



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.

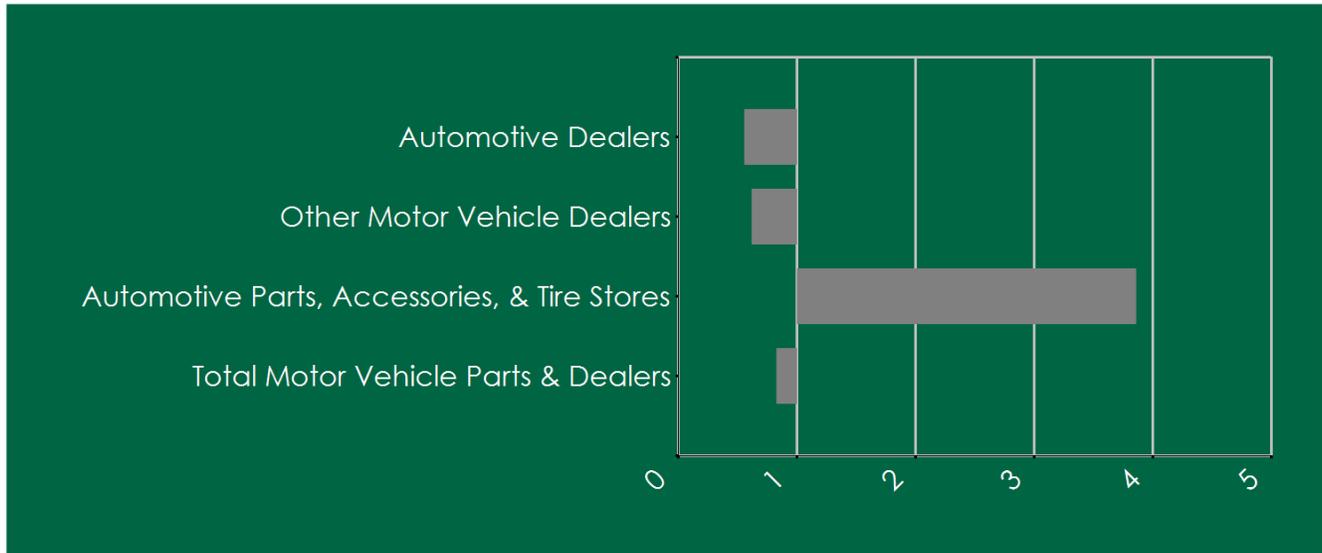
Figure 1. Leakage/Surplus Index and Estimated and Potential Sales by Major Store Types



Store Type	Potential	Estimated Sales	Surplus/Leakage
Motor Vehicle Parts & Dealers	21,480,778	17,748,538	0.8
Furniture & Home Furnishing Stores	2,107,380	14,183,063	6.7
Electronics & Appliance Stores	1,804,111	5,499,560	3.0
Building Material, Garden Equip. & Supplies	6,371,776	5,100,156	0.8
Food & Beverage Stores	13,863,712	57,758,925	4.2
Health & Personal Care Stores	5,971,747	26,646,785	4.5
Clothing & Clothing Accessories Stores	4,863,644	4,805,847	1.0
Sporting Goods, Hobby, Book, & Music Stores	1,713,182	5,105,977	3.0
General Merchandise Stores	13,138,535	47,314,646	3.6
Miscellaneous Store Retailers	2,494,854	4,431,922	1.8
Foodservice & Drinking Places	13,412,998	22,047,402	1.6
Total	87,222,718	210,642,820	2.4

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Sub-Categories of Motor Vehicle Parts & Dealers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	18,331,865	10,160,932	0.6
Other Motor Vehicle Dealers	1,408,151	869,219	0.6
Automotive Parts, Accessories, & Tire Stores	1,740,762	6,718,386	3.9
Total Motor Vehicle Parts & Dealers	21,480,778	17,748,538	0.8

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Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	1,076,808	10,676,248	9.9
Home Furnishing Stores	1,030,572	3,506,815	3.4
Total Furniture & Home Furnishing Stores	2,107,380	14,183,063	6.7

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Sub-Categories of Electronics & Appliance Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Household appliance stores	245,503	3,349,530	13.6
Electronics Stores	1,558,608	2,150,030	1.4
Total Electronics & Appliance Stores	1,804,111	5,499,560	3.0

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Home Centers	3,052,103	333,740	0.1
Paint and Wallpaper Stores	200,514	486,133	2.4
Hardware Stores	443,764	2,769,962	6.2
Other Building Material Dealers	1,774,487	1,241,400	0.7
Outdoor Power Equipment Stores	129,903	28,015	0.2
Nursery, Garden Center, & Farm Supply Stores	771,005	240,906	0.3
Total Building Material, Garden Equip. & Supplies	6,371,776	5,100,156	0.8

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Sub-Categories of Food & Beverage Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	11,591,369	54,794,808	4.7
Convenience Stores	550,744	821,133	1.5
Specialty Food Stores	438,548	2,142,983	4.9
Beer, Wine, & Liquor Stores	1,283,051	0	0.0
Total Food & Beverage Stores	13,863,712	57,758,925	4.2

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Sub-Categories of Health & Personal Care Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	4,902,132	21,364,750	4.4
Cosmetics, Beauty Supplies and Perfume Stores	374,236	1,407,903	3.8
Optical Goods Stores	273,703	843,212	3.1
Other Health and Personal Care Stores	421,677	3,030,920	7.2
Total Health & Personal Care Stores	5,971,747	26,646,785	4.5

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Sub-Categories of Clothing & Clothing Accessories Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Mens Clothing Stores	167,764	0	0.0
Womens Clothing Stores	755,178	0	0.0
Childrens and Infants Clothing Stores	188,828	0	0.0
Family Clothing Stores	1,902,225	1,585,428	0.8
Clothing Accessories Stores	207,585	428,386	2.1
Other Clothing Stores	282,092	961,150	3.4
Shoe Stores	657,805	652,305	1.0
Jewelry Stores	646,417	1,023,738	1.6
Luggage & Leather Goods Stores	55,749	154,839	2.8
Total Clothing & Clothing Accessories Stores	4,863,644	4,805,847	1.0

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Sporting Goods Stores	850,539	4,013,499	4.7
Hobby, Toy, and Game Stores	375,470	651,587	1.7
Sewing, Needlework, and Piece Goods Stores	90,442	37,910	0.4
Musical Instrument and Supplies Stores	89,514	0	0.0
Book Stores	242,511	402,981	1.7
News Dealers and Newsstands	64,705	0	0.0
Total Sporting Goods, Hobby, Book, & Music Stores	1,713,182	5,105,977	3.0

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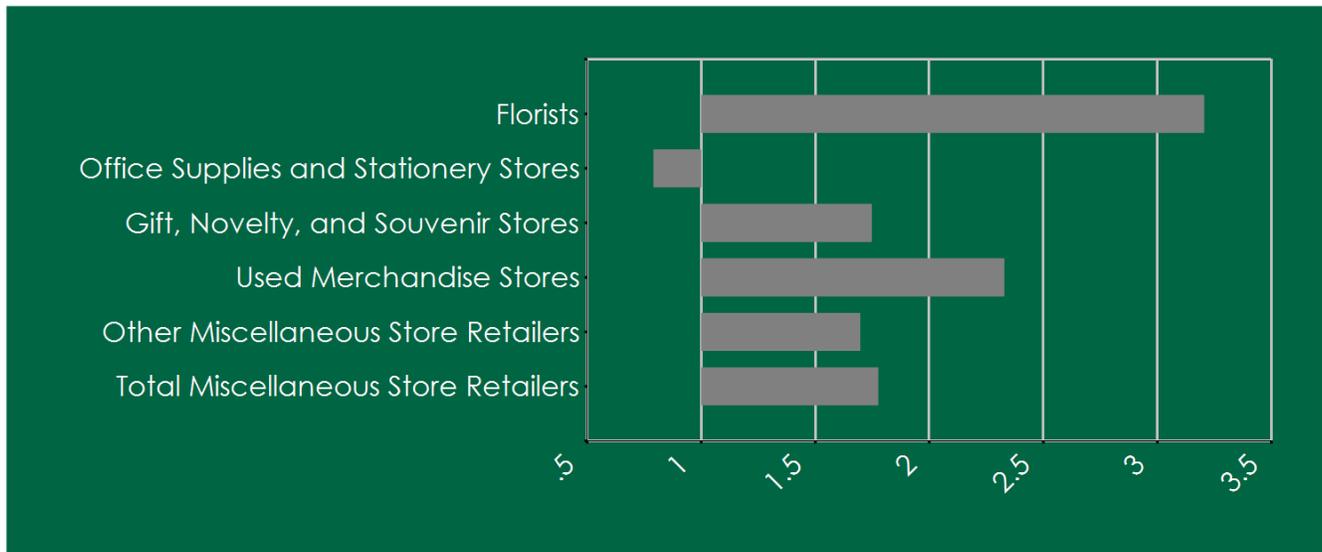
Sub-Categories of General Merchandise Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores	2,846,609	35,711,486	12.5
Warehouse Clubs & Superstores	8,860,977	9,381,397	1.1
All Other General Merchandise Stores	1,430,950	2,221,763	1.6
Total General Merchandise Stores	13,138,535	47,314,646	3.6

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Sub-Categories of Miscellaneous Store Retailers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	110,240	353,358	3.2
Office Supplies and Stationery Stores	237,519	187,745	0.8
Gift, Novelty, and Souvenir Stores	303,608	530,637	1.7
Used Merchandise Stores	365,629	851,644	2.3
Other Miscellaneous Store Retailers	1,477,857	2,508,537	1.7
Total Miscellaneous Store Retailers	2,494,854	4,431,922	1.8

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Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Estimated Sales	Surplus/Leakage
Special Food Services	1,041,562	499,513	0.5
Drinking Places (Alcoholic Beverages)	562,348	275,583	0.5
Restaurants and Other Eating Places	11,809,089	21,272,306	1.8
Total Foodservice & Drinking Places	13,412,998	22,047,402	1.6

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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.