



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.

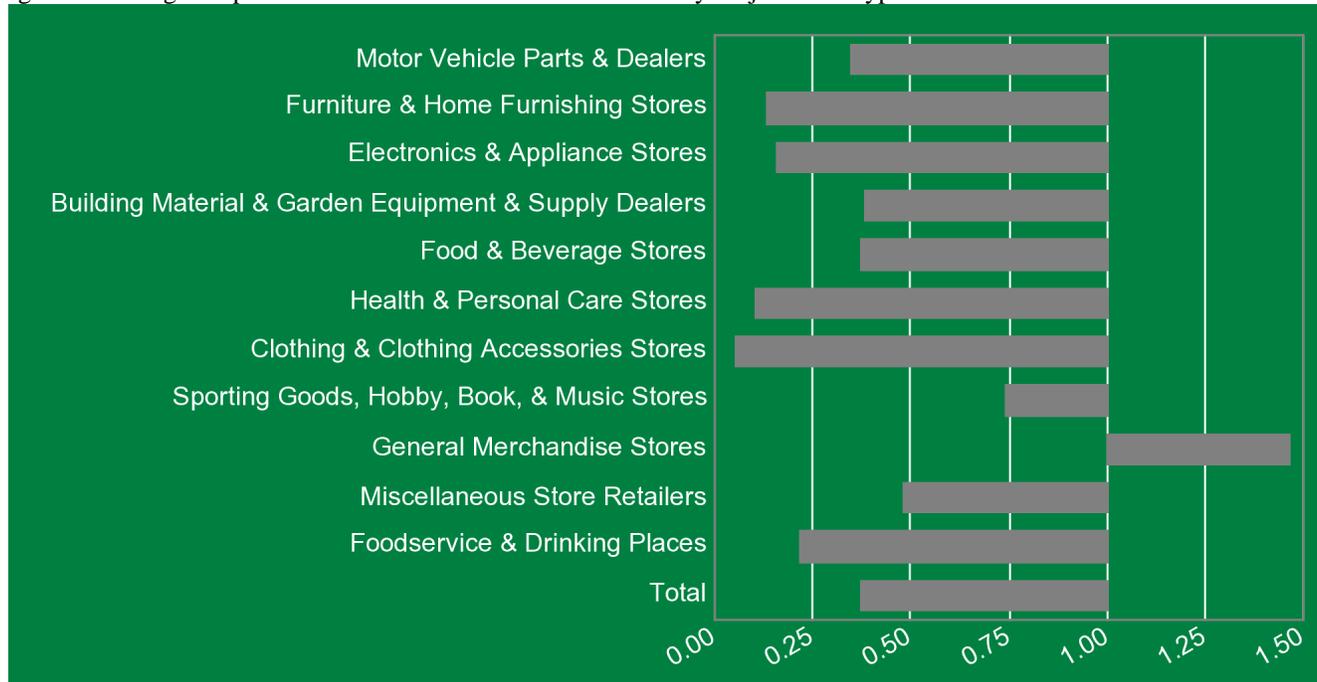
1.2 = sales exceed demand by 20%, meaning that consumers are coming from outside the area being analyzed.

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	112,446,196	39,082,510	0.3
Furniture & Home Furnishing Stores	12,013,440	1,636,407	0.1
Electronics & Appliance Stores	13,268,619	2,086,349	0.2
Building Material & Garden Equipment & Supply Dealers	36,811,438	14,165,798	0.4
Food & Beverage Stores	84,101,722	31,477,800	0.4
Health & Personal Care Stores	35,613,269	3,727,281	0.1
Clothing & Clothing Accessories Stores	32,377,178	1,797,286	0.1
Sporting Goods, Hobby, Book, & Music Stores	12,080,336	8,971,962	0.7
General Merchandise Stores	25,782,985	37,797,079	1.5
Miscellaneous Store Retailers	15,634,872	7,590,765	0.5
Foodservice & Drinking Places	40,815,467	9,044,246	0.2
Total	420,945,522	157,377,483	0.4

Sub-Categories of Motor Vehicle Parts & Dealers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Automotive Dealers	95,468,228	1,729,860	0.0
Expenditures at Other Motor Vehicle Dealers	5,424,974	18,506,512	3.4
Expenditures at Automotive Parts, Accessories, & Tire Stores	11,552,994	18,846,138	1.6
Total Motor Vehicle Parts & Dealers	112,446,196	39,082,510	0.3

Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Furniture Stores	6,699,863	0	0.0
Expenditures at Home Furnishing Stores	5,313,577	1,636,407	0.3
Total Furniture & Home Furnishing Stores	12,013,440	1,636,407	0.1

Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Appliance, Television and Other Electronics Stores	9,946,597	2,086,349	0.2
Expenditures at Computer and Software Stores	2,987,185	0	0.0
Expenditures at Camera & Photographic Equipment Stores	334,837	0	0.0
Total Electronics & Appliance Stores	13,268,619	2,086,349	0.2

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



Store Type	Potential Estimated Sales	Surplus/Leakage
Expenditures at Home Centers	14,252,501	1,022,315
Expenditures at Paint and Wallpaper Stores	829,400	0
Expenditures at Hardware Stores	2,544,203	0
Expenditures at Other Building Materials Dealers	12,241,567	4,657,379
Expenditures at Outdoor Power Equipment Stores	1,078,063	0
Expenditures at Nursery and Garden centers	5,865,704	8,486,104
Total Building Material & Garden Equipment & Supply Dealers	36,811,438	14,165,798

Sub-Categories of Food & Beverage Stores



Store Type	Potential Estimated Sales	Surplus/Leakage	
Expenditures at Supermarkets and Other Grocery (except Convenience) Stores	71,054,733	18,218,846	0.3
Expenditures at Convenience Stores	3,745,022	924,850	0.2
Expenditures at Specialty Food Stores	2,721,540	672,001	0.2
Expenditures at Beer, Wine, & Liquor Stores	6,580,427	11,662,103	1.8
Total Food & Beverage Stores	84,101,722	31,477,800	0.4

Sub-Categories of Health & Personal Care Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Pharmacies and Drug Stores	29,575,299	3,714,930	0.1
Expenditures at Cosmetics, Beauty Supplies and Perfume Stores	1,850,406	0	0.0
Expenditures at Optical Goods Stores	1,645,359	1,003	0.0
Expenditures at Other Health and Personal Care Stores	2,542,205	11,348	0.0
Total Health & Personal Care Stores	35,613,269	3,727,281	0.1

Sub-Categories of Clothing & Clothing Accessories Stores



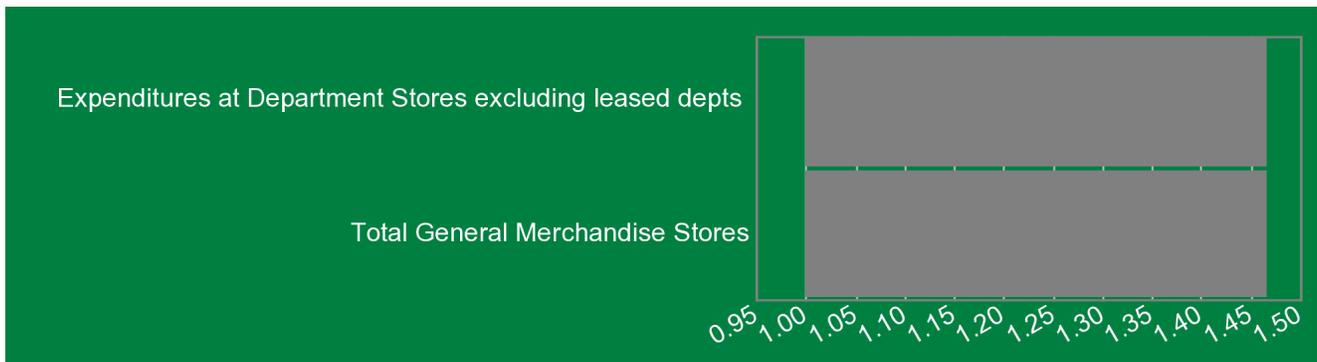
Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Mens Clothing Stores	1,303,702	18,876	0.0
Expenditures at Womens Clothing Stores	5,462,495	35,668	0.0
Expenditures at Childrens and Infants Clothing Stores	1,743,567	792,089	0.5
Expenditures at Family Clothing Stores	13,091,655	39,749	0.0
Expenditures at Clothing Accessories Stores	981,954	0	0.0
Expenditures at Other Clothing Stores	1,968,323	54,943	0.0
Expenditures at Shoe Stores	3,921,205	799,748	0.2
Expenditures at Jewelry Stores	3,638,873	56,213	0.0
Expenditures at Luggage & Leather Goods Stores	265,404	0	0.0
Total Clothing & Clothing Accessories Stores	32,377,178	1,797,286	0.1

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



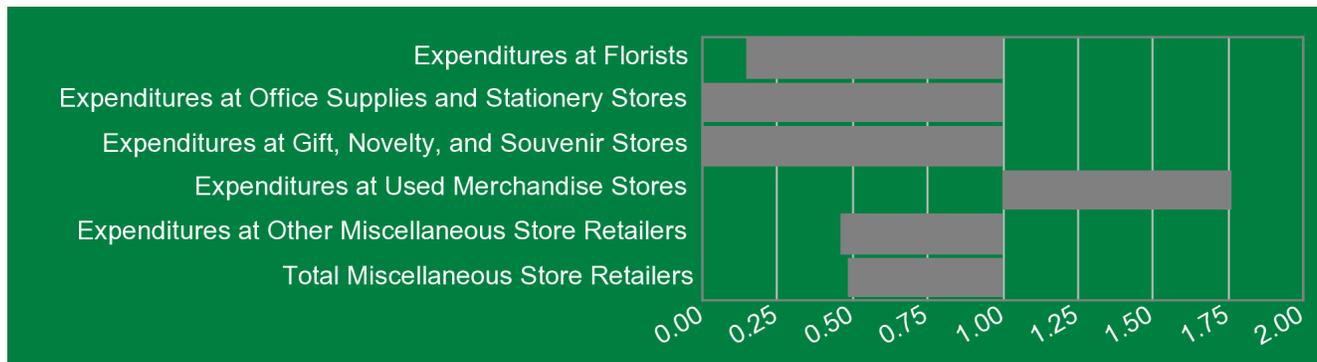
Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Sporting Goods Stores	5,731,328	8,260,379	1.4
Expenditures at Hobby, Toys and Games Stores	2,713,875	73,260	0.0
Expenditures at Sew/Neddlework/Piece Goods Stores	350,257	30,381	0.1
Expenditures at Musical Instrument and Supplies Stores	503,846	190,956	0.4
Expenditures at Book Stores and News Dealers	2,322,822	0	0.0
Expenditures at Prerecorded Tape, Compact Disc, and Record Stores	458,208	416,986	0.9
Total Sporting Goods, Hobby, Book, & Music Stores	12,080,336	8,971,962	0.7

Sub-Categories of General Merchandise Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Department Stores excluding leased depts	25,782,985	37,797,079	1.5
Total General Merchandise Stores	25,782,985	37,797,079	1.5

Sub-Categories of Miscellaneous Store Retailers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Florists	942,097	139,514	0.1
Expenditures at Office Supplies and Stationery Stores	2,684,242	12,909	0.0
Expenditures at Gift, Novelty, and Souvenir Stores	2,091,453	3,663	0.0
Expenditures at Used Merchandise Stores	2,186,609	3,857,168	1.8
Expenditures at Other Miscellaneous Store Retailers	7,730,471	3,577,511	0.5
Total Miscellaneous Store Retailers	15,634,872	7,590,765	0.5

Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Estimated Sales	Surplus/Leakage
Expenditures at Limited-service Eating Places	30,866,210	7,499,542	0.2
Expenditures at Special Foodservices	6,591,533	0	0.0
Expenditures at Drinking Place - Alcoholic Beverages	3,357,724	1,544,704	0.5
Total Foodservice & Drinking Places	40,815,467	9,044,246	0.2

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.