



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.

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Retail Leakage and Surplus Analysis

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	67,250,096	32,044,630	0.5
Furniture & Home Furnishing Stores	8,584,966	4,575,485	0.5
Electronics & Appliance Stores	6,890,510	755,094	0.1
Building Material & Garden Equipment & Supply Dealers	21,927,870	66,925,246	3.1
Food & Beverage Stores	52,634,963	17,135,160	0.3
Health & Personal Care Stores	20,742,588	2,794,604	0.1
Clothing & Clothing Accessories Stores	16,934,138	3,568,635	0.2
Sporting Goods, Hobby, Book, & Music Stores	6,416,859	2,529,552	0.4
General Merchandise Stores	46,066,343	8,129,157	0.2
Miscellaneous Store Retailers	9,575,486	2,889,154	0.3
Foodservice & Drinking Places	37,196,510	16,021,339	0.4
Total	294,220,329	157,368,056	0.5

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Retail Leakage and Surplus Analysis

Sub-Categories of Motor Vehicle Parts & Dealers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	57,791,872	24,175,025	0.4
Other Motor Vehicle Dealers	3,422,320	1,271,297	0.4
Automotive Parts, Accessories, & Tire Stores	6,035,904	6,598,308	1.1
Total Motor Vehicle Parts & Dealers	67,250,096	32,044,630	0.5

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Retail Leakage and Surplus Analysis

Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	5,457,581	4,422	0.0
Home Furnishing Stores	3,127,385	4,571,063	1.5
Total Furniture & Home Furnishing Stores	8,584,966	4,575,485	0.5

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Retail Leakage and Surplus Analysis

Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Household Appliances Stores	997,476	47,872	0.0
Radio, Television and Other Electronics Stores	3,999,444	579,282	0.1
Computer and Software Stores	1,680,698	126,578	0.0
Camera & Photographic Equipment Stores	212,892	1,362	0.0
Total Electronics & Appliance Stores	6,890,510	755,094	0.1

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Retail Leakage and Surplus Analysis

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Home Centers	8,046,752	0	0.0
Paint and Wallpaper Stores	345,731	0	0.0
Hardware Stores	1,559,612	132,987	0.0
Other Building Materials Dealers	7,882,284	61,410,002	7.8
Outdoor Power Equipment Stores	622,238	0	0.0
Nursery and Garden centers	3,471,253	5,382,257	1.6
Total Building Material & Garden Equipment & Supply Dealers	21,927,870	66,925,246	3.1

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Retail Leakage and Surplus Analysis

Sub-Categories of Food & Beverage Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	44,845,473	10,124,142	0.2
Convenience Stores	2,460,211	2,434,060	1.0
Specialty Food Stores	2,004,004	238,481	0.1
Beer, Wine, & Liquor Stores	3,325,275	4,338,477	1.3
Total Food & Beverage Stores	52,634,963	17,135,160	0.3

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Retail Leakage and Surplus Analysis

Sub-Categories of Health & Personal Care Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	17,274,528	2,051,419	0.1
Cosmetics, Beauty Supplies and Perfume Stores	1,039,299	0	0.0
Optical Goods Stores	945,623	0	0.0
Other Health and Personal Care Stores	1,483,138	743,185	0.5
Total Health & Personal Care Stores	20,742,588	2,794,604	0.1

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Retail Leakage and Surplus Analysis

Sub-Categories of Clothing & Clothing Accessories Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Mens Clothing Stores	604,731	0	0.0
Womens Clothing Stores	2,613,804	1,381,970	0.5
Childrens and Infants Clothing Stores	931,222	0	0.0
Family Clothing Stores	6,761,276	1,780,370	0.3
Clothing Accessories Stores	496,267	0	0.0
Other Clothing Stores	896,120	0	0.0
Shoe Stores	2,045,191	406,295	0.2
Jewelry Stores	2,265,285	0	0.0
Luggage & Leather Goods Stores	320,242	0	0.0
Total Clothing & Clothing Accessories Stores	16,934,138	3,568,635	0.2

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Retail Leakage and Surplus Analysis

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Sporting Goods Stores	2,858,300	185,545	0.0
Hobby, Toys and Games Stores	1,676,017	297,125	0.2
Sew/Neddlework/Piece Goods Stores	253,532	0	0.0
Musical Instrument and Supplies Stores	325,319	0	0.0
Book Stores	863,397	298,380	0.3
News Dealers and Newsstands	168,027	1,689,564	10.1
Prerecorded Tape, Compact Disc, and Record Stores	272,267	58,938	0.2
Total Sporting Goods, Hobby, Book, & Music Stores	6,416,859	2,529,552	0.4

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Retail Leakage and Surplus Analysis

Sub-Categories of General Merchandise Stores

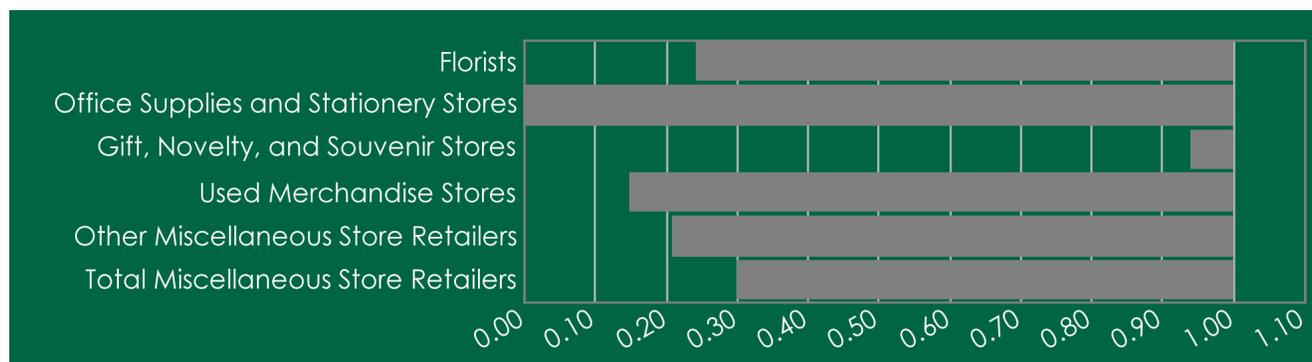


Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores excluding leased depts	12,310,770	558,243	0.0
Warehouse Clubs & Supercenters	28,431,922	6,411,009	0.2
All Other General Merchandise Stores	5,323,651	1,159,905	0.2
Total General Merchandise Stores	46,066,343	8,129,157	0.2

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Retail Leakage and Surplus Analysis

Sub-Categories of Miscellaneous Store Retailers

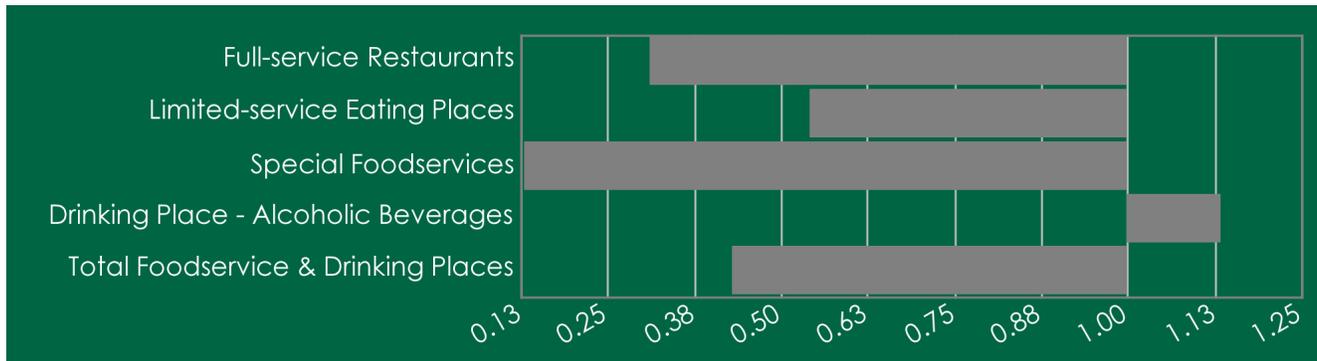


Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	554,825	134,143	0.2
Office Supplies and Stationery Stores	1,426,787	0	0.0
Gift, Novelty, and Souvenir Stores	1,678,639	1,578,475	0.9
Used Merchandise Stores	1,104,998	164,707	0.1
Other Miscellaneous Store Retailers	4,810,237	1,011,829	0.2
Total Miscellaneous Store Retailers	9,575,486	2,889,154	0.3

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

Retail Leakage and Surplus Analysis

Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Estimated Sales	Surplus/Leakage
Full-service Restaurants	16,083,296	4,990,061	0.3
Limited-service Eating Places	16,051,409	8,711,298	0.5
Special Foodservices	3,407,676	442,055	0.1
Drinking Place - Alcoholic Beverages	1,654,129	1,877,925	1.1
Total Foodservice & Drinking Places	37,196,510	16,021,339	0.4

All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included in the model. The user assumes all risk of reliance on this information.

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.