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.

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.
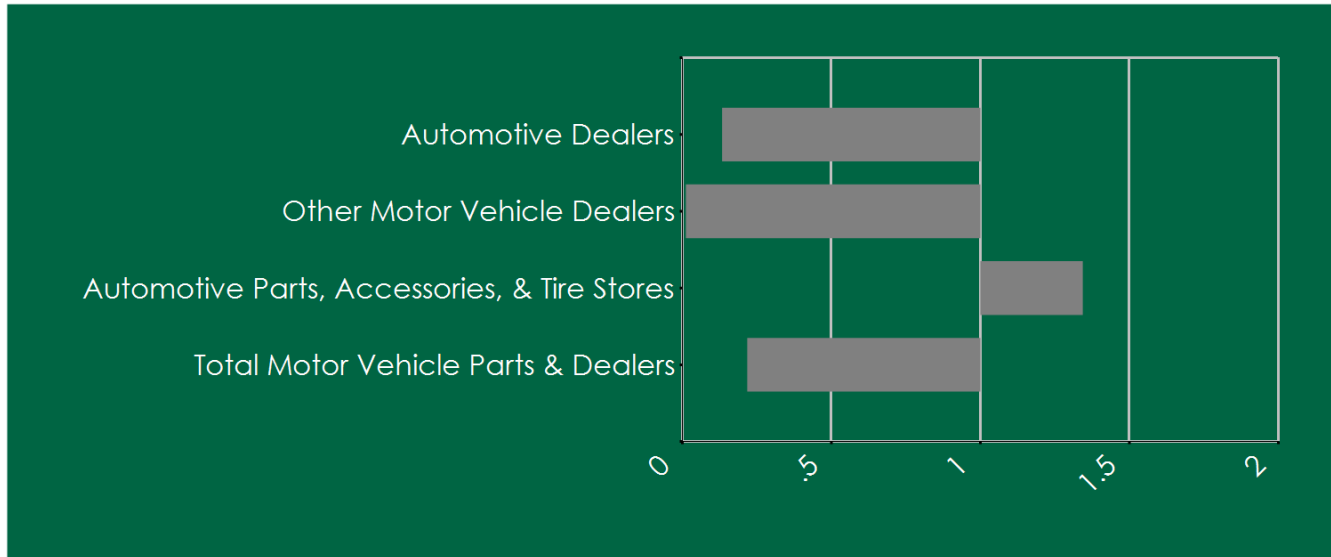
Figure 1. Leakage/Surplus Index and Estimated and Potential Sales by Major Store Types
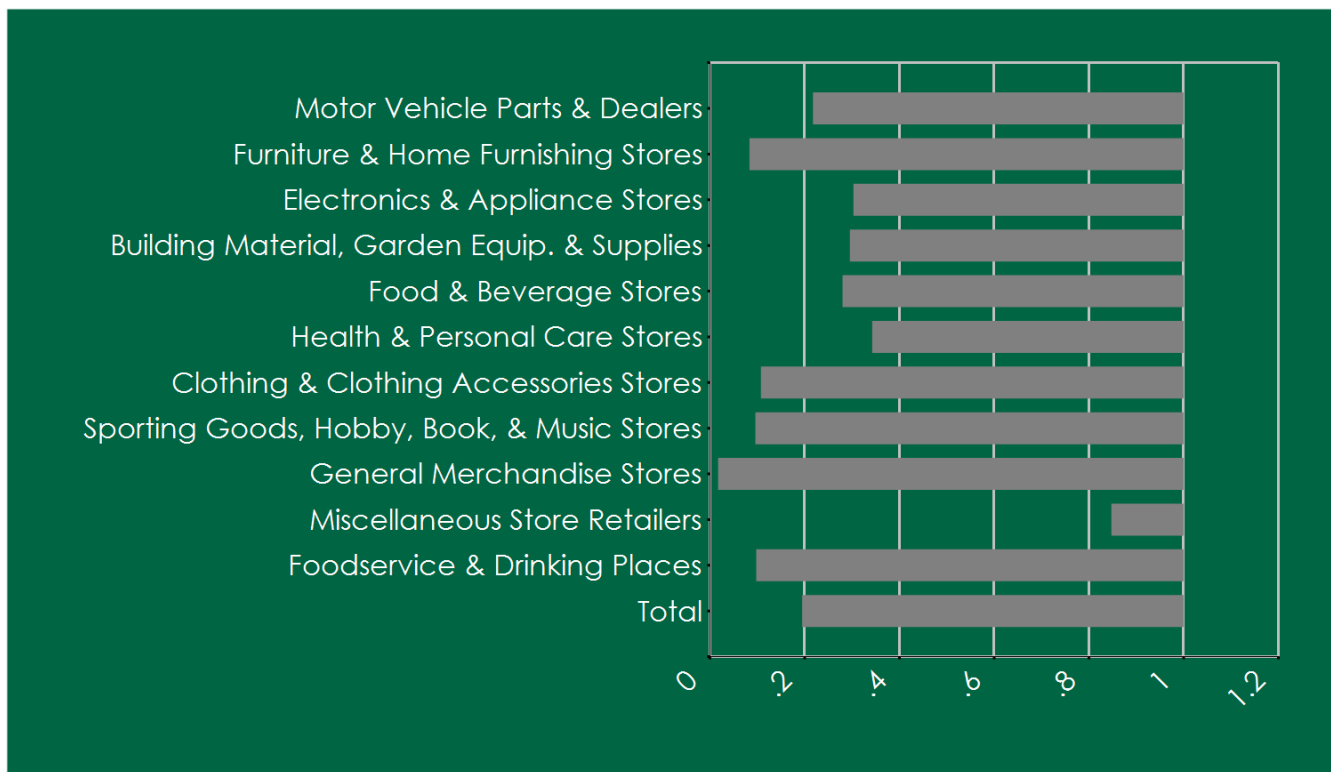
Store Type	Potential	Estimated Sales	Surplus/Leakage
Motor Vehicle Parts & Dealers	48,798,894	10,605,387	0.2
Furniture & Home Furnishing Stores	5,511,038	458,739	0.1
Electronics & Appliance Stores	4,761,722	1,441,879	0.3
Building Material, Garden Equip. & Supplies	18,327,770	5,411,768	0.3
Food & Beverage Stores	37,442,766	10,469,874	0.3
Health & Personal Care Stores	17,359,806	5,942,289	0.3
Clothing & Clothing Accessories Stores	19,213,913	2,063,749	0.1
Sporting Goods, Hobby, Book, & Music Stores	5,464,641	522,477	0.1
General Merchandise Stores	37,062,868	629,757	0.0
Miscellaneous Store Retailers	5,696,317	4,826,828	0.8
Foodservice & Drinking Places	36,616,477	3,572,983	0.1
Total	236,256,212	45,945,731	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.
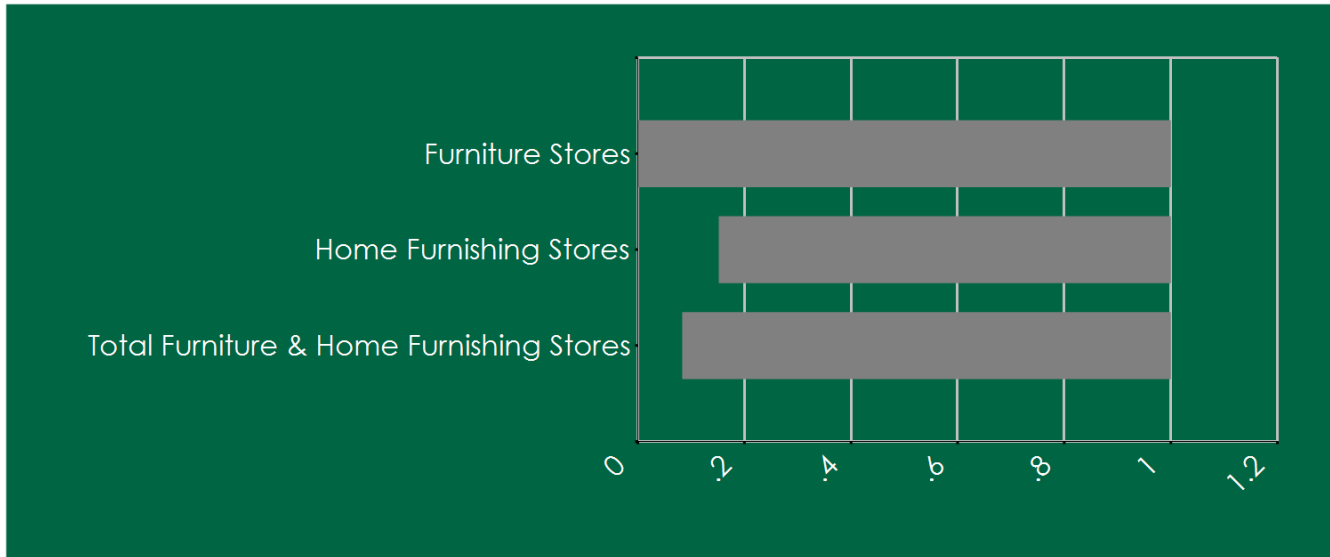
Sub-Categories of Motor Vehicle Parts & Dealers

Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	42,212,201	5,611,872	0.1
Other Motor Vehicle Dealers	2,893,704	32,707	0.0
Automotive Parts, Accessories, & Tire Stores	3,692,989	4,960,808	1.3
Total Motor Vehicle Parts & Dealers	48,798,894	10,605,387	0.2

Sub-Categories of Furniture & Home Furnishing Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	2,503,027	2,396	0.0
Home Furnishing Stores	3,008,010	456,344	0.2
Total Furniture & Home Furnishing Stores	5,511,038	458,739	0.1

Sub-Categories of Electronics & Appliance Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Household appliance stores	701,035	1,517	0.0
Electronics Stores	4,060,686	1,440,362	0.4
Total Electronics & Appliance Stores	4,761,722	1,441,879	0.3

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

Store Type	Potential	Estimated Sales	Surplus/Leakage
Home Centers	8,794,413	1,068,829	0.1
Paint and Wallpaper Stores	579,880	1,921,321	3.3
Hardware Stores	1,238,323	6,598	0.0
Other Building Material Dealers	5,193,139	2,035,086	0.4
Outdoor Power Equipment Stores	391,838	0	0.0
Nursery, Garden Center, & Farm Supply Stores	2,130,178	379,934	0.2
Total Building Material, Garden Equip. & Supplies	18,327,770	5,411,768	0.3

Sub-Categories of Food & Beverage Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	32,187,266	7,858,843	0.2
Convenience Stores	1,420,628	1,115,794	0.8
Specialty Food Stores	1,259,582	20,101	0.0
Beer, Wine, & Liquor Stores	2,575,290	1,475,136	0.6
Total Food & Beverage Stores	37,442,766	10,469,874	0.3

Sub-Categories of Health & Personal Care Stores
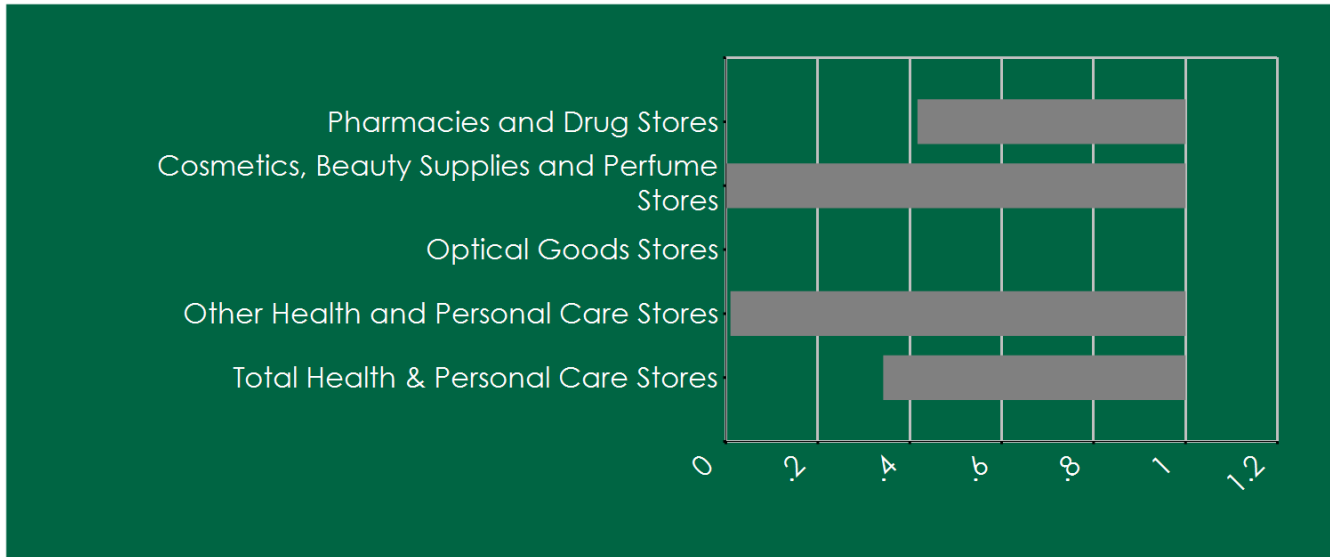
Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	14,225,756	5,929,414	0.4
Cosmetics, Beauty Supplies and Perfume Stores	1,155,371	155	0.0
Optical Goods Stores	693,793	0	0.0
Other Health and Personal Care Stores	1,284,886	12,720	0.0
Total Health & Personal Care Stores	17,359,806	5,942,289	0.3

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Sub-Categories of Clothing & Clothing Accessories Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Mens Clothing Stores	604,250	363	0.0
Womens Clothing Stores	3,220,046	451,724	0.1
Childrens and Infants Clothing Stores	756,222	0	0.0
Family Clothing Stores	7,286,897	173,692	0.0
Clothing Accessories Stores	849,749	146,330	0.2
Other Clothing Stores	1,201,025	825,402	0.7
Shoe Stores	2,222,244	0	0.0
Jewelry Stores	2,910,920	466,238	0.2
Luggage & Leather Goods Stores	162,560	0	0.0
Total Clothing & Clothing Accessories Stores	19,213,913	2,063,749	0.1

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

Store Type	Potential	Estimated Sales	Surplus/Leakage
Sporting Goods Stores	3,114,518	18,627	0.0
Hobby, Toy, and Game Stores	895,042	298,571	0.3
Sewing, Needlework, and Piece Goods Stores	318,446	990	0.0
Musical Instrument and Supplies Stores	240,209	32,929	0.1
Book Stores	714,265	171,360	0.2
News Dealers and Newsstands	182,162	0	0.0
Total Sporting Goods, Hobby, Book, & Music Stores	5,464,641	522,477	0.1

Sub-Categories of General Merchandise Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores	9,241,199	0	0.0
Warehouse Clubs & Superstores	23,992,079	373,035	0.0
All Other General Merchandise Stores	3,829,590	256,722	0.1
Total General Merchandise Stores	37,062,868	629,757	0.0

Sub-Categories of Miscellaneous Store Retailers

Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	338,054	188	0.0
Office Supplies and Stationery Stores	634,634	1,867,733	2.9
Gift, Novelty, and Souvenir Stores	874,756	948	0.0
Used Merchandise Stores	1,024,279	24,206	0.0
Other Miscellaneous Store Retailers	2,824,594	2,933,753	1.0
Total Miscellaneous Store Retailers	5,696,317	4,826,828	0.8

Sub-Categories of Foodservice & Drinking Places
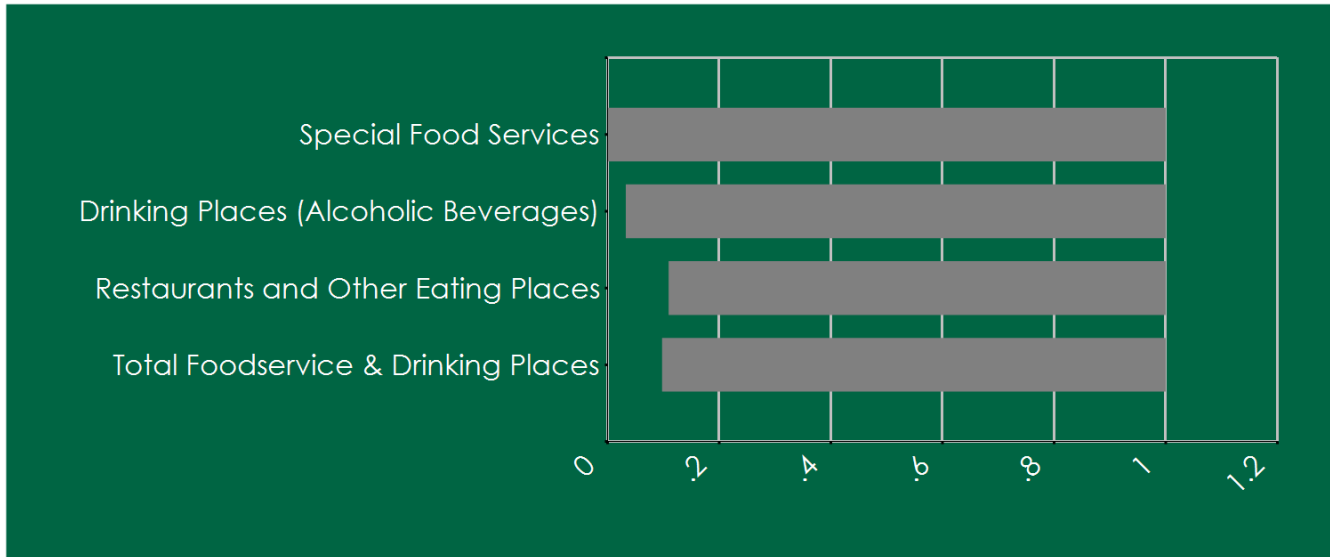
Store Type	Potential	Estimated Sales	Surplus/Leakage
Special Food Services	2,898,081	869	0.0
Drinking Places (Alcoholic Beverages)	1,433,532	46,713	0.0
Restaurants and Other Eating Places	32,284,864	3,525,401	0.1
Total Foodservice & Drinking Places	36,616,477	3,572,983	0.1

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.