



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.

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.

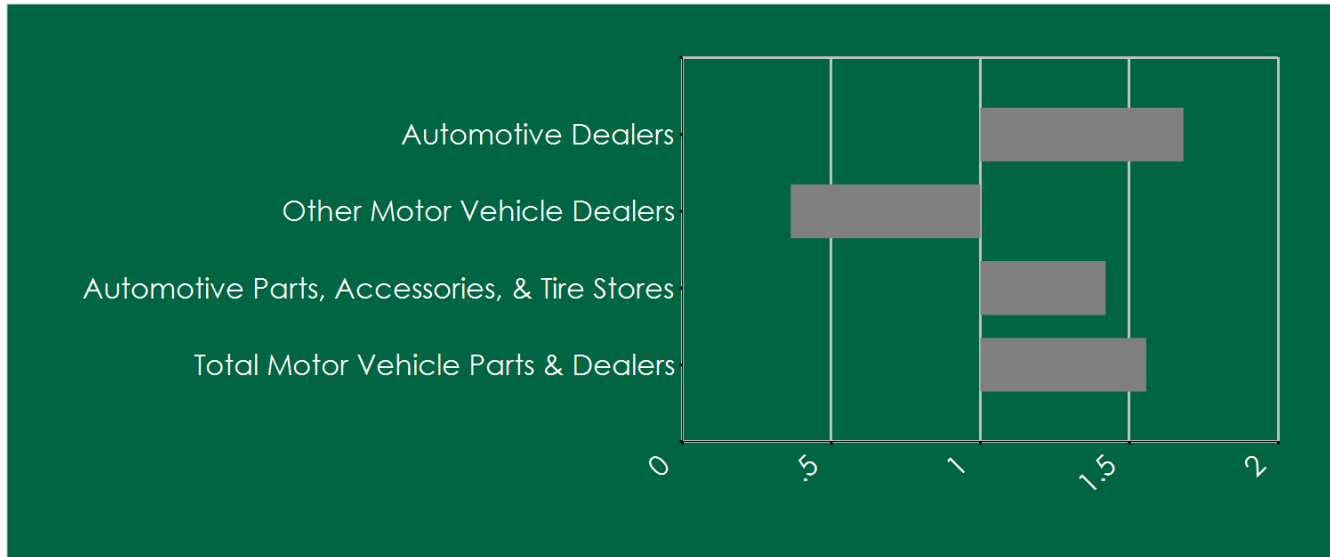
Figure 1. Leakage/Surplus Index and Estimated and Potential Sales by Major Store Types



Store Type	Potential	Estimated Sales	Surplus/Leakage
Motor Vehicle Parts & Dealers	181,626,638	282,656,026	1.6
Furniture & Home Furnishing Stores	21,598,072	22,867,603	1.1
Electronics & Appliance Stores	17,663,203	27,769,069	1.6
Building Material, Garden Equip. & Supplies	57,139,794	81,058,740	1.4
Food & Beverage Stores	125,145,416	270,240,737	2.2
Health & Personal Care Stores	50,961,232	47,991,642	0.9
Clothing & Clothing Accessories Stores	42,204,237	43,473,733	1.0
Sporting Goods, Hobby, Book, & Music Stores	16,907,950	32,222,542	1.9
General Merchandise Stores	119,171,765	321,099,381	2.7
Miscellaneous Store Retailers	21,617,815	32,501,589	1.5
Foodservice & Drinking Places	110,500,938	329,651,758	3.0
Total	764,537,060	1,491,532,820	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 Motor Vehicle Parts & Dealers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	151,487,152	254,730,617	1.7
Other Motor Vehicle Dealers	14,072,905	5,112,002	0.4
Automotive Parts, Accessories, & Tire Stores	16,066,580	22,813,408	1.4
Total Motor Vehicle Parts & Dealers	181,626,638	282,656,026	1.6

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Sub-Categories of Furniture & Home Furnishing Stores

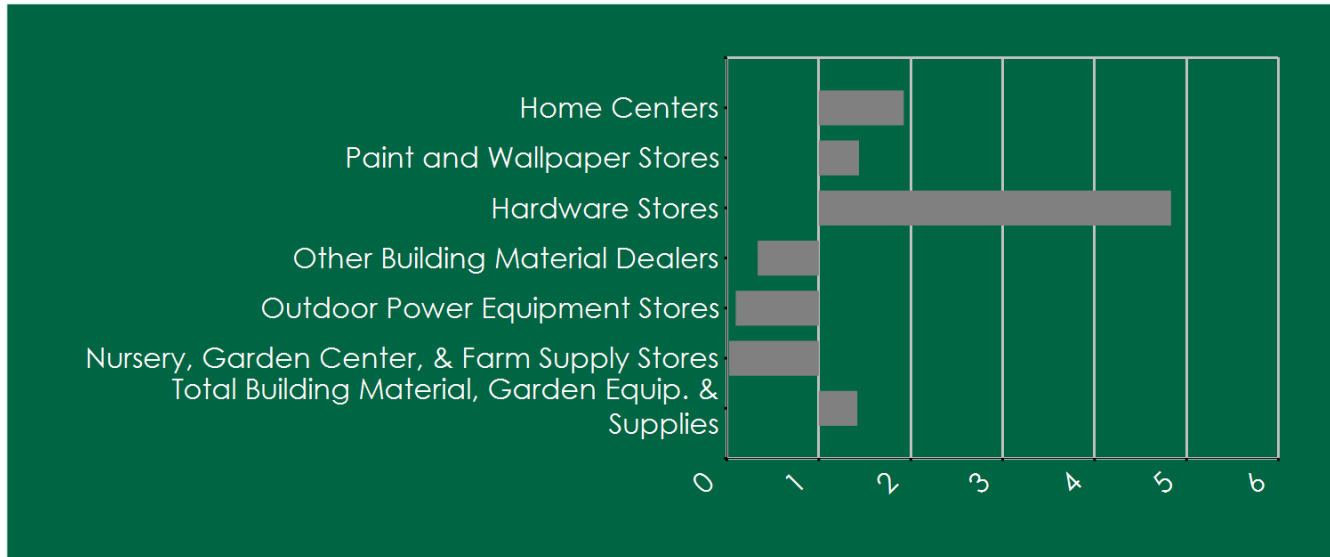
Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	11,605,634	9,641,645	0.8
Home Furnishing Stores	9,992,437	13,225,958	1.3
Total Furniture & Home Furnishing Stores	21,598,072	22,867,603	1.1

Sub-Categories of Electronics & Appliance Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Household appliance stores	2,558,010	2,100,342	0.8
Electronics Stores	15,105,193	25,668,727	1.7
Total Electronics & Appliance Stores	17,663,203	27,769,069	1.6

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Home Centers	27,820,977	53,532,927	1.9
Paint and Wallpaper Stores	1,682,513	2,416,738	1.4
Hardware Stores	4,082,201	19,725,313	4.8
Other Building Material Dealers	15,236,835	5,099,521	0.3
Outdoor Power Equipment Stores	1,233,424	117,729	0.1
Nursery, Garden Center, & Farm Supply Stores	7,083,843	166,512	0.0
Total Building Material, Garden Equip. & Supplies	57,139,794	81,058,740	1.4

Sub-Categories of Food & Beverage Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	106,174,867	260,744,505	2.5
Convenience Stores	4,822,061	5,219,620	1.1
Specialty Food Stores	4,109,091	2,498,669	0.6
Beer, Wine, & Liquor Stores	10,039,397	1,777,943	0.2
Total Food & Beverage Stores	125,145,416	270,240,737	2.2

Sub-Categories of Health & Personal Care Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	41,700,350	33,293,967	0.8
Cosmetics, Beauty Supplies and Perfume Stores	3,161,246	3,071,894	1.0
Optical Goods Stores	2,476,126	7,997,651	3.2
Other Health and Personal Care Stores	3,623,510	3,628,130	1.0
Total Health & Personal Care Stores	50,961,232	47,991,642	0.9

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Sub-Categories of Clothing & Clothing Accessories Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Mens Clothing Stores	1,788,790	640,787	0.4
Womens Clothing Stores	5,864,505	5,541,204	0.9
Childrens and Infants Clothing Stores	1,603,373	2,312,877	1.4
Family Clothing Stores	16,950,500	13,146,904	0.8
Clothing Accessories Stores	1,819,366	2,786,658	1.5
Other Clothing Stores	2,237,915	4,642,676	2.1
Shoe Stores	5,623,021	8,060,060	1.4
Jewelry Stores	5,828,560	5,600,664	1.0
Luggage & Leather Goods Stores	488,208	741,902	1.5
Total Clothing & Clothing Accessories Stores	42,204,237	43,473,733	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	9,084,213	16,245,370	1.8
Hobby, Toy, and Game Stores	3,355,298	2,646,162	0.8
Sewing, Needlework, and Piece Goods Stores	758,863	2,620,768	3.5
Musical Instrument and Supplies Stores	806,723	1,257,380	1.6
Book Stores	2,311,885	9,269,558	4.0
News Dealers and Newsstands	590,968	183,304	0.3
Total Sporting Goods, Hobby, Book, & Music Stores	16,907,950	32,222,542	1.9

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Sub-Categories of General Merchandise Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores	25,841,049	134,348,284	5.2
Warehouse Clubs & Superstores	80,376,219	169,040,262	2.1
All Other General Merchandise Stores	12,954,497	17,710,835	1.4
Total General Merchandise Stores	119,171,765	321,099,381	2.7

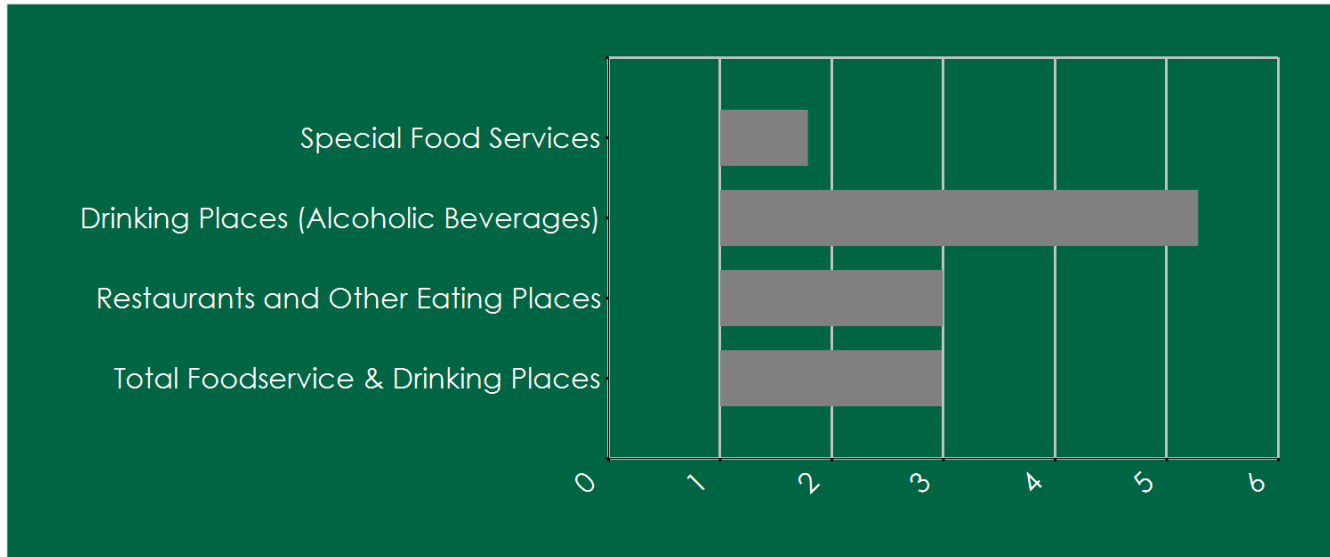
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Sub-Categories of Miscellaneous Store Retailers

Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	1,031,940	210,762	0.2
Office Supplies and Stationery Stores	2,206,400	4,524,578	2.1
Gift, Novelty, and Souvenir Stores	2,684,830	6,014,346	2.2
Used Merchandise Stores	3,305,083	5,024,289	1.5
Other Miscellaneous Store Retailers	12,389,561	16,727,614	1.4
Total Miscellaneous Store Retailers	21,617,815	32,501,589	1.5

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Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Estimated Sales	Surplus/Leakage
Special Food Services	9,293,601	16,592,787	1.8
Drinking Places (Alcoholic Beverages)	4,345,279	22,947,631	5.3
Restaurants and Other Eating Places	96,862,058	290,111,340	3.0
Total Foodservice & Drinking Places	110,500,938	329,651,758	3.0

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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.