

## 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.

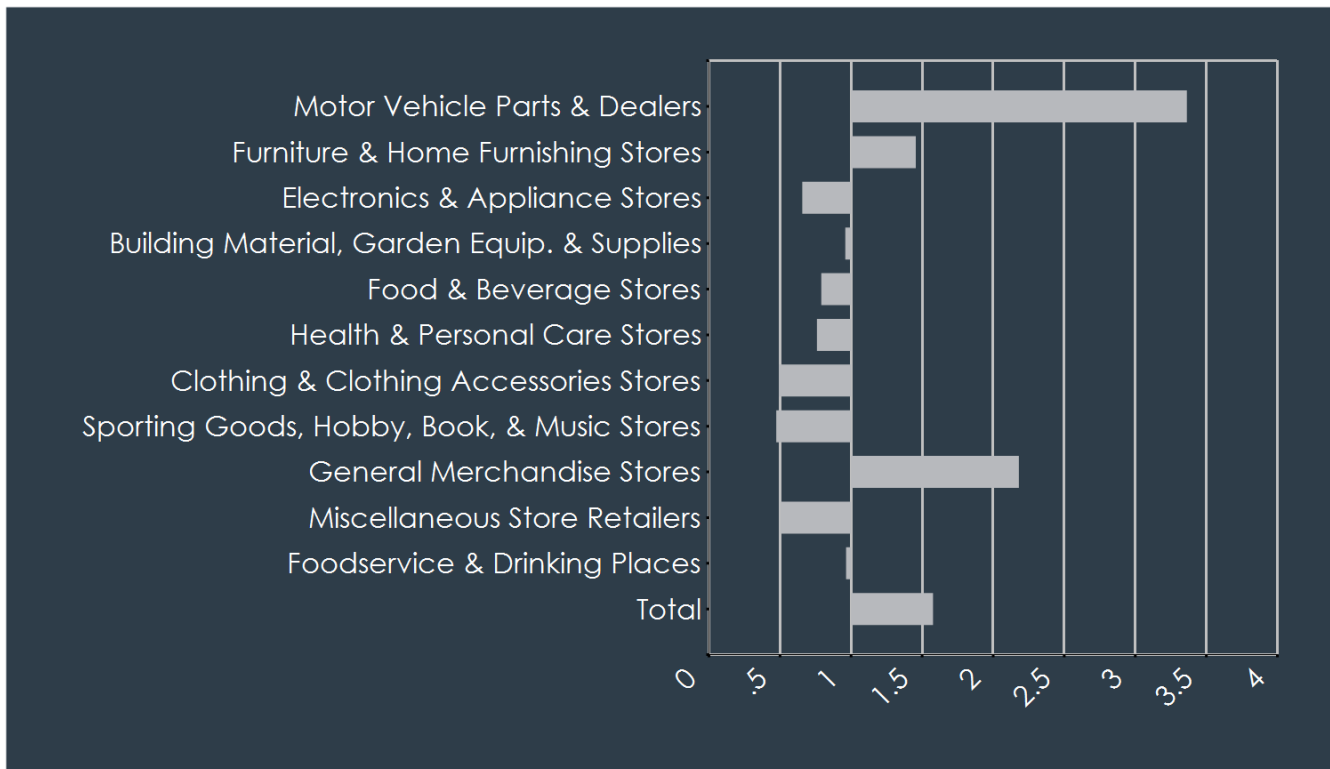
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## Leakage/Surplus Index by Major Store Type

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.

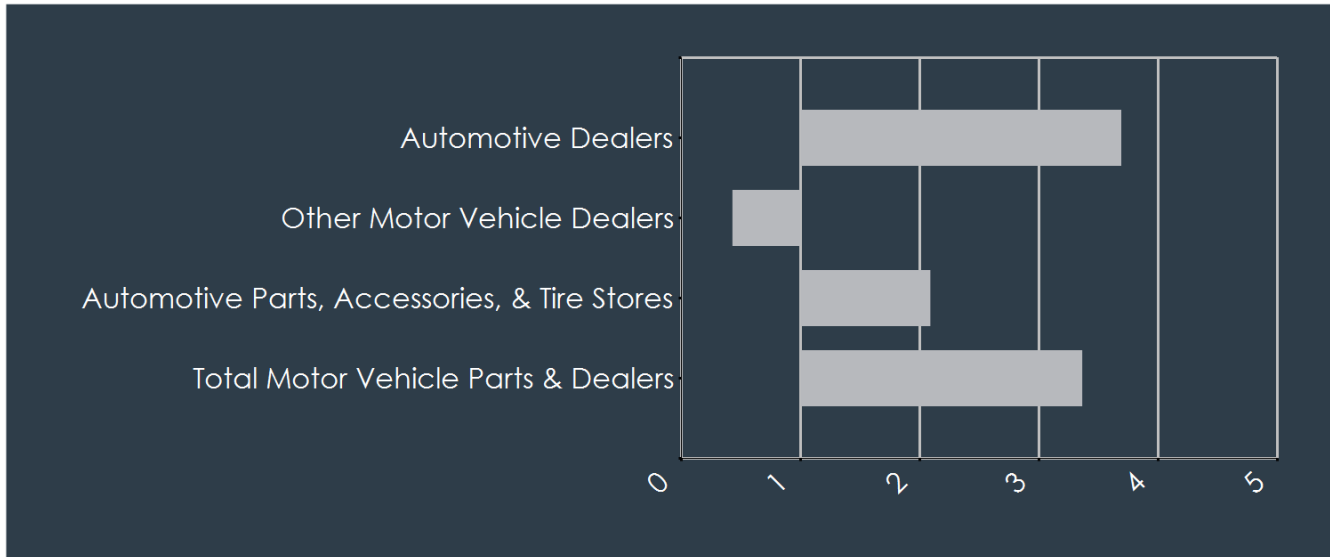
Figure 1. Leakage/Surplus Index and Estimated and Potential Sales by Major Store Types



Store Type	Potential	Estimated Sales	Surplus/Leakage
Motor Vehicle Parts & Dealers	138,223,808	464,828,563	3.4
Furniture & Home Furnishing Stores	15,418,369	22,438,161	1.5
Electronics & Appliance Stores	12,637,867	8,287,118	0.7
Building Material, Garden Equip. & Supplies	60,838,388	58,336,966	1.0
Food & Beverage Stores	107,954,512	85,258,941	0.8
Health & Personal Care Stores	44,101,503	33,478,419	0.8
Clothing & Clothing Accessories Stores	37,073,491	18,218,315	0.5
Sporting Goods, Hobby, Book, & Music Stores	9,905,435	4,686,746	0.5
General Merchandise Stores	98,114,736	213,936,328	2.2
Miscellaneous Store Retailers	17,331,586	8,706,926	0.5
Foodservice & Drinking Places	105,328,092	101,551,088	1.0
<b>Total</b>	<b>646,927,788</b>	<b>1,019,727,571</b>	<b>1.6</b>

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Sub-Categories of Motor Vehicle Parts & Dealers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	119,771,294	441,983,917	3.7
Other Motor Vehicle Dealers	9,447,126	4,040,197	0.4
Automotive Parts, Accessories, & Tire Stores	9,005,388	18,804,448	2.1
Total Motor Vehicle Parts & Dealers	138,223,808	464,828,563	3.4

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Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	7,367,466	11,948,661	1.6
Home Furnishing Stores	8,050,902	10,489,500	1.3
Total Furniture & Home Furnishing Stores	15,418,369	22,438,161	1.5

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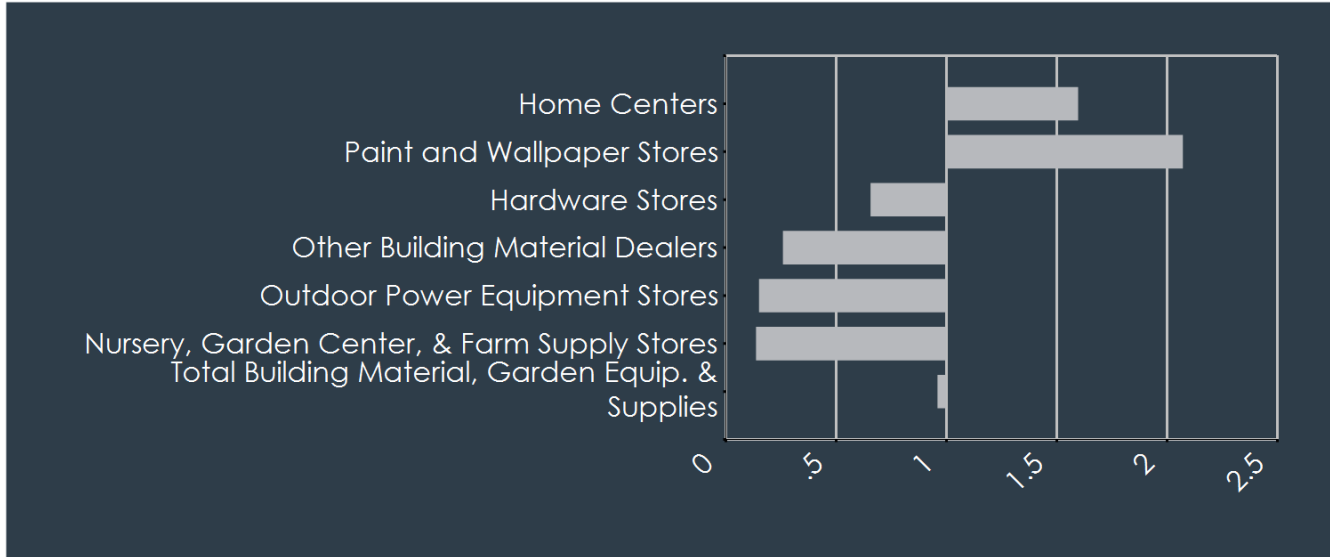
Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Household appliance stores	2,073,720	1,741,389	0.8
Electronics Stores	10,564,147	6,545,729	0.6
Total Electronics & Appliance Stores	12,637,867	8,287,118	0.7

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Home Centers	28,550,127	45,583,822	1.6
Paint and Wallpaper Stores	2,001,072	4,144,913	2.1
Hardware Stores	4,540,711	2,976,335	0.7
Other Building Material Dealers	17,219,786	4,452,040	0.3
Outdoor Power Equipment Stores	1,319,770	198,145	0.2
Nursery, Garden Center, & Farm Supply Stores	7,206,922	981,711	0.1
Total Building Material, Garden Equip. & Supplies	60,838,388	58,336,966	1.0

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Sub-Categories of Food & Beverage Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	91,038,977	80,226,850	0.9
Convenience Stores	4,029,642	2,273,633	0.6
Specialty Food Stores	3,524,216	643,846	0.2
Beer, Wine, & Liquor Stores	9,361,677	2,114,611	0.2
Total Food & Beverage Stores	107,954,512	85,258,941	0.8

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Sub-Categories of Health & Personal Care Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	36,841,843	29,912,887	0.8
Cosmetics, Beauty Supplies and Perfume Stores	2,678,547	1,793,754	0.7
Optical Goods Stores	1,543,407	857,827	0.6
Other Health and Personal Care Stores	3,037,706	913,952	0.3
Total Health & Personal Care Stores	44,101,503	33,478,419	0.8

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Sub-Categories of Clothing & Clothing Accessories Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Mens Clothing Stores	1,354,491	563,414	0.4
Womens Clothing Stores	5,823,991	2,312,043	0.4
Childrens and Infants Clothing Stores	1,271,705	272,733	0.2
Family Clothing Stores	15,083,789	5,431,608	0.4
Clothing Accessories Stores	1,411,931	3,518,246	2.5
Other Clothing Stores	2,386,630	1,450,525	0.6
Shoe Stores	4,909,419	2,947,578	0.6
Jewelry Stores	4,334,418	1,537,267	0.4
Luggage & Leather Goods Stores	497,116	184,901	0.4
Total Clothing & Clothing Accessories Stores	37,073,491	18,218,315	0.5

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Sporting Goods Stores	4,875,393	3,059,824	0.6
Hobby, Toy, and Game Stores	2,314,275	789,285	0.3
Sewing, Needlework, and Piece Goods Stores	494,663	121,635	0.2
Musical Instrument and Supplies Stores	407,010	113,835	0.3
Book Stores	1,390,130	349,357	0.3
News Dealers and Newsstands	423,964	252,810	0.6
Total Sporting Goods, Hobby, Book, & Music Stores	9,905,435	4,686,746	0.5

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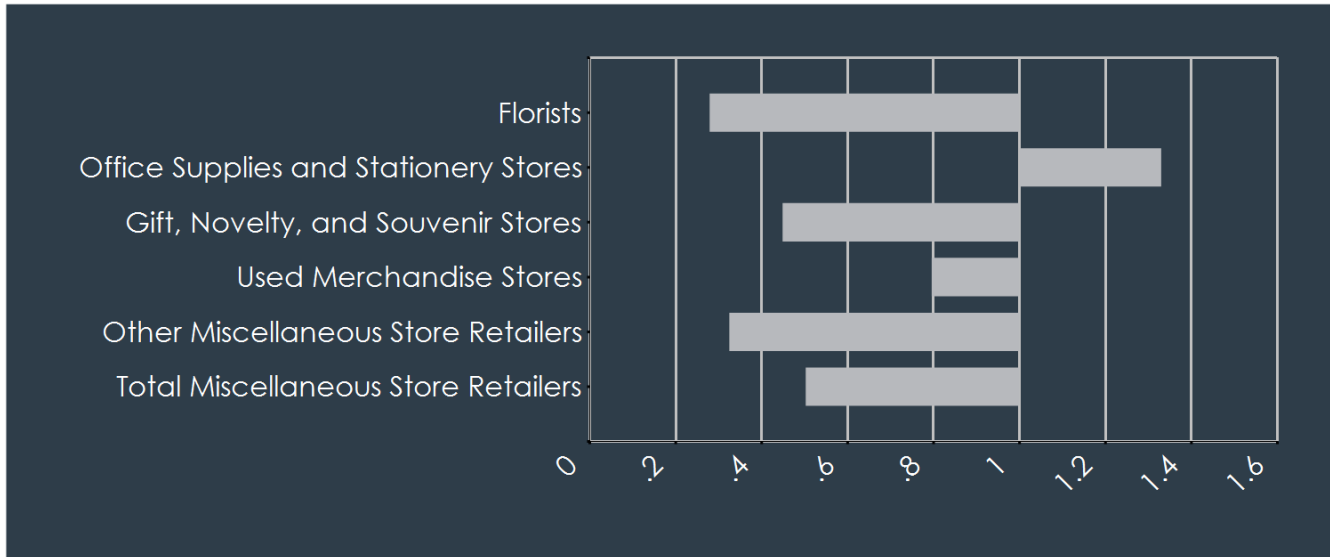
Sub-Categories of General Merchandise Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores	20,252,700	18,772,364	0.9
Warehouse Clubs & Superstores	66,235,752	183,135,584	2.8
All Other General Merchandise Stores	11,626,285	12,028,380	1.0
Total General Merchandise Stores	98,114,736	213,936,328	2.2

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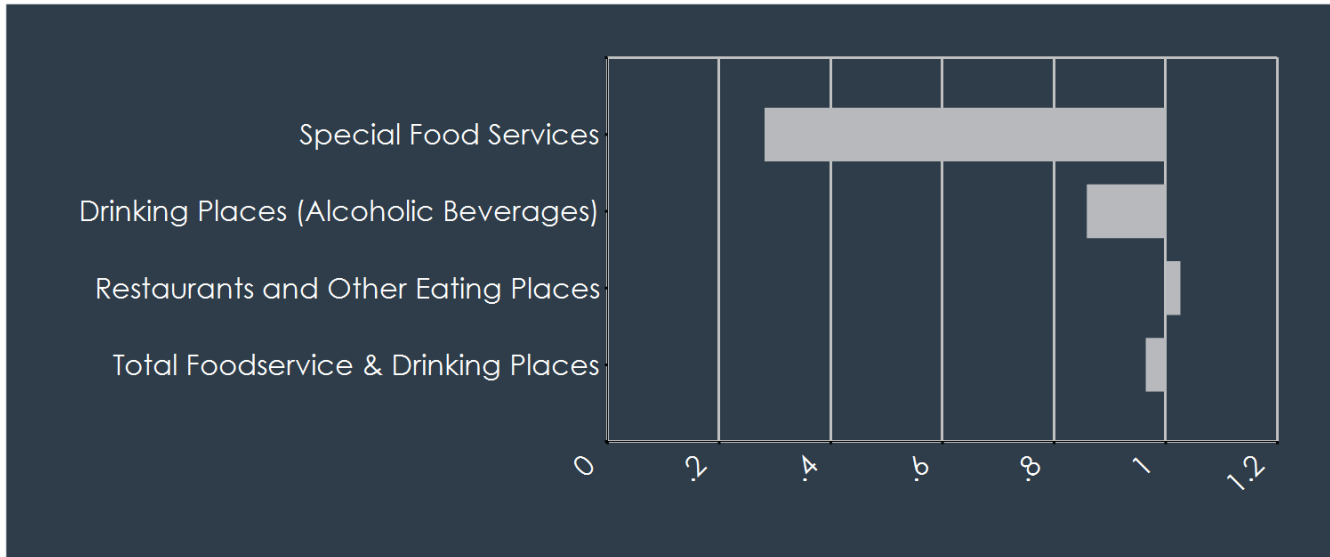
Sub-Categories of Miscellaneous Store Retailers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	1,150,610	320,653	0.3
Office Supplies and Stationery Stores	1,600,623	2,128,036	1.3
Gift, Novelty, and Souvenir Stores	2,329,245	1,044,459	0.4
Used Merchandise Stores	2,629,800	2,092,100	0.8
Other Miscellaneous Store Retailers	9,621,307	3,121,677	0.3
Total Miscellaneous Store Retailers	17,331,586	8,706,926	0.5

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Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Estimated Sales	Surplus/Leakage
Special Food Services	7,760,793	2,181,576	0.3
Drinking Places (Alcoholic Beverages)	4,545,110	3,901,743	0.9
Restaurants and Other Eating Places	93,022,190	95,467,769	1.0
Total Foodservice & Drinking Places	105,328,092	101,551,088	1.0

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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.

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