



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.

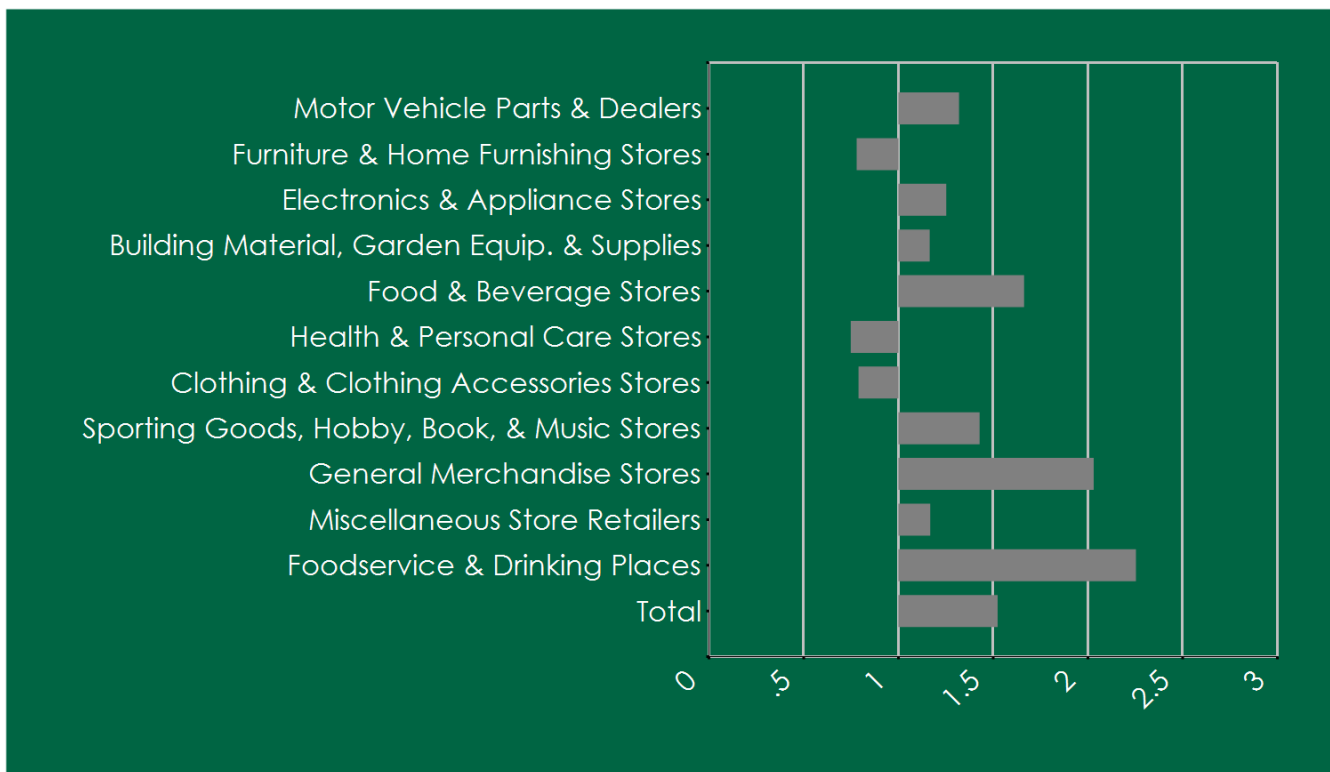
All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included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

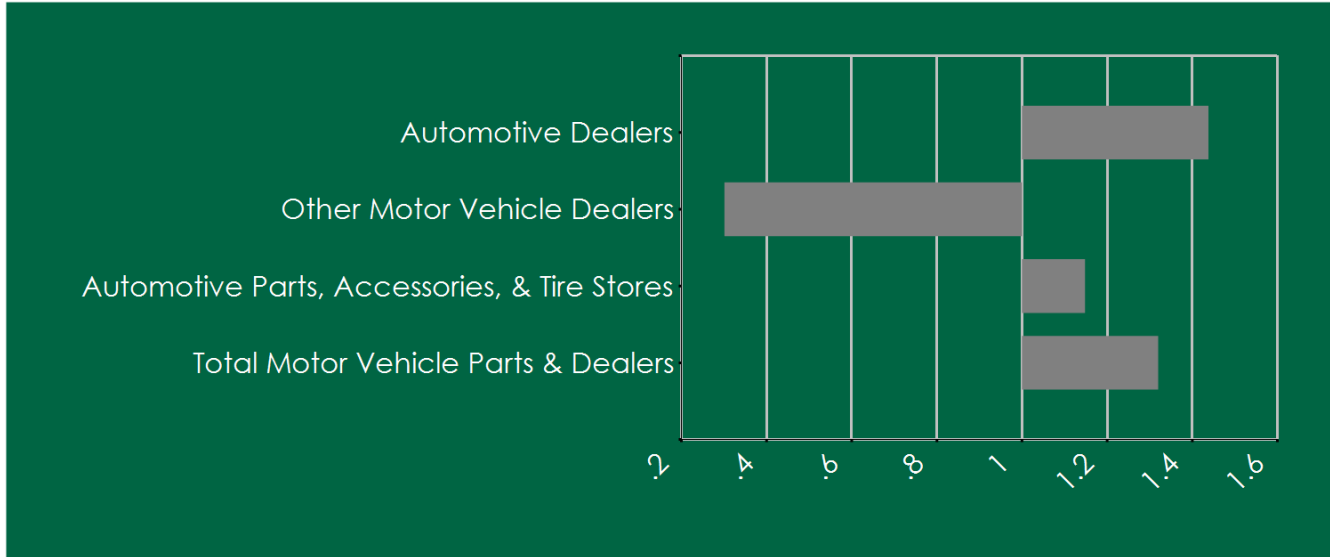
Figure 1. Leakage/Surplus Index and Estimated and Potential Sales by Major Store Types



Store Type	Potential	Estimated Sales	Surplus/Leakage
Motor Vehicle Parts & Dealers	242,769,269	320,392,998	1.3
Furniture & Home Furnishing Stores	30,479,164	23,748,889	0.8
Electronics & Appliance Stores	24,304,351	30,430,609	1.3
Building Material, Garden Equip. & Supplies	80,635,957	93,932,735	1.2
Food & Beverage Stores	172,802,810	287,375,558	1.7
Health & Personal Care Stores	71,310,772	53,332,102	0.7
Clothing & Clothing Accessories Stores	57,860,645	45,663,317	0.8
Sporting Goods, Hobby, Book, & Music Stores	23,758,288	33,934,455	1.4
General Merchandise Stores	164,669,646	334,291,228	2.0
Miscellaneous Store Retailers	30,084,676	35,132,865	1.2
Foodservice & Drinking Places	151,773,067	342,010,787	2.3
Total	1,050,448,646	1,600,245,543	1.5

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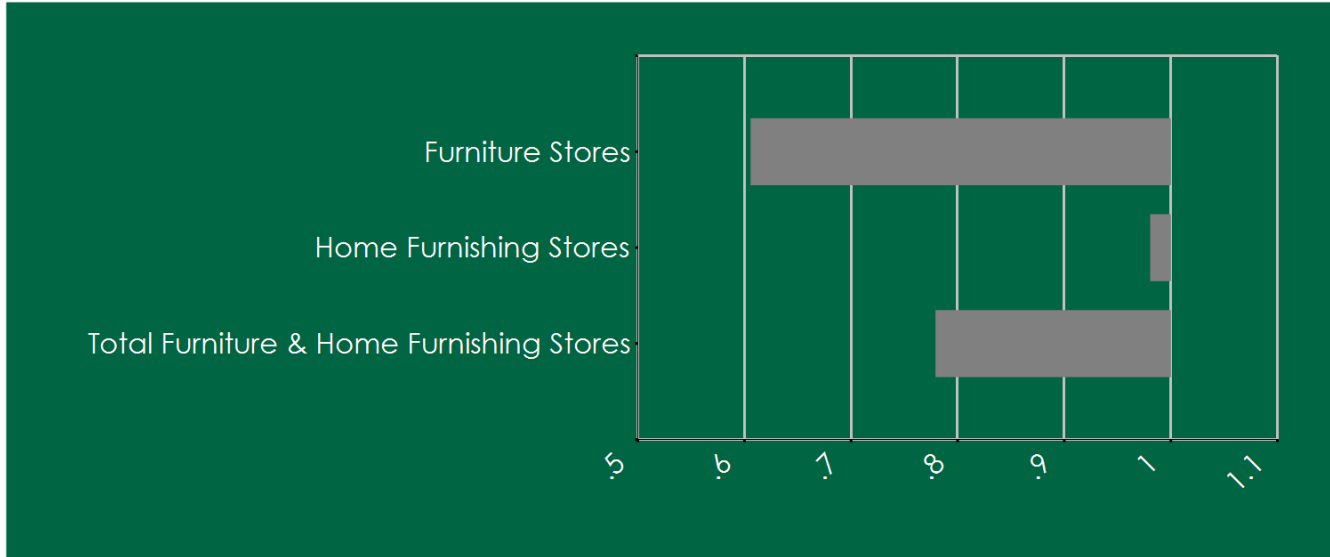
Sub-Categories of Motor Vehicle Parts & Dealers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	201,714,412	290,028,140	1.4
Other Motor Vehicle Dealers	19,788,608	5,953,271	0.3
Automotive Parts, Accessories, & Tire Stores	21,266,249	24,411,587	1.1
Total Motor Vehicle Parts & Dealers	242,769,269	320,392,998	1.3

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Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	16,375,109	9,918,425	0.6
Home Furnishing Stores	14,104,055	13,830,463	1.0
Total Furniture & Home Furnishing Stores	30,479,164	23,748,889	0.8

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Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Household appliance stores	3,548,451	2,194,668	0.6
Electronics Stores	20,755,900	28,235,941	1.4
Total Electronics & Appliance Stores	24,304,351	30,430,609	1.3

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Sub-Categories of Building Material, Garden Equip. & Supplies



Store Type	Potential	Estimated Sales	Surplus/Leakage
Home Centers	39,206,641	63,830,612	1.6
Paint and Wallpaper Stores	2,379,778	2,497,602	1.0
Hardware Stores	5,717,527	20,518,545	3.6
Other Building Material Dealers	21,605,235	5,681,422	0.3
Outdoor Power Equipment Stores	1,745,581	282,760	0.2
Nursery, Garden Center, & Farm Supply Stores	9,981,194	1,121,796	0.1
Total Building Material, Garden Equip. & Supplies	80,635,957	93,932,735	1.2

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Sub-Categories of Food & Beverage Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	146,553,269	276,543,493	1.9
Convenience Stores	6,637,814	5,798,198	0.9
Specialty Food Stores	5,670,169	2,987,011	0.5
Beer, Wine, & Liquor Stores	13,941,558	2,046,856	0.1
Total Food & Beverage Stores	172,802,810	287,375,558	1.7

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Sub-Categories of Health & Personal Care Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	58,252,156	37,672,873	0.6
Cosmetics, Beauty Supplies and Perfume Stores	4,439,359	3,189,096	0.7
Optical Goods Stores	3,549,322	8,762,177	2.5
Other Health and Personal Care Stores	5,069,934	3,707,955	0.7
Total Health & Personal Care Stores	71,310,772	53,332,102	0.7

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Sub-Categories of Clothing & Clothing Accessories Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Mens Clothing Stores	2,506,159	644,316	0.3
Womens Clothing Stores	7,953,520	5,682,187	0.7
Childrens and Infants Clothing Stores	2,147,801	2,369,574	1.1
Family Clothing Stores	23,344,670	13,585,736	0.6
Clothing Accessories Stores	2,502,028	3,436,458	1.4
Other Clothing Stores	3,044,921	4,763,588	1.6
Shoe Stores	7,687,651	8,197,789	1.1
Jewelry Stores	7,996,055	5,975,933	0.7
Luggage & Leather Goods Stores	677,840	1,007,736	1.5
Total Clothing & Clothing Accessories Stores	57,860,645	45,663,317	0.8

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Sporting Goods Stores	13,022,381	17,309,224	1.3
Hobby, Toy, and Game Stores	4,637,446	2,661,685	0.6
Sewing, Needlework, and Piece Goods Stores	1,050,993	2,620,768	2.5
Musical Instrument and Supplies Stores	1,106,540	1,257,616	1.1
Book Stores	3,127,356	9,901,812	3.2
News Dealers and Newsstands	813,572	183,350	0.2
Total Sporting Goods, Hobby, Book, & Music Stores	23,758,288	33,934,455	1.4

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Sub-Categories of General Merchandise Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores	35,729,274	136,691,788	3.8
Warehouse Clubs & Superstores	110,957,355	175,941,856	1.6
All Other General Merchandise Stores	17,983,018	21,657,584	1.2
Total General Merchandise Stores	164,669,646	334,291,228	2.0

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Sub-Categories of Miscellaneous Store Retailers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	1,461,960	212,203	0.1
Office Supplies and Stationery Stores	3,066,069	4,807,808	1.6
Gift, Novelty, and Souvenir Stores	3,728,577	6,453,521	1.7
Used Merchandise Stores	4,583,744	5,144,155	1.1
Other Miscellaneous Store Retailers	17,244,326	18,515,179	1.1
Total Miscellaneous Store Retailers	30,084,676	35,132,865	1.2

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Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Estimated Sales	Surplus/Leakage
Special Food Services	12,851,309	17,749,874	1.4
Drinking Places (Alcoholic Beverages)	5,941,427	24,798,635	4.2
Restaurants and Other Eating Places	132,980,331	299,462,278	2.3
Total Foodservice & Drinking Places	151,773,067	342,010,787	2.3

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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.