



## 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



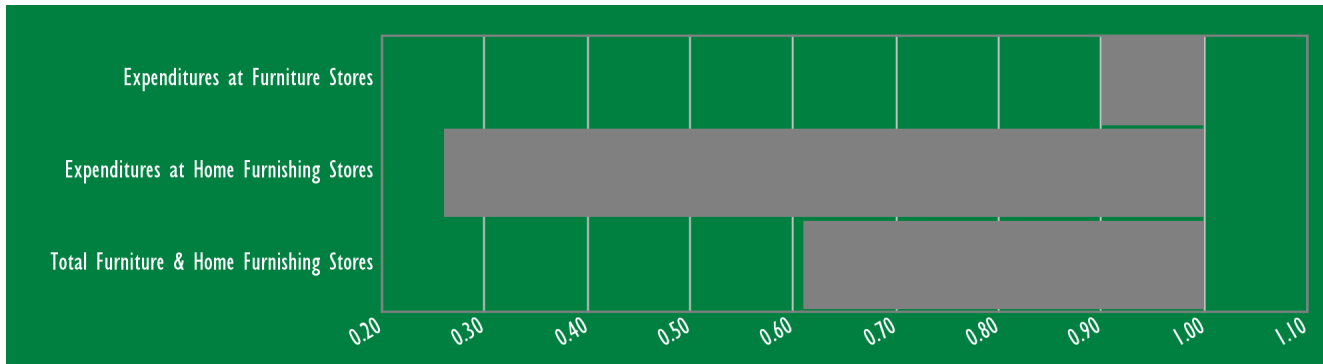
Store Type	Potential	Actual Sales	Leakage
Motor Vehicle Parts & Dealers	121,920,476	356,641,119	2.9
Furniture & Home Furnishing Stores	15,319,734	9,364,839	0.6
Electronics & Appliance Stores	13,905,374	5,075,187	0.4
Building Material & Garden Equipment & Supply Dealers	71,596,899	223,903,568	3.1
Food & Beverage Stores	81,711,741	198,898,716	2.4
Health & Personal Care Stores	37,721,316	41,512,212	1.1
Clothing & Clothing Accessories Stores	27,549,453	66,188,217	2.4
Sporting Goods, Hobby, Book, & Music Stores	10,270,378	3,726,495	0.4
General Merchandise Stores	77,042,832	166,825,652	2.2
Miscellaneous Store Retailers	15,915,989	14,306,859	0.9
Foodservice & Drinking Places	62,940,837	70,869,137	1.1
<b>Total</b>	<b>535,895,028</b>	<b>1,157,312,001</b>	<b>2.2</b>

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



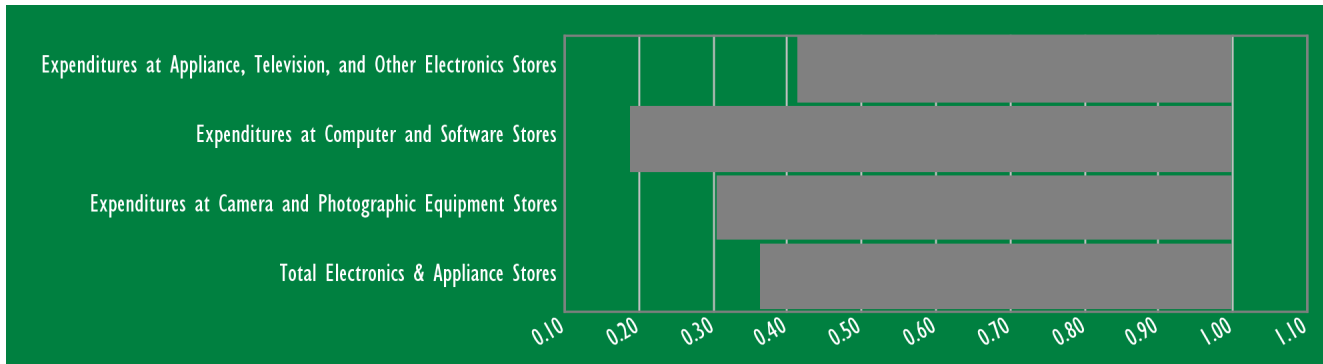
Store Type	Potential	Actual Sales	Leakage
Expenditures at Automotive Dealers	105,182,342	317,439,449	3.0
Expenditures at Other Motor Vehicle Dealers	6,960,575	2,735,335	0.4
Expenditures at Automotive Parts, Accessories, and Tire Stores	9,777,558	36,466,334	3.7
Total Motor Vehicle Parts & Dealers	121,920,476	356,641,119	2.9

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



Store Type	Potential	Actual Sales	Leakage
Expenditures at Furniture Stores	8,384,311	7,551,183	0.9
Expenditures at Home Furnishing Stores	6,935,423	1,813,656	0.3
Total Furniture & Home Furnishing Stores	15,319,734	9,364,839	0.6

### Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Actual Sales	Leakage
Expenditures at Appliance, Television, and Other Electronics Stores	10,586,009	4,381,349	0.4
Expenditures at Computer and Software Stores	2,793,630	533,225	0.2
Expenditures at Camera and Photographic Equipment Stores	525,735	160,612	0.3
Total Electronics & Appliance Stores	13,905,374	5,075,187	0.4

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



Store Type	Potential	Actual Sales	Leakage
Expenditures at Home Centers	25,866,698	20,174,541	0.8
Expenditures at Paint and Wallpaper Stores	1,482,564	2,508,381	1.7
Expenditures at Hardware Stores	5,120,700	21,215,842	4.1
Expenditures at Other Building Materials Dealers	33,522,003	135,972,295	4.1
Expenditures at Outdoor Power Equipment Stores	903,289	0	0.0
Expenditures at Nursery and Garden Centers	4,701,645	44,032,509	9.4
Total Building Material & Garden Equipment & Supply Dealers	71,596,899	223,903,568	3.1

### Sub-Categories of Food & Beverage Stores



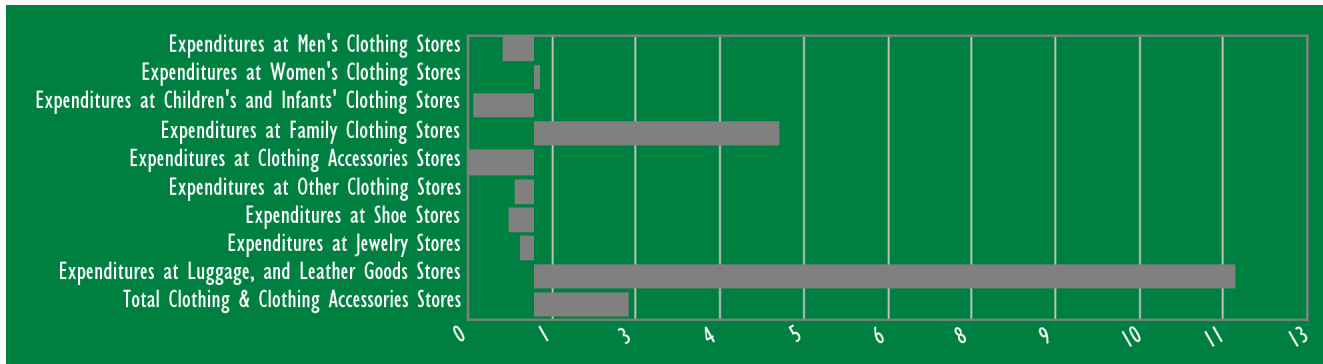
Store Type	Potential	Actual Sales	Leakage
Expenditures at Supermarkets and Other Grocery (except Convenience) Stores	70,784,883	180,765,410	2.6
Expenditures at Convenience Stores	3,647,568	2,697,806	0.7
Expenditures at Specialty Food Stores	2,344,749	9,098,693	3.9
Expenditures at Beer, Wine, and Liquor Stores	4,934,541	6,336,808	1.3
Total Food & Beverage Stores	81,711,741	198,898,716	2.4

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



Store Type	Potential	Actual Sales	Leakage
Expenditures at Pharmacies and Drug Stores	33,012,843	39,324,236	1.2
Expenditures at Cosmetics, Beauty Supplies and Perfume Stores	1,331,503	882,000	0.7
Expenditures at Optical Goods Stores	1,007,222	748,743	0.7
Expenditures at Other Health and Personal Care Stores	2,369,748	557,234	0.2
Total Health & Personal Care Stores	37,721,316	41,512,212	1.1

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



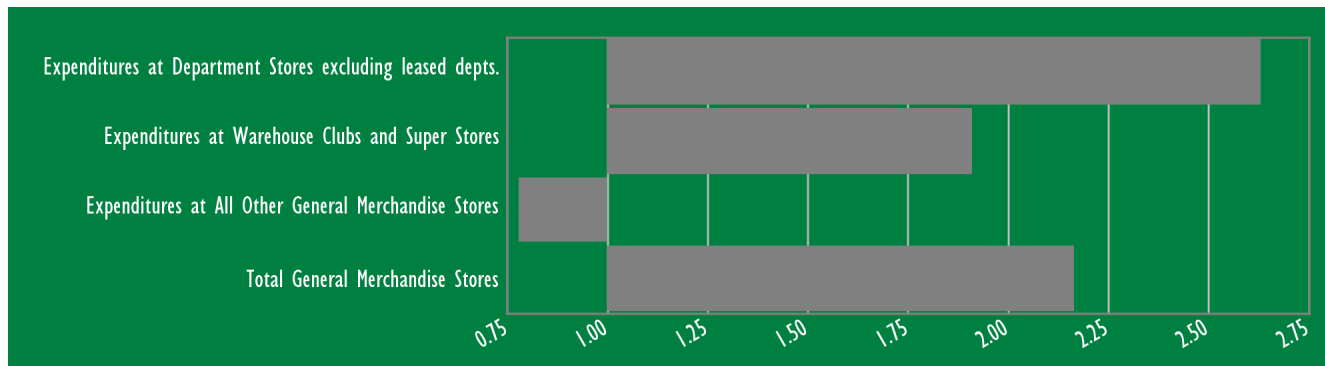
Store Type	Potential	Actual Sales	Leakage
Expenditures at Men's Clothing Stores	1,340,991	691,194	0.5
Expenditures at Women's Clothing Stores	4,886,556	5,327,143	1.1
Expenditures at Children's and Infants' Clothing Stores	1,230,256	119,538	0.1
Expenditures at Family Clothing Stores	10,875,989	50,756,298	4.7
Expenditures at Clothing Accessories Stores	432,947	0	0.0
Expenditures at Other Clothing Stores	1,263,128	882,404	0.7
Expenditures at Shoe Stores	3,821,017	2,294,523	0.6
Expenditures at Jewelry Stores	3,398,719	2,688,146	0.8
Expenditures at Luggage, and Leather Goods Stores	299,850	3,428,971	11.4
<b>Total Clothing &amp; Clothing Accessories Stores</b>	<b>27,549,453</b>	<b>66,188,217</b>	<b>2.4</b>

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



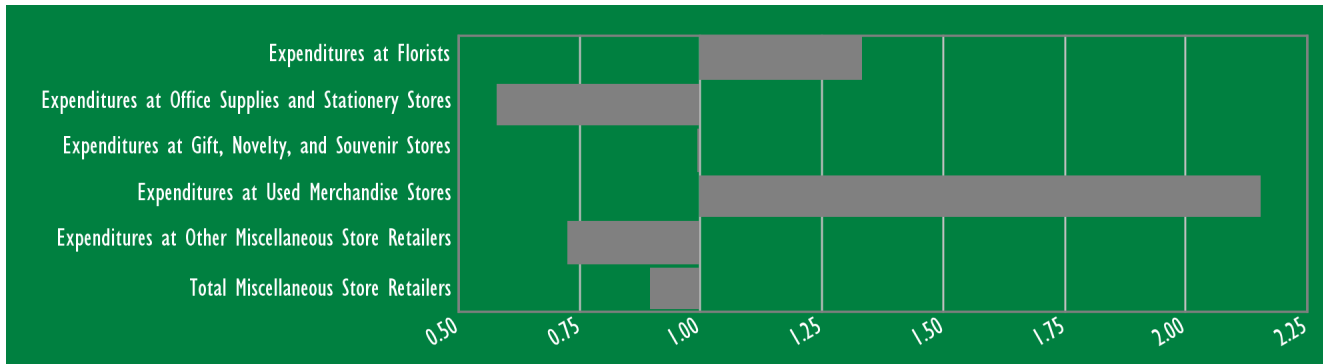
Store Type	Potential	Actual Sales	Leakage
Expenditures at Sporting Goods Stores	3,426,025	1,137,987	0.3
Expenditures at Hobby, Toys and Games Stores	2,332,585	616,904	0.3
Expenditures at Sew/Needlework/Piece Goods Stores	608,464	255,805	0.4
Expenditures at Musical Instrument and Supplies Stores	668,124	535,100	0.8
Expenditures at Book Stores and News Dealers	2,318,165	796,836	0.3
Expenditures at Prerecorded Tape, Compact Disc, and Record Stores	917,015	383,863	0.4
<b>Total Sporting Goods, Hobby, Book, &amp; Music Stores</b>	<b>10,270,378</b>	<b>3,726,495</b>	<b>0.4</b>

### Sub-Categories of General Merchandise Stores



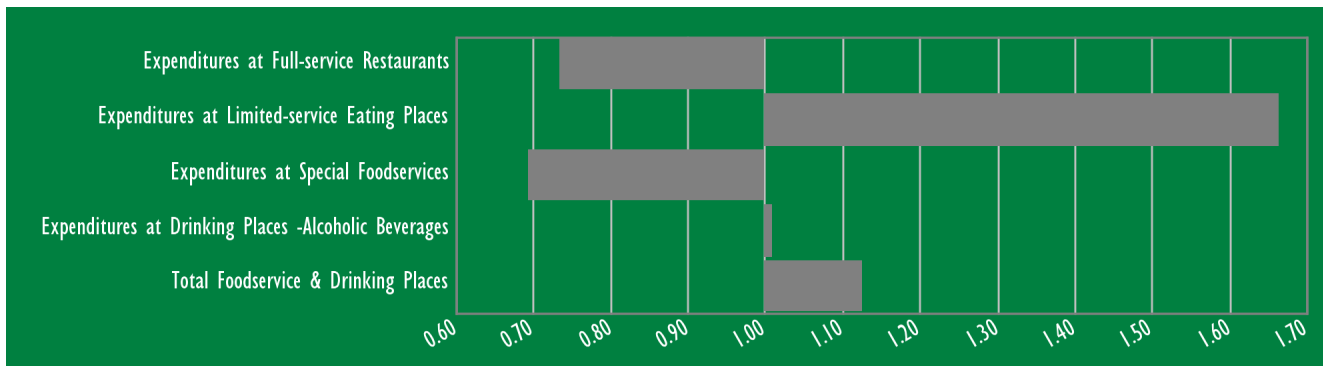
Store Type	Potential	Actual Sales	Leakage
Expenditures at Department Stores excluding leased depts.	35,868,005	94,385,560	2.6
Expenditures at Warehouse Clubs and Super Stores	35,589,843	68,084,845	1.9
Expenditures at All Other General Merchandise Stores	5,584,984	4,355,247	0.8
Total General Merchandise Stores	77,042,832	166,825,652	2.2

### Sub-Categories of Miscellaneous Store Retailers



Store Type	Potential	Actual Sales	Leakage
Expenditures at Florists	1,167,306	1,555,839	1.3
Expenditures at Office Supplies and Stationery Stores	3,459,620	2,013,153	0.6
Expenditures at Gift, Novelty, and Souvenir Stores	2,610,519	2,599,861	1.0
Expenditures at Used Merchandise Stores	1,281,061	2,762,924	2.2
Expenditures at Other Miscellaneous Store Retailers	7,397,482	5,375,082	0.7
Total Miscellaneous Store Retailers	15,915,989	14,306,859	0.9

### Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Actual Sales	Leakage
Expenditures at Full-service Restaurants	28,889,680	21,221,093	0.7
Expenditures at Limited-service Eating Places	25,888,841	43,079,624	1.7
Expenditures at Special Foodservices	5,297,964	3,678,041	0.7
Expenditures at Drinking Places -Alcoholic Beverages	2,864,353	2,890,380	1.0
Total Foodservice & Drinking Places	62,940,837	70,869,137	1.1

## 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.