



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.

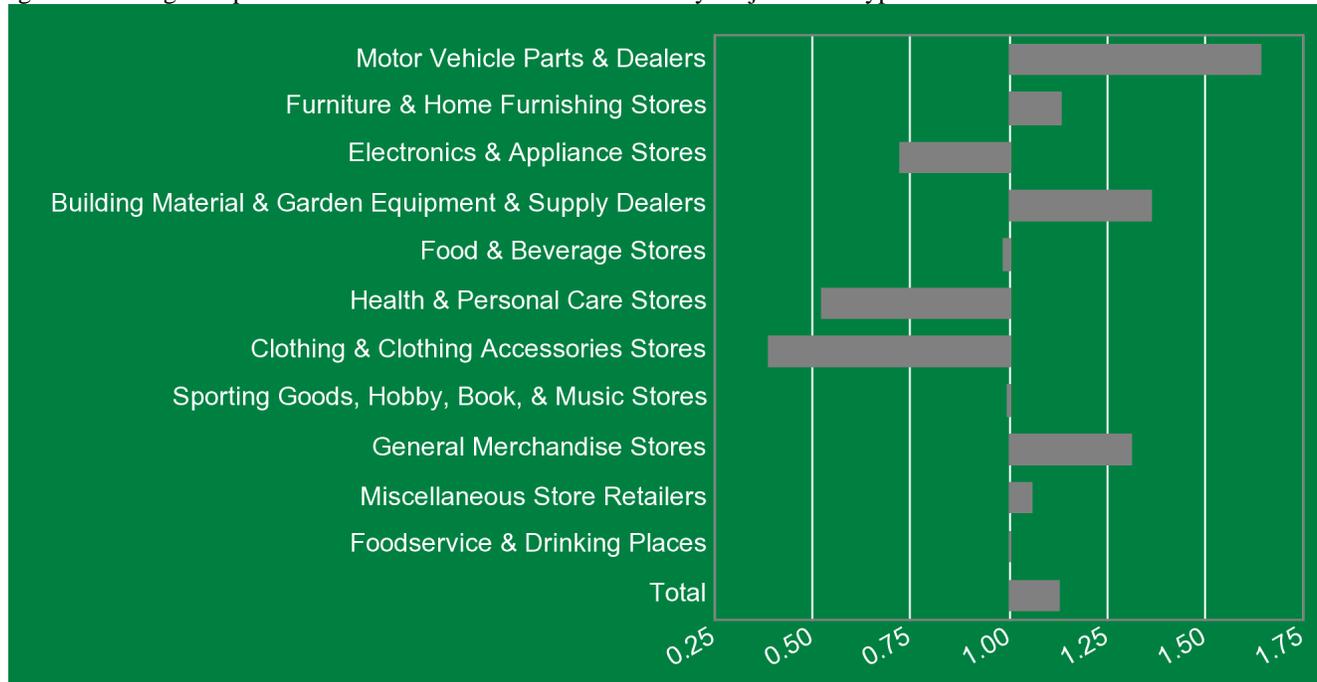
1.2 = sales exceed demand by 20%, meaning that consumers are coming from outside the area being analyzed.

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.

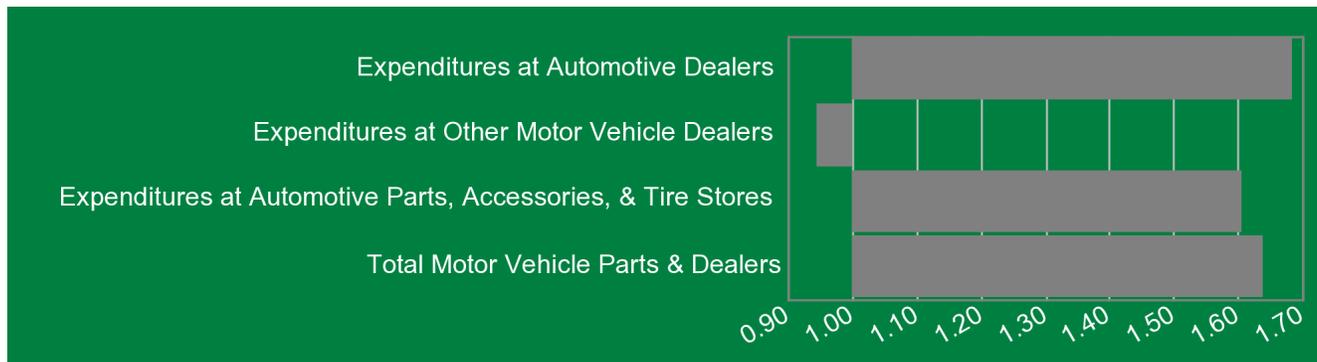
Figure 1 provides the leakage/surplus indices and following is the sales potential and actual sales for major store types.

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Motor Vehicle Parts & Dealers	245,918,125	403,060,013	1.6
Furniture & Home Furnishing Stores	26,560,077	30,108,113	1.1
Electronics & Appliance Stores	29,237,482	21,117,409	0.7
Building Material & Garden Equipment & Supply Dealers	81,665,321	111,148,920	1.4
Food & Beverage Stores	185,301,380	183,264,367	1.0
Health & Personal Care Stores	81,080,565	42,531,526	0.5
Clothing & Clothing Accessories Stores	71,887,502	27,930,947	0.4
Sporting Goods, Hobby, Book, & Music Stores	26,117,043	26,020,611	1.0
General Merchandise Stores	56,424,487	73,892,079	1.3
Miscellaneous Store Retailers	33,713,878	35,603,022	1.1
Foodservice & Drinking Places	87,434,965	87,467,136	1.0
Total	925,340,825	1,042,144,143	1.1

Sub-Categories of Motor Vehicle Parts & Dealers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Automotive Dealers	208,634,138	351,296,536	1.7
Expenditures at Other Motor Vehicle Dealers	12,275,000	11,601,122	0.9
Expenditures at Automotive Parts, Accessories, & Tire Stores	25,008,987	40,162,355	1.6
Total Motor Vehicle Parts & Dealers	245,918,125	403,060,013	1.6

Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Furniture Stores	14,680,894	10,727,999	0.7
Expenditures at Home Furnishing Stores	11,879,183	19,380,114	1.6
Total Furniture & Home Furnishing Stores	26,560,077	30,108,113	1.1

Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Appliance, Television and Other Electronics Stores	21,942,682	17,271,249	0.8
Expenditures at Computer and Software Stores	6,571,042	1,480,884	0.2
Expenditures at Camera & Photographic Equipment Stores	723,758	2,365,276	3.3
Total Electronics & Appliance Stores	29,237,482	21,117,409	0.7

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Home Centers	31,657,986	64,386,828	2.0
Expenditures at Paint and Wallpaper Stores	2,104,560	15,316,112	7.3
Expenditures at Hardware Stores	5,550,495	35,581	0.0
Expenditures at Other Building Materials Dealers	27,219,212	27,975,958	1.0
Expenditures at Outdoor Power Equipment Stores	2,372,503	0	0.0
Expenditures at Nursery and Garden centers	12,760,565	3,434,441	0.3
Total Building Material & Garden Equipment & Supply Dealers	81,665,321	111,148,920	1.4

Sub-Categories of Food & Beverage Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Supermarkets and Other Grocery (except Convenience) Stores	156,829,173	164,297,574	1.0
Expenditures at Convenience Stores	8,243,679	8,381,688	1.0
Expenditures at Specialty Food Stores	6,008,932	7,308,638	1.2
Expenditures at Beer, Wine, & Liquor Stores	14,219,596	3,276,467	0.2
Total Food & Beverage Stores	185,301,380	183,264,367	1.0

Sub-Categories of Health & Personal Care Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Pharmacies and Drug Stores	67,387,953	38,437,660	0.6
Expenditures at Cosmetics, Beauty Supplies and Perfume Stores	4,246,257	1,519,615	0.4
Expenditures at Optical Goods Stores	3,624,841	1,188,541	0.3
Expenditures at Other Health and Personal Care Stores	5,821,514	1,385,710	0.2
Total Health & Personal Care Stores	81,080,565	42,531,526	0.5

Sub-Categories of Clothing & Clothing Accessories Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Mens Clothing Stores	2,885,742	835,744	0.3
Expenditures at Womens Clothing Stores	12,324,549	9,453,454	0.8
Expenditures at Childrens and Infants Clothing Stores	3,585,125	233,858	0.1
Expenditures at Family Clothing Stores	29,081,690	7,373,793	0.3
Expenditures at Clothing Accessories Stores	2,196,671	1,593,282	0.7
Expenditures at Other Clothing Stores	4,424,704	1,284,858	0.3
Expenditures at Shoe Stores	8,703,415	2,343,801	0.3
Expenditures at Jewelry Stores	8,107,859	3,829,360	0.5
Expenditures at Luggage & Leather Goods Stores	577,747	982,797	1.7
Total Clothing & Clothing Accessories Stores	71,887,502	27,930,947	0.4

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



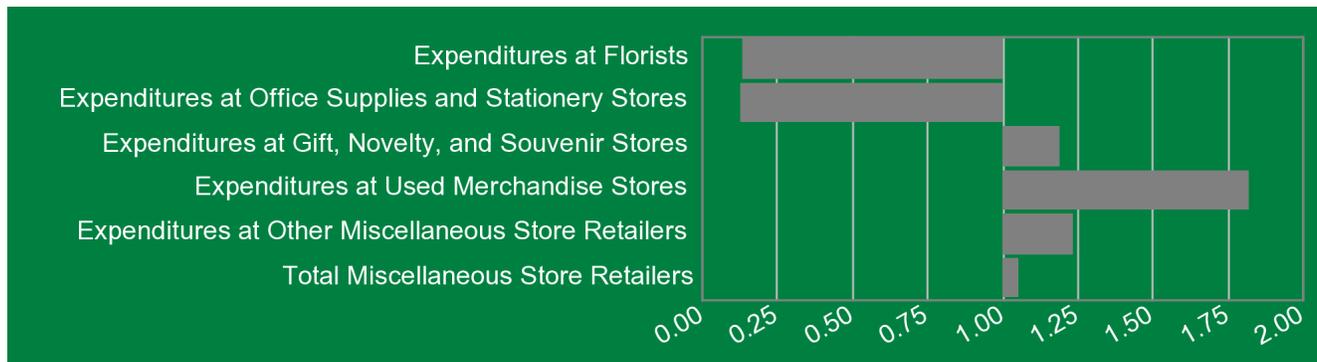
Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Sporting Goods Stores	12,075,329	6,284,947	0.5
Expenditures at Hobby, Toys and Games Stores	5,821,986	6,106,223	1.0
Expenditures at Sew/Neddlework/Piece Goods Stores	787,970	272,055	0.3
Expenditures at Musical Instrument and Supplies Stores	1,158,732	3,662,582	3.2
Expenditures at Book Stores and News Dealers	5,257,426	9,694,804	1.8
Expenditures at Prerecorded Tape, Compact Disc, and Record Stores	1,015,600	0	0.0
Total Sporting Goods, Hobby, Book, & Music Stores	26,117,043	26,020,611	1.0

Sub-Categories of General Merchandise Stores



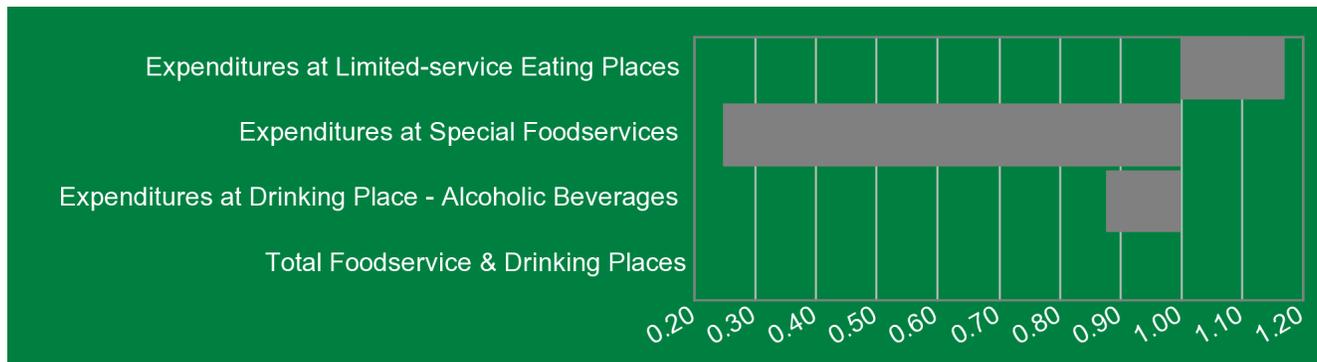
Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Department Stores excluding leased depts	56,424,487	73,892,079	1.3
Total General Merchandise Stores	56,424,487	73,892,079	1.3

Sub-Categories of Miscellaneous Store Retailers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Florists	2,065,655	280,868	0.1
Expenditures at Office Supplies and Stationery Stores	5,845,626	765,982	0.1
Expenditures at Gift, Novelty, and Souvenir Stores	4,562,936	5,445,043	1.2
Expenditures at Used Merchandise Stores	4,819,837	8,789,677	1.8
Expenditures at Other Miscellaneous Store Retailers	16,419,824	20,321,452	1.2
Total Miscellaneous Store Retailers	33,713,878	35,603,022	1.1

Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Limited-service Eating Places	66,641,570	77,956,860	1.2
Expenditures at Special Foodservices	13,865,267	3,425,016	0.2
Expenditures at Drinking Place - Alcoholic Beverages	6,928,128	6,085,260	0.9
Total Foodservice & Drinking Places	87,434,965	87,467,136	1.0

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.