

## 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.

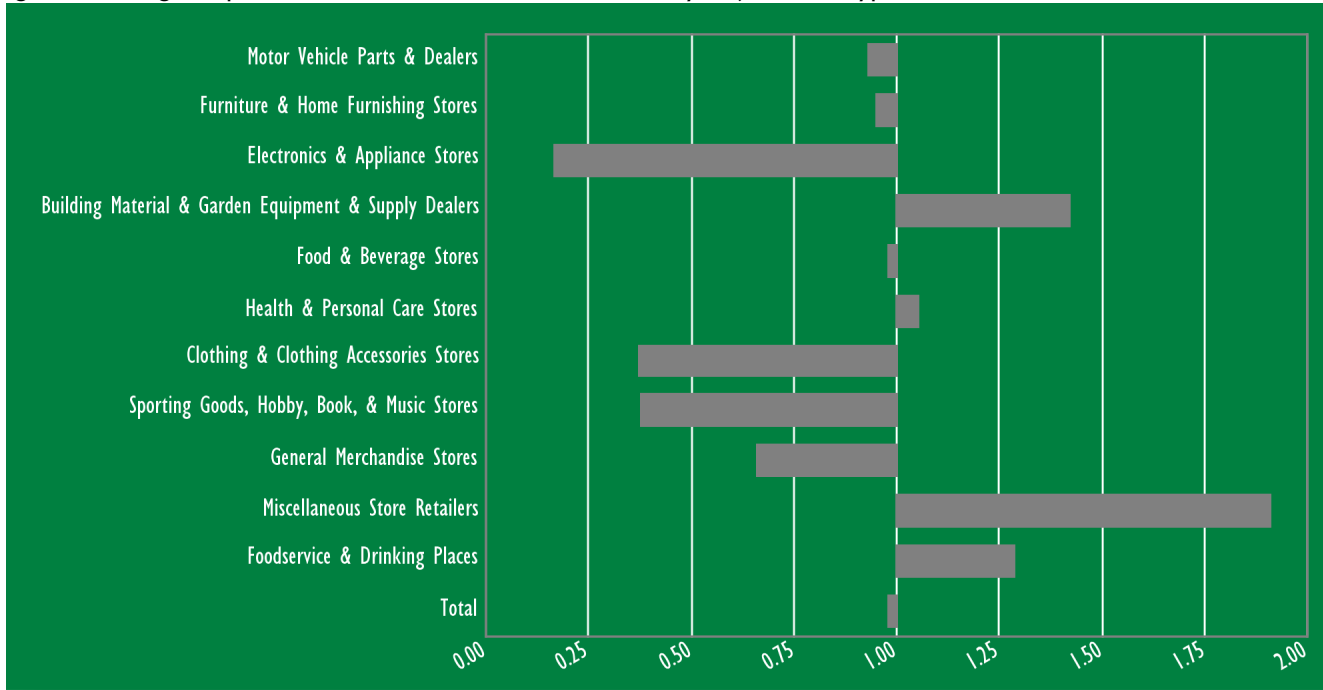
1.2 = sales exceed demand by 20%, meaning that consumers are coming from outside the area being analyzed.

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



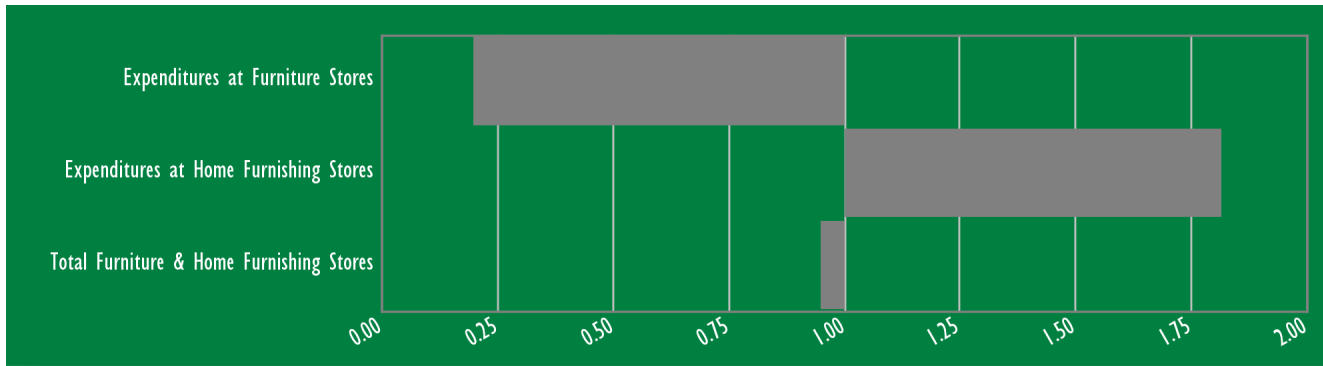
Store Type	Potential	Actual Sales	Leakage
Motor Vehicle Parts & Dealers	113,270,411	105,828,847	0.9
Furniture & Home Furnishing Stores	14,444,759	13,733,951	1.0
Electronics & Appliance Stores	13,349,863	2,245,049	0.2
Building Material & Garden Equipment & Supply Dealers	63,857,854	90,857,233	1.4
Food & Beverage Stores	68,117,930	66,860,187	1.0
Health & Personal Care Stores	26,617,460	28,014,157	1.1
Clothing & Clothing Accessories Stores	25,339,583	9,506,117	0.4
Sporting Goods, Hobby, Book, & Music Stores	10,648,427	4,013,880	0.4
General Merchandise Stores	66,934,926	44,178,199	0.7
Miscellaneous Store Retailers	14,671,650	28,016,210	1.9
Foodservice & Drinking Places	51,981,814	66,944,401	1.3
<b>Total</b>	<b>469,234,677</b>	<b>460,198,231</b>	<b>1.0</b>

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



Store Type	Potential	Actual Sales	Leakage
Expenditures at Automotive Dealers	97,751,791	86,897,932	0.9
Expenditures at Other Motor Vehicle Dealers	6,886,390	5,470,121	0.8
Expenditures at Automotive Parts, Accessories, and Tire Stores	8,632,230	13,460,794	1.6
Total Motor Vehicle Parts & Dealers	113,270,411	105,828,847	0.9

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



Store Type	Potential	Actual Sales	Leakage
Expenditures at Furniture Stores	7,738,344	1,533,024	0.2
Expenditures at Home Furnishing Stores	6,706,415	12,200,927	1.8
Total Furniture & Home Furnishing Stores	14,444,759	13,733,951	1.0

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



Store Type	Potential	Actual Sales	Leakage
Expenditures at Appliance, Television, and Other Electronics Stores	10,210,642	1,769,712	0.2
Expenditures at Computer and Software Stores	2,647,578	475,337	0.2
Expenditures at Camera and Photographic Equipment Stores	491,644	0	0.0
<b>Total Electronics &amp; Appliance Stores</b>	<b>13,349,863</b>	<b>2,245,049</b>	<b>0.2</b>

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



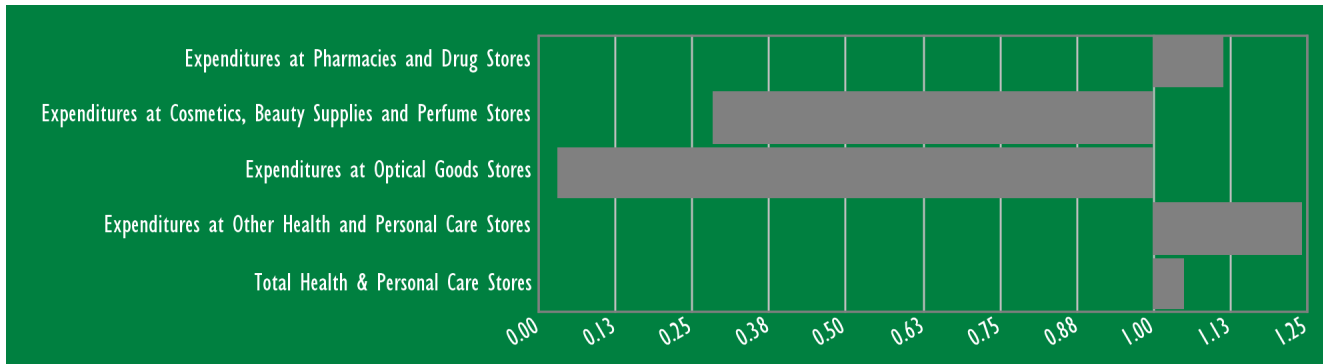
Store Type	Potential	Actual Sales	Leakage
Expenditures at Home Centers	23,414,797	32,980,939	1.4
Expenditures at Paint and Wallpaper Stores	1,355,344	255,925	0.2
Expenditures at Hardware Stores	4,825,567	1,289,542	0.3
Expenditures at Other Building Materials Dealers	29,326,895	46,262,960	1.6
Expenditures at Outdoor Power Equipment Stores	769,847	138,192	0.2
Expenditures at Nursery and Garden Centers	4,165,403	9,929,674	2.4
<b>Total Building Material &amp; Garden Equipment &amp; Supply Dealers</b>	<b>63,857,854</b>	<b>90,857,233</b>	<b>1.4</b>

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



Store Type	Potential	Actual Sales	Leakage
Expenditures at Supermarkets and Other Grocery (except Convenience) Stores	58,807,037	62,500,581	1.1
Expenditures at Convenience Stores	3,054,977	2,587,177	0.8
Expenditures at Specialty Food Stores	1,917,514	896,941	0.5
Expenditures at Beer, Wine, and Liquor Stores	4,338,403	875,488	0.2
Total Food & Beverage Stores	68,117,930	66,860,187	1.0

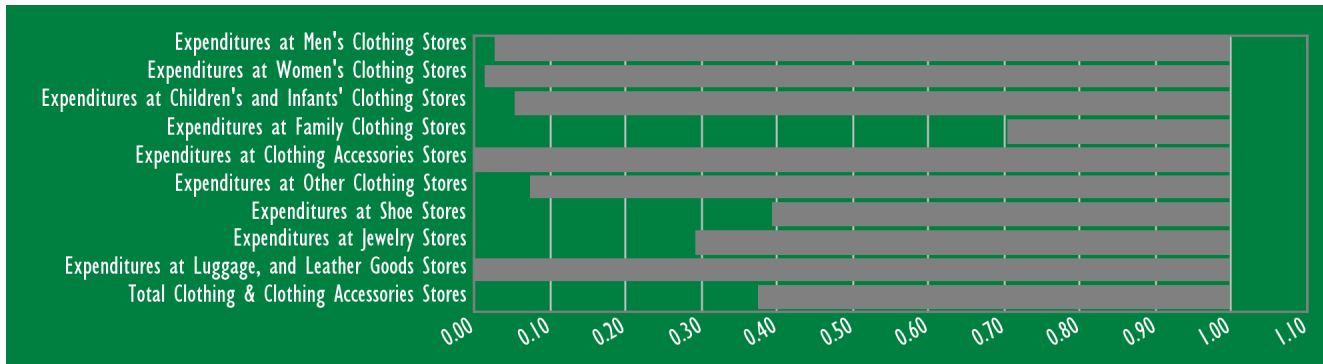
**Sub-Categories of Health & Personal Care Stores**



Store Type	Potential	Actual Sales	Leakage
Expenditures at Pharmacies and Drug Stores	23,058,994	25,698,743	1.1
Expenditures at Cosmetics, Beauty Supplies and Perfume Stores	904,321	257,826	0.3
Expenditures at Optical Goods Stores	1,024,358	32,428	0.0
Expenditures at Other Health and Personal Care Stores	1,629,788	2,025,160	1.2
<b>Total Health &amp; Personal Care Stores</b>	<b>26,617,460</b>	<b>28,014,157</b>	<b>1.1</b>



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



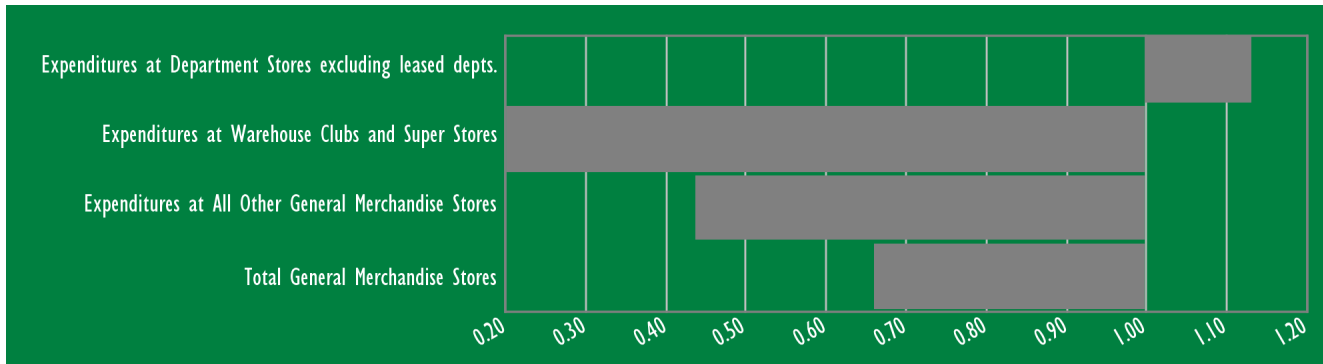
Store Type	Potential	Actual Sales	Leakage
Expenditures at Men's Clothing Stores	1,188,622	34,927	0.0
Expenditures at Women's Clothing Stores	4,671,844	77,356	0.0
Expenditures at Children's and Infants' Clothing Stores	865,977	46,129	0.1
Expenditures at Family Clothing Stores	9,786,525	6,902,051	0.7
Expenditures at Clothing Accessories Stores	434,488	0	0.0
Expenditures at Other Clothing Stores	1,179,493	90,186	0.1
Expenditures at Shoe Stores	3,201,633	1,263,621	0.4
Expenditures at Jewelry Stores	3,709,608	1,091,847	0.3
Expenditures at Luggage, and Leather Goods Stores	301,392	0	0.0
<b>Total Clothing &amp; Clothing Accessories Stores</b>	<b>25,339,583</b>	<b>9,506,117</b>	<b>0.4</b>

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



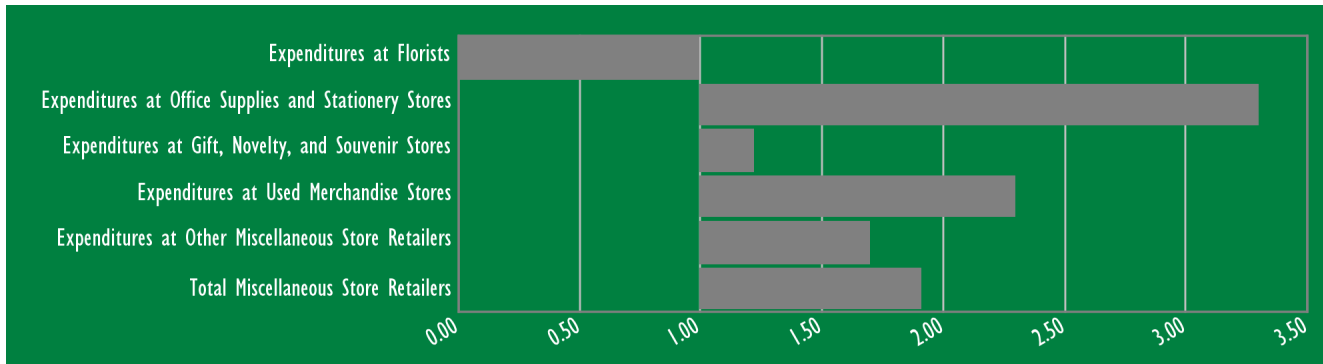
Store Type	Potential	Actual Sales	Leakage
Expenditures at Sporting Goods Stores	3,787,830	2,544,380	0.7
Expenditures at Hobby, Toys and Games Stores	2,223,467	330,155	0.1
Expenditures at Sew/Needlework/Piece Goods Stores	610,074	33,394	0.1
Expenditures at Musical Instrument and Supplies Stores	717,054	337,122	0.5
Expenditures at Book Stores and News Dealers	2,187,310	507,211	0.2
Expenditures at Prerecorded Tape, Compact Disc, and Record Stores	1,122,693	261,618	0.2
<b>Total Sporting Goods, Hobby, Book, &amp; Music Stores</b>	<b>10,648,427</b>	<b>4,013,880</b>	<b>0.4</b>

**Sub-Categories of General Merchandise Stores**



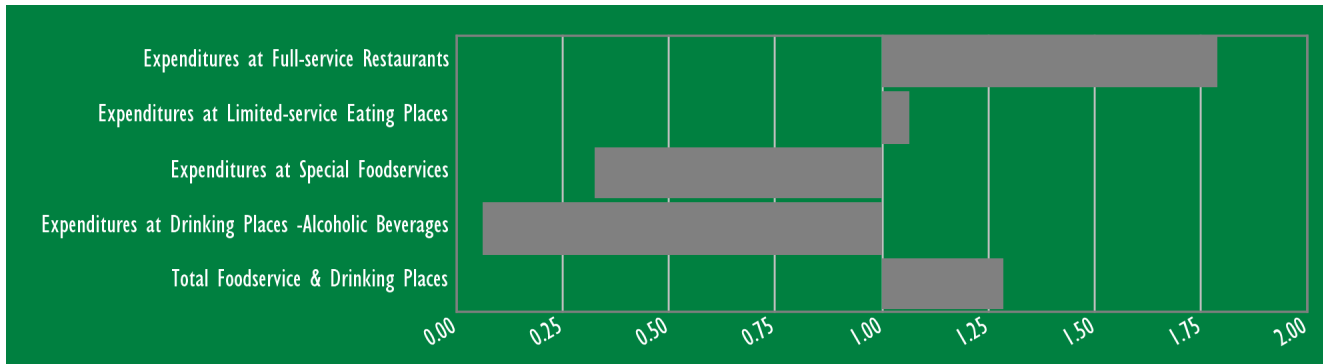
Store Type	Potential	Actual Sales	Leakage
Expenditures at Department Stores excluding leased depts.	31,645,058	35,809,766	1.1
Expenditures at Warehouse Clubs and Super Stores	30,230,735	6,149,748	0.2
Expenditures at All Other General Merchandise Stores	5,059,133	2,218,686	0.4
Total General Merchandise Stores	66,934,926	44,178,199	0.7

**Sub-Categories of Miscellaneous Store Retailers**



Store Type	Potential	Actual Sales	Leakage
Expenditures at Florists	1,065,254	0	0.0
Expenditures at Office Supplies and Stationery Stores	3,332,045	11,008,095	3.3
Expenditures at Gift, Novelty, and Souvenir Stores	2,551,353	3,118,016	1.2
Expenditures at Used Merchandise Stores	1,223,811	2,813,884	2.3
Expenditures at Other Miscellaneous Store Retailers	6,499,187	11,076,214	1.7
<b>Total Miscellaneous Store Retailers</b>	<b>14,671,650</b>	<b>28,016,210</b>	<b>1.9</b>

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



Store Type	Potential	Actual Sales	Leakage
Expenditures at Full-service Restaurants	24,003,997	43,014,269	1.8
Expenditures at Limited-service Eating Places	20,935,602	22,331,711	1.1
Expenditures at Special Foodservices	4,323,409	1,424,627	0.3
Expenditures at Drinking Places -Alcoholic Beverages	2,718,806	173,793	0.1
Total Foodservice & Drinking Places	51,981,814	66,944,401	1.3

## 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.