



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 actual 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.

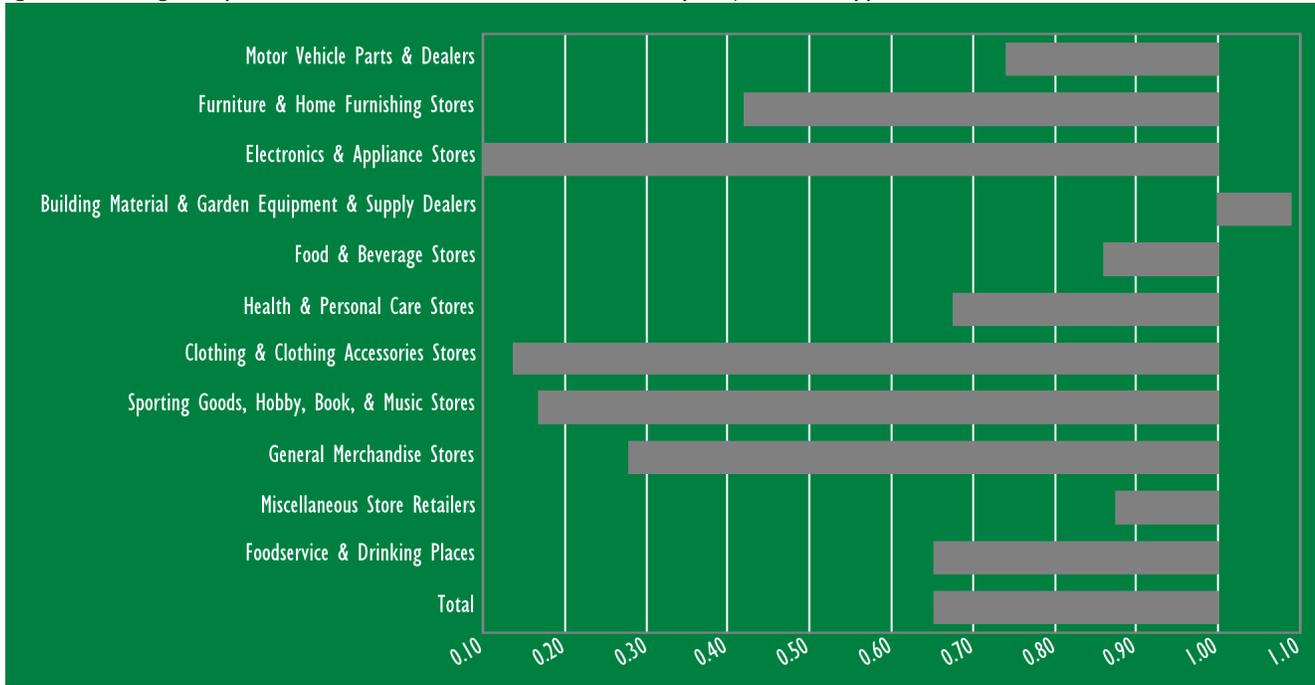
1.2 = sales exceed demand by 20%, meaning that consumers are coming from outside the area being analyzed.

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 actual sales for major store types.

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



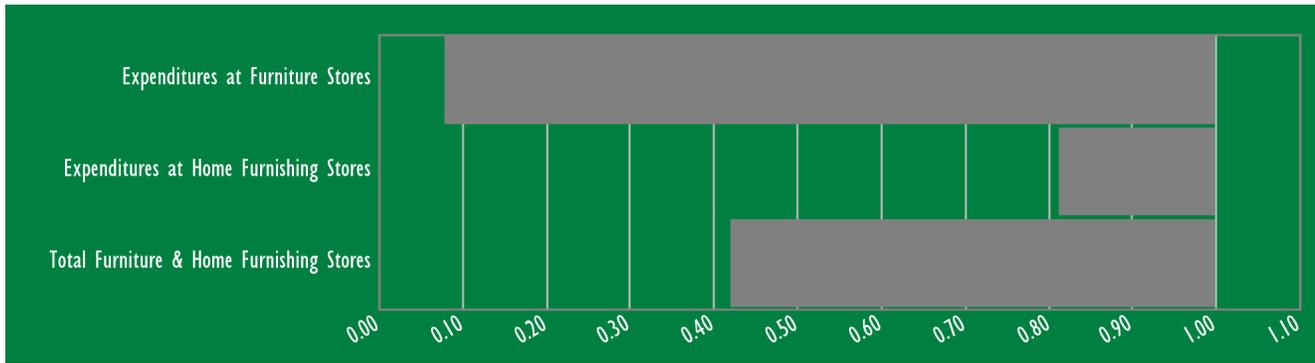
Store Type	Potential	Actual Sales	Leakage
Motor Vehicle Parts & Dealers	300,132,070	222,101,206	0.7
Furniture & Home Furnishing Stores	40,944,512	17,252,435	0.4
Electronics & Appliance Stores	36,759,839	3,762,973	0.1
Building Material & Garden Equipment & Supply Dealers	176,775,135	192,154,544	1.1
Food & Beverage Stores	175,128,430	150,675,370	0.9
Health & Personal Care Stores	67,045,816	45,351,192	0.7
Clothing & Clothing Accessories Stores	73,102,689	10,153,599	0.1
Sporting Goods, Hobby, Book, & Music Stores	29,910,278	5,086,080	0.2
General Merchandise Stores	181,162,504	50,659,685	0.3
Miscellaneous Store Retailers	39,818,423	34,842,776	0.9
Foodservice & Drinking Places	138,660,923	90,353,104	0.7
Total	1,259,440,619	822,392,964	0.7

Sub-Categories of Motor Vehicle Parts & Dealers



Store Type	Potential	Actual Sales	Leakage
Expenditures at Automotive Dealers	258,749,411	189,339,362	0.7
Expenditures at Other Motor Vehicle Dealers	18,906,544	9,095,269	0.5
Expenditures at Automotive Parts, Accessories, and Tire Stores	22,476,116	23,666,574	1.1
Total Motor Vehicle Parts & Dealers	300,132,070	222,101,206	0.7

Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Actual Sales	Leakage
Expenditures at Furniture Stores	21,868,941	1,754,131	0.1
Expenditures at Home Furnishing Stores	19,075,571	15,498,303	0.8
Total Furniture & Home Furnishing Stores	40,944,512	17,252,435	0.4

Sub-Categories of Electronics & Appliance Stores



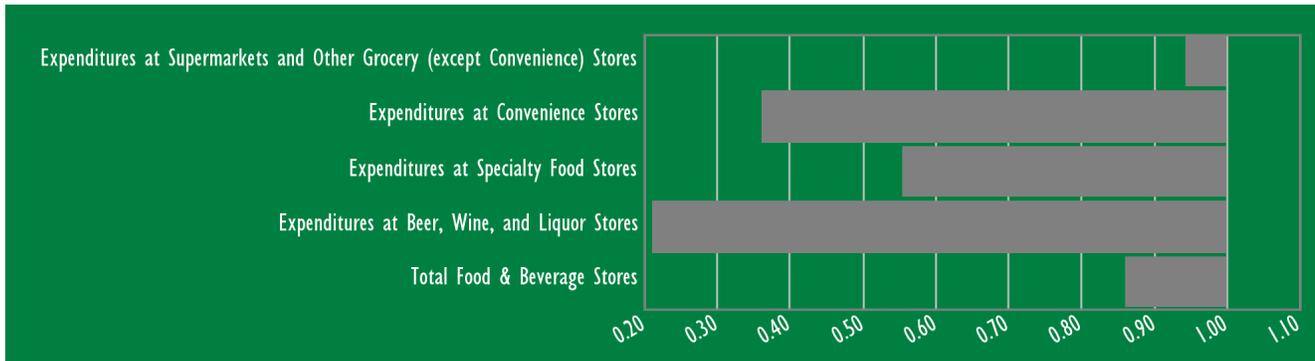
Store Type	Potential	Actual Sales	Leakage
Expenditures at Appliance, Television, and Other Electronics Stores	27,922,183	2,845,865	0.1
Expenditures at Computer and Software Stores	7,443,540	917,109	0.1
Expenditures at Camera and Photographic Equipment Stores	1,394,115	0	0.0
Total Electronics & Appliance Stores	36,759,839	3,762,973	0.1

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



Store Type	Potential	Actual Sales	Leakage
Expenditures at Home Centers	64,615,278	33,514,177	0.5
Expenditures at Paint and Wallpaper Stores	3,815,997	397,259	0.1
Expenditures at Hardware Stores	13,178,729	1,980,202	0.2
Expenditures at Other Building Materials Dealers	81,517,946	137,913,078	1.7
Expenditures at Outdoor Power Equipment Stores	2,069,221	345,481	0.2
Expenditures at Nursery and Garden Centers	11,577,964	18,004,347	1.6
Total Building Material & Garden Equipment & Supply Dealers	176,775,135	192,154,544	1.1

Sub-Categories of Food & Beverage Stores



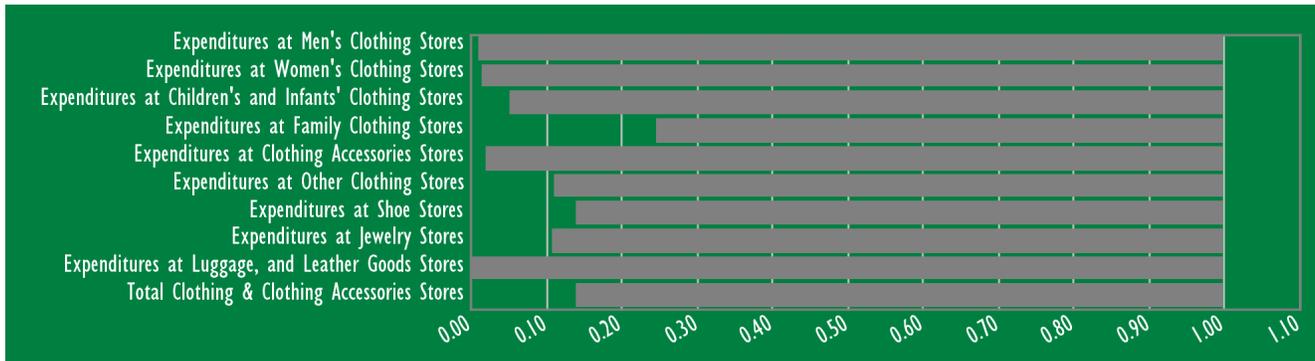
Store Type	Potential	Actual Sales	Leakage
Expenditures at Supermarkets and Other Grocery (except Convenience) Stores	151,078,882	142,732,816	0.9
Expenditures at Convenience Stores	7,796,114	2,824,195	0.4
Expenditures at Specialty Food Stores	4,939,607	2,738,936	0.6
Expenditures at Beer, Wine, and Liquor Stores	11,313,827	2,379,424	0.2
Total Food & Beverage Stores	175,128,430	150,675,370	0.9

Sub-Categories of Health & Personal Care Stores



Store Type	Potential	Actual Sales	Leakage
Expenditures at Pharmacies and Drug Stores	57,908,128	41,127,868	0.7
Expenditures at Cosmetics, Beauty Supplies and Perfume Stores	2,255,442	317,323	0.1
Expenditures at Optical Goods Stores	2,829,334	71,767	0.0
Expenditures at Other Health and Personal Care Stores	4,052,912	3,834,234	0.9
Total Health & Personal Care Stores	67,045,816	45,351,192	0.7

Sub-Categories of Clothing & Clothing Accessories Stores



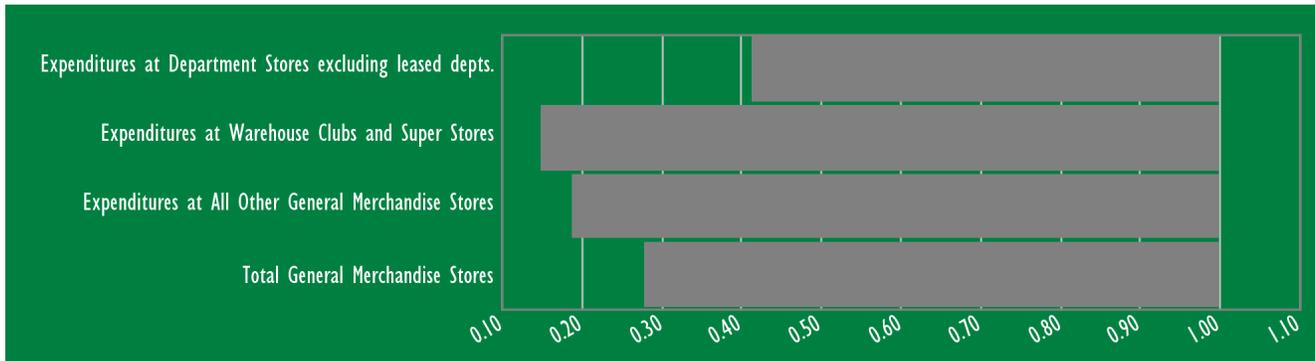
Store Type	Potential	Actual Sales	Leakage
Expenditures at Men's Clothing Stores	3,360,361	34,927	0.0
Expenditures at Women's Clothing Stores	13,646,460	200,768	0.0
Expenditures at Children's and Infants' Clothing Stores	2,390,658	122,414	0.1
Expenditures at Family Clothing Stores	27,935,227	6,902,051	0.2
Expenditures at Clothing Accessories Stores	1,283,677	28,072	0.0
Expenditures at Other Clothing Stores	3,404,372	381,323	0.1
Expenditures at Shoe Stores	9,027,501	1,263,621	0.1
Expenditures at Jewelry Stores	11,168,654	1,220,423	0.1
Expenditures at Luggage, and Leather Goods Stores	885,778	0	0.0
Total Clothing & Clothing Accessories Stores	73,102,689	10,153,599	0.1

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



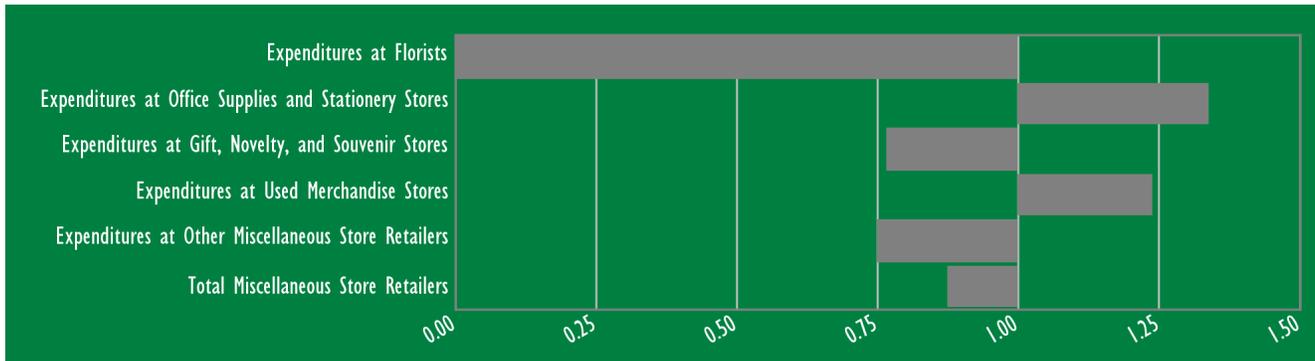
Store Type	Potential	Actual Sales	Leakage
Expenditures at Sporting Goods Stores	10,852,416	3,372,831	0.3
Expenditures at Hobby, Toys and Games Stores	6,223,289	404,311	0.1
Expenditures at Sew/Needlework/Piece Goods Stores	1,640,963	199,136	0.1
Expenditures at Musical Instrument and Supplies Stores	1,978,995	339,479	0.2
Expenditures at Book Stores and News Dealers	6,199,090	508,704	0.1
Expenditures at Prerecorded Tape, Compact Disc, and Record Stores	3,015,525	261,618	0.1
Total Sporting Goods, Hobby, Book, & Music Stores	29,910,278	5,086,080	0.2

Sub-Categories of General Merchandise Stores



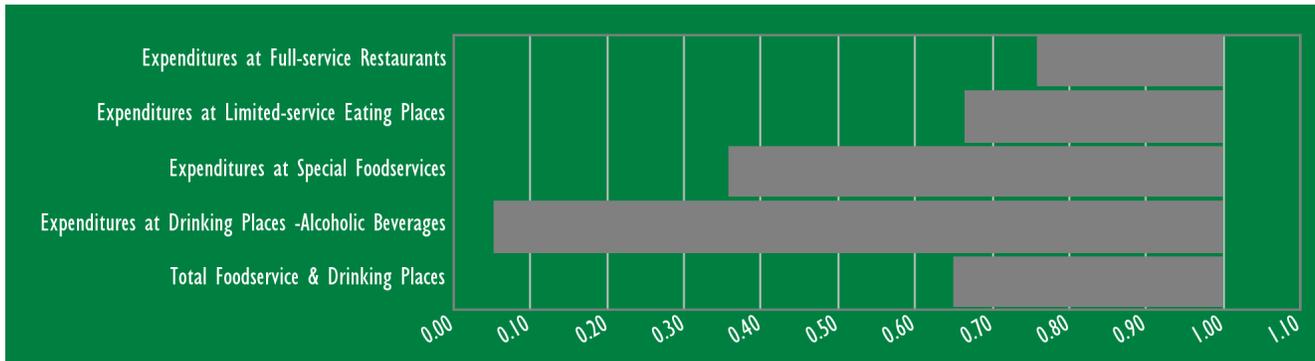
Store Type	Potential	Actual Sales	Leakage
Expenditures at Department Stores excluding leased depts.	87,498,311	36,201,551	0.4
Expenditures at Warehouse Clubs and Super Stores	79,823,119	11,857,103	0.1
Expenditures at All Other General Merchandise Stores	13,841,075	2,601,031	0.2
Total General Merchandise Stores	181,162,504	50,659,685	0.3

Sub-Categories of Miscellaneous Store Retailers



Store Type	Potential	Actual Sales	Leakage
Expenditures at Florists	2,917,088	0	0.0
Expenditures at Office Supplies and Stationery Stores	9,090,193	12,186,092	1.3
Expenditures at Gift, Novelty, and Souvenir Stores	6,992,449	5,356,446	0.8
Expenditures at Used Merchandise Stores	3,428,807	4,246,088	1.2
Expenditures at Other Miscellaneous Store Retailers	17,389,886	13,054,150	0.8
Total Miscellaneous Store Retailers	39,818,423	34,842,776	0.9

Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Actual Sales	Leakage
Expenditures at Full-service Restaurants	64,056,059	48,646,277	0.8
Expenditures at Limited-service Eating Places	55,786,572	37,188,104	0.7
Expenditures at Special Foodservices	11,528,697	4,125,890	0.4
Expenditures at Drinking Places -Alcoholic Beverages	7,289,596	392,833	0.1
Total Foodservice & Drinking Places	138,660,923	90,353,104	0.7

Sources and Methodology

The primary data sources used in the construction of the database include:

- Current year AGS (Applied Geographic Solutions) 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 AGS (Applied Geographic Solutions) 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 AGS 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.