



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	128,547,037	71,400,196	0.6
Furniture & Home Furnishing Stores	15,932,305	2,594,320	0.2
Electronics & Appliance Stores	12,681,757	5,755,522	0.5
Building Material & Garden Equipment & Supply Dealers	38,012,518	28,351,574	0.7
Food & Beverage Stores	83,344,926	41,014,312	0.5
Health & Personal Care Stores	49,541,122	20,171,519	0.4
Clothing & Clothing Accessories Stores	59,206,020	3,193,734	0.1
Sporting Goods, Hobby, Book, & Music Stores	13,592,078	461,795	0.0
General Merchandise Stores	89,423,781	5,876,094	0.1
Miscellaneous Store Retailers	20,372,049	2,132,286	0.1
Foodservice & Drinking Places	68,566,931	18,420,868	0.3
Total	579,220,524	199,372,220	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 Motor Vehicle Parts & Dealers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	107,755,206	64,461,396	0.6
Other Motor Vehicle Dealers	5,241,491	5,123,898	1.0
Automotive Parts, Accessories, & Tire Stores	15,550,340	1,814,902	0.1
Total Motor Vehicle Parts & Dealers	128,547,037	71,400,196	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.

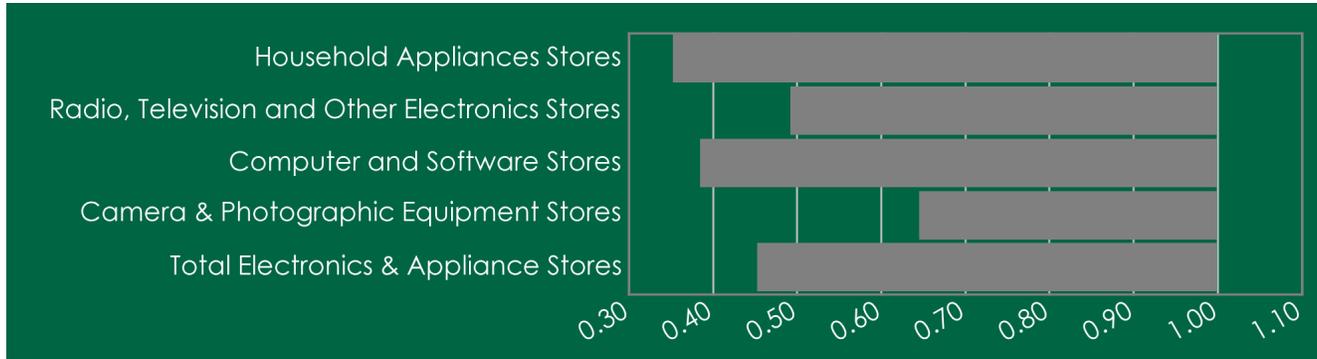
Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	8,532,576	1,929,351	0.2
Home Furnishing Stores	7,399,729	664,969	0.1
Total Furniture & Home Furnishing Stores	15,932,305	2,594,320	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.

Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Household Appliances Stores	1,315,672	464,998	0.4
Radio, Television and Other Electronics Stores	7,830,367	3,863,361	0.5
Computer and Software Stores	3,283,889	1,264,129	0.4
Camera & Photographic Equipment Stores	251,829	163,034	0.6
Total Electronics & Appliance Stores	12,681,757	5,755,522	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 Building Material & Garden Equipment & Supply Dealers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Home Centers	14,093,722	19,714,904	1.4
Paint and Wallpaper Stores	373,779	236	0.0
Hardware Stores	2,670,327	73,156	0.0
Other Building Materials Dealers	13,775,497	2,759,218	0.2
Outdoor Power Equipment Stores	986,230	231,548	0.2
Nursery and Garden centers	6,112,963	5,572,512	0.9
Total Building Material & Garden Equipment & Supply Dealers	38,012,518	28,351,574	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 Food & Beverage Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	69,750,098	40,535,792	0.6
Convenience Stores	3,720,990	112,196	0.0
Specialty Food Stores	2,978,136	612	0.0
Beer, Wine, & Liquor Stores	6,895,702	365,712	0.1
Total Food & Beverage Stores	83,344,926	41,014,312	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 Health & Personal Care Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	39,582,261	19,279,237	0.5
Cosmetics, Beauty Supplies and Perfume Stores	2,584,110	141,398	0.1
Optical Goods Stores	3,920,648	561,523	0.1
Other Health and Personal Care Stores	3,454,103	189,361	0.1
Total Health & Personal Care Stores	49,541,122	20,171,519	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 Clothing & Clothing Accessories Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Mens Clothing Stores	1,891,227	549	0.0
Womens Clothing Stores	11,817,017	1,490,953	0.1
Childrens and Infants Clothing Stores	1,597,748	724,511	0.5
Family Clothing Stores	23,678,823	183,725	0.0
Clothing Accessories Stores	1,934,548	133	0.0
Other Clothing Stores	3,864,581	299,277	0.1
Shoe Stores	4,951,406	194,066	0.0
Jewelry Stores	8,762,280	300,520	0.0
Luggage & Leather Goods Stores	708,390	0	0.0
Total Clothing & Clothing Accessories Stores	59,206,020	3,193,734	0.1

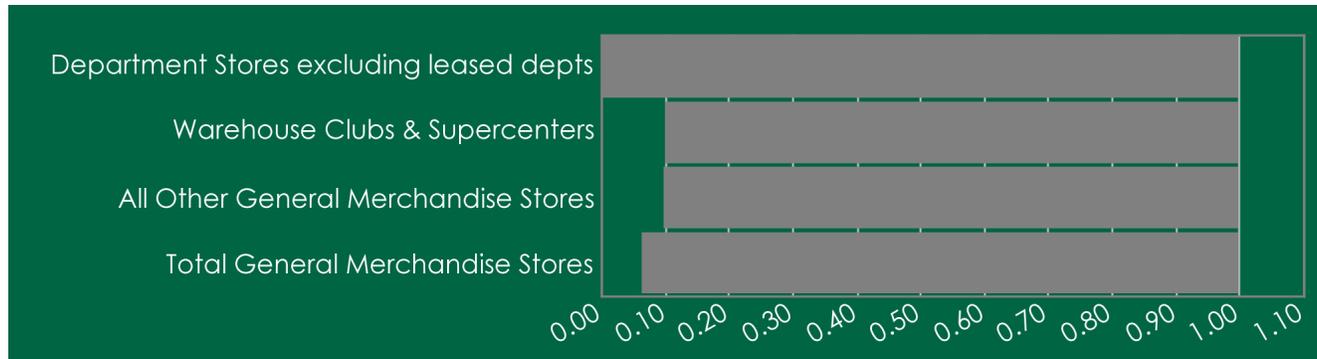
All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included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

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Sporting Goods Stores	6,047,337	17,178	0.0
Hobby, Toys and Games Stores	3,276,916	333,343	0.1
Sew/Neddlework/Piece Goods Stores	322,859	54,182	0.2
Musical Instrument and Supplies Stores	614,717	55,655	0.1
Book Stores	2,414,325	1,177	0.0
News Dealers and Newsstands	334,535	0	0.0
Prerecorded Tape, Compact Disc, and Record Stores	581,389	260	0.0
Total Sporting Goods, Hobby, Book, & Music Stores	13,592,078	461,795	0.0

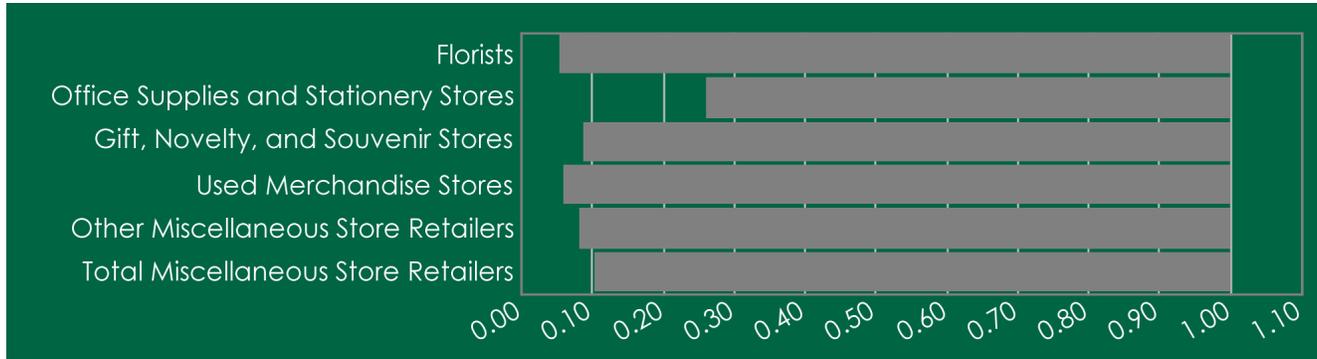
All estimates, projections or forecasts in this model are subject to errors, including statistical error, error due to the subjective nature of some data, error due to changes in demographics, error based on lagging competitor information or growth data, and error due to factors that are not included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

Sub-Categories of General Merchandise Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores excluding leased depts	31,014,727	67,993	0.0
Warehouse Clubs & Supercenters	48,723,571	4,872,254	0.1
All Other General Merchandise Stores	9,685,483	935,847	0.1
Total General Merchandise Stores	89,423,781	5,876,094	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.

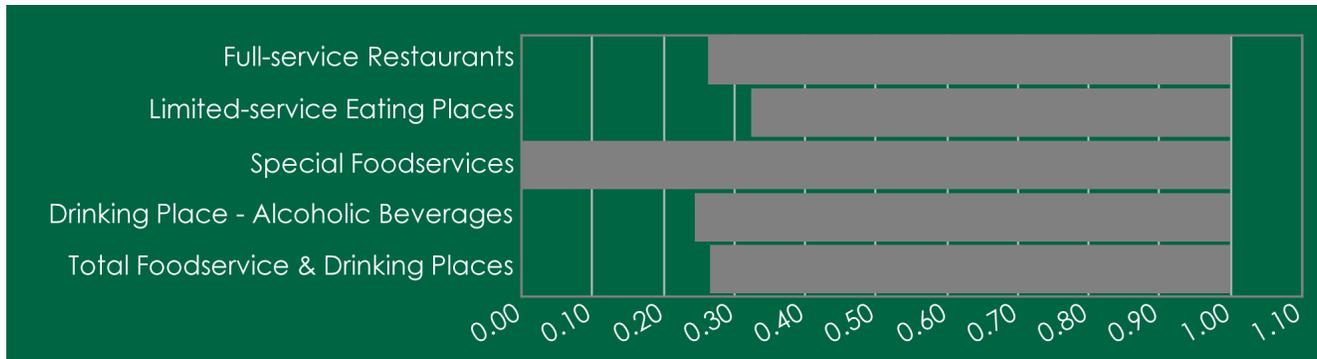
Sub-Categories of Miscellaneous Store Retailers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	920,935	50,444	0.1
Office Supplies and Stationery Stores	2,907,912	757,826	0.3
Gift, Novelty, and Souvenir Stores	3,701,762	328,078	0.1
Used Merchandise Stores	2,773,229	167,483	0.1
Other Miscellaneous Store Retailers	10,068,211	828,455	0.1
Total Miscellaneous Store Retailers	20,372,049	2,132,286	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.

Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Estimated Sales	Surplus/Leakage
Full-service Restaurants	29,718,053	7,897,801	0.3
Limited-service Eating Places	30,267,337	9,842,564	0.3
Special Foodservices	5,909,310	22,776	0.0
Drinking Place - Alcoholic Beverages	2,672,231	657,727	0.2
Total Foodservice & Drinking Places	68,566,931	18,420,868	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.

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.