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
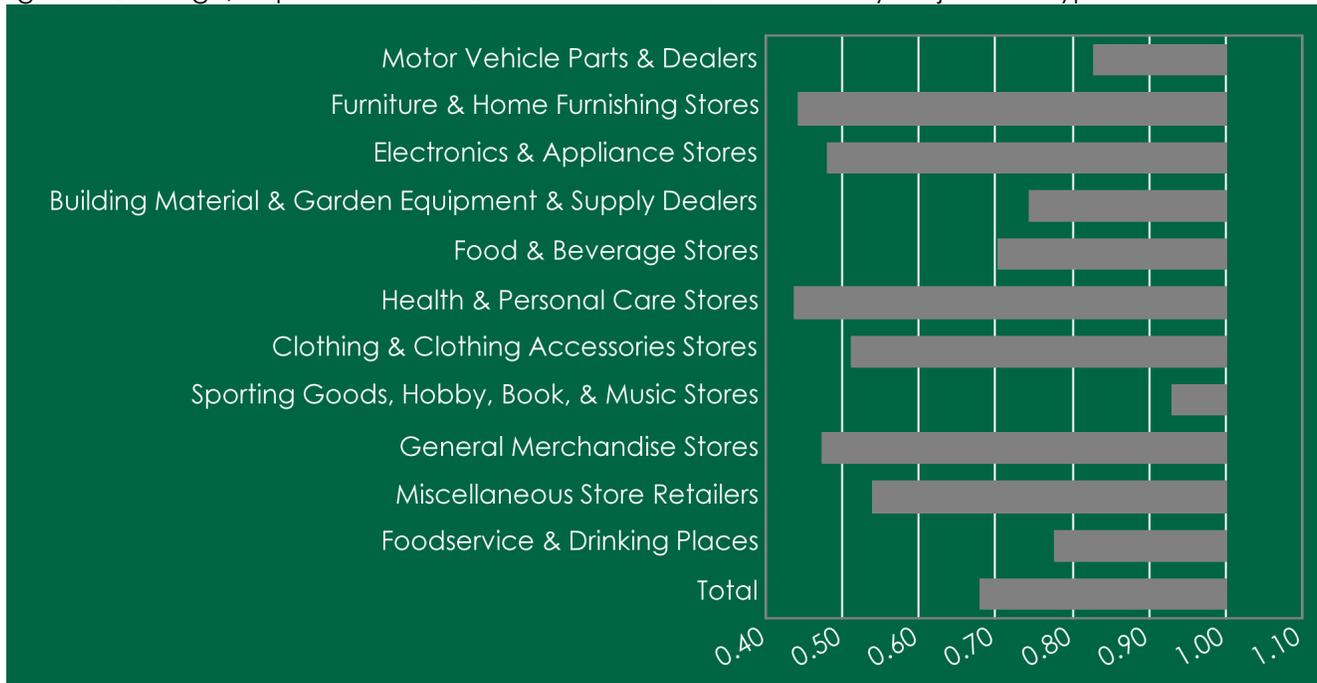
Store Type	Potential	Estimated Sales	Surplus/Leakage
Motor Vehicle Parts & Dealers	428,848,097	355,985,983	0.8
Furniture & Home Furnishing Stores	36,925,686	16,364,247	0.4
Electronics & Appliance Stores	36,438,748	17,525,086	0.5
Building Material & Garden Equipment & Supply Dealers	100,885,830	75,106,577	0.7
Food & Beverage Stores	212,759,901	149,597,409	0.7
Health & Personal Care Stores	101,553,930	44,476,120	0.4
Clothing & Clothing Accessories Stores	86,374,999	44,335,190	0.5
Sporting Goods, Hobby, Book, & Music Stores	32,232,683	30,050,588	0.9
General Merchandise Stores	217,456,989	103,035,202	0.5
Miscellaneous Store Retailers	40,385,335	21,845,370	0.5
Foodservice & Drinking Places	224,286,211	174,309,780	0.8
Total	1,518,148,409	1,032,631,552	0.7

Sub-Categories of Motor Vehicle Parts & Dealers

Store Type	Potential	Estimated Sales	Surplus/Leakage
Automotive Dealers	370,879,660	307,087,732	0.8
Other Motor Vehicle Dealers	23,519,556	23,092,942	1.0
Automotive Parts, Accessories, & Tire Stores	34,448,881	25,805,309	0.7
Total Motor Vehicle Parts & Dealers	428,848,097	355,985,983	0.8

Sub-Categories of Furniture & Home Furnishing Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Furniture Stores	21,441,314	9,473,945	0.4
Home Furnishing Stores	15,484,372	6,890,302	0.4
Total Furniture & Home Furnishing Stores	36,925,686	16,364,247	0.4

Sub-Categories of Electronics & Appliance Stores
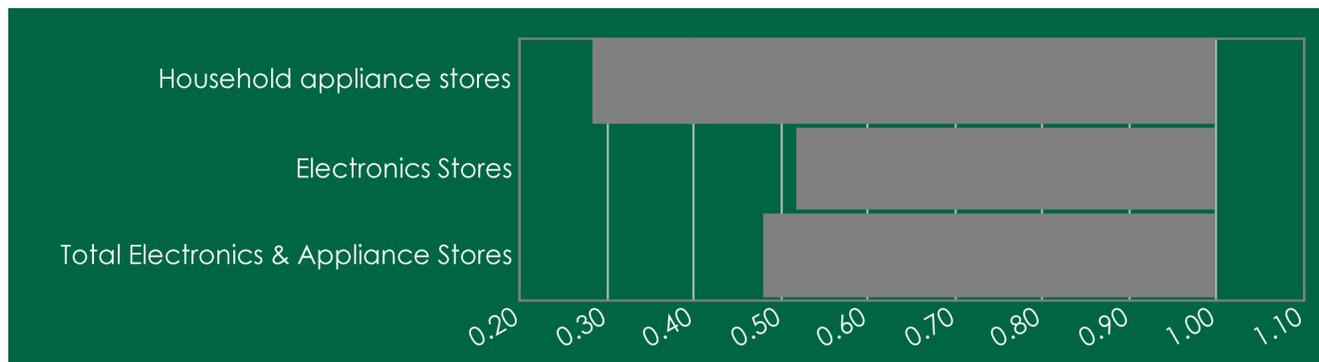
Store Type	Potential	Estimated Sales	Surplus/Leakage
Household appliance stores	5,876,963	1,674,049	0.3
Electronics Stores	30,561,785	15,851,037	0.5
Total Electronics & Appliance Stores	36,438,748	17,525,086	0.5

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	47,976,182	55,568,748	1.2
Paint and Wallpaper Stores	2,701,328	2,048,374	0.8
Hardware Stores	7,729,054	2,874,219	0.4
Other Building Material Dealers	25,183,612	7,770,284	0.3
Outdoor Power Equipment Stores	2,635,875	1,010,633	0.4
Nursery, garden center, & farm supply stores	14,659,779	5,834,319	0.4
Total Building Material & Garden Equipment & Supply Dealers	100,885,830	75,106,577	0.7

Sub-Categories of Food & Beverage Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Supermarkets and Other Grocery (except Convenience) Stores	179,061,853	120,063,146	0.7
Convenience Stores	7,943,158	9,015,107	1.1
Specialty Food Stores	7,125,430	9,640,416	1.4
Beer, Wine, & Liquor Stores	18,629,460	10,878,740	0.6
Total Food & Beverage Stores	212,759,901	149,597,409	0.7

Sub-Categories of Health & Personal Care Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Pharmacies and Drug Stores	84,973,293	38,818,007	0.5
Cosmetics, Beauty Supplies and Perfume Stores	6,092,497	3,688,723	0.6
Optical Goods Stores	3,766,903	1,290,295	0.3
Other Health and Personal Care Stores	6,721,237	679,095	0.1
Total Health & Personal Care Stores	101,553,930	44,476,120	0.4

GROW WITH US.   1-888-2BUXTON | buxton@buxtonco.com | www.buxtonco.com

Buxton®

Sub-Categories of Clothing & Clothing Accessories Stores

Store Type	Potential	Estimated Sales	Surplus/Leakage
Mens Clothing Stores	2,966,273	413,466	0.1
Womens Clothing Stores	15,059,232	10,532,106	0.7
Childrens and Infants Clothing Stores	3,230,444	5,046,595	1.6
Family Clothing Stores	32,545,483	10,616,898	0.3
Clothing Accessories Stores	3,049,316	1,867,172	0.6
Other Clothing Stores	4,585,477	3,591,843	0.8
Shoe Stores	13,513,337	8,811,868	0.7
Jewelry Stores	10,461,226	3,159,505	0.3
Luggage & Leather Goods Stores	964,211	295,737	0.3
Total Clothing & Clothing Accessories Stores	86,374,999	44,335,190	0.5

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

Store Type	Potential	Estimated Sales	Surplus/Leakage
Sporting Goods Stores	19,568,404	18,571,893	0.9
Hobby, Toy, and Game Stores	6,156,278	6,633,901	1.1
Sewing, Needlework, and Piece Goods Stores	1,291,718	1,095,004	0.8
Musical Instrument and Supplies Stores	1,314,576	436,020	0.3
Book Stores	2,818,775	3,313,770	1.2
News Dealers and Newsstands	1,082,932	0	0.0
Total Sporting Goods, Hobby, Book, & Music Stores	32,232,683	30,050,588	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.

GROW WITH US.   1-888-2BUXTON | buxton@buxtonco.com | www.buxtonco.com

Buxton®

Sub-Categories of General Merchandise Stores
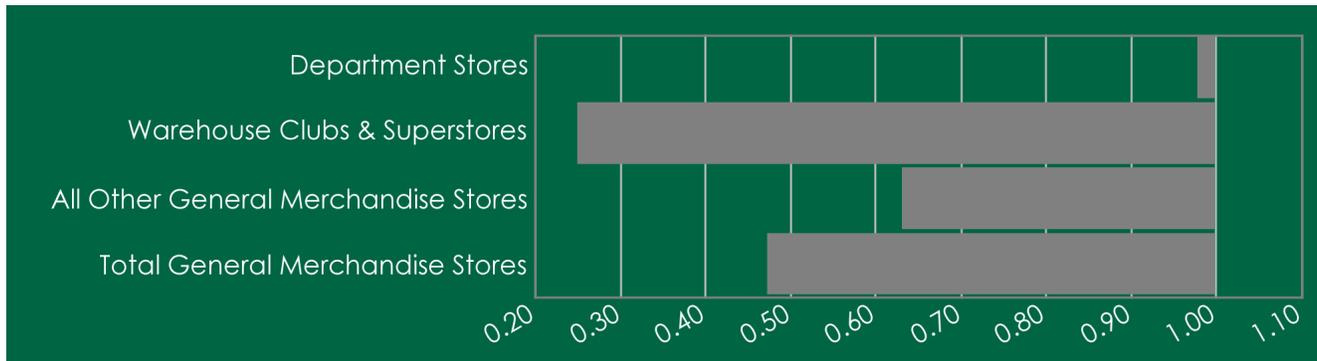
Store Type	Potential	Estimated Sales	Surplus/Leakage
Department Stores	54,849,251	53,694,030	1.0
Warehouse Clubs & Superstores	140,428,827	35,307,866	0.3
All Other General Merchandise Stores	22,178,911	14,033,306	0.6
Total General Merchandise Stores	217,456,989	103,035,202	0.5

Sub-Categories of Miscellaneous Store Retailers
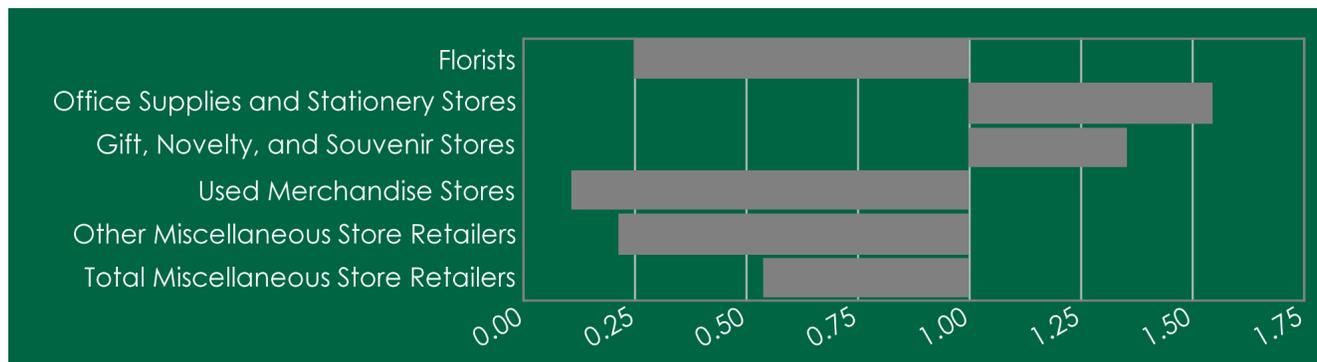
Store Type	Potential	Estimated Sales	Surplus/Leakage
Florists	2,251,099	560,935	0.2
Office Supplies and Stationery Stores	5,032,289	7,799,649	1.5
Gift, Novelty, and Souvenir Stores	6,085,890	8,242,792	1.4
Used Merchandise Stores	5,633,327	626,328	0.1
Other Miscellaneous Store Retailers	21,382,730	4,615,666	0.2
Total Miscellaneous Store Retailers	40,385,335	21,845,370	0.5

Sub-Categories of Foodservice & Drinking Places
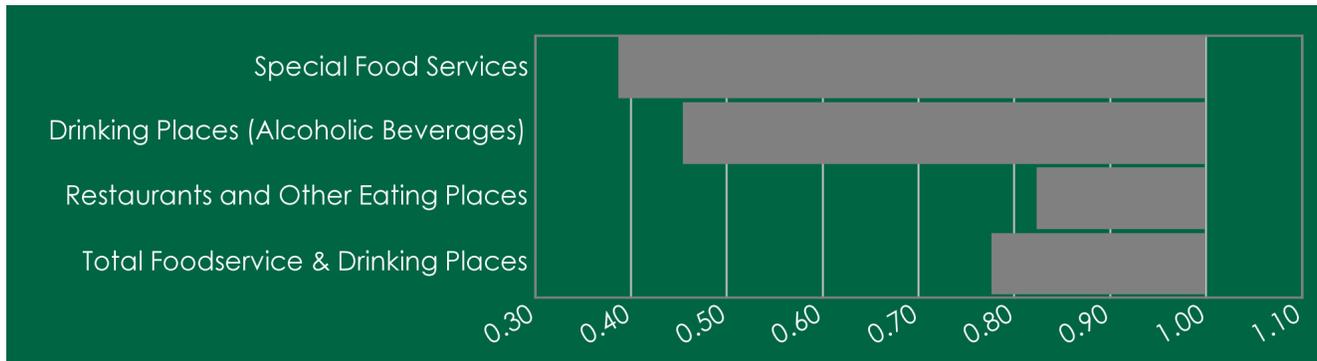
Store Type	Potential	Estimated Sales	Surplus/Leakage
Special Food Services	17,973,807	6,972,213	0.4
Drinking Places (Alcoholic Beverages)	7,529,118	3,422,975	0.5
Restaurants and Other Eating Places	198,783,286	163,914,592	0.8
Total Foodservice & Drinking Places	224,286,211	174,309,780	0.8

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.