



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.

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	18,349,941	12,446,109	0.7
Furniture & Home Furnishing Stores	1,523,163	928,309	0.6
Electronics & Appliance Stores	1,532,879	485,579	0.3
Building Material & Garden Equipment & Supply Dealers	5,274,825	1,905,502	0.4
Food & Beverage Stores	8,947,624	635,325	0.0
Health & Personal Care Stores	4,354,098	8,419,021	1.9
Clothing & Clothing Accessories Stores	4,292,653	2,218,571	0.5
Sporting Goods, Hobby, Book, & Music Stores	1,312,097	5,210,893	4.0
General Merchandise Stores	9,820,512	10,393,290	1.1
Miscellaneous Store Retailers	2,027,348	578,025	0.3
Foodservice & Drinking Places	8,100,766	5,114,203	0.6
Total	65,535,906	48,334,827	0.7

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.

Sub-Categories of Motor Vehicle Parts & Dealers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	15,734,360	10,113,069	0.6
Other Motor Vehicle Dealers	1,146,216	1,245,738	1.1
Automotive Parts, Accessories, & Tire Stores	1,469,365	1,087,302	0.7
Total Motor Vehicle Parts & Dealers	18,349,941	12,446,109	0.7

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.

Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	826,063	567,116	0.7
Home Furnishing Stores	697,100	361,193	0.5
Total Furniture & Home Furnishing Stores	1,523,163	928,309	0.6

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.

Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Household Appliances Stores	251,525	62,793	0.2
Radio, Television and Other Electronics Stores	847,220	390,512	0.5
Computer and Software Stores	393,790	32,274	0.0
Camera & Photographic Equipment Stores	40,344	0	0.0
Total Electronics & Appliance Stores	1,532,879	485,579	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.

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Home Centers	1,940,970	169,507	0.0
Paint and Wallpaper Stores	142,944	0	0.0
Hardware Stores	370,140	0	0.0
Other Building Materials Dealers	1,476,261	1,735,995	1.2
Outdoor Power Equipment Stores	230,016	0	0.0
Nursery and Garden centers	1,114,494	0	0.0
Total Building Material & Garden Equipment & Supply Dealers	5,274,825	1,905,502	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.

Sub-Categories of Food & Beverage Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	7,474,294	5,110	0.0
Convenience Stores	494,837	630,215	1.3
Specialty Food Stores	317,197	0	0.0
Beer, Wine, & Liquor Stores	661,296	0	0.0
Total Food & Beverage Stores	8,947,624	635,325	0.0

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.

Sub-Categories of Health & Personal Care Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	3,635,244	8,193,225	2.3
Cosmetics, Beauty Supplies and Perfume Stores	234,642	225,796	1.0
Optical Goods Stores	173,406	0	0.0
Other Health and Personal Care Stores	310,806	0	0.0
Total Health & Personal Care Stores	4,354,098	8,419,021	1.9

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.

Sub-Categories of Clothing & Clothing Accessories Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Mens Clothing Stores	121,227	0	0.0
Womens Clothing Stores	710,667	0	0.0
Childrens and Infants Clothing Stores	220,148	0	0.0
Family Clothing Stores	1,614,727	2,218,571	1.4
Clothing Accessories Stores	125,226	0	0.0
Other Clothing Stores	232,642	0	0.0
Shoe Stores	516,773	0	0.0
Jewelry Stores	692,769	0	0.0
Luggage & Leather Goods Stores	58,474	0	0.0
Total Clothing & Clothing Accessories Stores	4,292,653	2,218,571	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.

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Sporting Goods Stores	649,449	183,890	0.3
Hobby, Toys and Games Stores	300,164	0	0.0
Sew/Neddlework/Piece Goods Stores	39,577	2,990	0.0
Musical Instrument and Supplies Stores	70,335	194,177	2.8
Book Stores	165,003	4,558,116	27.6
News Dealers and Newsstands	30,842	271,720	8.8
Prerecorded Tape, Compact Disc, and Record Stores	56,727	0	0.0
Total Sporting Goods, Hobby, Book, & Music Stores	1,312,097	5,210,893	4.0

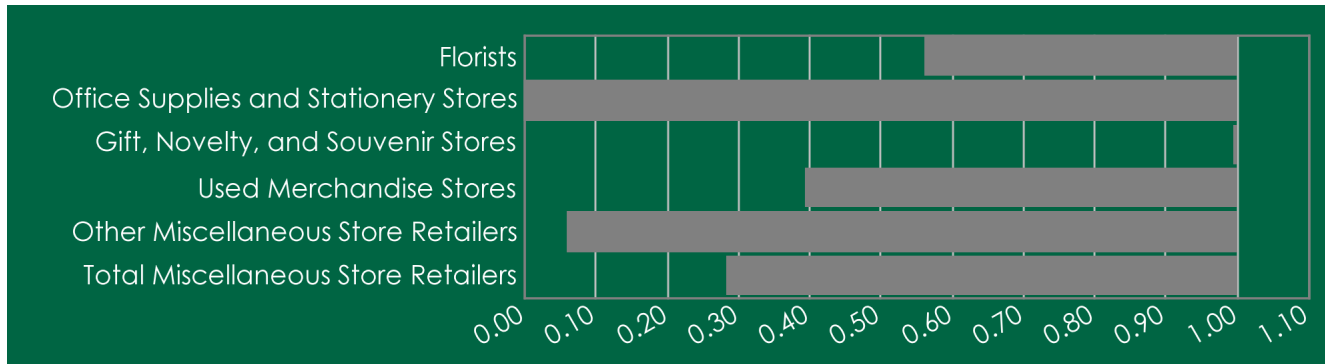
All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included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

Sub-Categories of General Merchandise Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores excluding leased depts	2,797,594	0	0.0
Warehouse Clubs & Supercenters	6,080,954	9,040,183	1.5
All Other General Merchandise Stores	941,964	1,353,107	1.4
Total General Merchandise Stores	9,820,512	10,393,290	1.1

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.

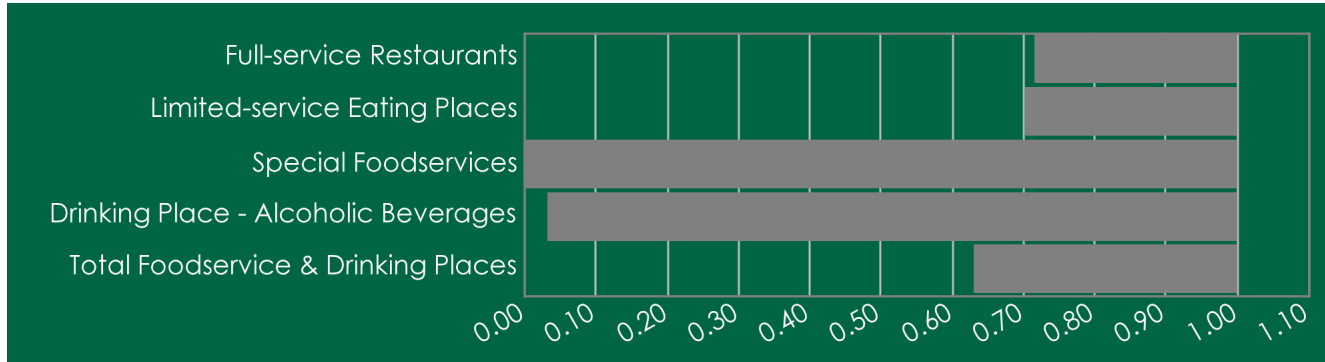
Sub-Categories of Miscellaneous Store Retailers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	187,971	105,473	0.6
Office Supplies and Stationery Stores	264,653	0	0.0
Gift, Novelty, and Souvenir Stores	322,905	321,503	1.0
Used Merchandise Stores	227,515	89,671	0.4
Other Miscellaneous Store Retailers	1,024,304	61,378	0.0
Total Miscellaneous Store Retailers	2,027,348	578,025	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.

Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Estimated Sales	Surplus/Leakage
Full-service Restaurants	3,523,037	2,528,778	0.7
Limited-service Eating Places	3,658,744	2,576,363	0.7
Special Foodservices	641,035	0	0.0
Drinking Place - Alcoholic Beverages	277,950	9,062	0.0
Total Foodservice & Drinking Places	8,100,766	5,114,203	0.6

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.