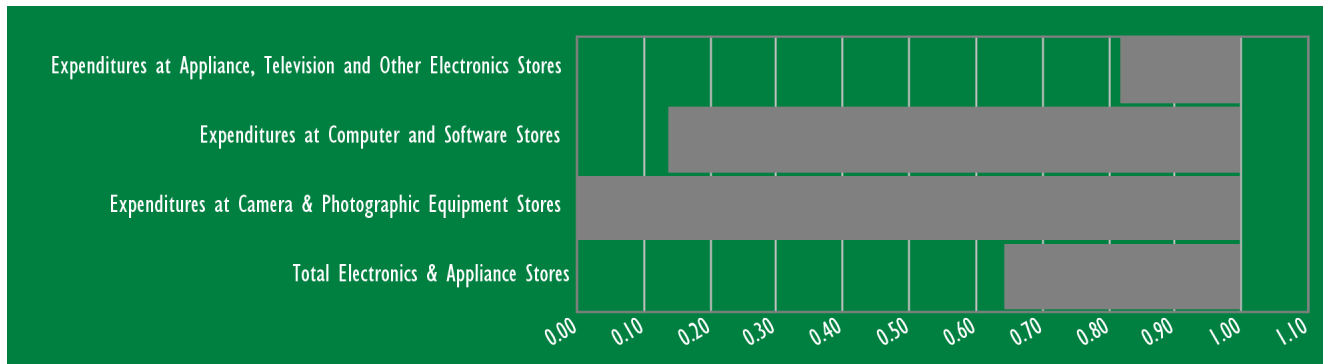
Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Automotive Dealers	39,049,634	8,639,833	0.2
Expenditures at Other Motor Vehicle Dealers	3,515,455	684,575	0.2
Expenditures at Automotive Parts, Accessories, & Tire Stores	4,964,750	7,054,427	1.4
Total Motor Vehicle Parts & Dealers	47,529,839	16,378,835	0.3

Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Furniture Stores	2,660,207	2,772,035	1.0
Expenditures at Home Furnishing Stores	2,292,460	2,274,360	1.0
Total Furniture & Home Furnishing Stores	4,952,667	5,046,395	1.0

Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Appliance, Television and Other Electronics Stores	4,463,565	3,657,940	0.8
Expenditures at Computer and Software Stores	1,302,658	180,926	0.1
Expenditures at Camera & Photographic Equipment Stores	196,423	0	0.0
Total Electronics & Appliance Stores	5,962,646	3,838,866	0.6

Sub-Categories of Building Material & Garden Equipment & Supply Dealers



Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Home Centers	6,500,831	0	0.0
Expenditures at Paint and Wallpaper Stores	448,122	347,623	0.8
Expenditures at Hardware Stores	1,170,195	3,024,814	2.6
Expenditures at Other Building Materials Dealers	5,486,176	3,172,568	0.6
Expenditures at Outdoor Power Equipment Stores	589,636	376,379	0.6
Expenditures at Nursery and Garden centers	3,046,508	4,453,737	1.5
Total Building Material & Garden Equipment & Supply Dealers	17,241,468	11,375,121	0.7

Sub-Categories of Food & Beverage Stores



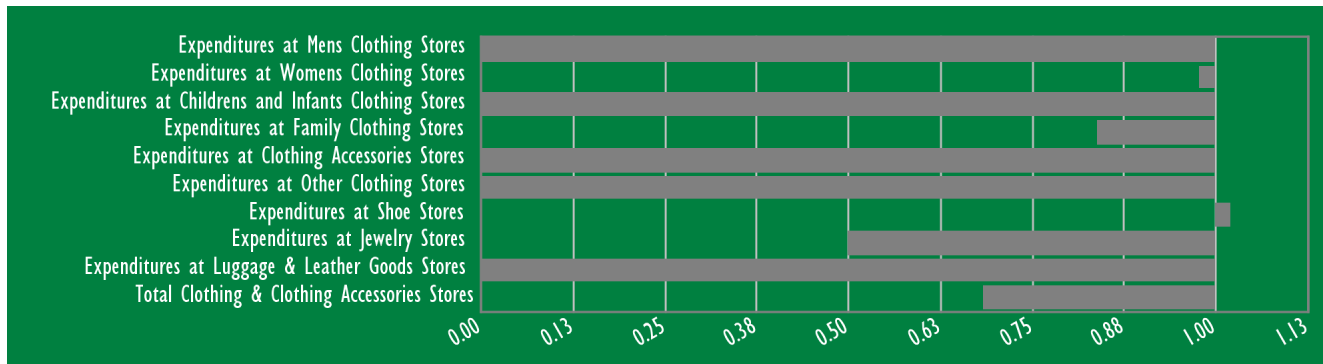
Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Supermarkets and Other Grocery (except Convenience) Stores	32,613,956	24,247,182	0.7
Expenditures at Convenience Stores	1,834,938	599,576	0.3
Expenditures at Specialty Food Stores	1,231,858	11,373	0.0
Expenditures at Beer, Wine, & Liquor Stores	2,599,236	0	0.0
Total Food & Beverage Stores	38,279,988	24,858,131	0.6

Sub-Categories of Health & Personal Care Stores



Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Pharmacies and Drug Stores	15,366,534	20,892,947	1.4
Expenditures at Cosmetics, Beauty Supplies and Perfume Stores	975,264	96,095	0.0
Expenditures at Optical Goods Stores	813,802	2,735,806	3.4
Expenditures at Other Health and Personal Care Stores	1,322,201	1,058,115	0.8
Total Health & Personal Care Stores	18,477,801	24,782,963	1.3

Sub-Categories of Clothing & Clothing Accessories Stores



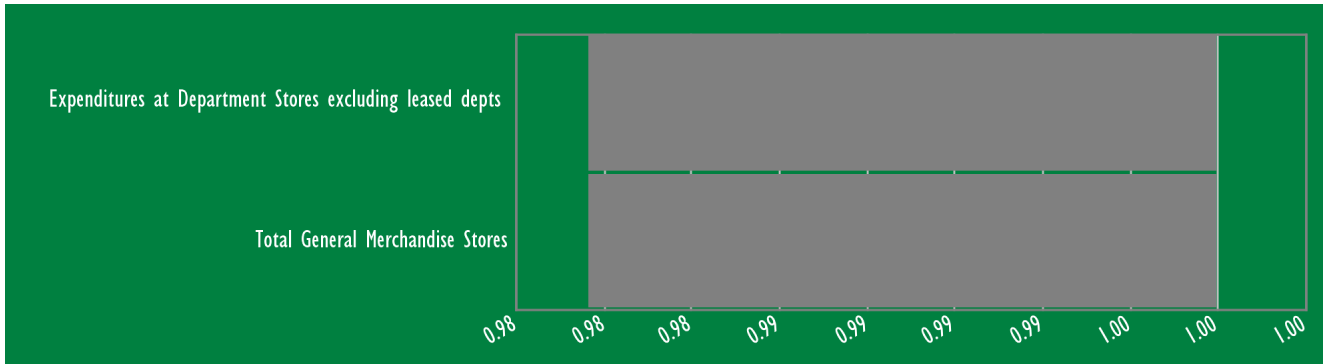
Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Mens Clothing Stores	407,046	0	0.0
Expenditures at Womens Clothing Stores	1,944,482	1,903,569	1.0
Expenditures at Childrens and Infants Clothing Stores	576,539	0	0.0
Expenditures at Family Clothing Stores	4,502,112	3,778,999	0.8
Expenditures at Clothing Accessories Stores	348,130	0	0.0
Expenditures at Other Clothing Stores	697,450	0	0.0
Expenditures at Shoe Stores	1,291,976	1,319,963	1.0
Expenditures at Jewelry Stores	1,254,753	627,309	0.5
Expenditures at Luggage & Leather Goods Stores	125,910	0	0.0
Total Clothing & Clothing Accessories Stores	11,148,398	7,629,840	0.7

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



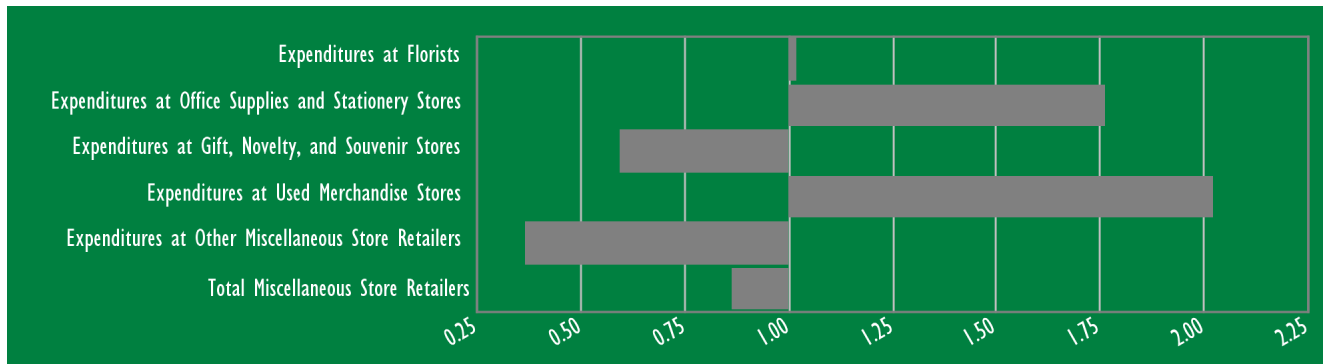
Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Sporting Goods Stores	2,524,448	953,029	0.4
Expenditures at Hobby, Toys and Games Stores	1,159,890	1,046,456	0.9
Expenditures at Sew/Neddlework/Piece Goods Stores	161,140	90,565	0.6
Expenditures at Musical Instrument and Supplies Stores	212,668	116,333	0.5
Expenditures at Book Stores and News Dealers	1,073,127	2,369,822	2.2
Expenditures at Prerecorded Tape, Compact Disc, and Record Stores	208,223	0	0.0
Total Sporting Goods, Hobby, Book, & Music Stores	5,339,496	4,576,205	0.9

Sub-Categories of General Merchandise Stores



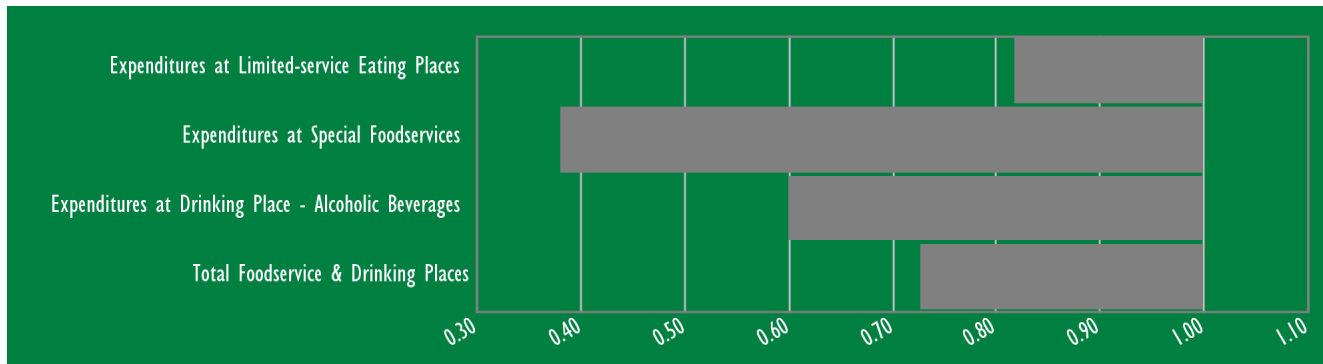
Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Department Stores excluding leased depts	10,212,470	10,029,104	1.0
Total General Merchandise Stores	10,212,470	10,029,104	1.0

Sub-Categories of Miscellaneous Store Retailers



Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Florists	489,445	500,570	1.0
Expenditures at Office Supplies and Stationery Stores	1,221,724	2,152,905	1.8
Expenditures at Gift, Novelty, and Souvenir Stores	947,794	562,141	0.6
Expenditures at Used Merchandise Stores	899,828	1,820,273	2.0
Expenditures at Other Miscellaneous Store Retailers	3,950,262	1,460,918	0.4
Total Miscellaneous Store Retailers	7,509,053	6,496,807	0.9

Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Actual Sales	Surplus/Leakage
Expenditures at Limited-service Eating Places	10,884,267	8,896,907	0.8
Expenditures at Special Foodservices	2,360,653	898,601	0.4
Expenditures at Drinking Place - Alcoholic Beverages	1,176,932	706,638	0.6
Total Foodservice & Drinking Places	14,421,852	10,502,146	0.7

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.