



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	53,886,542	6,799,562	0.1
Furniture & Home Furnishing Stores	11,203,116	7,776,509	0.7
Electronics & Appliance Stores	9,627,223	5,162,354	0.5
Building Material & Garden Equipment & Supply Dealers	33,728,632	9,598,721	0.3
Food & Beverage Stores	51,648,330	84,547,232	1.6
Health & Personal Care Stores	23,120,116	7,113,345	0.3
Clothing & Clothing Accessories Stores	17,593,118	25,339,413	1.4
Sporting Goods, Hobby, Book, & Music Stores	9,895,965	8,758,252	0.9
General Merchandise Stores	53,133,830	7,423,490	0.1
Miscellaneous Store Retailers	13,844,554	44,065,465	3.2
Foodservice & Drinking Places	41,967,628	95,579,241	2.3
Total	319,649,054	302,163,584	0.9

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 Motor Vehicle Parts & Dealers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	41,480,280	1,988,892	0.0
Other Motor Vehicle Dealers	5,660,516	2,724,047	0.5
Automotive Parts, Accessories, & Tire Stores	6,745,746	2,086,623	0.3
Total Motor Vehicle Parts & Dealers	53,886,542	6,799,562	0.1

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Sub-Categories of Furniture & Home Furnishing Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	5,000,811	3,591,484	0.7
Home Furnishing Stores	6,202,305	4,185,025	0.7
Total Furniture & Home Furnishing Stores	11,203,116	7,776,509	0.7

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Sub-Categories of Electronics & Appliance Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Household Appliances Stores	963,298	676,703	0.7
Radio, Television and Other Electronics Stores	5,889,139	2,893,558	0.5
Computer and Software Stores	2,552,559	1,534,905	0.6
Camera & Photographic Equipment Stores	222,227	57,188	0.3
Total Electronics & Appliance Stores	9,627,223	5,162,354	0.5

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Home Centers	12,708,428	2,350,969	0.2
Paint and Wallpaper Stores	1,156,502	1,028,750	0.9
Hardware Stores	2,597,012	2,618,651	1.0
Other Building Materials Dealers	8,899,255	2,077,930	0.2
Outdoor Power Equipment Stores	1,432,044	0	0.0
Nursery and Garden centers	6,935,391	1,522,421	0.2
Total Building Material & Garden Equipment & Supply Dealers	33,728,632	9,598,721	0.3

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Sub-Categories of Food & Beverage Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	43,839,838	76,638,157	1.7
Convenience Stores	2,360,937	2,356,751	1.0
Specialty Food Stores	1,908,446	4,694,372	2.5
Beer, Wine, & Liquor Stores	3,539,109	857,952	0.2
Total Food & Beverage Stores	51,648,330	84,547,232	1.6

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Sub-Categories of Health & Personal Care Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	19,193,489	5,010,878	0.3
Cosmetics, Beauty Supplies and Perfume Stores	1,191,506	0	0.0
Optical Goods Stores	1,119,881	256,179	0.2
Other Health and Personal Care Stores	1,615,240	1,846,288	1.1
Total Health & Personal Care Stores	23,120,116	7,113,345	0.3

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Sub-Categories of Clothing & Clothing Accessories Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Mens Clothing Stores	528,984	1,160,198	2.2
Womens Clothing Stores	2,731,572	9,260,902	3.4
Childrens and Infants Clothing Stores	846,283	0	0.0
Family Clothing Stores	7,101,365	4,478,487	0.6
Clothing Accessories Stores	508,878	470,298	0.9
Other Clothing Stores	910,145	993,863	1.1
Shoe Stores	2,628,766	3,636,874	1.4
Jewelry Stores	1,843,926	4,607,012	2.5
Luggage & Leather Goods Stores	493,199	731,779	1.5
Total Clothing & Clothing Accessories Stores	17,593,118	25,339,413	1.4

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



Store Type	Potential	Estimated Sales	Surplus/Leakage
Sporting Goods Stores	4,539,139	5,387,842	1.2
Hobby, Toys and Games Stores	2,458,065	398,087	0.2
Sew/Neddlework/Piece Goods Stores	1,221,288	454,486	0.4
Musical Instrument and Supplies Stores	212,997	0	0.0
Book Stores	955,019	1,550,845	1.6
News Dealers and Newsstands	202,668	479,843	2.4
Prerecorded Tape, Compact Disc, and Record Stores	306,789	487,149	1.6
Total Sporting Goods, Hobby, Book, & Music Stores	9,895,965	8,758,252	0.9

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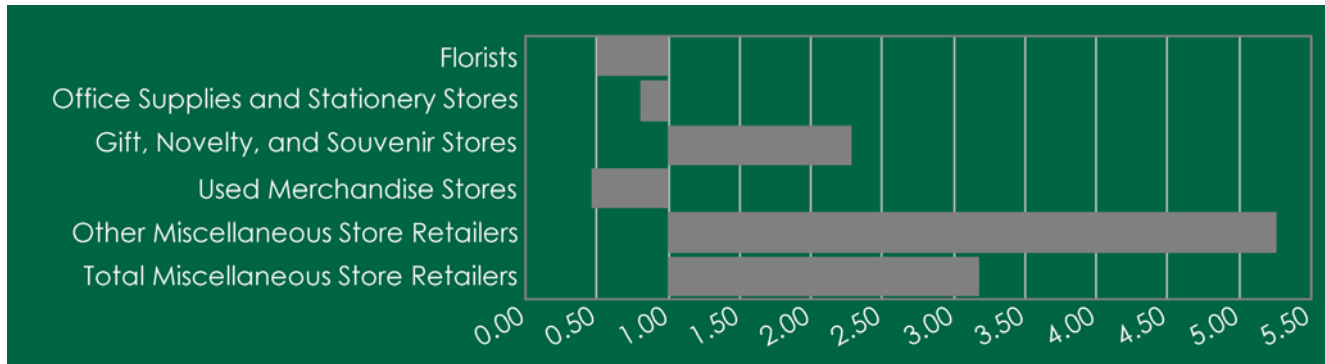
Sub-Categories of General Merchandise Stores



Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores excluding leased depts	14,213,084	484,816	0.0
Warehouse Clubs & Supercenters	33,520,129	6,003,981	0.2
All Other General Merchandise Stores	5,400,617	934,693	0.2
Total General Merchandise Stores	53,133,830	7,423,490	0.1

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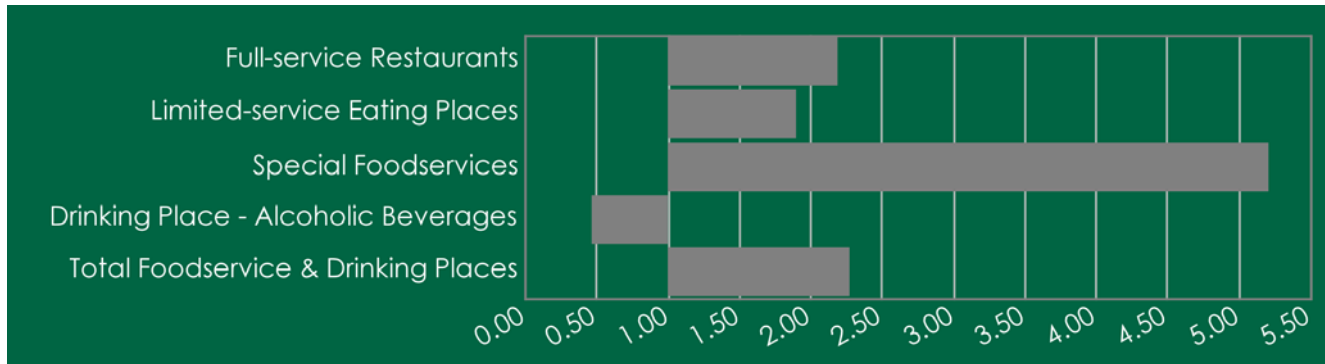
Sub-Categories of Miscellaneous Store Retailers



Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	1,232,134	620,970	0.5
Office Supplies and Stationery Stores	2,057,884	1,665,579	0.8
Gift, Novelty, and Souvenir Stores	2,445,447	5,581,658	2.3
Used Merchandise Stores	1,357,396	639,159	0.5
Other Miscellaneous Store Retailers	6,751,693	35,558,099	5.3
Total Miscellaneous Store Retailers	13,844,554	44,065,465	3.2

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Sub-Categories of Foodservice & Drinking Places



Store Type	Potential	Estimated Sales	Surplus/Leakage
Full-service Restaurants	18,127,469	39,809,445	2.2
Limited-service Eating Places	17,987,418	34,270,772	1.9
Special Foodservices	3,951,203	20,605,326	5.2
Drinking Place - Alcoholic Beverages	1,901,538	893,698	0.5
Total Foodservice & Drinking Places	41,967,628	95,579,241	2.3

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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.