



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.

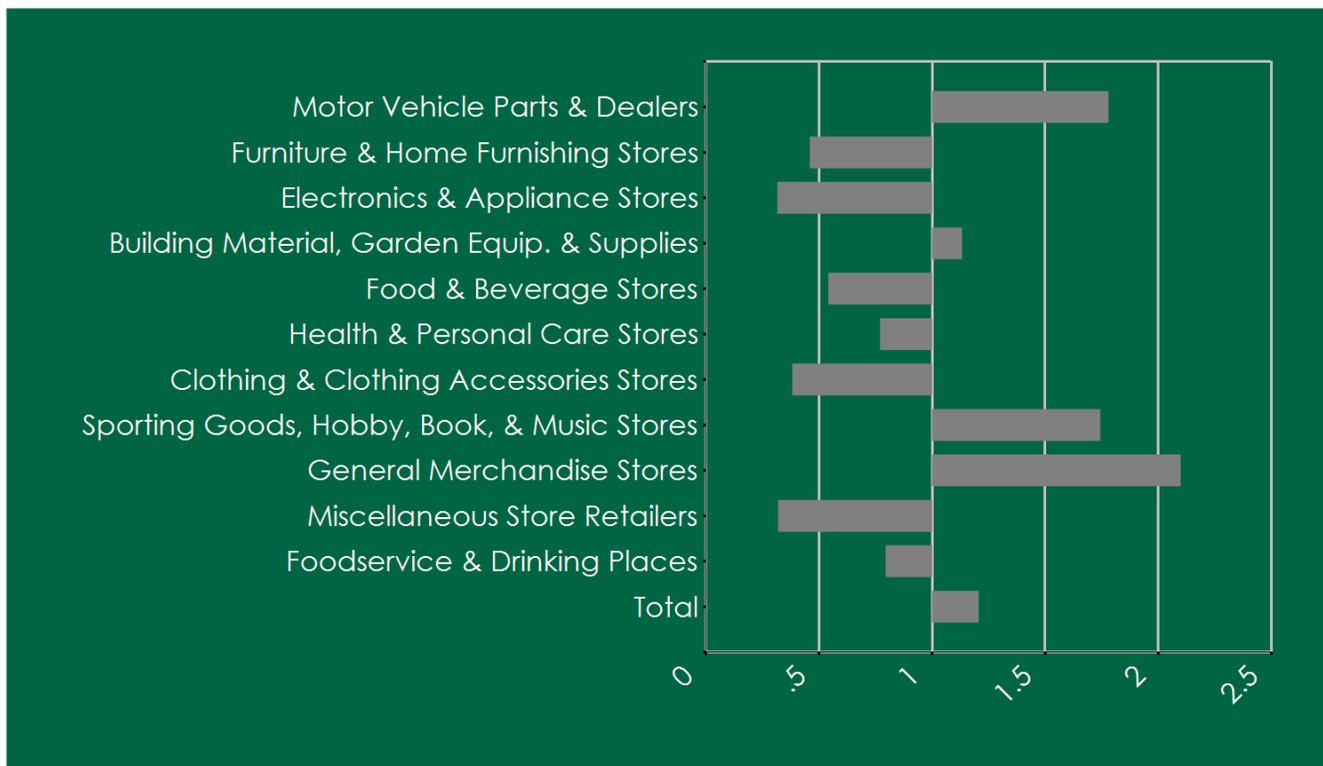
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Leakage/Surplus Index by Major Store Type

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.

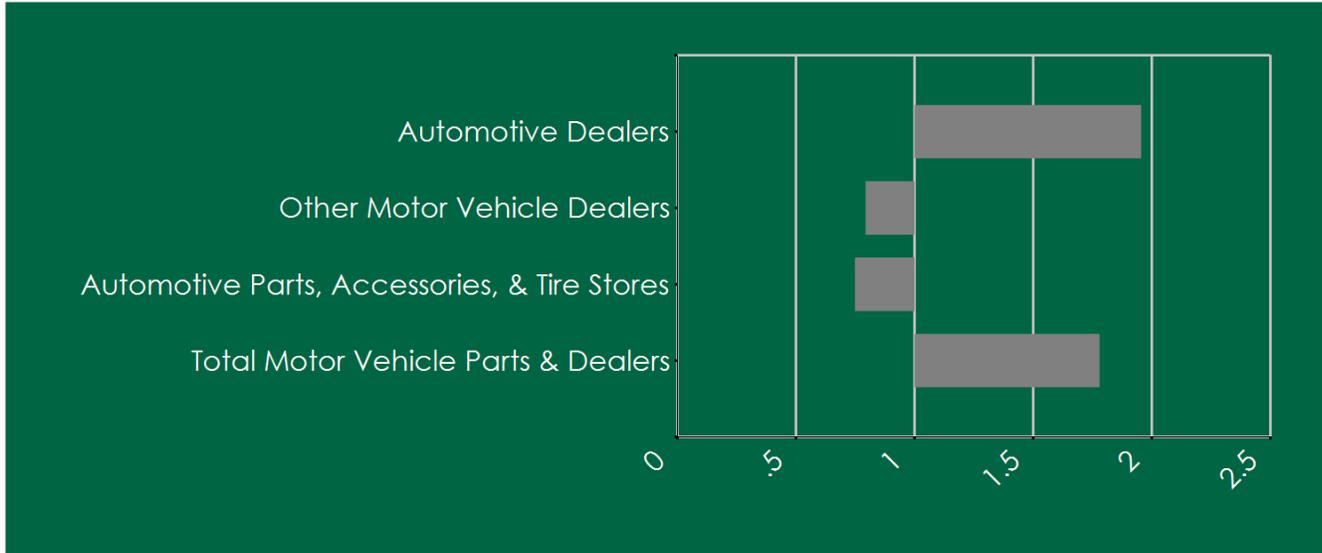
Figure 1. Leakage/Surplus Index and Estimated and Potential Sales by Major Store Types



Store Type	Potential	Estimated Sales	Surplus/Leakage
Motor Vehicle Parts & Dealers	347,750,089	618,845,598	1.8
Furniture & Home Furnishing Stores	33,128,767	15,219,086	0.5
Electronics & Appliance Stores	27,777,214	8,779,052	0.3
Building Material, Garden Equip. & Supplies	98,237,399	111,300,605	1.1
Food & Beverage Stores	166,788,333	90,241,574	0.5
Health & Personal Care Stores	86,197,646	66,362,811	0.8
Clothing & Clothing Accessories Stores	63,969,516	24,450,023	0.4
Sporting Goods, Hobby, Book, & Music Stores	22,487,928	39,217,088	1.7
General Merchandise Stores	171,348,798	359,581,966	2.1
Miscellaneous Store Retailers	33,064,196	10,554,766	0.3
Foodservice & Drinking Places	187,026,944	148,567,315	0.8
Total	1,237,776,829	1,493,119,883	1.2

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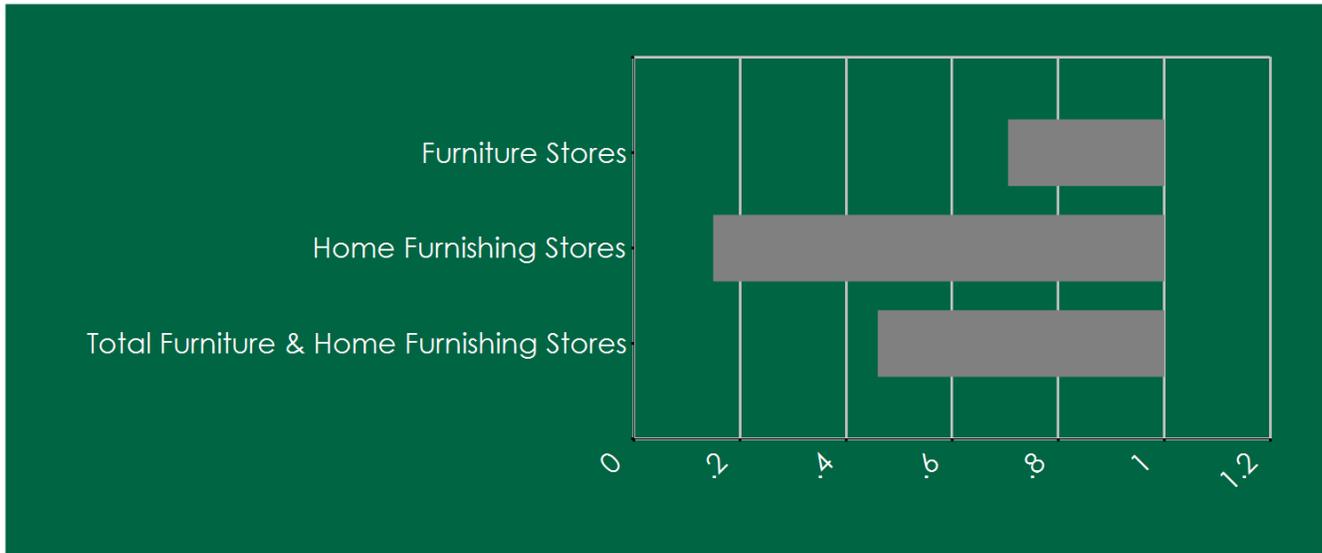
Sub-Categories of Motor Vehicle Parts & Dealers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	296,266,285	579,177,944	2.0
Other Motor Vehicle Dealers	25,298,215	20,069,039	0.8
Automotive Parts, Accessories, & Tire Stores	26,185,588	19,598,616	0.7
Total Motor Vehicle Parts & Dealers	347,750,089	618,845,598	1.8

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Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	18,477,461	13,031,773	0.7
Home Furnishing Stores	14,651,307	2,187,313	0.1
Total Furniture & Home Furnishing Stores	33,128,767	15,219,086	0.5

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Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Household appliance stores	4,389,455	2,549,412	0.6
Electronics Stores	23,387,759	6,229,641	0.3
Total Electronics & Appliance Stores	27,777,214	8,779,052	0.3

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Home Centers	48,061,365	90,775,673	1.9
Paint and Wallpaper Stores	2,816,964	3,125,170	1.1
Hardware Stores	6,643,610	4,300,966	0.6
Other Building Material Dealers	28,635,994	7,714,385	0.3
Outdoor Power Equipment Stores	1,840,013	11,232	0.0
Nursery, Garden Center, & Farm Supply Stores	10,239,452	5,373,180	0.5
Total Building Material, Garden Equip. & Supplies	98,237,399	111,300,605	1.1

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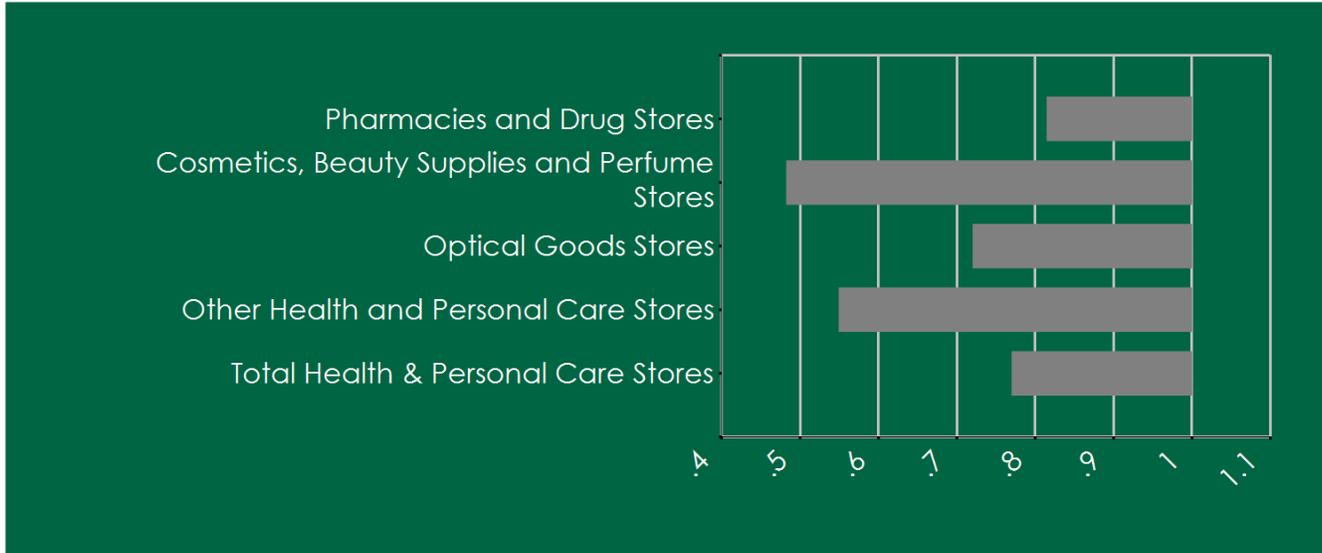
Sub-Categories of Food & Beverage Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	143,050,703	85,348,733	0.6
Convenience Stores	6,838,411	2,100,893	0.3
Specialty Food Stores	5,358,835	1,807,527	0.3
Beer, Wine, & Liquor Stores	11,540,384	984,422	0.1
Total Food & Beverage Stores	166,788,333	90,241,574	0.5

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Sub-Categories of Health & Personal Care Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	70,889,603	57,732,354	0.8
Cosmetics, Beauty Supplies and Perfume Stores	5,644,138	2,722,694	0.5
Optical Goods Stores	3,508,589	2,526,785	0.7
Other Health and Personal Care Stores	6,155,316	3,380,978	0.5
Total Health & Personal Care Stores	86,197,646	66,362,811	0.8

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Sub-Categories of Clothing & Clothing Accessories Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Mens Clothing Stores	2,236,320	185,159	0.1
Womens Clothing Stores	9,657,687	1,671,844	0.2
Childrens and Infants Clothing Stores	2,607,997	285,037	0.1
Family Clothing Stores	25,128,917	7,932,213	0.3
Clothing Accessories Stores	2,672,615	9,219,592	3.4
Other Clothing Stores	3,602,073	1,784,659	0.5
Shoe Stores	9,408,710	567,545	0.1
Jewelry Stores	7,790,869	2,078,438	0.3
Luggage & Leather Goods Stores	864,329	725,537	0.8
Total Clothing & Clothing Accessories Stores	63,969,516	24,450,023	0.4

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Sporting Goods Stores	11,832,848	28,229,595	2.4
Hobby, Toy, and Game Stores	4,964,097	8,552,735	1.7
Sewing, Needlework, and Piece Goods Stores	1,092,841	340,334	0.3
Musical Instrument and Supplies Stores	1,102,571	86,044	0.1
Book Stores	2,637,398	2,008,139	0.8
News Dealers and Newsstands	858,172	241	0.0
Total Sporting Goods, Hobby, Book, & Music Stores	22,487,928	39,217,088	1.7

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Sub-Categories of General Merchandise Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores	38,269,171	31,915,926	0.8
Warehouse Clubs & Superstores	114,147,974	301,770,547	2.6
All Other General Merchandise Stores	18,931,653	25,895,493	1.4
Total General Merchandise Stores	171,348,798	359,581,966	2.1

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Sub-Categories of Miscellaneous Store Retailers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	1,532,947	327,083	0.2
Office Supplies and Stationery Stores	3,748,852	2,260,492	0.6
Gift, Novelty, and Souvenir Stores	4,412,377	507,640	0.1
Used Merchandise Stores	5,418,389	1,992,206	0.4
Other Miscellaneous Store Retailers	17,951,631	5,467,344	0.3
Total Miscellaneous Store Retailers	33,064,196	10,554,766	0.3

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Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Estimated Sales	Surplus/Leakage
Special Food Services	14,836,571	6,431,882	0.4
Drinking Places (Alcoholic Beverages)	6,634,807	1,639,239	0.2
Restaurants and Other Eating Places	165,555,566	140,496,193	0.8
Total Foodservice & Drinking Places	187,026,944	148,567,315	0.8

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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.