



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.

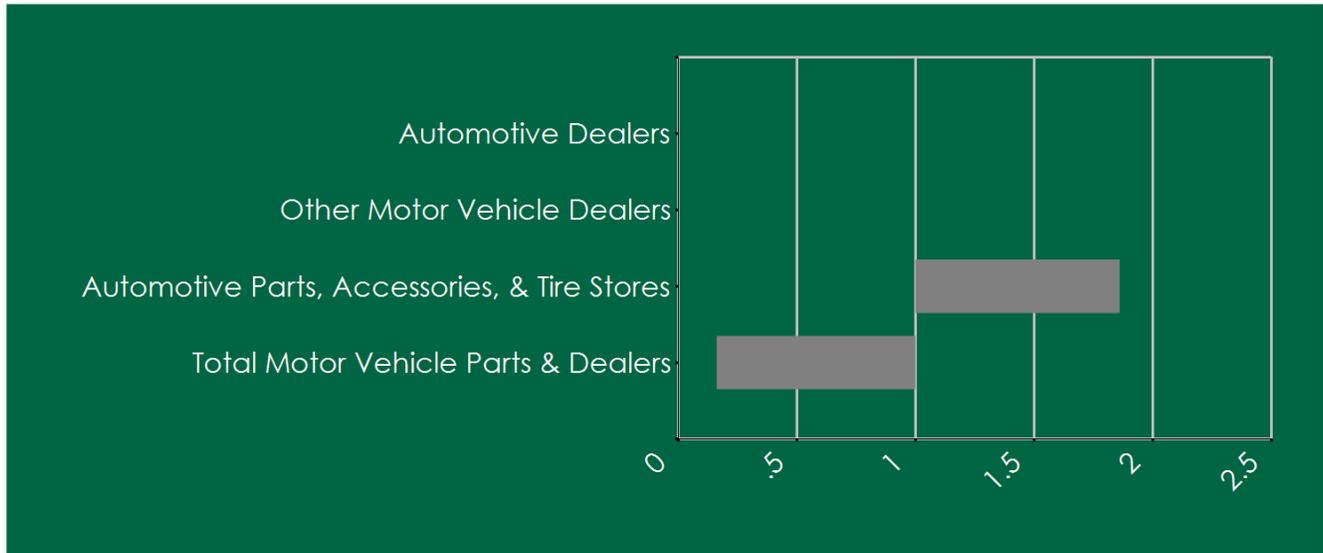
Figure 1. Leakage/Surplus Index and Estimated and Potential Sales by Major Store Types



Store Type	Potential	Estimated Sales	Surplus/Leakage
Motor Vehicle Parts & Dealers	11,858,550	1,910,184	0.2
Furniture & Home Furnishing Stores	1,441,382	91,201	0.1
Electronics & Appliance Stores	1,174,384	176,111	0.1
Building Material, Garden Equip. & Supplies	4,752,650	431,212	0.1
Food & Beverage Stores	8,952,664	268,013	0.0
Health & Personal Care Stores	3,569,057	648,265	0.2
Clothing & Clothing Accessories Stores	3,390,522	0	0.0
Sporting Goods, Hobby, Book, & Music Stores	1,094,923	110,516	0.1
General Merchandise Stores	8,429,054	959,933	0.1
Miscellaneous Store Retailers	1,442,853	96,279	0.1
Foodservice & Drinking Places	7,323,868	4,240,093	0.6
Total	53,429,907	8,931,808	0.2

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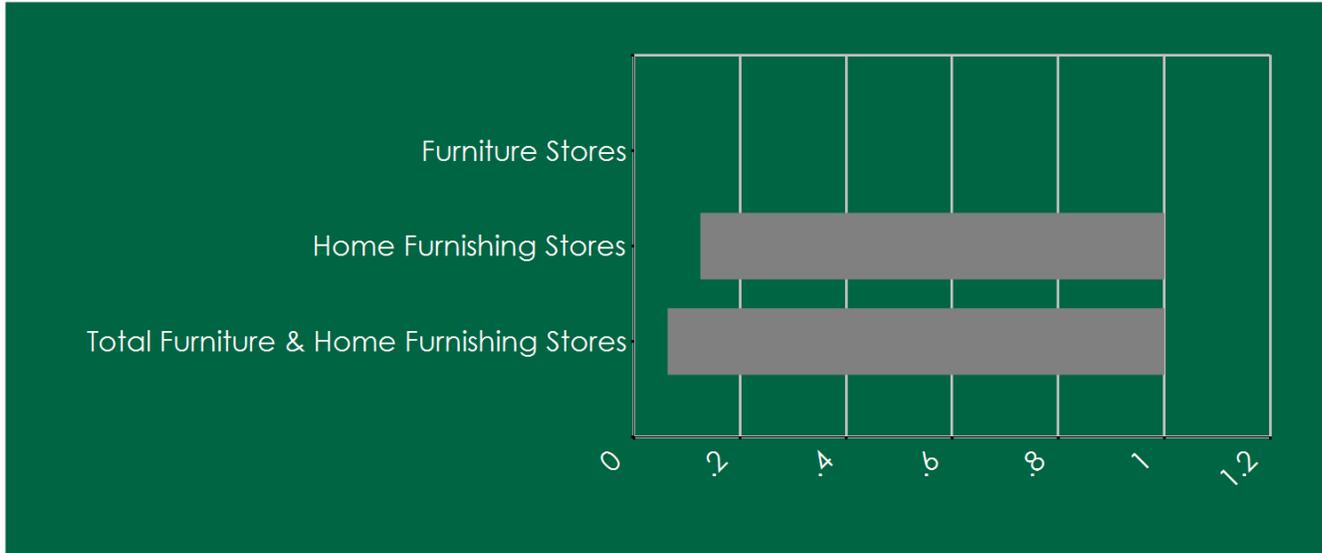
Sub-Categories of Motor Vehicle Parts & Dealers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	9,984,945	0	0.0
Other Motor Vehicle Dealers	846,573	0	0.0
Automotive Parts, Accessories, & Tire Stores	1,027,032	1,910,184	1.9
Total Motor Vehicle Parts & Dealers	11,858,550	1,910,184	0.2

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Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	711,930	0	0.0
Home Furnishing Stores	729,452	91,201	0.1
Total Furniture & Home Furnishing Stores	1,441,382	91,201	0.1

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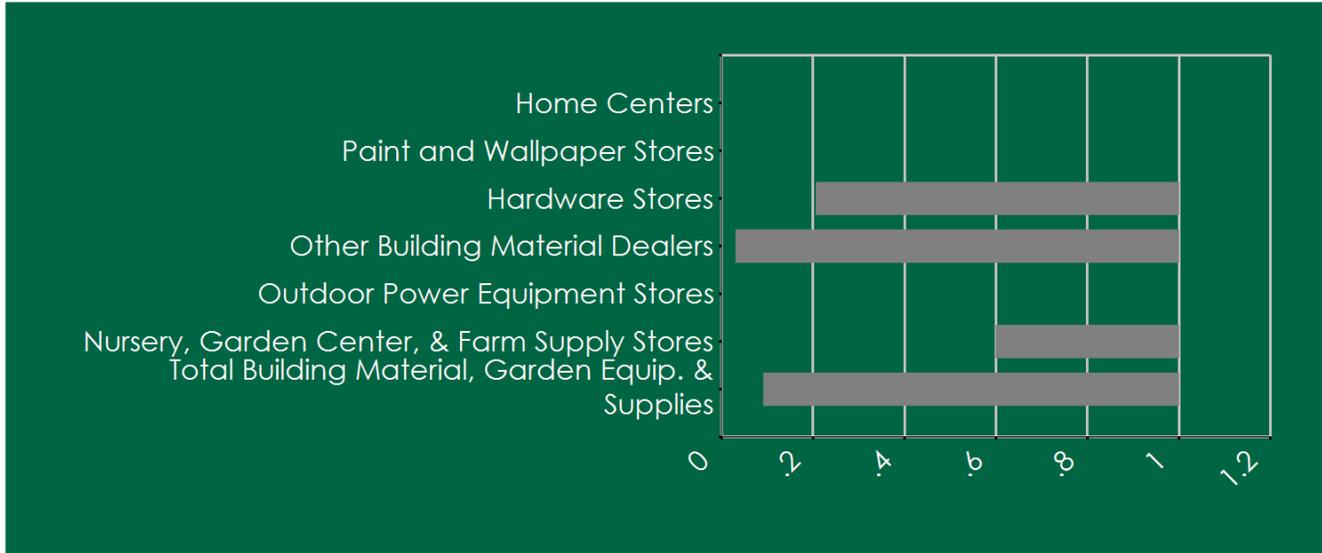
Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Household appliance stores	171,815	2,564	0.0
Electronics Stores	1,002,568	173,547	0.2
Total Electronics & Appliance Stores	1,174,384	176,111	0.1

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Home Centers	2,270,903	0	0.0
Paint and Wallpaper Stores	177,975	0	0.0
Hardware Stores	308,798	63,544	0.2
Other Building Material Dealers	1,349,917	40,955	0.0
Outdoor Power Equipment Stores	99,700	0	0.0
Nursery, Garden Center, & Farm Supply Stores	545,358	326,713	0.6
Total Building Material, Garden Equip. & Supplies	4,752,650	431,212	0.1

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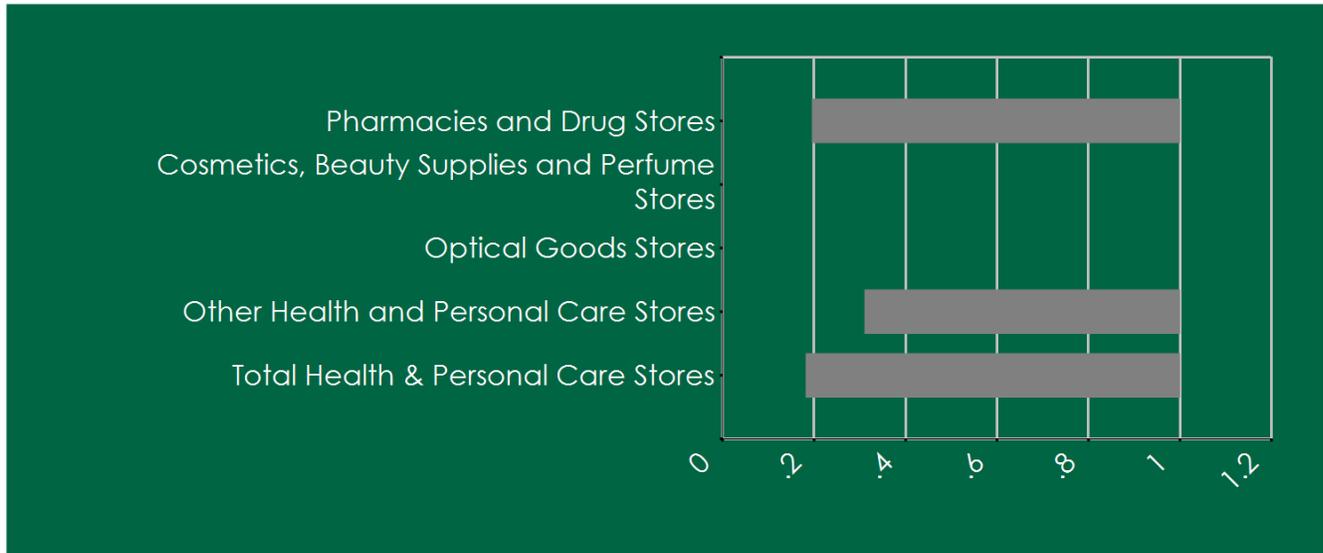
Sub-Categories of Food & Beverage Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	7,603,572	12,980	0.0
Convenience Stores	343,989	106,319	0.3
Specialty Food Stores	297,023	834	0.0
Beer, Wine, & Liquor Stores	708,080	147,880	0.2
Total Food & Beverage Stores	8,952,664	268,013	0.0

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Sub-Categories of Health & Personal Care Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	2,920,310	569,476	0.2
Cosmetics, Beauty Supplies and Perfume Stores	219,892	0	0.0
Optical Goods Stores	174,815	0	0.0
Other Health and Personal Care Stores	254,041	78,789	0.3
Total Health & Personal Care Stores	3,569,057	648,265	0.2

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Sub-Categories of Clothing & Clothing Accessories Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Mens Clothing Stores	119,626	0	0.0
Womens Clothing Stores	489,094	0	0.0
Childrens and Infants Clothing Stores	176,943	0	0.0
Family Clothing Stores	1,333,747	0	0.0
Clothing Accessories Stores	135,843	0	0.0
Other Clothing Stores	181,023	0	0.0
Shoe Stores	499,614	0	0.0
Jewelry Stores	419,281	0	0.0
Luggage & Leather Goods Stores	35,351	0	0.0
Total Clothing & Clothing Accessories Stores	3,390,522	0	0.0

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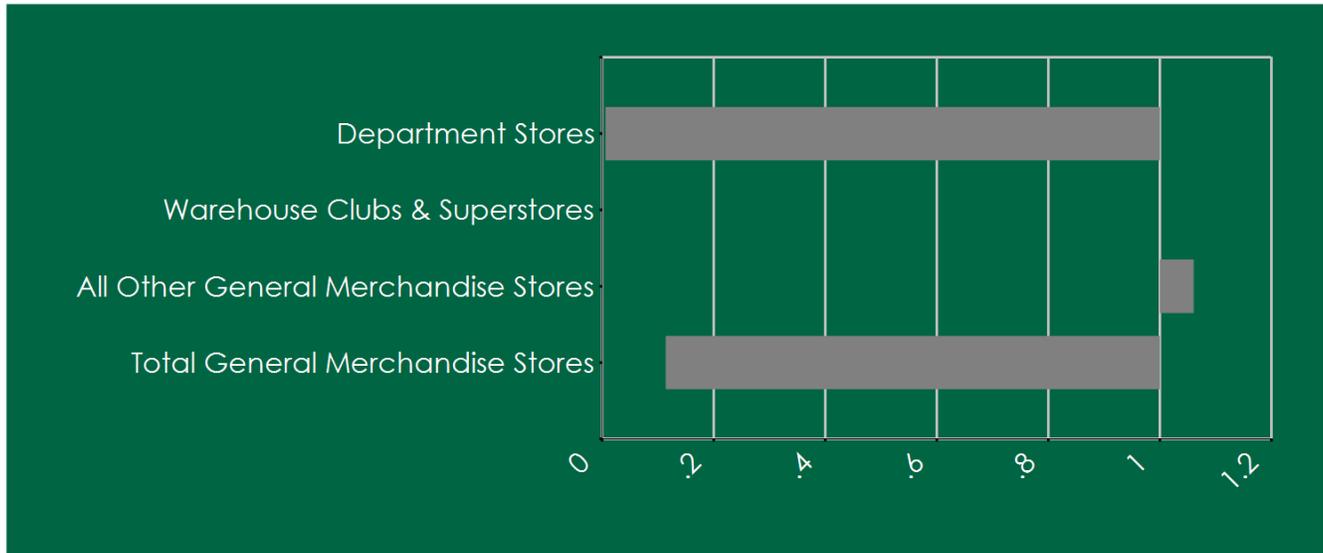
Sub-Categories of Sporting Goods, Hobby, Book, & Music Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Sporting Goods Stores	562,272	0	0.0
Hobby, Toy, and Game Stores	233,164	146	0.0
Sewing, Needlework, and Piece Goods Stores	51,665	110,370	2.1
Musical Instrument and Supplies Stores	55,759	0	0.0
Book Stores	150,895	0	0.0
News Dealers and Newsstands	41,168	0	0.0
Total Sporting Goods, Hobby, Book, & Music Stores	1,094,923	110,516	0.1

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Sub-Categories of General Merchandise Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores	1,907,421	11,065	0.0
Warehouse Clubs & Superstores	5,627,012	0	0.0
All Other General Merchandise Stores	894,621	948,868	1.1
Total General Merchandise Stores	8,429,054	959,933	0.1

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Sub-Categories of Miscellaneous Store Retailers

Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	83,008	16,400	0.2
Office Supplies and Stationery Stores	151,591	0	0.0
Gift, Novelty, and Souvenir Stores	190,565	0	0.0
Used Merchandise Stores	227,562	65,915	0.3
Other Miscellaneous Store Retailers	790,127	13,964	0.0
Total Miscellaneous Store Retailers	1,442,853	96,279	0.1

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Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Estimated Sales	Surplus/Leakage
Special Food Services	694,732	0	0.0
Drinking Places (Alcoholic Beverages)	334,073	0	0.0
Restaurants and Other Eating Places	6,295,063	4,240,093	0.7
Total Foodservice & Drinking Places	7,323,868	4,240,093	0.6

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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.