



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.

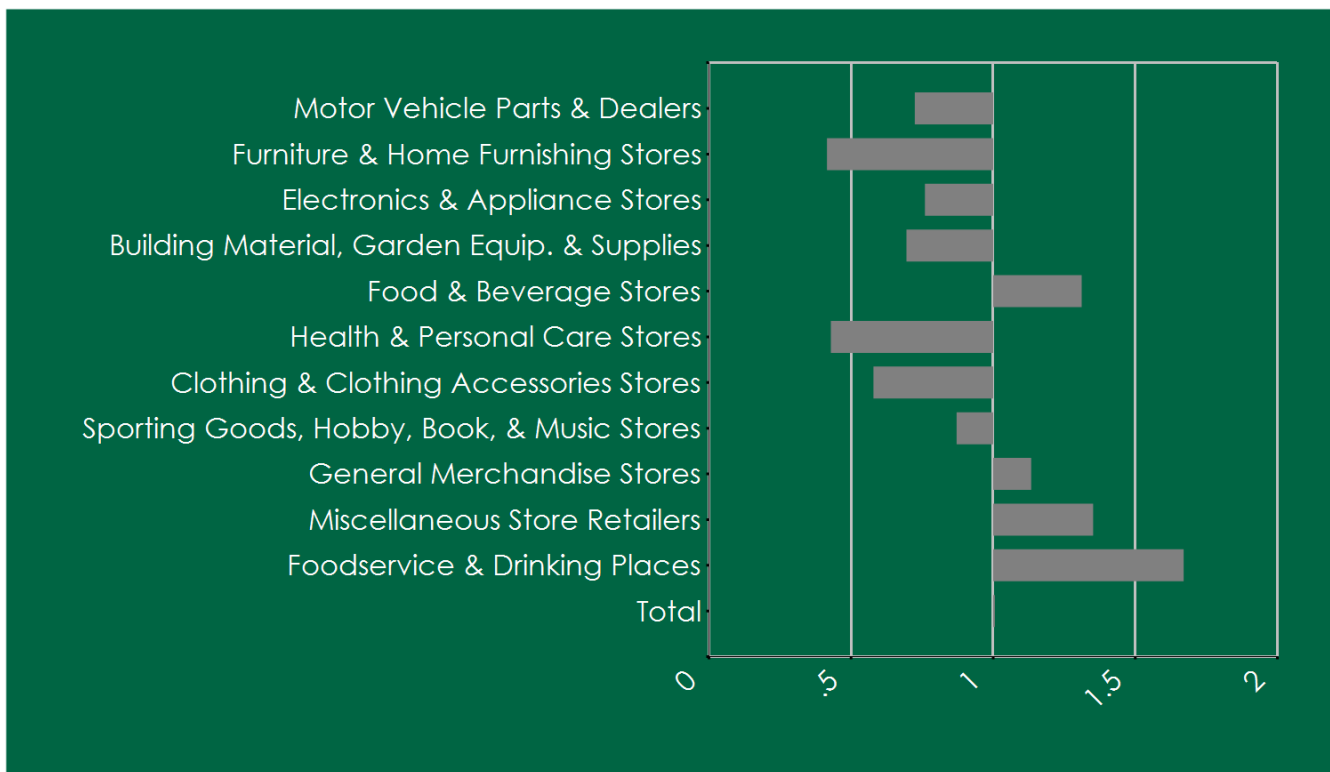
All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included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

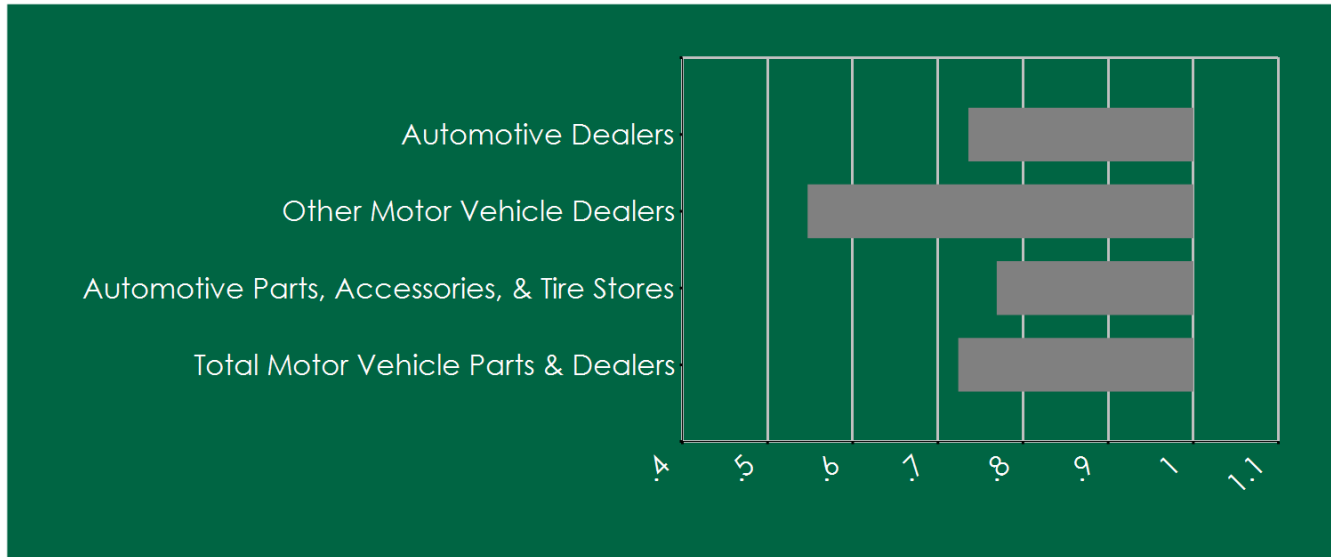
Figure 1. Leakage/Surplus Index and Estimated and Potential Sales by Major Store Types



Store Type	Potential	Estimated Sales	Surplus/Leakage
Motor Vehicle Parts & Dealers	565,009,682	409,031,170	0.7
Furniture & Home Furnishing Stores	71,541,074	29,682,631	0.4
Electronics & Appliance Stores	56,928,704	43,235,418	0.8
Building Material, Garden Equip. & Supplies	198,226,110	137,724,957	0.7
Food & Beverage Stores	432,278,470	566,834,546	1.3
Health & Personal Care Stores	177,478,952	76,091,225	0.4
Clothing & Clothing Accessories Stores	145,395,587	84,099,601	0.6
Sporting Goods, Hobby, Book, & Music Stores	54,323,424	47,320,286	0.9
General Merchandise Stores	406,238,316	460,546,616	1.1
Miscellaneous Store Retailers	72,803,133	98,406,815	1.4
Foodservice & Drinking Places	360,517,612	602,067,327	1.7
Total	2,540,741,064	2,555,040,592	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.

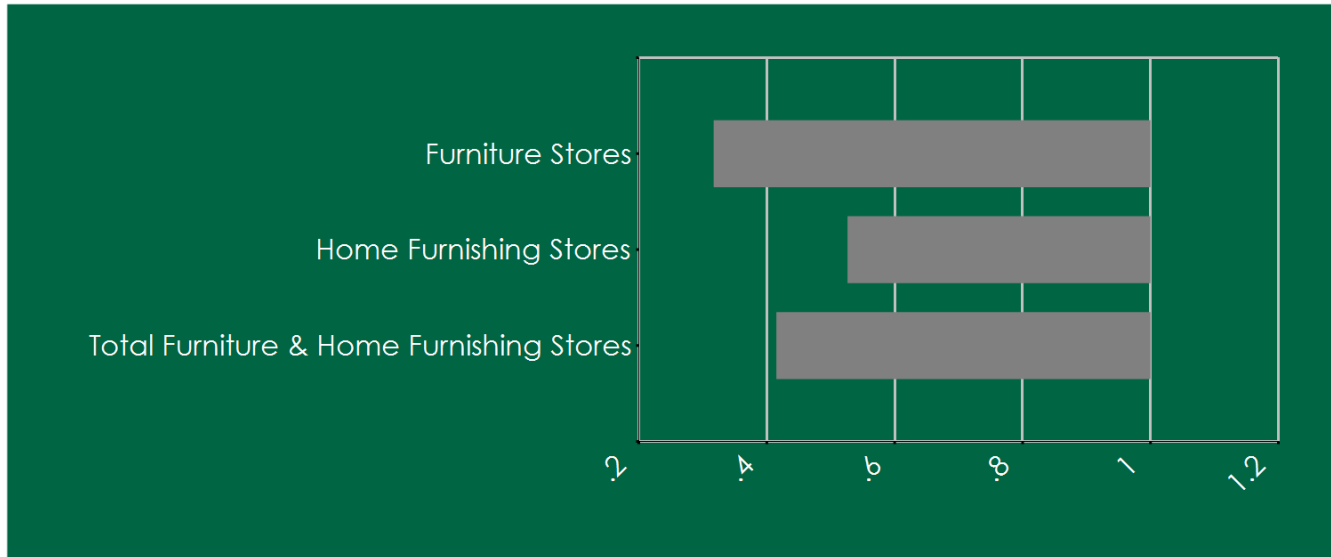
Sub-Categories of Motor Vehicle Parts & Dealers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	469,088,026	345,142,843	0.7
Other Motor Vehicle Dealers	44,502,733	24,341,461	0.5
Automotive Parts, Accessories, & Tire Stores	51,418,923	39,546,865	0.8
Total Motor Vehicle Parts & Dealers	565,009,682	409,031,170	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 Furniture & Home Furnishing Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	38,046,781	12,059,170	0.3
Home Furnishing Stores	33,494,293	17,623,462	0.5
Total Furniture & Home Furnishing Stores	71,541,074	29,682,631	0.4

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.

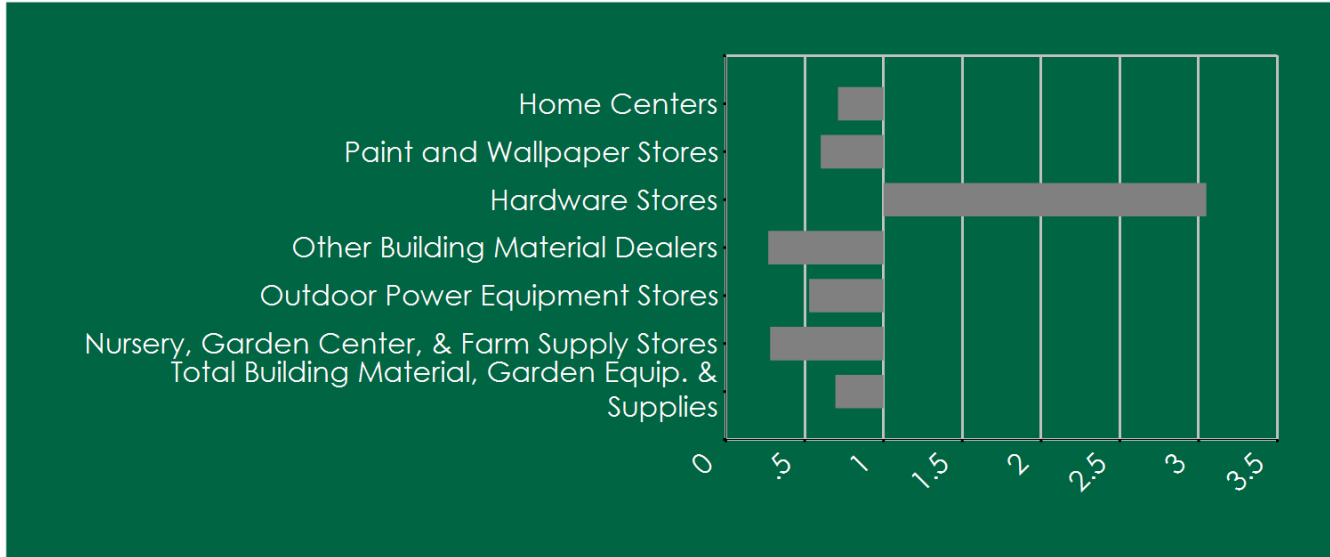
Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Household appliance stores	8,519,047	4,411,984	0.5
Electronics Stores	48,409,657	38,823,434	0.8
Total Electronics & Appliance Stores	56,928,704	43,235,418	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 Building Material, Garden Equip. & Supplies



Store Type	Potential	Estimated Sales	Surplus/Leakage
Home Centers	95,973,436	68,237,694	0.7
Paint and Wallpaper Stores	5,720,845	3,443,266	0.6
Hardware Stores	13,925,137	42,457,555	3.0
Other Building Material Dealers	53,651,293	14,393,088	0.3
Outdoor Power Equipment Stores	4,313,133	2,279,093	0.5
Nursery, Garden Center, & Farm Supply Stores	24,642,266	6,914,261	0.3
Total Building Material, Garden Equip. & Supplies	198,226,110	137,724,957	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.

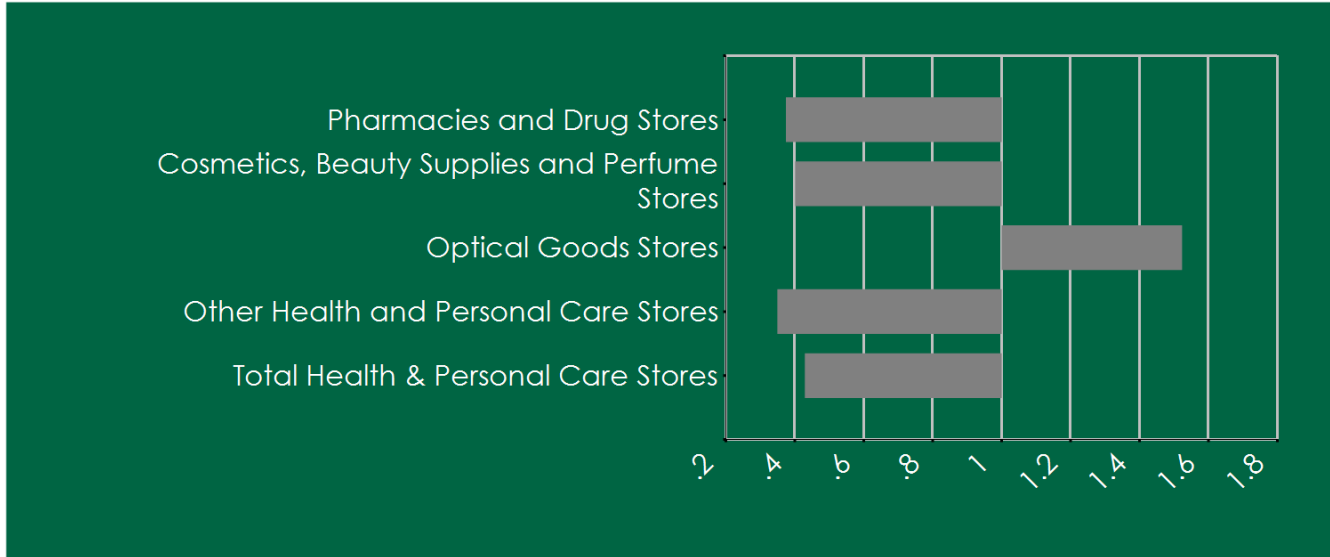
Sub-Categories of Food & Beverage Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	368,191,202	541,184,842	1.5
Convenience Stores	16,536,542	17,110,004	1.0
Specialty Food Stores	14,308,899	3,924,828	0.3
Beer, Wine, & Liquor Stores	33,241,827	4,614,872	0.1
Total Food & Beverage Stores	432,278,470	566,834,546	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 Health & Personal Care Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	145,237,214	54,303,435	0.4
Cosmetics, Beauty Supplies and Perfume Stores	11,099,343	4,450,165	0.4
Optical Goods Stores	8,476,860	12,914,455	1.5
Other Health and Personal Care Stores	12,665,535	4,423,169	0.3
Total Health & Personal Care Stores	177,478,952	76,091,225	0.4

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	6,043,533	1,549,195	0.3
Womens Clothing Stores	20,576,881	10,815,392	0.5
Childrens and Infants Clothing Stores	5,518,788	3,927,491	0.7
Family Clothing Stores	58,209,920	25,568,728	0.4
Clothing Accessories Stores	6,291,505	7,049,082	1.1
Other Clothing Stores	7,835,403	10,391,467	1.3
Shoe Stores	19,068,732	10,700,387	0.6
Jewelry Stores	20,196,225	12,198,092	0.6
Luggage & Leather Goods Stores	1,654,599	1,899,767	1.1
Total Clothing & Clothing Accessories Stores	145,395,587	84,099,601	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 Sporting Goods, Hobby, Book, & Music Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Sporting Goods Stores	29,176,415	22,429,214	0.8
Hobby, Toy, and Game Stores	10,868,918	4,145,469	0.4
Sewing, Needlework, and Piece Goods Stores	2,821,815	2,646,920	0.9
Musical Instrument and Supplies Stores	2,496,065	1,412,179	0.6
Book Stores	7,004,094	16,369,406	2.3
News Dealers and Newsstands	1,956,118	317,098	0.2
Total Sporting Goods, Hobby, Book, & Music Stores	54,323,424	47,320,286	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.

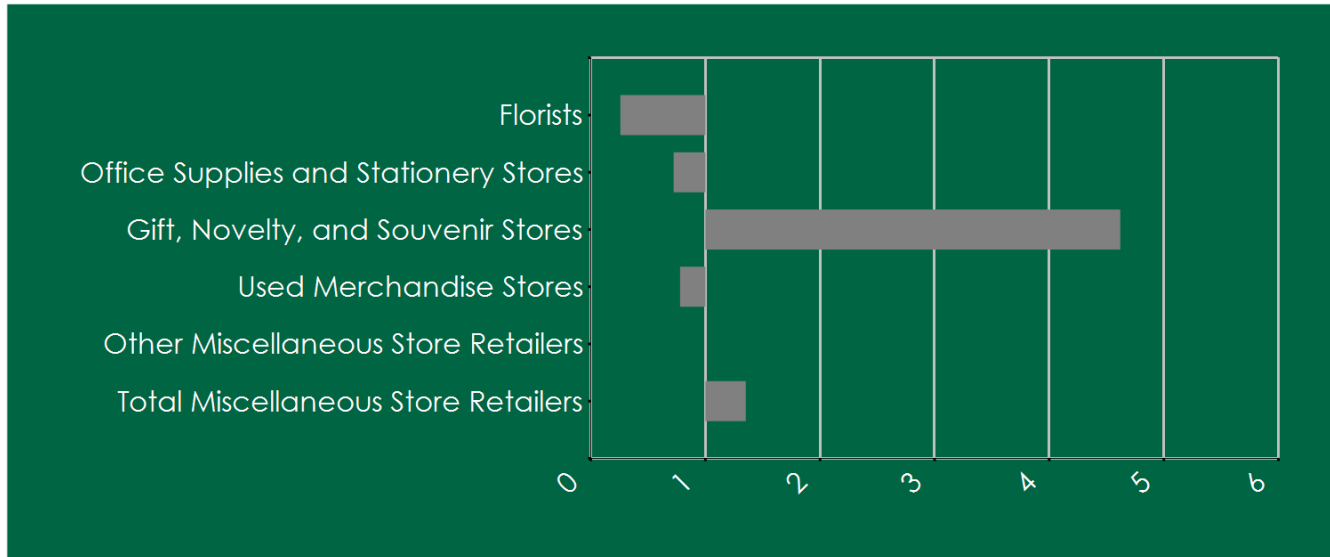
Sub-Categories of General Merchandise Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores	87,849,220	155,565,638	1.8
Warehouse Clubs & Superstores	274,017,066	254,805,713	0.9
All Other General Merchandise Stores	44,372,030	50,175,266	1.1
Total General Merchandise Stores	406,238,316	460,546,616	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 Miscellaneous Store Retailers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	3,628,427	935,415	0.3
Office Supplies and Stationery Stores	7,321,026	5,288,816	0.7
Gift, Novelty, and Souvenir Stores	9,054,034	41,829,681	4.6
Used Merchandise Stores	10,941,793	8,520,447	0.8
Other Miscellaneous Store Retailers	41,857,854	41,832,456	1.0
Total Miscellaneous Store Retailers	72,803,133	98,406,815	1.4

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	28,896,892	45,558,542	1.6
Drinking Places (Alcoholic Beverages)	14,056,754	35,340,883	2.5
Restaurants and Other Eating Places	317,563,965	521,167,901	1.6
Total Foodservice & Drinking Places	360,517,612	602,067,327	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.

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.