



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	545,238,610	345,457,389	0.6
Furniture & Home Furnishing Stores	62,950,492	25,890,049	0.4
Electronics & Appliance Stores	59,391,820	41,127,344	0.7
Building Material & Garden Equipment & Supply Dealers	157,090,490	122,906,314	0.8
Food & Beverage Stores	350,199,468	523,572,174	1.5
Health & Personal Care Stores	182,194,738	60,650,174	0.3
Clothing & Clothing Accessories Stores	111,785,921	51,130,706	0.5
Sporting Goods, Hobby, Book, & Music Stores	47,512,104	62,102,454	1.3
General Merchandise Stores	355,514,216	378,084,501	1.1
Miscellaneous Store Retailers	74,165,649	66,212,374	0.9
Foodservice & Drinking Places	275,824,477	417,062,536	1.5
Total	2,221,867,985	2,094,196,015	0.9

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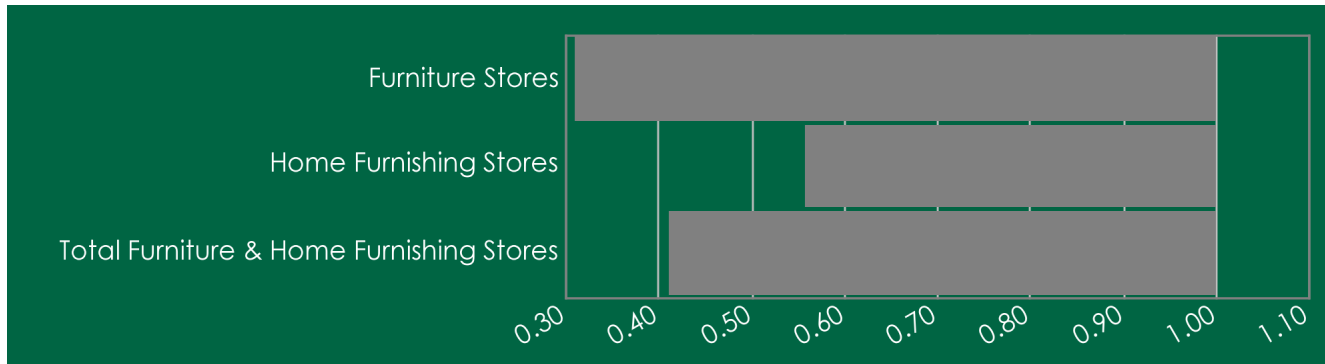
Sub-Categories of Motor Vehicle Parts & Dealers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	461,615,154	287,178,031	0.6
Other Motor Vehicle Dealers	34,171,008	21,382,877	0.6
Automotive Parts, Accessories, & Tire Stores	49,452,448	36,896,481	0.7
Total Motor Vehicle Parts & Dealers	545,238,610	345,457,389	0.6

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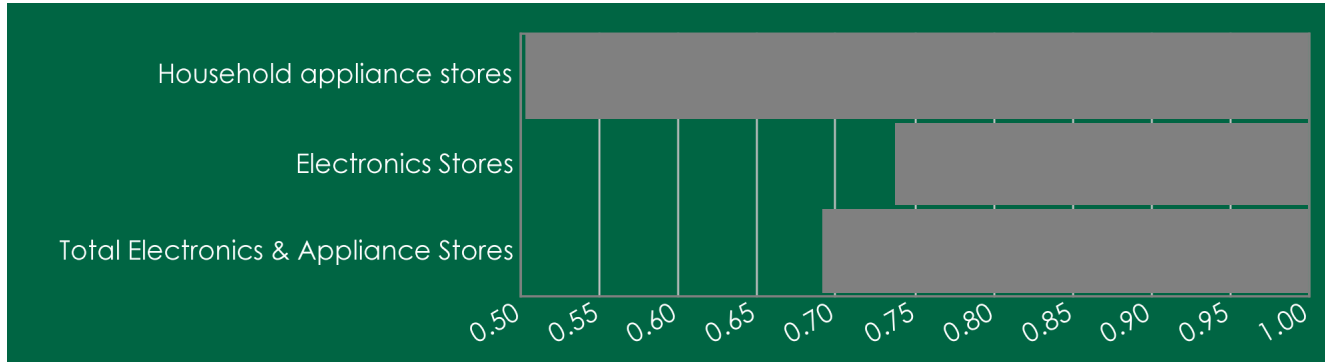
Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	37,586,027	11,709,488	0.3
Home Furnishing Stores	25,364,465	14,180,561	0.6
Total Furniture & Home Furnishing Stores	62,950,492	25,890,049	0.4

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Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Household appliance stores	11,428,323	5,751,739	0.5
Electronics Stores	47,963,497	35,375,605	0.7
Total Electronics & Appliance Stores	59,391,820	41,127,344	0.7

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Home Centers	77,759,731	50,901,829	0.7
Paint and Wallpaper Stores	3,967,118	3,592,190	0.9
Hardware Stores	12,040,525	27,613,953	2.3
Other Building Material Dealers	40,209,004	34,003,226	0.8
Outdoor Power Equipment Stores	3,186,055	2,035,944	0.6
Nursery, garden center, & farm supply stores	19,928,057	4,759,172	0.2
Total Building Material & Garden Equipment & Supply Dealers	157,090,490	122,906,314	0.8

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Sub-Categories of Food & Beverage Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	298,615,796	503,005,882	1.7
Convenience Stores	12,178,964	11,309,039	0.9
Specialty Food Stores	11,899,697	1,989,026	0.2
Beer, Wine, & Liquor Stores	27,505,011	7,268,227	0.3
Total Food & Beverage Stores	350,199,468	523,572,174	1.5

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Sub-Categories of Health & Personal Care Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	151,790,154	38,055,561	0.3
Cosmetics, Beauty Supplies and Perfume Stores	11,332,667	4,909,568	0.4
Optical Goods Stores	6,761,137	8,708,955	1.3
Other Health and Personal Care Stores	12,310,780	8,976,090	0.7
Total Health & Personal Care Stores	182,194,738	60,650,174	0.3

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Sub-Categories of Clothing & Clothing Accessories Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Mens Clothing Stores	4,290,731	642,445	0.1
Womens Clothing Stores	20,107,332	11,632,081	0.6
Childrens and Infants Clothing Stores	4,665,382	1,735,953	0.4
Family Clothing Stores	45,652,864	17,309,304	0.4
Clothing Accessories Stores	3,970,923	3,230,877	0.8
Other Clothing Stores	6,229,065	1,553,134	0.2
Shoe Stores	16,844,125	9,081,572	0.5
Jewelry Stores	8,501,427	5,024,150	0.6
Luggage & Leather Goods Stores	1,524,072	921,190	0.6
Total Clothing & Clothing Accessories Stores	111,785,921	51,130,706	0.5

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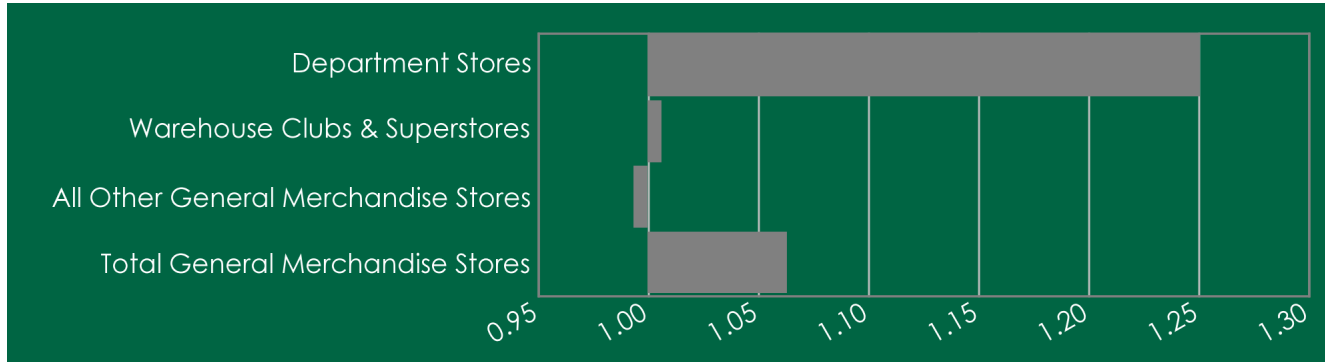
Sub-Categories of Sporting Goods, Hobby, Book, & Music Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Sporting Goods Stores	26,189,958	40,496,430	1.5
Hobby, Toy, and Game Stores	9,681,620	3,207,745	0.3
Sewing, Needlework, and Piece Goods Stores	1,778,488	2,064,279	1.2
Musical Instrument and Supplies Stores	2,272,713	1,830,760	0.8
Book Stores	5,734,743	14,079,375	2.5
News Dealers and Newsstands	1,854,582	423,865	0.2
Total Sporting Goods, Hobby, Book, & Music Stores	47,512,104	62,102,454	1.3

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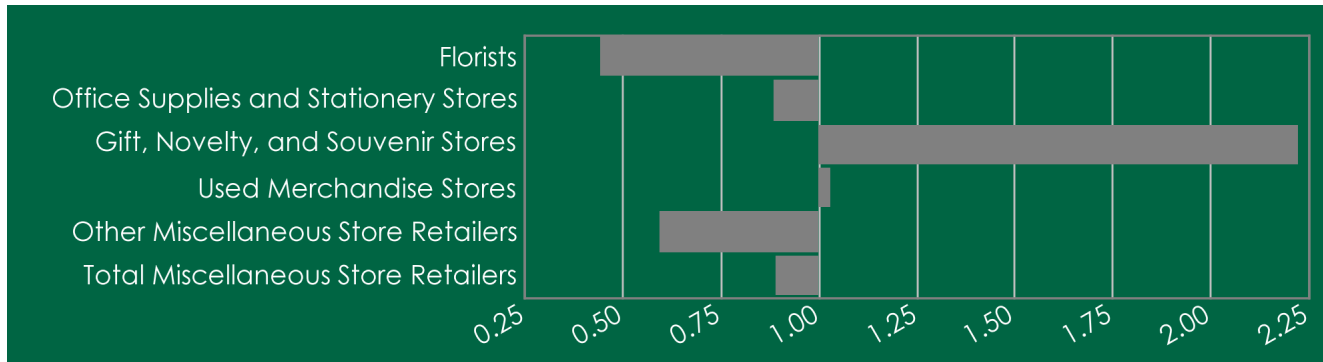
Sub-Categories of General Merchandise Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores	85,256,750	106,622,786	1.3
Warehouse Clubs & Superstores	232,660,724	234,100,698	1.0
All Other General Merchandise Stores	37,596,742	37,361,017	1.0
Total General Merchandise Stores	355,514,216	378,084,501	1.1

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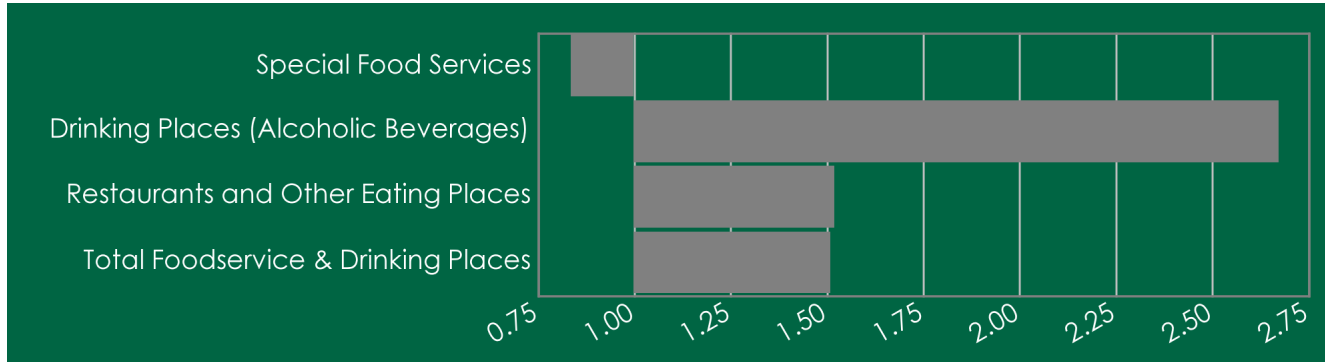
Sub-Categories of Miscellaneous Store Retailers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	2,788,217	1,245,976	0.4
Office Supplies and Stationery Stores	8,334,613	7,395,390	0.9
Gift, Novelty, and Souvenir Stores	9,748,541	21,707,952	2.2
Used Merchandise Stores	9,435,490	9,741,350	1.0
Other Miscellaneous Store Retailers	43,858,788	26,121,706	0.6
Total Miscellaneous Store Retailers	74,165,649	66,212,374	0.9

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Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Estimated Sales	Surplus/Leakage
Special Food Services	22,545,335	18,848,067	0.8
Drinking Places (Alcoholic Beverages)	11,780,700	31,482,227	2.7
Restaurants and Other Eating Places	241,498,442	366,732,242	1.5
Total Foodservice & Drinking Places	275,824,477	417,062,536	1.5

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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.