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.

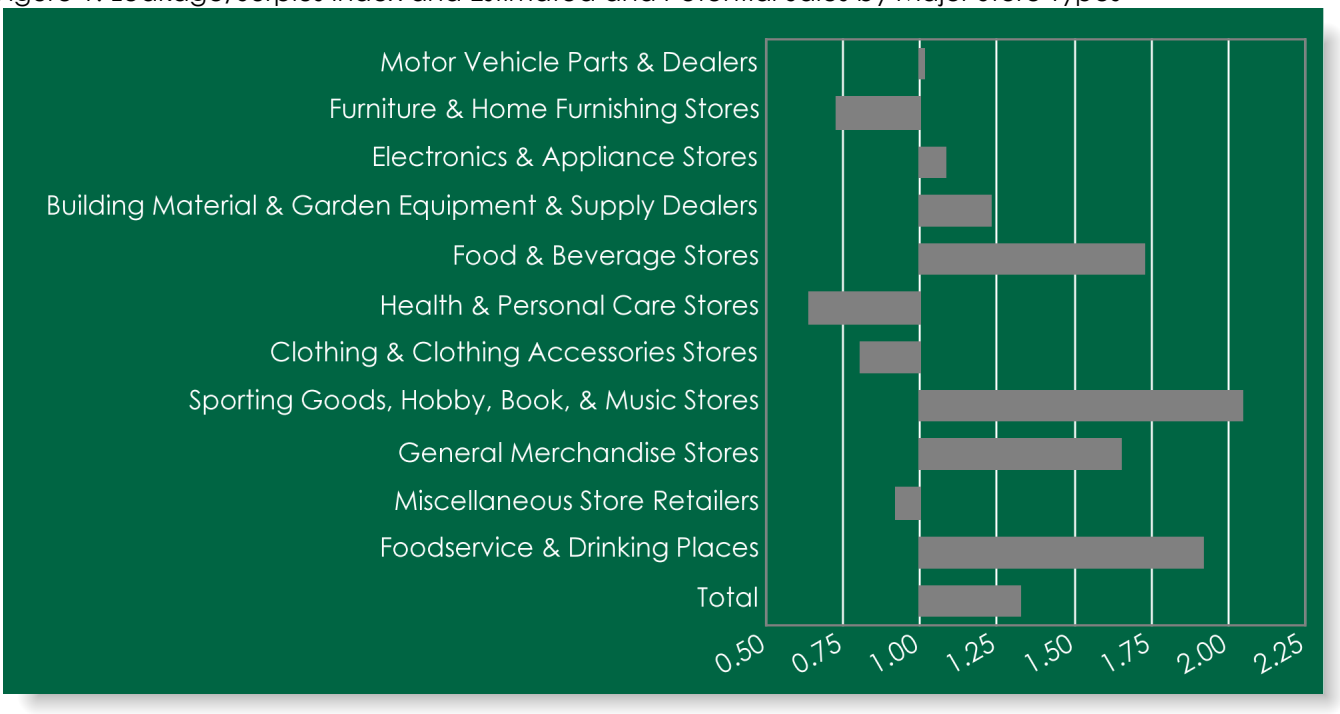
All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

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	265,826,512	268,724,696	1.0
Furniture & Home Furnishing Stores	31,449,411	23,036,674	0.7
Electronics & Appliance Stores	29,409,055	31,833,637	1.1
Building Material & Garden Equipment & Supply Dealers	74,635,447	91,470,390	1.2
Food & Beverage Stores	162,419,381	280,516,405	1.7
Health & Personal Care Stores	82,434,366	52,955,262	0.6
Clothing & Clothing Accessories Stores	51,274,173	41,259,822	0.8
Sporting Goods, Hobby, Book, & Music Stores	23,096,534	47,308,322	2.0
General Merchandise Stores	167,207,431	275,749,945	1.6
Miscellaneous Store Retailers	36,050,381	33,264,235	0.9
Foodservice & Drinking Places	134,320,089	257,496,648	1.9
Total	1,058,122,780	1,403,616,036	1.3

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Sub-Categories of Motor Vehicle Parts & Dealers

Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	224,557,745	236,305,246	1.1
Other Motor Vehicle Dealers	16,525,975	8,334,570	0.5
Automotive Parts, Accessories, & Tire Stores	24,742,792	24,084,880	1.0
Total Motor Vehicle Parts & Dealers	265,826,512	268,724,696	1.0

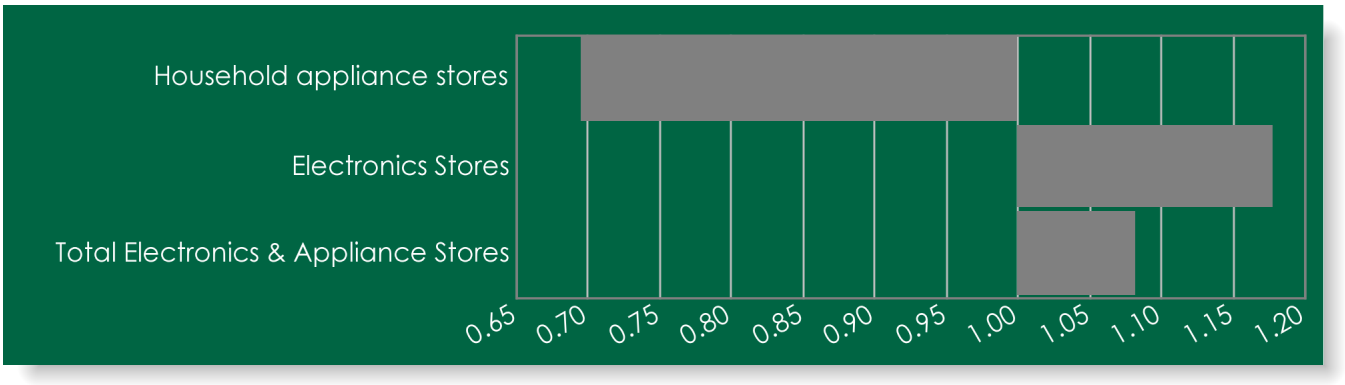
All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Sub-Categories of Furniture & Home Furnishing Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	19,141,223	10,084,842	0.5
Home Furnishing Stores	12,308,188	12,951,832	1.1
Total Furniture & Home Furnishing Stores	31,449,411	23,036,674	0.7

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Household appliance stores	5,819,223	4,049,829	0.7
Electronics Stores	23,589,832	27,783,808	1.2
Total Electronics & Appliance Stores	29,409,055	31,833,637	1.1

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

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

Store Type	Potential	Estimated Sales	Surplus/Leakage
Home Centers	37,292,808	49,128,075	1.3
Paint and Wallpaper Stores	1,907,232	2,754,027	1.4
Hardware Stores	5,775,730	14,647,516	2.5
Other Building Material Dealers	18,456,029	21,463,021	1.2
Outdoor Power Equipment Stores	1,535,135	841,784	0.5
Nursery, garden center, & farm supply stores	9,668,513	2,635,967	0.3
Total Building Material & Garden Equipment & Supply Dealers	74,635,447	91,470,390	1.2

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Sub-Categories of Food & Beverage Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	137,728,121	274,257,378	2.0
Convenience Stores	5,620,882	2,585,540	0.5
Specialty Food Stores	5,452,258	1,751,246	0.3
Beer, Wine, & Liquor Stores	13,618,120	1,922,241	0.1
Total Food & Beverage Stores	162,419,381	280,516,405	1.7

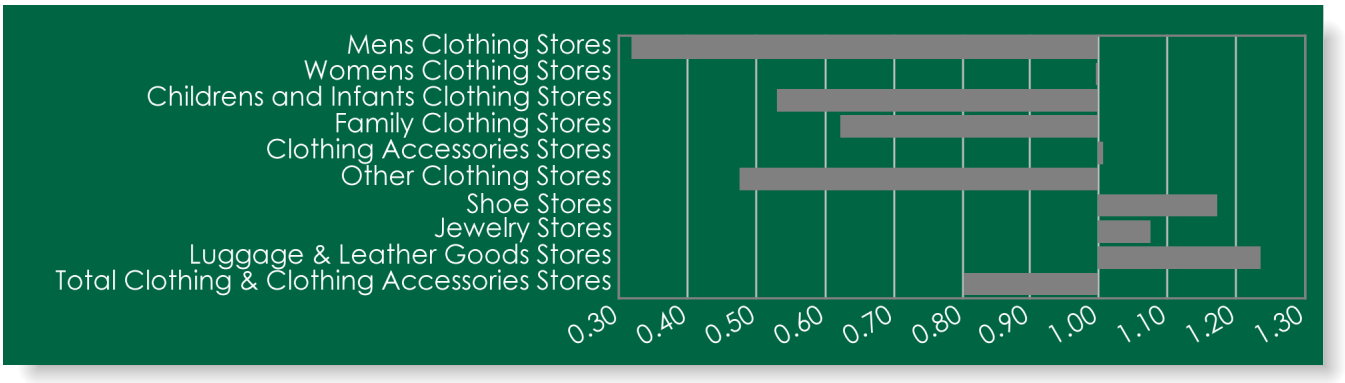
All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Sub-Categories of Health & Personal Care Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	68,673,892	33,286,591	0.5
Cosmetics, Beauty Supplies and Perfume Stores	5,087,331	4,804,972	0.9
Optical Goods Stores	3,127,251	6,426,054	2.1
Other Health and Personal Care Stores	5,545,892	8,437,645	1.5
Total Health & Personal Care Stores	82,434,366	52,955,262	0.6

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Sub-Categories of Clothing & Clothing Accessories Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Mens Clothing Stores	2,013,638	642,445	0.3
Womens Clothing Stores	8,881,225	8,840,052	1.0
Childrens and Infants Clothing Stores	2,284,084	1,212,365	0.5
Family Clothing Stores	21,066,350	13,165,723	0.6
Clothing Accessories Stores	1,810,711	1,826,408	1.0
Other Clothing Stores	2,755,943	1,320,070	0.5
Shoe Stores	7,553,544	8,858,068	1.2
Jewelry Stores	4,196,828	4,513,163	1.1
Luggage & Leather Goods Stores	711,850	881,528	1.2
Total Clothing & Clothing Accessories Stores	51,274,173	41,259,822	0.8

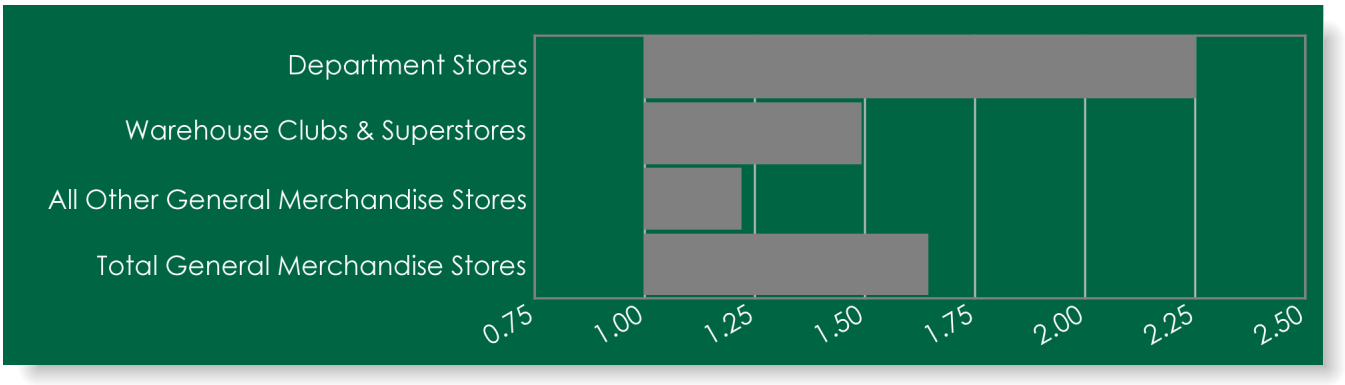
All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

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

Store Type	Potential	Estimated Sales	Surplus/Leakage
Sporting Goods Stores	12,807,682	29,357,054	2.3
Hobby, Toy, and Game Stores	4,682,363	2,481,422	0.5
Sewing, Needlework, and Piece Goods Stores	814,824	1,960,403	2.4
Musical Instrument and Supplies Stores	1,129,551	1,715,105	1.5
Book Stores	2,789,829	11,402,941	4.1
News Dealers and Newsstands	872,285	391,397	0.4
Total Sporting Goods, Hobby, Book, & Music Stores	23,096,534	47,308,322	2.0

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

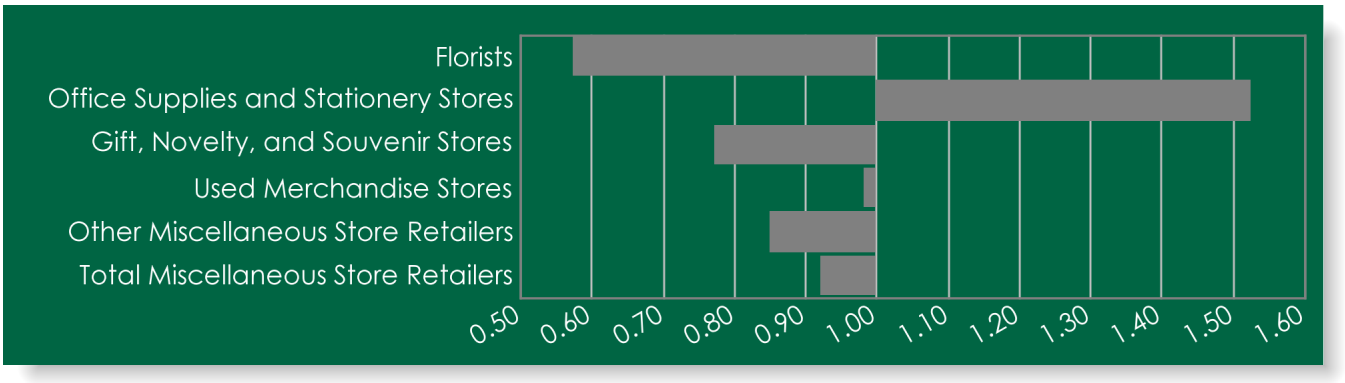
Sub-Categories of General Merchandise Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores	40,330,097	90,863,018	2.3
Warehouse Clubs & Superstores	109,051,856	163,080,069	1.5
All Other General Merchandise Stores	17,825,478	21,806,858	1.2
Total General Merchandise Stores	167,207,431	275,749,945	1.6

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

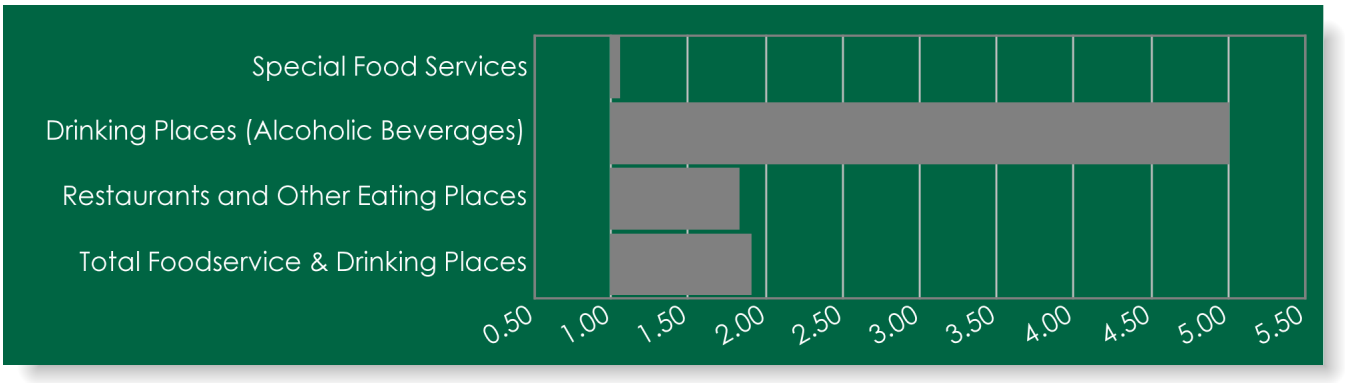
Sub-Categories of Miscellaneous Store Retailers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	1,336,515	766,702	0.6
Office Supplies and Stationery Stores	4,032,498	6,147,935	1.5
Gift, Novelty, and Souvenir Stores	4,613,840	3,564,344	0.8
Used Merchandise Stores	4,511,253	4,431,665	1.0
Other Miscellaneous Store Retailers	21,556,275	18,353,589	0.9
Total Miscellaneous Store Retailers	36,050,381	33,264,235	0.9

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Estimated Sales	Surplus/Leakage
Special Food Services	11,208,195	11,876,843	1.1
Drinking Places (Alcoholic Beverages)	5,864,228	29,436,366	5.0
Restaurants and Other Eating Places	117,247,666	216,183,439	1.8
Total Foodservice & Drinking Places	134,320,089	257,496,648	1.9

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

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.

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.