



## 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.

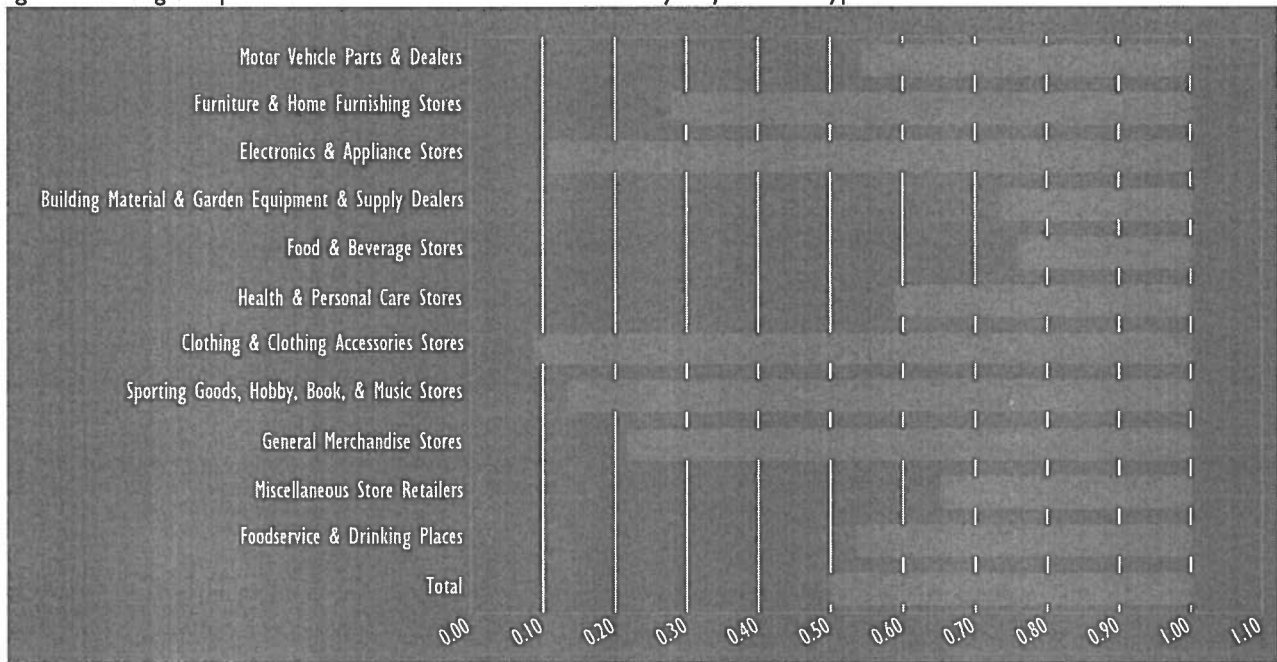
1.2 = sales exceed demand by 20%, meaning that consumers are coming from outside the area being analyzed.

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.

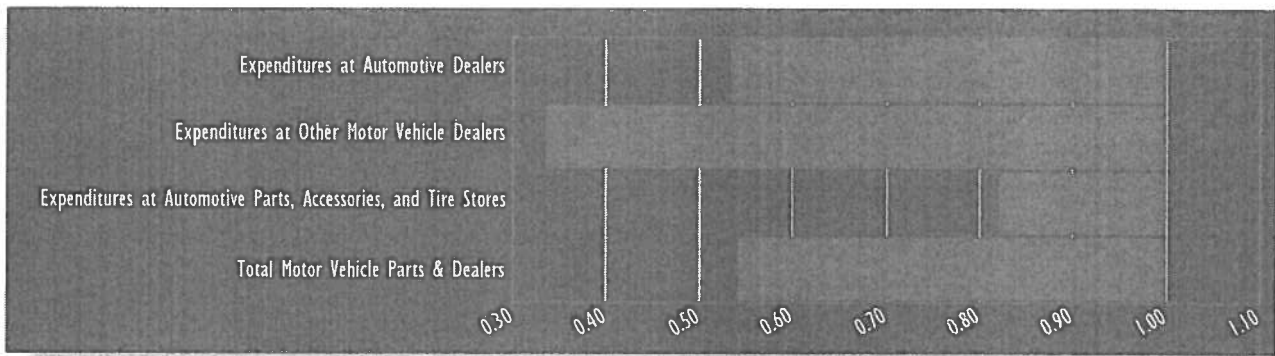
Figure 1 provides the leakage/surplus indices and following is the sales potential and actual sales for major store types.

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



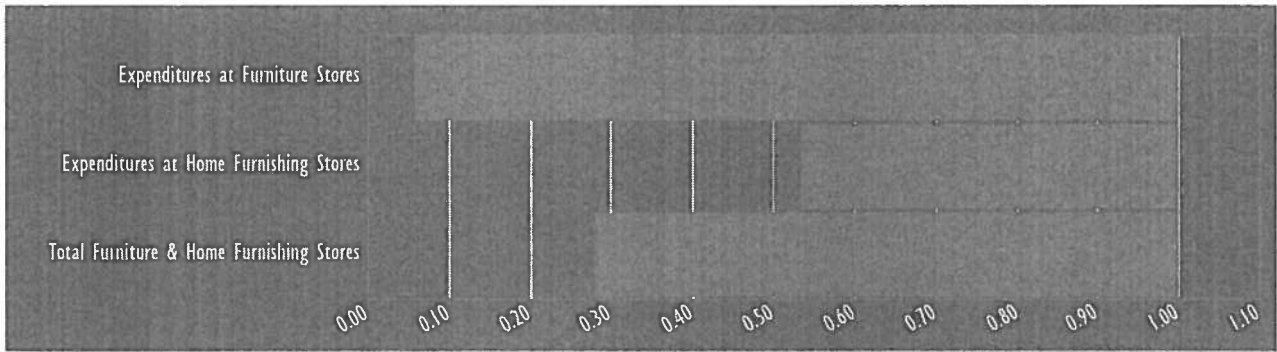
Store Type	Potential	Actual Sales	Leakage
Motor Vehicle Parts & Dealers	507,801,214	276,167,186	0.5
Furniture & Home Furnishing Stores	73,277,685	20,576,790	0.3
Electronics & Appliance Stores	64,172,848	7,151,711	0.1
Building Material & Garden Equipment & Supply Dealers	309,159,659	228,150,636	0.7
Food & Beverage Stores	293,963,869	223,852,177	0.8
Health & Personal Care Stores	111,500,705	65,680,143	0.6
Clothing & Clothing Accessories Stores	131,555,180	11,641,116	0.1
Sporting Goods, Hobby, Book, & Music Stores	52,904,471	7,172,486	0.1
General Merchandise Stores	314,106,471	68,271,571	0.2
Miscellaneous Store Retailers	68,852,160	45,004,133	0.7
Foodservice & Drinking Places	237,826,151	127,676,258	0.5
<b>Total</b>	<b>2,165,120,415</b>	<b>1,081,344,207</b>	

**Sub-Categories of Motor Vehicle Parts & Dealers**



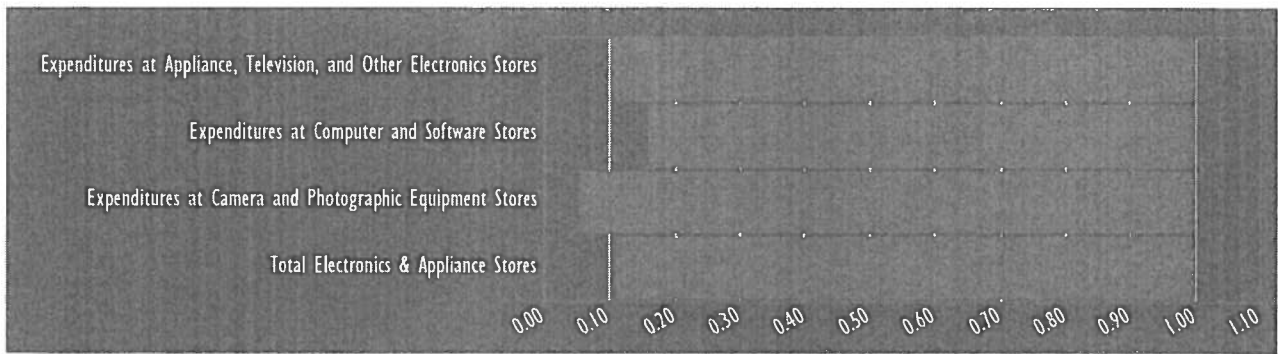
Store Type	Potential	Actual Sales	Leakage
Expenditures at Automotive Dealers	437,263,613	234,166,276	0.5
Expenditures at Other Motor Vehicle Dealers	32,959,454	11,116,129	0.3
Expenditures at Automotive Parts, Accessories, and Tire Stores	37,578,147	30,884,782	0.8
Total Motor Vehicle Parts & Dealers	507,801,214	276,167,186	0.5

**Sub-Categories of Furniture & Home Furnishing Stores**



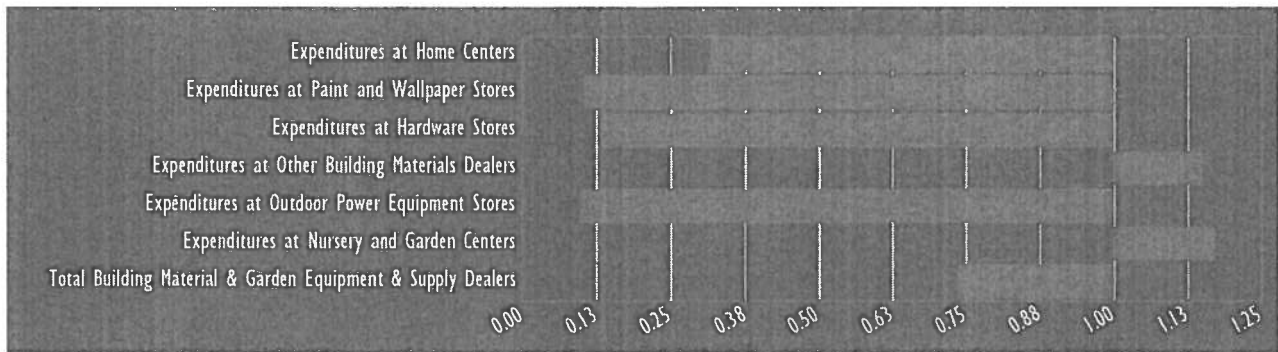
Store Type	Potential	Actual Sales	Leakage
Expenditures at Furniture Stores	39,120,073	2,277,962	0.1
Expenditures at Home Furnishing Stores	34,157,613	18,298,828	0.5
Total Furniture & Home Furnishing Stores	73,277,685	20,576,790	

**Sub-Categories of Electronics & Appliance Stores**



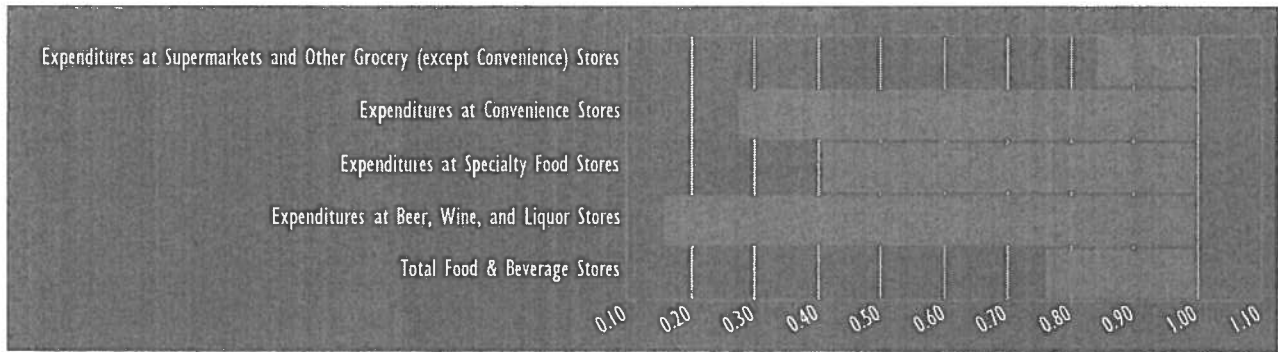
Store Type	Potential	Actual Sales	Leakage
Expenditures at Appliance, Television, and Other Electronics Stores	48,578,689	4,915,703	0.1
Expenditures at Computer and Software Stores	13,133,019	2,099,226	0.2
Expenditures at Camera and Photographic Equipment Stores	2,461,140	136,782	0.1
<b>Total Electronics &amp; Appliance Stores</b>	<b>64,172,848</b>	<b>7,151,711</b>	

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



Store Type	Potential	Actual Sales	Leakage
Expenditures at Home Centers	112,898,485	35,758,614	0.3
Expenditures at Paint and Wallpaper Stores	6,779,165	712,803	0.1
Expenditures at Hardware Stores	22,868,739	3,055,168	0.1
Expenditures at Other Building Materials Dealers	142,745,536	164,426,902	1.2
Expenditures at Outdoor Power Equipment Stores	3,565,246	350,796	0.1
Expenditures at Nursery and Garden Centers	20,302,487	23,846,352	1.2
<b>Total Building Material &amp; Garden Equipment &amp; Supply Dealers</b>	<b>309,159,659</b>	<b>228,150,636</b>	

**Sub-Categories of Food & Beverage Stores**



Store Type	Potential	Actual Sales	Leakage
Expenditures at Supermarkets and Other Grocery (except Convenience) Stores	253,556,332	213,851,538	0.8
Expenditures at Convenience Stores	12,996,790	3,572,622	0.3
Expenditures at Specialty Food Stores	8,314,622	3,401,311	0.4
Expenditures at Beer, Wine, and Liquor Stores	19,096,125	3,026,705	0.2
<b>Total Food &amp; Beverage Stores</b>	<b>293,963,869</b>	<b>223,852,177</b>	

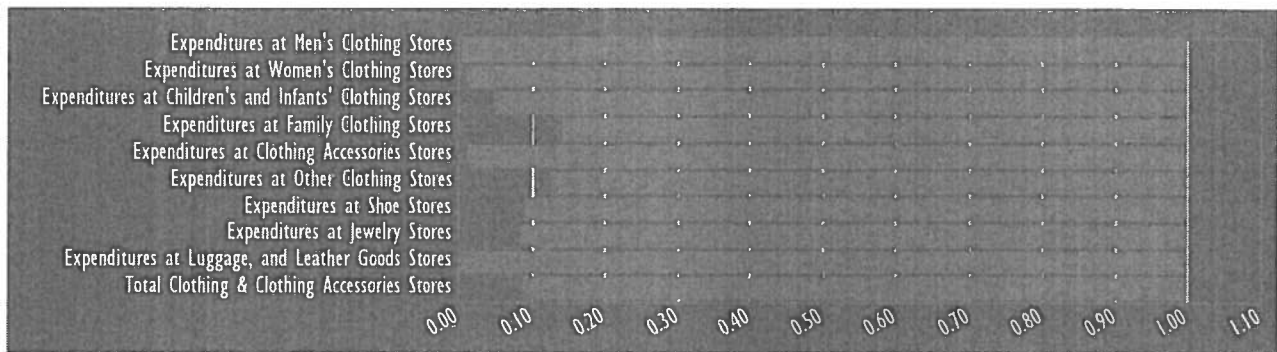
**Sub-Categories of Health & Personal Care Stores**



Store Type	Potential	Actual Sales	Leakage
Expenditures at Pharmacies and Drug Stores	96,128,046	59,488,009	0.6
Expenditures at Cosmetics, Beauty Supplies and Perfume Stores	3,732,691	366,906	0.1
Expenditures at Optical Goods Stores	4,948,710	152,041	0.0
Expenditures at Other Health and Personal Care Stores	6,691,258	5,673,187	0.8
Total Health & Personal Care Stores	111,500,705	65,680,143	

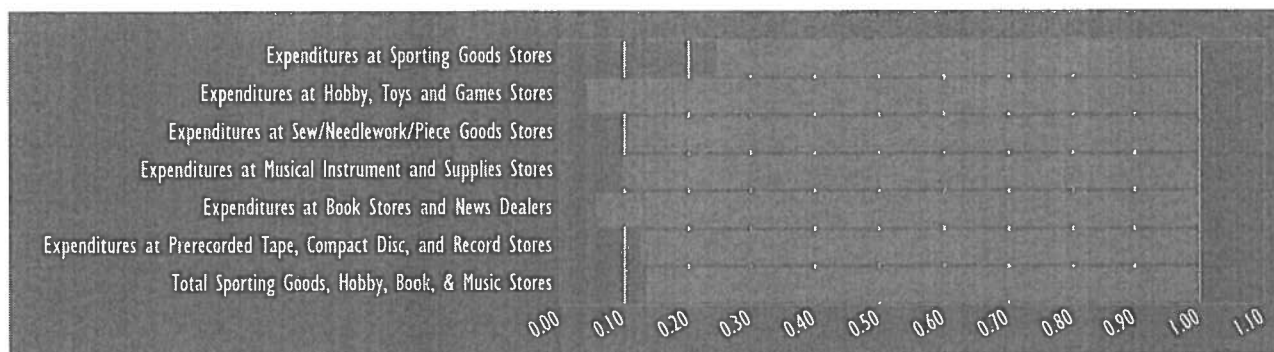


**Sub-Categories of Clothing & Clothing Accessories Stores**



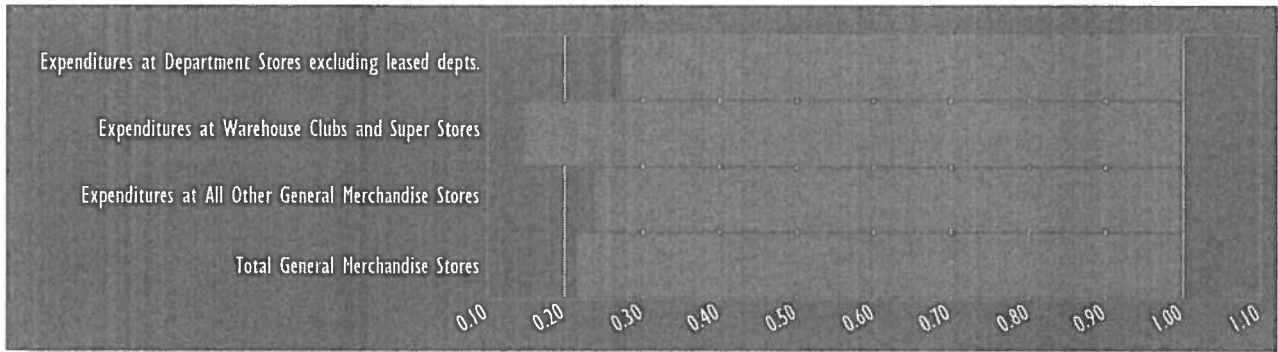
Store Type	Potential	Actual Sales	Leakage
Expenditures at Men's Clothing Stores	5,975,148	36,979	0.0
Expenditures at Women's Clothing Stores	24,567,639	302,204	0.0
Expenditures at Children's and Infants' Clothing Stores	4,263,229	213,236	0.1
Expenditures at Family Clothing Stores	49,897,181	7,060,434	0.1
Expenditures at Clothing Accessories Stores	2,345,073	28,072	0.0
Expenditures at Other Clothing Stores	6,098,243	777,681	0.1
Expenditures at Shoe Stores	16,026,978	1,445,179	0.1
Expenditures at Jewelry Stores	20,775,251	1,777,331	0.1
Expenditures at Luggage, and Leather Goods Stores	1,606,439	0	0.0
<b>Total Clothing &amp; Clothing Accessories Stores</b>	<b>131,555,180</b>	<b>11,641,116</b>	

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



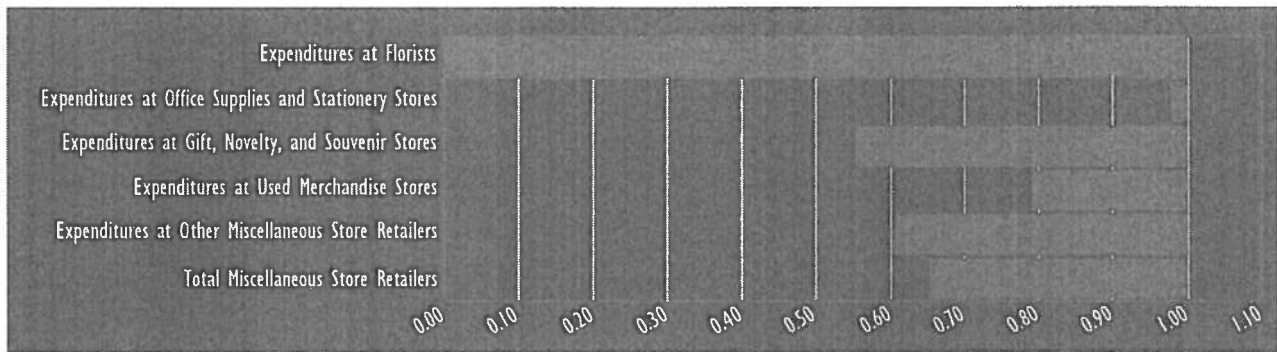
Store Type	Potential	Actual Sales	Leakage
Expenditures at Sporting Goods Stores	19,456,354	4,778,458	0.2
Expenditures at Hobby, Toys and Games Stores	11,006,218	490,065	0.0
Expenditures at Sew/Needlework/Piece Goods Stores	2,812,288	299,164	0.1
Expenditures at Musical Instrument and Supplies Stores	3,454,485	339,479	0.1
Expenditures at Book Stores and News Dealers	11,025,044	604,509	0.1
Expenditures at Prerecorded Tape, Compact Disc, and Record Stores	5,150,083	660,811	0.1
<b>Total Sporting Goods, Hobby, Book, &amp; Music Stores</b>	<b>52,904,471</b>	<b>7,172,486</b>	

**Sub-Categories of General Merchandise Stores**



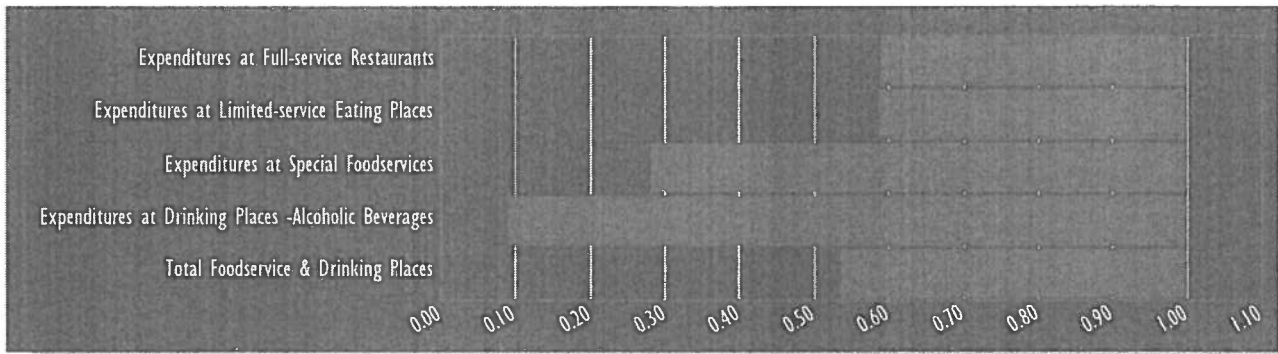
Store Type	Potential	Actual Sales	Leakage
Expenditures at Department Stores excluding leased depts.	153,689,118	42,016,134	0.3
Expenditures at Warehouse Clubs and Super Stores	136,259,092	20,456,067	0.2
Expenditures at All Other General Merchandise Stores	24,158,261	5,799,370	0.2
<b>Total General Merchandise Stores</b>	<b>314,106,471</b>	<b>68,271,571</b>	

**Sub-Categories of Miscellaneous Store Retailers**



Store Type	Potential	Actual Sales	Leakage
Expenditures at Florists	5,066,508	8,095	0.0
Expenditures at Office Supplies and Stationery Stores	15,769,269	15,404,218	1.0
Expenditures at Gift, Novelty, and Souvenir Stores	12,182,265	6,760,115	0.6
Expenditures at Used Merchandise Stores	6,061,957	4,805,441	0.8
Expenditures at Other Miscellaneous Store Retailers	29,772,162	18,026,265	0.6
<b>Total Miscellaneous Store Retailers</b>	<b>68,852,160</b>	<b>45,004,133</b>	

**Sub-Categories of Foodservice & Drinking Places**



Store Type	Potential	Actual Sales	Leakage
Expenditures at Full-service Restaurants	109,900,967	64,733,629	0.6
Expenditures at Limited-service Eating Places	95,597,291	56,205,810	0.6
Expenditures at Special Foodservices	19,766,623	5,577,565	0.3
Expenditures at Drinking Places -Alcoholic Beverages	12,561,271	1,159,254	0.1
<b>Total Foodservice &amp; Drinking Places</b>	<b>237,826,151</b>	<b>127,676,258</b>	

## 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.