

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.

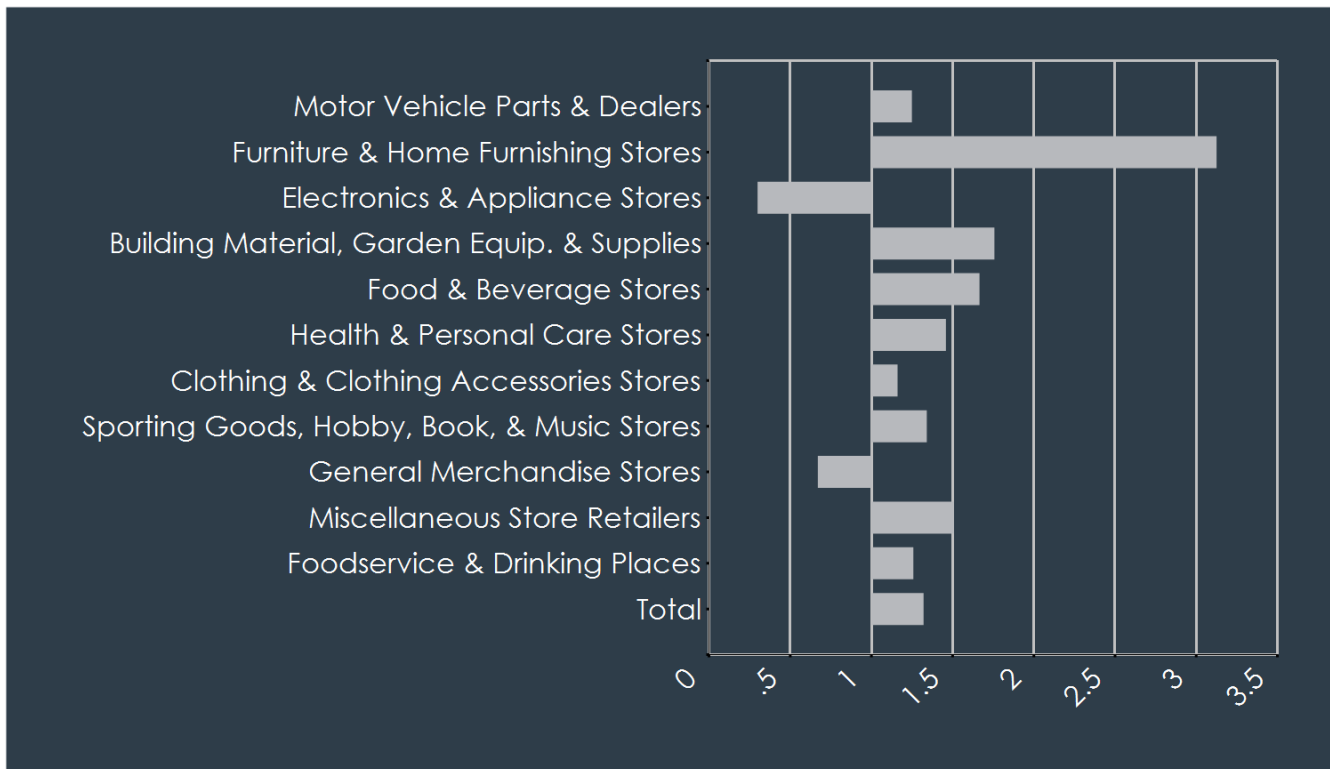
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Leakage/Surplus Index by Major Store Type

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.

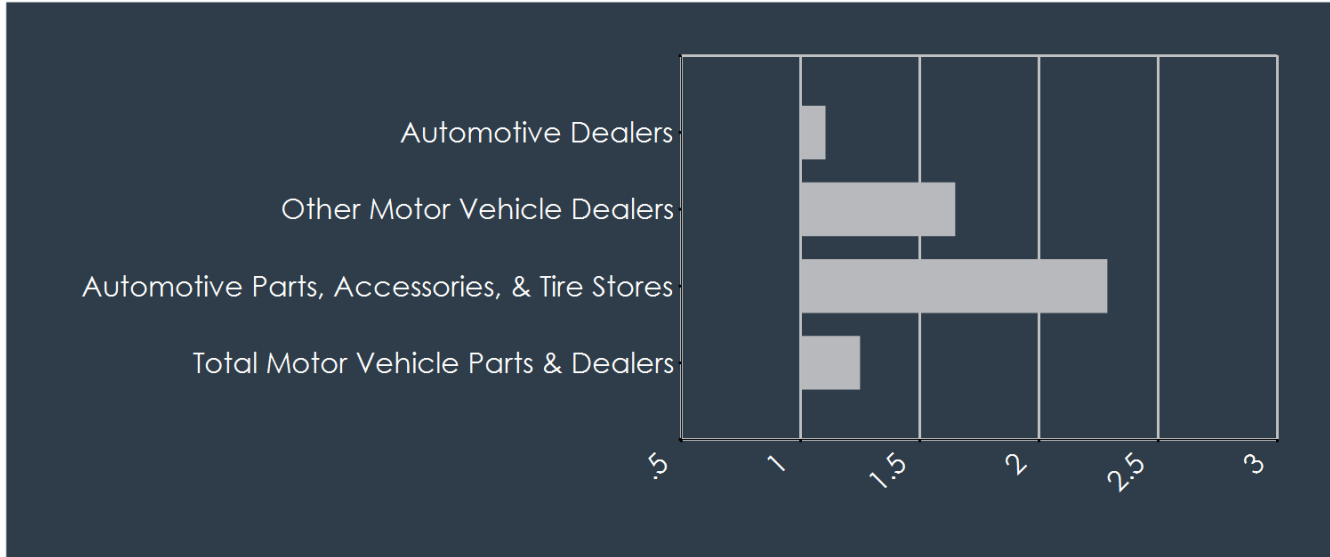
Figure 1. Leakage/Surplus Index and Estimated and Potential Sales by Major Store Types



Store Type	Potential	Estimated Sales	Surplus/Leakage
Motor Vehicle Parts & Dealers	98,896,643	123,533,301	1.2
Furniture & Home Furnishing Stores	7,819,942	24,439,316	3.1
Electronics & Appliance Stores	6,939,222	2,071,547	0.3
Building Material, Garden Equip. & Supplies	29,688,442	52,176,618	1.8
Food & Beverage Stores	59,955,464	99,842,082	1.7
Health & Personal Care Stores	28,450,061	41,507,679	1.5
Clothing & Clothing Accessories Stores	13,676,034	15,874,084	1.2
Sporting Goods, Hobby, Book, & Music Stores	6,304,601	8,455,207	1.3
General Merchandise Stores	53,041,786	35,547,171	0.7
Miscellaneous Store Retailers	9,809,661	14,786,584	1.5
Foodservice & Drinking Places	41,994,230	52,831,611	1.3
Total	356,576,086	471,065,201	1.3

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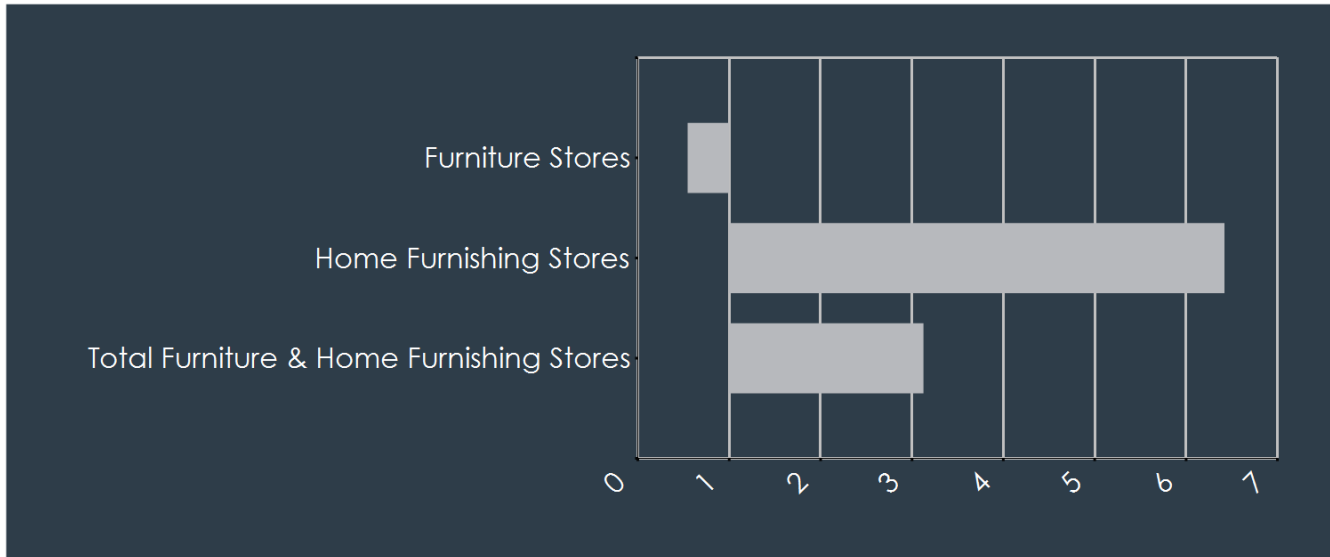
Sub-Categories of Motor Vehicle Parts & Dealers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	82,170,229	90,739,669	1.1
Other Motor Vehicle Dealers	8,546,160	14,088,764	1.6
Automotive Parts, Accessories, & Tire Stores	8,180,255	18,704,868	2.3
Total Motor Vehicle Parts & Dealers	98,896,643	123,533,301	1.2

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Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	4,385,358	2,388,781	0.5
Home Furnishing Stores	3,434,584	22,050,535	6.4
Total Furniture & Home Furnishing Stores	7,819,942	24,439,316	3.1

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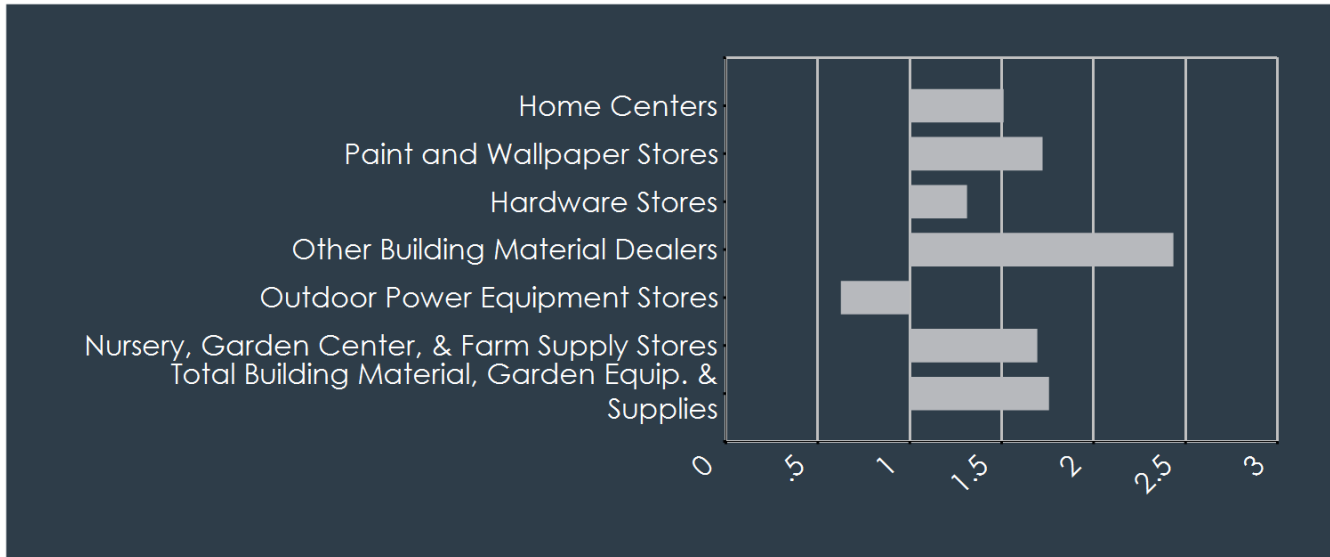
Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Household appliance stores	1,354,605	549,172	0.4
Electronics Stores	5,584,617	1,522,375	0.3
Total Electronics & Appliance Stores	6,939,222	2,071,547	0.3

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Home Centers	14,599,176	22,049,517	1.5
Paint and Wallpaper Stores	826,446	1,423,157	1.7
Hardware Stores	2,047,095	2,684,509	1.3
Other Building Material Dealers	8,327,589	20,271,906	2.4
Outdoor Power Equipment Stores	784,165	490,070	0.6
Nursery, Garden Center, & Farm Supply Stores	3,103,971	5,257,460	1.7
Total Building Material, Garden Equip. & Supplies	29,688,442	52,176,618	1.8

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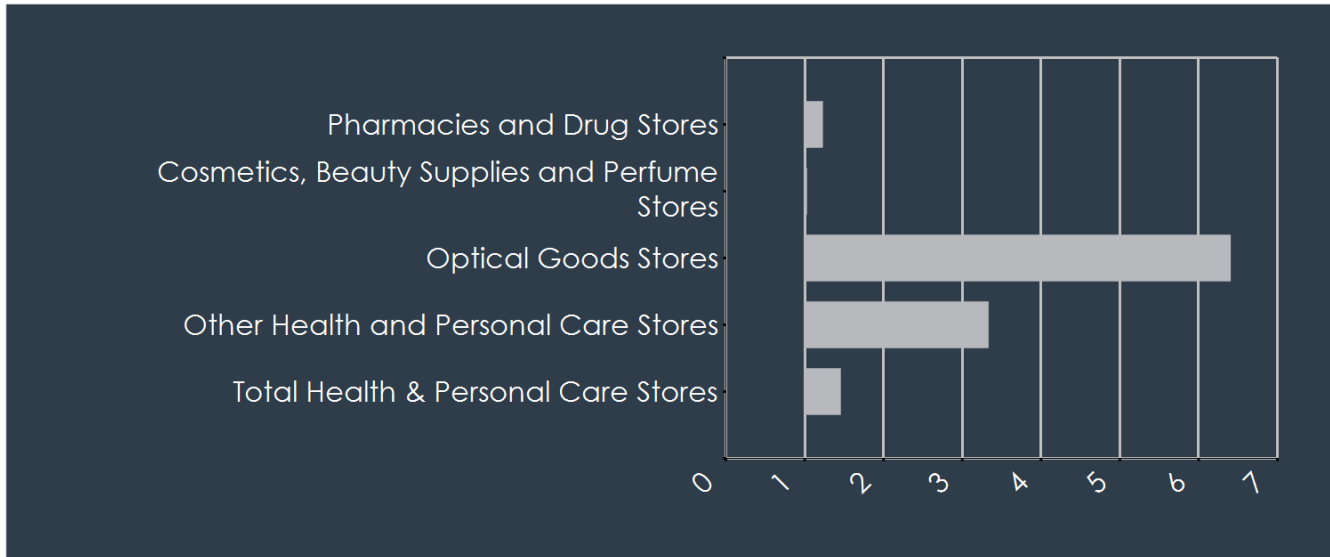
Sub-Categories of Food & Beverage Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	51,254,835	54,775,670	1.1
Convenience Stores	2,209,178	1,992,963	0.9
Specialty Food Stores	1,634,382	3,510,715	2.1
Beer, Wine, & Liquor Stores	4,857,068	39,562,735	8.1
Total Food & Beverage Stores	59,955,464	99,842,082	1.7

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Sub-Categories of Health & Personal Care Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	24,456,834	30,126,610	1.2
Cosmetics, Beauty Supplies and Perfume Stores	1,816,507	1,869,452	1.0
Optical Goods Stores	733,026	4,697,297	6.4
Other Health and Personal Care Stores	1,443,694	4,814,319	3.3
Total Health & Personal Care Stores	28,450,061	41,507,679	1.5

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Sub-Categories of Clothing & Clothing Accessories Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Mens Clothing Stores	314,323	21,077	0.1
Womens Clothing Stores	1,909,907	1,596,010	0.8
Childrens and Infants Clothing Stores	361,071	542,982	1.5
Family Clothing Stores	5,604,809	6,542,045	1.2
Clothing Accessories Stores	344,895	249,088	0.7
Other Clothing Stores	866,123	1,181,853	1.4
Shoe Stores	1,938,560	3,517,192	1.8
Jewelry Stores	2,242,385	2,217,321	1.0
Luggage & Leather Goods Stores	93,961	6,516	0.1
Total Clothing & Clothing Accessories Stores	13,676,034	15,874,084	1.2

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Sporting Goods Stores	3,873,815	1,640,929	0.4
Hobby, Toy, and Game Stores	1,207,484	3,920,922	3.2
Sewing, Needlework, and Piece Goods Stores	182,202	303,595	1.7
Musical Instrument and Supplies Stores	250,597	259,700	1.0
Book Stores	482,993	1,648,024	3.4
News Dealers and Newsstands	307,509	682,037	2.2
Total Sporting Goods, Hobby, Book, & Music Stores	6,304,601	8,455,207	1.3

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Sub-Categories of General Merchandise Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores	7,781,345	22,720,275	2.9
Warehouse Clubs & Superstores	38,671,778	824,934	0.0
All Other General Merchandise Stores	6,588,663	12,001,962	1.8
Total General Merchandise Stores	53,041,786	35,547,171	0.7

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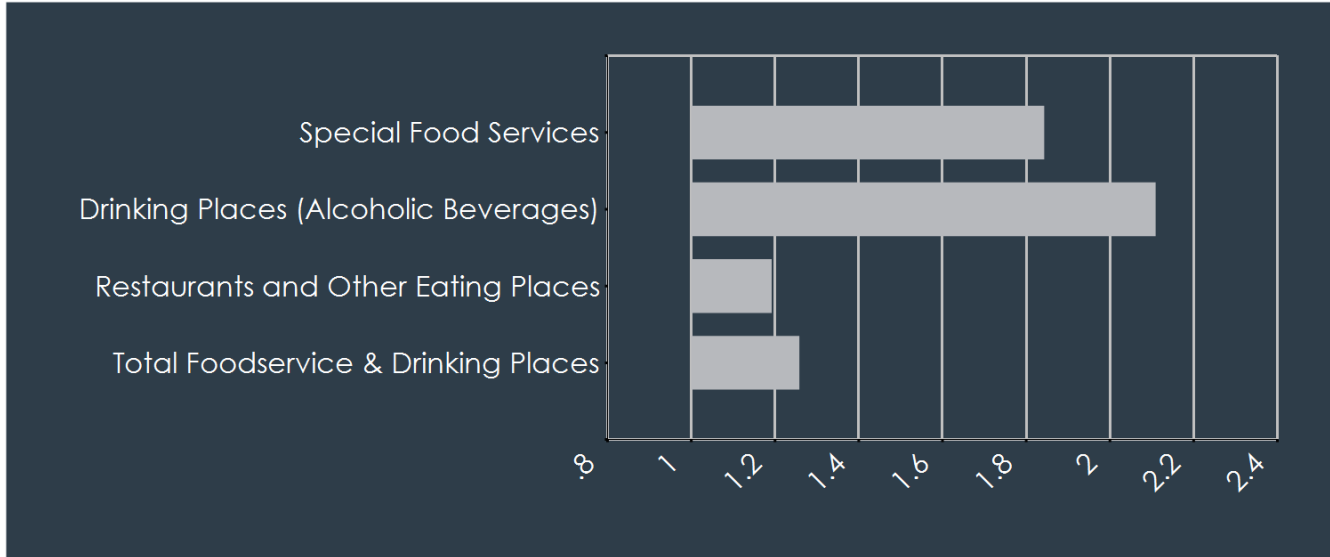
Sub-Categories of Miscellaneous Store Retailers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	395,291	695,915	1.8
Office Supplies and Stationery Stores	755,182	1,582,491	2.1
Gift, Novelty, and Souvenir Stores	912,330	1,394,138	1.5
Used Merchandise Stores	923,063	1,240,591	1.3
Other Miscellaneous Store Retailers	6,823,795	9,873,450	1.4
Total Miscellaneous Store Retailers	9,809,661	14,786,584	1.5

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Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Estimated Sales	Surplus/Leakage
Special Food Services	2,130,136	3,925,786	1.8
Drinking Places (Alcoholic Beverages)	1,522,349	3,210,696	2.1
Restaurants and Other Eating Places	38,341,745	45,695,130	1.2
Total Foodservice & Drinking Places	41,994,230	52,831,611	1.3

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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.

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