



## 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.

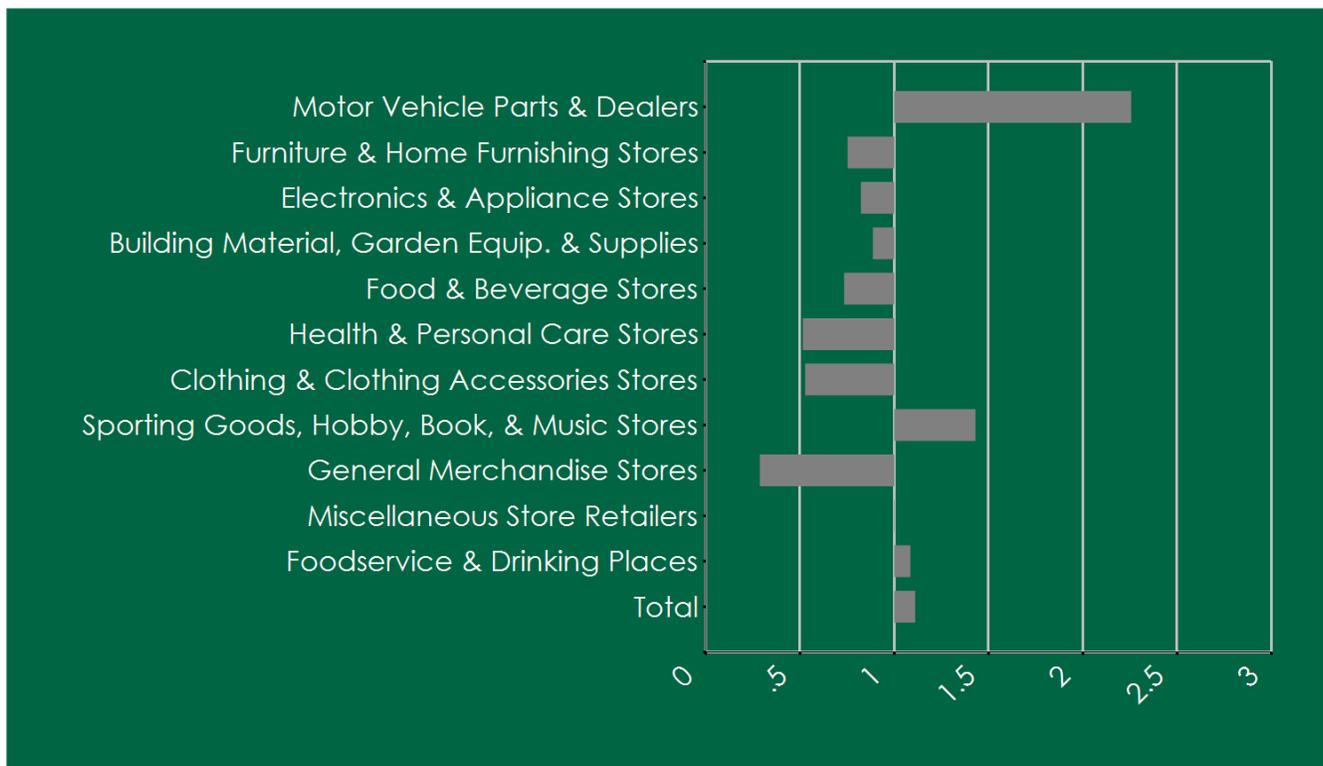
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## Leakage/Surplus Index by Major Store Type

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.

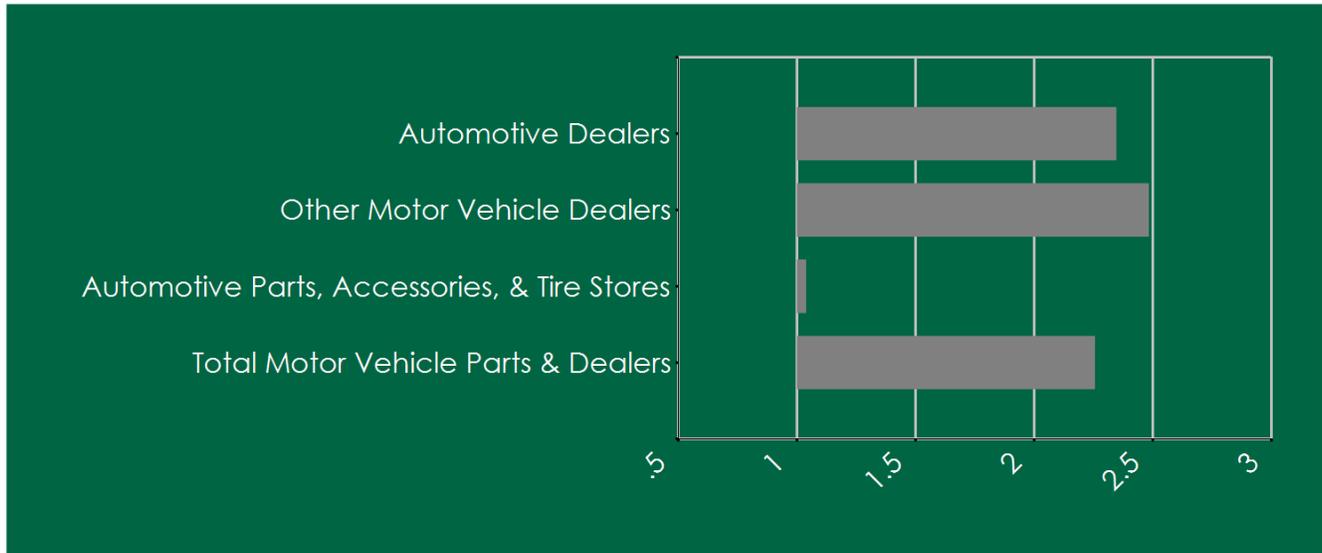
Figure 1 provides the leakage/surplus indices and following is the sales potential and estimated sales for major store types.

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	56,926,182	128,434,818	2.3
Furniture & Home Furnishing Stores	5,275,903	3,967,044	0.8
Electronics & Appliance Stores	4,555,781	3,748,050	0.8
Building Material, Garden Equip. & Supplies	17,934,118	15,885,833	0.9
Food & Beverage Stores	35,065,015	25,717,053	0.7
Health & Personal Care Stores	17,365,529	8,931,081	0.5
Clothing & Clothing Accessories Stores	11,223,886	5,912,080	0.5
Sporting Goods, Hobby, Book, & Music Stores	3,767,052	5,387,882	1.4
General Merchandise Stores	33,386,779	9,559,957	0.3
Miscellaneous Store Retailers	6,561,870	6,545,813	1.0
Foodservice & Drinking Places	31,050,076	33,682,641	1.1
<b>Total</b>	<b>223,112,191</b>	<b>247,772,252</b>	<b>1.1</b>

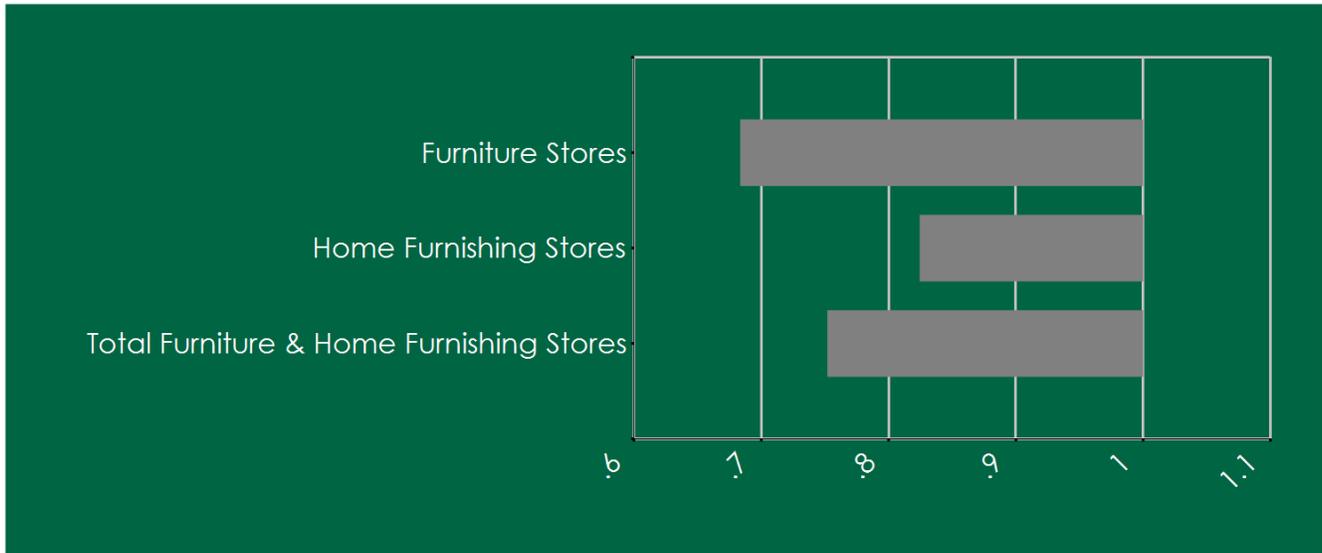
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Sub-Categories of Motor Vehicle Parts & Dealers

Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	48,773,695	114,437,277	2.3
Other Motor Vehicle Dealers	3,828,426	9,507,101	2.5
Automotive Parts, Accessories, & Tire Stores	4,324,060	4,490,439	1.0
Total Motor Vehicle Parts & Dealers	56,926,182	128,434,818	2.3

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Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	2,712,207	1,853,536	0.7
Home Furnishing Stores	2,563,696	2,113,508	0.8
Total Furniture & Home Furnishing Stores	5,275,903	3,967,044	0.8

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Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Household appliance stores	667,964	1,173,878	1.8
Electronics Stores	3,887,817	2,574,172	0.7
Total Electronics & Appliance Stores	4,555,781	3,748,050	0.8

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Home Centers	8,559,186	2,439,722	0.3
Paint and Wallpaper Stores	656,780	104,567	0.2
Hardware Stores	1,234,318	896,841	0.7
Other Building Material Dealers	5,080,520	7,170,987	1.4
Outdoor Power Equipment Stores	353,997	170,961	0.5
Nursery, Garden Center, & Farm Supply Stores	2,049,317	5,102,755	2.5
Total Building Material, Garden Equip. & Supplies	17,934,118	15,885,833	0.9

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Sub-Categories of Food & Beverage Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	29,848,802	20,235,422	0.7
Convenience Stores	1,472,592	996,846	0.7
Specialty Food Stores	1,138,955	1,074,690	0.9
Beer, Wine, & Liquor Stores	2,604,666	3,410,095	1.3
Total Food & Beverage Stores	35,065,015	25,717,053	0.7

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Sub-Categories of Health & Personal Care Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	14,298,240	5,892,149	0.4
Cosmetics, Beauty Supplies and Perfume Stores	1,123,340	84,817	0.1
Optical Goods Stores	712,659	1,333,486	1.9
Other Health and Personal Care Stores	1,231,290	1,620,629	1.3
<b>Total Health &amp; Personal Care Stores</b>	<b>17,365,529</b>	<b>8,931,081</b>	<b>0.5</b>

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Sub-Categories of Clothing & Clothing Accessories Stores

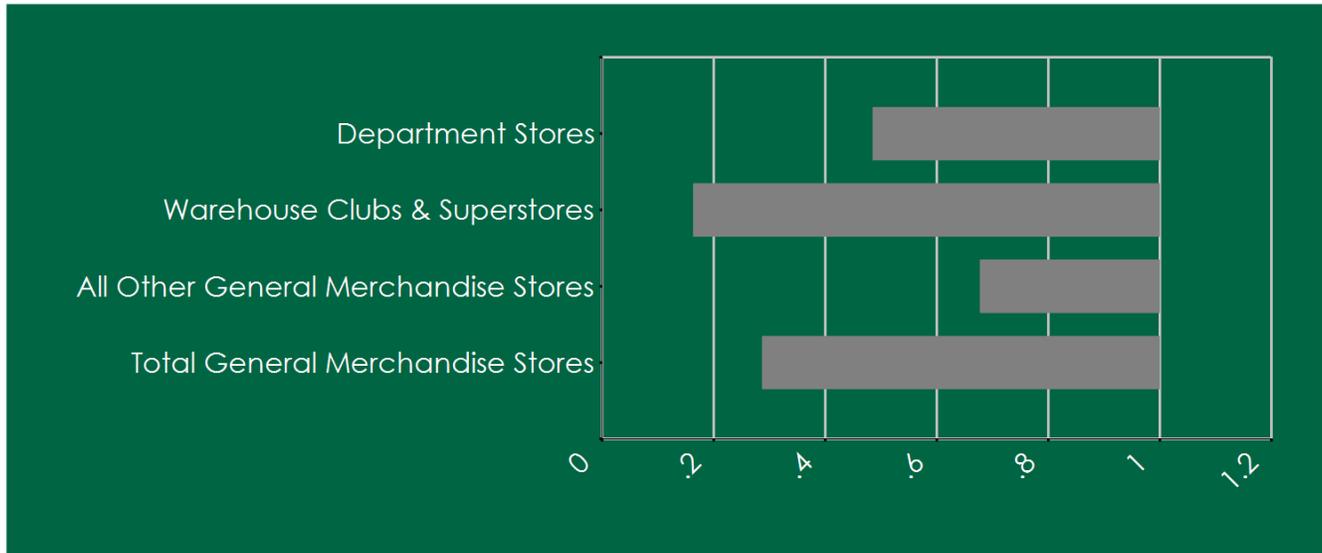
Store Type	Potential	Estimated Sales	Surplus/Leakage
Mens Clothing Stores	406,879	113,508	0.3
Womens Clothing Stores	1,636,641	3,968,320	2.4
Childrens and Infants Clothing Stores	540,809	34,047	0.1
Family Clothing Stores	4,485,711	619,778	0.1
Clothing Accessories Stores	466,237	85,477	0.2
Other Clothing Stores	611,086	608,169	1.0
Shoe Stores	1,494,484	342,434	0.2
Jewelry Stores	1,443,002	130,342	0.1
Luggage & Leather Goods Stores	139,038	10,004	0.1
Total Clothing & Clothing Accessories Stores	11,223,886	5,912,080	0.5

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

Store Type	Potential	Estimated Sales	Surplus/Leakage
Sporting Goods Stores	1,764,053	3,990,983	2.3
Hobby, Toy, and Game Stores	939,681	642,668	0.7
Sewing, Needlework, and Piece Goods Stores	204,285	311,612	1.5
Musical Instrument and Supplies Stores	191,363	267,598	1.4
Book Stores	507,975	174,893	0.3
News Dealers and Newsstands	159,696	128	0.0
Total Sporting Goods, Hobby, Book, & Music Stores	3,767,052	5,387,882	1.4

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Sub-Categories of General Merchandise Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores	7,030,654	3,407,520	0.5
Warehouse Clubs & Superstores	22,735,625	3,700,921	0.2
All Other General Merchandise Stores	3,620,500	2,451,516	0.7
Total General Merchandise Stores	33,386,779	9,559,957	0.3

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Sub-Categories of Miscellaneous Store Retailers

Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	294,023	110,418	0.4
Office Supplies and Stationery Stores	596,943	8,984	0.0
Gift, Novelty, and Souvenir Stores	761,078	1,115,572	1.5
Used Merchandise Stores	897,179	1,914,614	2.1
Other Miscellaneous Store Retailers	4,012,647	3,396,225	0.8
<b>Total Miscellaneous Store Retailers</b>	<b>6,561,870</b>	<b>6,545,813</b>	<b>1.0</b>

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Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Estimated Sales	Surplus/Leakage
Special Food Services	2,600,543	2,551,635	1.0
Drinking Places (Alcoholic Beverages)	1,283,003	1,074,585	0.8
Restaurants and Other Eating Places	27,166,531	30,056,421	1.1
Total Foodservice & Drinking Places	31,050,076	33,682,641	1.1

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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.