



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	196,754,761	264,573,021	1.3
Furniture & Home Furnishing Stores	22,391,190	22,035,633	1.0
Electronics & Appliance Stores	21,566,039	28,321,080	1.3
Building Material & Garden Equipment & Supply Dealers	53,117,014	90,182,011	1.7
Food & Beverage Stores	119,434,674	237,017,821	2.0
Health & Personal Care Stores	59,014,460	34,741,749	0.6
Clothing & Clothing Accessories Stores	38,847,424	39,624,939	1.0
Sporting Goods, Hobby, Book, & Music Stores	17,525,628	45,296,134	2.6
General Merchandise Stores	123,001,138	267,441,432	2.2
Miscellaneous Store Retailers	25,747,282	28,392,006	1.1
Foodservice & Drinking Places	99,555,061	251,585,293	2.5
Total	776,954,671	1,309,211,119	1.7

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Sub-Categories of Motor Vehicle Parts & Dealers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	166,857,515	235,176,636	1.4
Other Motor Vehicle Dealers	11,690,422	5,854,318	0.5
Automotive Parts, Accessories, & Tire Stores	18,206,824	23,542,067	1.3
Total Motor Vehicle Parts & Dealers	196,754,761	264,573,021	1.3

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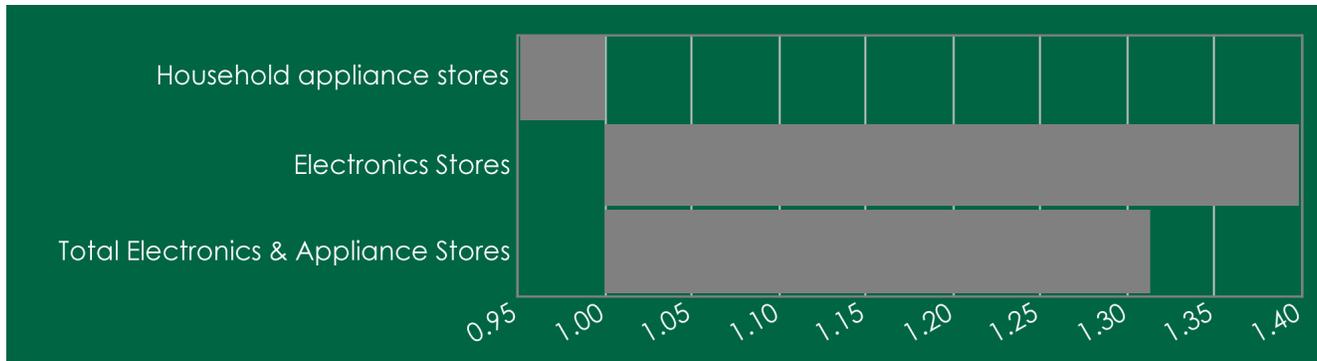
Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	13,525,118	9,443,857	0.7
Home Furnishing Stores	8,866,072	12,591,776	1.4
Total Furniture & Home Furnishing Stores	22,391,190	22,035,633	1.0

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Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Household appliance stores	4,128,053	3,928,759	1.0
Electronics Stores	17,437,986	24,392,321	1.4
Total Electronics & Appliance Stores	21,566,039	28,321,080	1.3

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Home Centers	26,537,914	49,128,075	1.9
Paint and Wallpaper Stores	1,345,379	2,754,027	2.0
Hardware Stores	4,160,282	14,647,516	3.5
Other Building Material Dealers	13,156,208	20,174,642	1.5
Outdoor Power Equipment Stores	1,085,434	841,784	0.8
Nursery, garden center, & farm supply stores	6,831,797	2,635,967	0.4
Total Building Material & Garden Equipment & Supply Dealers	53,117,014	90,182,011	1.7

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Sub-Categories of Food & Beverage Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	101,468,395	231,180,456	2.3
Convenience Stores	4,152,439	2,481,057	0.6
Specialty Food Stores	4,037,820	1,434,067	0.4
Beer, Wine, & Liquor Stores	9,776,020	1,922,241	0.2
Total Food & Beverage Stores	119,434,674	237,017,821	2.0

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Sub-Categories of Health & Personal Care Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	49,245,661	16,407,957	0.3
Cosmetics, Beauty Supplies and Perfume Stores	3,617,823	4,669,396	1.3
Optical Goods Stores	2,181,671	6,031,366	2.8
Other Health and Personal Care Stores	3,969,305	7,633,030	1.9
Total Health & Personal Care Stores	59,014,460	34,741,749	0.6

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Sub-Categories of Clothing & Clothing Accessories Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Mens Clothing Stores	1,531,197	642,445	0.4
Womens Clothing Stores	6,710,494	8,321,064	1.2
Childrens and Infants Clothing Stores	1,775,103	1,212,365	0.7
Family Clothing Stores	15,928,904	13,165,723	0.8
Clothing Accessories Stores	1,366,764	1,712,822	1.3
Other Clothing Stores	2,082,196	1,320,070	0.6
Shoe Stores	5,737,958	8,858,068	1.5
Jewelry Stores	3,193,349	3,995,577	1.3
Luggage & Leather Goods Stores	521,459	396,805	0.8
Total Clothing & Clothing Accessories Stores	38,847,424	39,624,939	1.0

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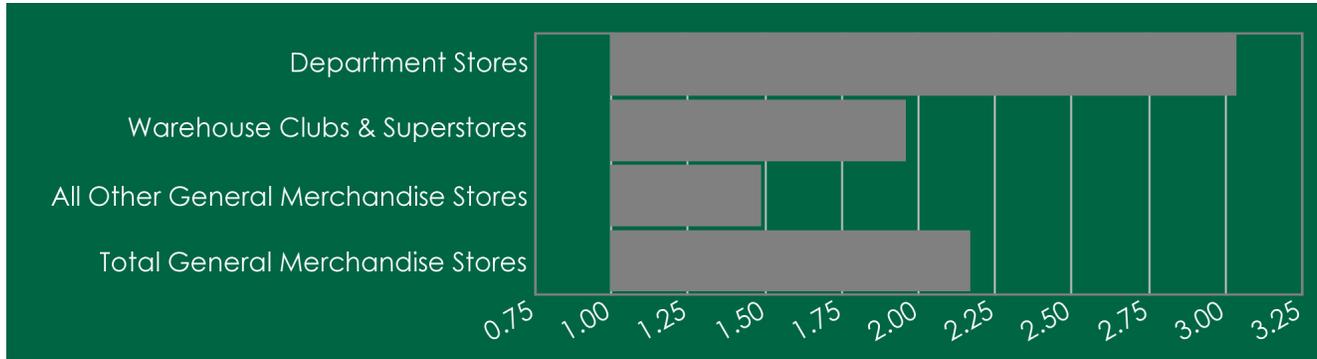
Sub-Categories of Sporting Goods, Hobby, Book, & Music Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Sporting Goods Stores	9,787,899	27,358,081	2.8
Hobby, Toy, and Game Stores	3,532,082	2,481,422	0.7
Sewing, Needlework, and Piece Goods Stores	587,943	1,960,403	3.3
Musical Instrument and Supplies Stores	803,011	1,715,105	2.1
Book Stores	2,164,699	11,390,104	5.3
News Dealers and Newsstands	649,994	391,019	0.6
Total Sporting Goods, Hobby, Book, & Music Stores	17,525,628	45,296,134	2.6

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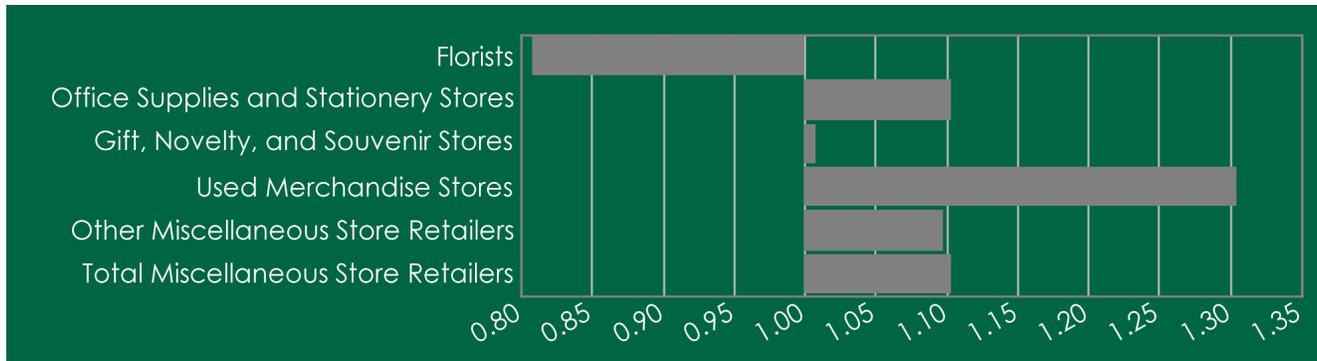
Sub-Categories of General Merchandise Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores	29,887,431	90,863,018	3.0
Warehouse Clubs & Superstores	80,125,439	157,253,891	2.0
All Other General Merchandise Stores	12,988,268	19,324,523	1.5
Total General Merchandise Stores	123,001,138	267,441,432	2.2

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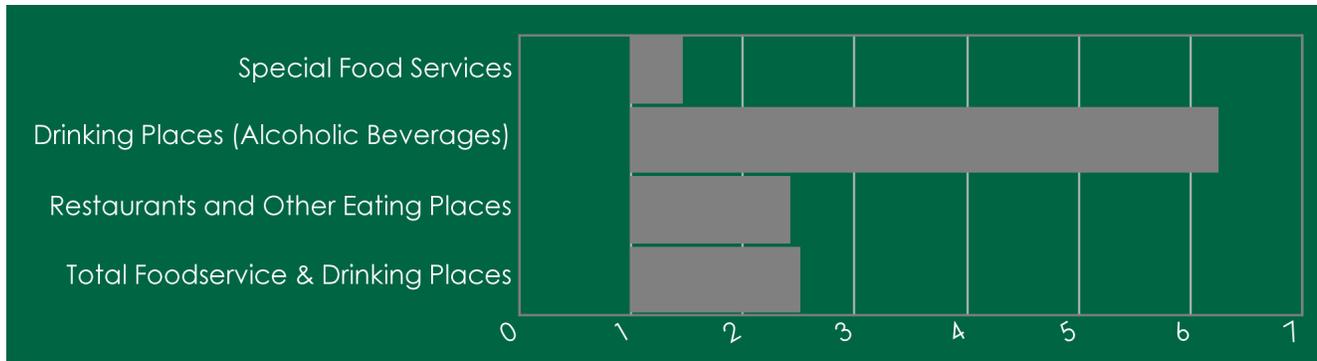
Sub-Categories of Miscellaneous Store Retailers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	948,971	766,702	0.8
Office Supplies and Stationery Stores	2,935,644	3,239,117	1.1
Gift, Novelty, and Souvenir Stores	3,395,991	3,425,666	1.0
Used Merchandise Stores	3,308,406	4,316,518	1.3
Other Miscellaneous Store Retailers	15,158,270	16,644,003	1.1
Total Miscellaneous Store Retailers	25,747,282	28,392,006	1.1

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Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Estimated Sales	Surplus/Leakage
Special Food Services	8,058,386	11,876,843	1.5
Drinking Places (Alcoholic Beverages)	4,372,510	27,416,018	6.3
Restaurants and Other Eating Places	87,124,165	212,292,432	2.4
Total Foodservice & Drinking Places	99,555,061	251,585,293	2.5

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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.