

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 actual 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.

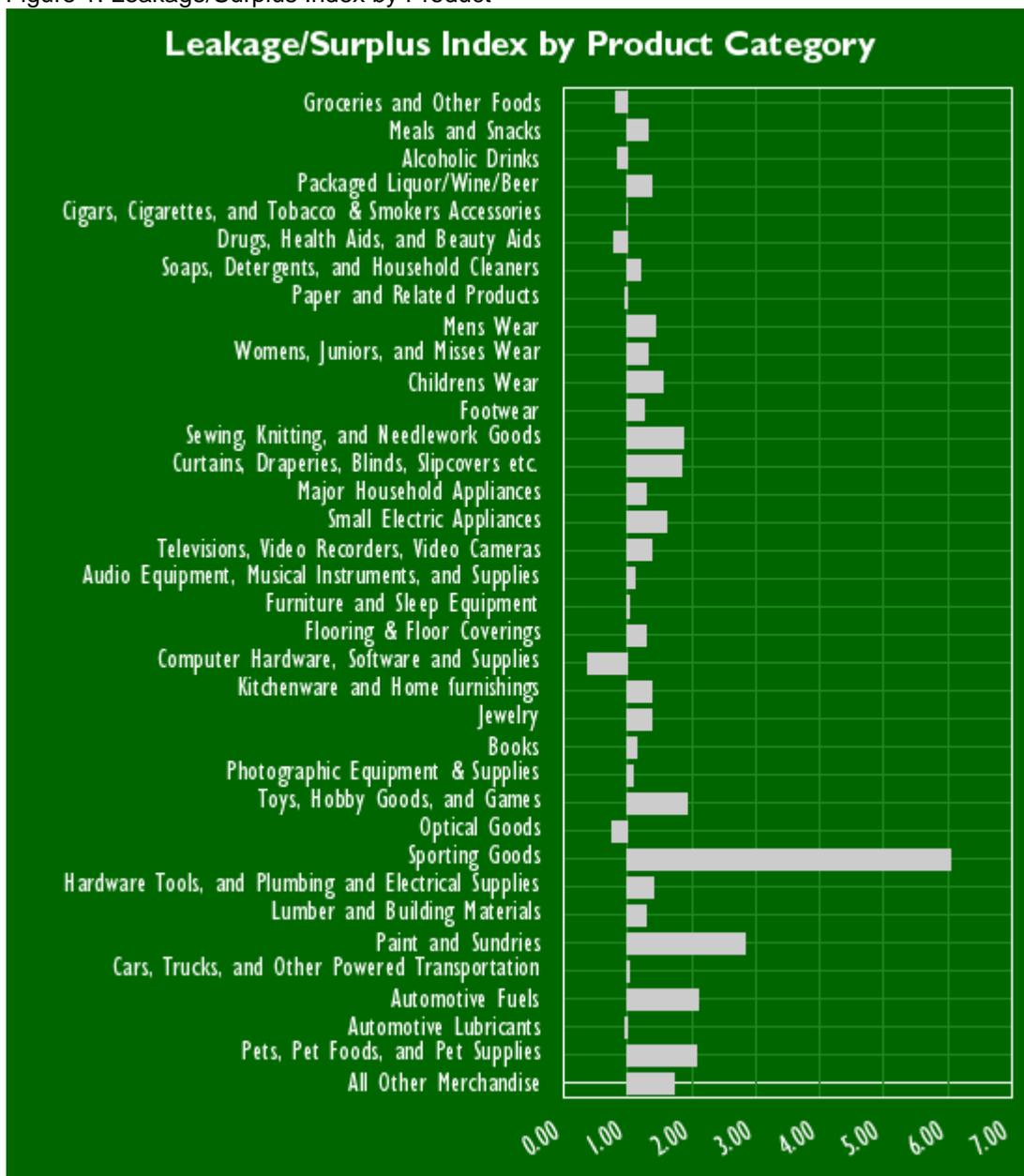
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Site 1	Wayne County Retail and Services Site Richmond, IN 47374	15 minute drive time

Leakage/Surplus Index by Product

The Leakage/Surplus Index provides a relative comparison of the supply and demand across retail product categories. It is calculated by dividing actual sales by potential sales. An index greater than 1.0 means that the community is attracting retail sales (surplus) from outside the trade area. If the index is less than 1.0 it means that out-shopping is taking place and the community is not successfully drawing its own residents.

Leakage/Surplus Index (Figure 1) shows the strengths and weaknesses of a community's retail market by product.

Figure 1. Leakage/Surplus Index by Product



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The sales potential and the actual sales potential by product category and the resulting index are shown in Figure 2.

Figure 2. Sales Potential and Actual Sales by Product

Product Type	Potential	Actual Sales	Leakage/Surplus Index
Groceries and Other Foods	116,503,509	95,794,746	0.8
Meals and Snacks	74,769,646	97,831,442	1.3
Alcoholic Drinks	8,851,294	7,539,779	0.9
Packaged Liquor/Wine/Beer	15,016,122	20,769,657	1.4
Cigars, Cigarettes, and Tobacco & Smokers Accessories	22,326,323	21,867,579	1.0
Drugs, Health Aids, and Beauty Aids	66,188,195	52,892,890	0.8
Soaps, Detergents, and Household Cleaners	5,388,859	6,431,828	1.2
Paper and Related Products	5,288,840	5,040,260	1.0
Mens Wear	14,482,311	20,493,269	1.4
Womens, Juniors, and Misses Wear	24,389,897	31,951,926	1.3
Childrens Wear	7,718,126	11,898,980	1.5
Footwear	10,889,680	13,735,176	1.3
Sewing, Knitting, and Needlework Goods	1,301,676	2,446,054	1.9
Curtains, Draperies, Blinds, Slipcovers etc.	4,958,696	9,107,325	1.8
Major Household Appliances	6,459,889	8,371,247	1.3
Small Electric Appliances	2,436,432	3,875,747	1.6
Televisions, Video Recorders, Video Cameras	5,896,167	8,023,308	1.4
Audio Equipment, Musical Instruments, and Supplies	8,640,615	9,490,023	1.1
Furniture and Sleep Equipment	13,537,444	13,769,089	1.0
Flooring & Floor Coverings	6,044,039	7,764,226	1.3
Computer Hardware, Software and Supplies	17,166,584	6,592,629	0.4
Kitchenware and Home furnishings	10,392,994	14,176,060	1.4
Jewelry	7,067,010	9,741,986	1.4
Books	4,582,268	5,268,019	1.2
Photographic Equipment & Supplies	1,914,843	2,080,968	1.1
Toys, Hobby Goods, and Games	6,514,965	12,534,120	1.9
Optical Goods	2,214,820	1,655,061	0.7
Sporting Goods	10,446,341	63,145,354	6.0
Hardware Tools, and Plumbing and Electrical Supplies	53,549,827	74,264,568	1.4
Lumber and Building Materials	39,860,369	50,903,390	1.3
Paint and Sundries	5,978,856	16,841,742	2.8
Cars, Trucks, and Other Powered Transportation	137,554,989	141,912,583	1.0
Automotive Fuels	69,165,574	145,003,327	2.1
Automotive Lubricants	31,774,970	31,040,252	1.0
Pets, Pet Foods, and Pet Supplies	4,336,680	8,946,134	2.1
All Other Merchandise	28,275,574	48,478,538	1.7

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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 3 provides the leakage/surplus indices and following is the sales potential and actual sales for major store types.

Figure 3. Leakage/Surplus Index and Actual and Potential Sales by Major Store Types



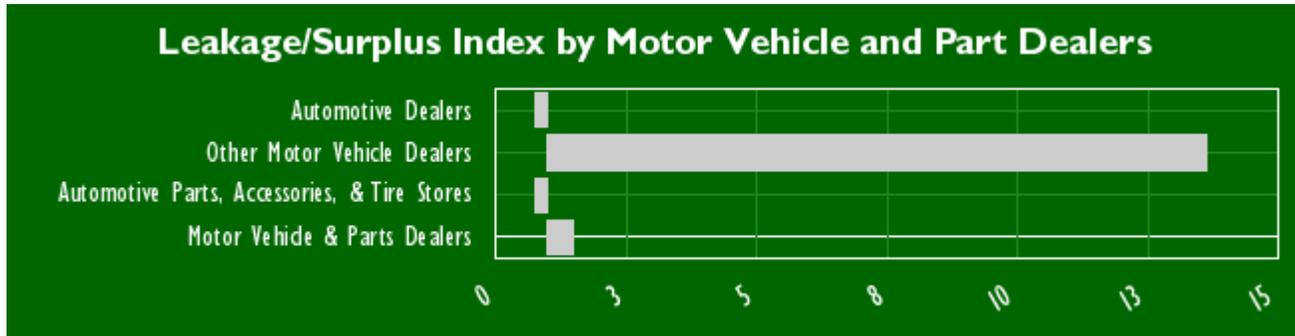
Store Type	Potential	Actual Sales	Leakage/Surplus Index
Motor Vehicle & Parts Dealers	170,575,514	252,328,995	1.48
Furniture & Home Furnishings Stores	20,976,440	18,243,623	0.87
Electronics & Appliances Stores	19,135,139	17,052,730	0.89
Building Material & Garden Equipment & Supply Dealers	92,339,040	127,866,393	1.38
Food & Beverage Stores	103,713,970	61,095,423	0.59
Health & Personal Care Stores	48,376,024	35,986,042	0.74
Clothing & Clothing Accessories Stores	33,564,405	20,345,456	0.61
Sporting Goods, Hobby, Book, & Music Stores	14,928,065	20,539,096	1.38
General Merchandise Stores	99,622,590	173,727,030	1.74
Miscellaneous Store Retailers	22,917,737	64,913,811	2.83
Foodservice & Drinking Places	77,780,449	91,581,103	1.18
GAFO	197,151,685	269,510,139	1.37
Total Retail Sales (Including Food Service & Drinking Places)	851,884,437	1,081,679,271	1.27

* GAFO refers to discount retailers that typically include the following departments: general merchandise; clothing and clothing accessories; furniture and home furnishings; electronics and appliances; sporting goods, hobby, books and music; and office supplies.

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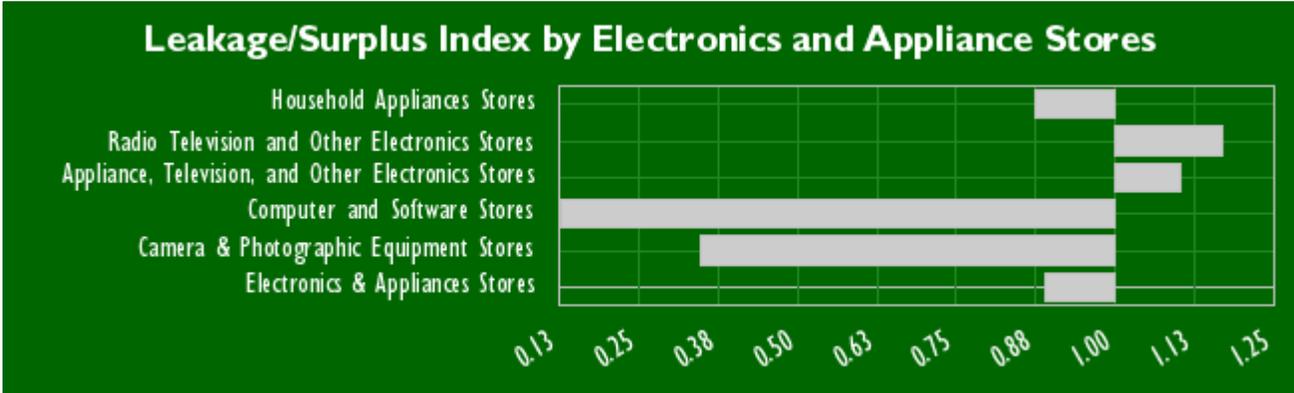
Leakage/Surplus Analysis by Sub-Categories of Major Retail Types

Additional leakage/surplus details are provided on subcategories of stores in each of the twelve major store types. These details can help further identify possible business expansion opportunities.



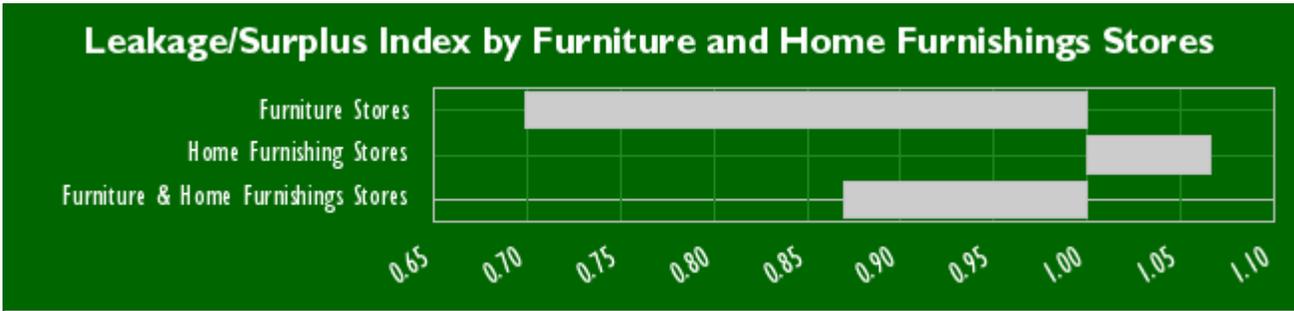
Motor Vehicle and Parts Dealers	Potential	Actual Sales	Leakage/Surplus Index
Automotive Dealers	147,787,627	115,257,743	0.78
Other Motor Vehicle Dealers	9,309,065	126,848,868	13.63
Automotive Parts, Accessories, & Tire Stores	13,478,822	10,222,384	0.76
Motor Vehicle & Parts Dealers	170,575,514	252,328,995	1.48

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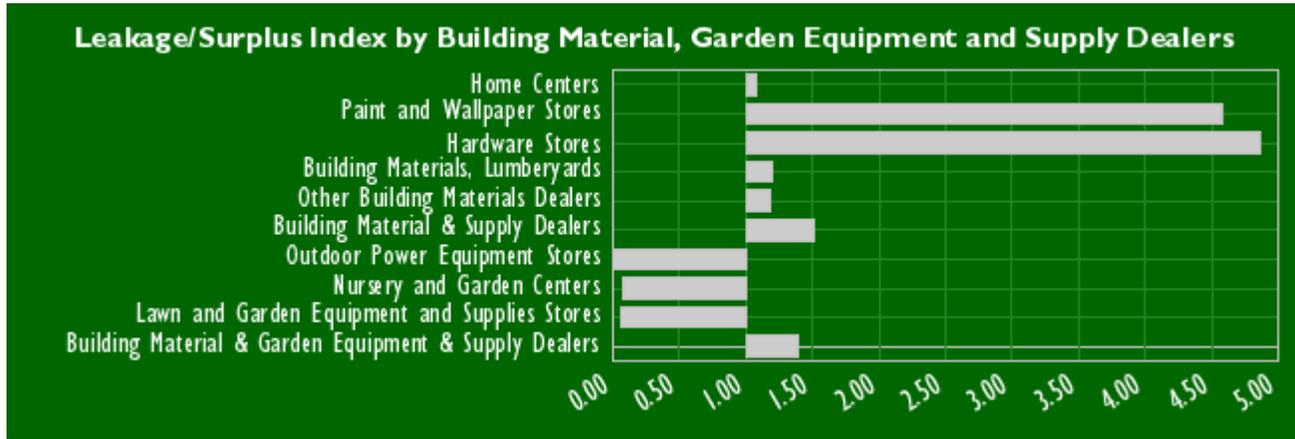
Electronics and Appliance Stores	Potential	Actual Sales	Leakage/Surplus Index
Household Appliances Stores	3,349,546	2,931,859	0.88
Radio Television and Other Electronics Stores	11,467,900	13,403,114	1.17
Appliance, Television, and Other Electronics Stores	14,817,446	16,334,974	1.10
Computer and Software Stores	3,565,760	456,706	0.13
Camera & Photographic Equipment Stores	751,933	261,050	0.35
Electronics & Appliances Stores	19,135,139	17,052,730	0.89

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Furniture and Home Furnishings Stores	Potential	Actual Sales	Leakage/Surplus Index
Furniture Stores	11,213,638	7,838,045	0.70
Home Furnishing Stores	9,762,803	10,405,578	1.07
Furniture & Home Furnishings Stores	20,976,440	18,243,623	0.87

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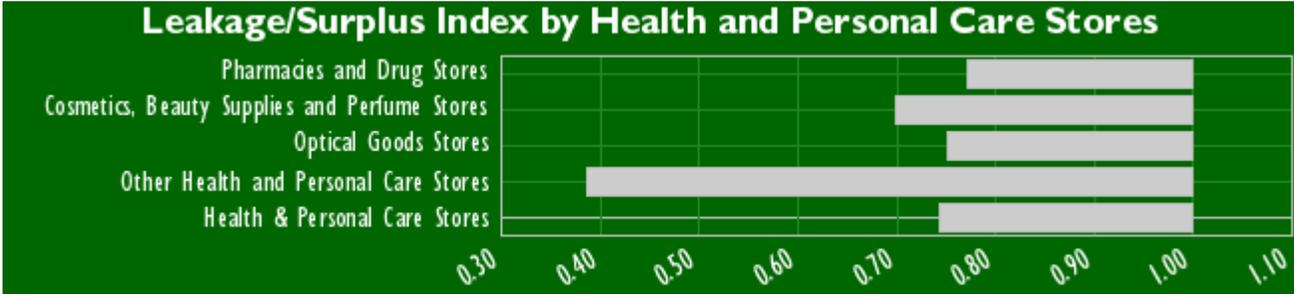
Building Material, Garden Equipment and Supply Dealers	Potential	Actual Sales	Leakage/Surplus Index
Home Centers	32,085,952	34,379,564	1.07
Paint and Wallpaper Stores	2,052,918	9,401,001	4.58
Hardware Stores	6,776,829	32,990,026	4.87
Building Materials, Lumberyards	14,478,737	17,248,315	1.19
Other Building Materials Dealers	42,929,558	50,579,959	1.18
Building Material & Supply Dealers	83,845,257	127,350,550	1.52
Outdoor Power Equipment Stores	1,309,289	0	0.00
Nursery and Garden Centers	7,184,494	515,843	0.07
Lawn and Garden Equipment and Supplies Stores	8,493,783	515,843	0.06
Building Material & Garden Equipment & Supply Dealers	92,339,040	127,866,393	1.38

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Food and Beverage Stores	Potential	Actual Sales	Leakage/Surplus Index
Supermarkets and Other Grocery (except Convenience) Stores	88,706,298	44,704,069	0.50
Convenience Stores	5,087,911	2,186,022	0.43
Grocery Stores	93,794,209	46,890,091	0.50
Specialty Food Stores	3,028,783	1,729,591	0.57
Beer, Wine, & Liquor Stores	6,890,977	12,475,741	1.81
Food & Beverage Stores	103,713,970	61,095,423	0.59

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Health and Personal Care Stores	Potential	Actual Sales	Leakage/Surplus Index
Pharmacies and Drug Stores	41,628,108	32,145,204	0.77
Cosmetics, Beauty Supplies and Perfume Stores	1,756,571	1,229,150	0.70
Optical Goods Stores	1,863,139	1,400,000	0.75
Other Health and Personal Care Stores	3,128,205	1,211,688	0.39
Health & Personal Care Stores	48,376,024	35,986,042	0.74

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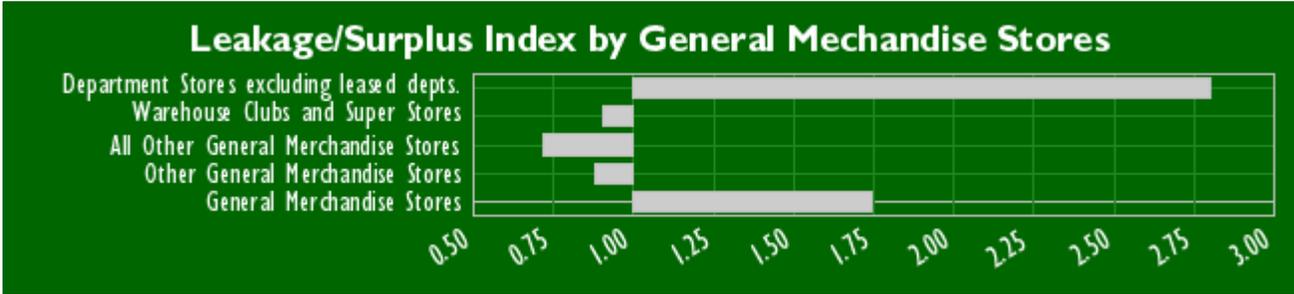
Clothing and Clothing Accessories Stores	Potential	Actual Sales	Leakage/Surplus Index
Mens Clothing Stores	1,576,674	108,050	0.07
Womens Clothing Stores	5,896,469	1,047,000	0.18
Childrens and Infants Clothing Stores	1,578,272	231,000	0.15
Family Clothing Stores	13,132,390	8,327,726	0.63
Clothing Accessories Stores	526,653	256,002	0.49
Other Clothing Stores	1,591,901	126,530	0.08
Clothing Stores	24,302,359	10,096,309	0.42
Shoe Stores	4,914,232	5,816,002	1.18
Jewelry Stores	3,985,735	4,433,145	1.11
Luggage, & Leather Goods Stores	362,079	0	0.00
Jewelry, Luggage, & Leather Goods Stores	4,347,814	4,433,145	1.02
Clothing & Clothing Accessories Stores	33,564,405	20,345,456	0.61

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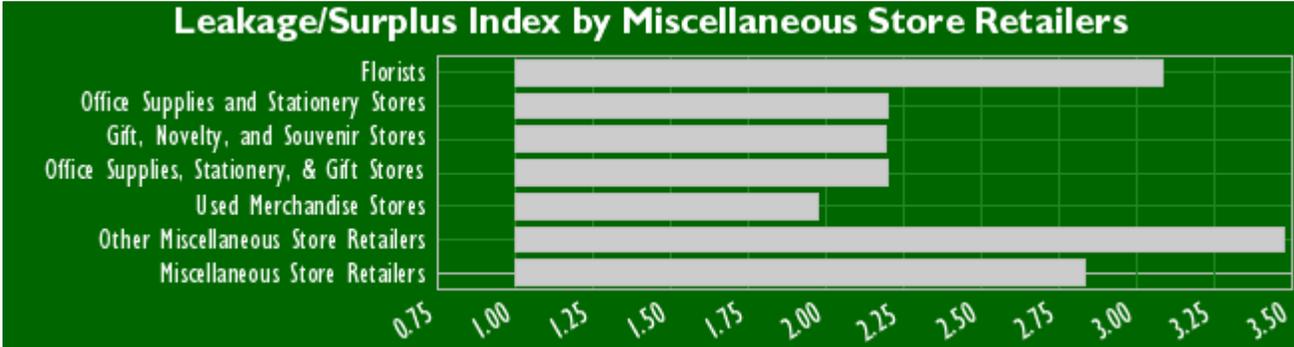
Sporting Goods, Hobby, Book and Music Stores	Potential	Actual Sales	Leakage/Surplus Index
Sporting Goods Stores	5,177,497	4,178,940	0.81
Hobby, Toys and Games Stores	3,332,603	7,794,744	2.34
Sew/Needlework/Piece Goods Stores	818,033	1,781,948	2.18
Musical Instrument and Supplies Stores	999,557	1,694,825	1.70
Sporting Goods, Hobby, & Musical Instrument Stores	10,327,691	15,450,457	1.50
Book Stores	2,798,964	3,693,000	1.32
News Dealers and Newsstands	211,355	0	0.00
Book Stores and News Dealers	3,010,319	3,693,000	1.23
Prerecorded Tape, Compact Disc, and Record Stores	1,590,055	1,395,639	0.88
Book, Periodical, & Music Stores	4,600,374	5,088,639	1.11
Sporting Goods, Hobby, Book, & Music Stores	14,928,065	20,539,096	1.38

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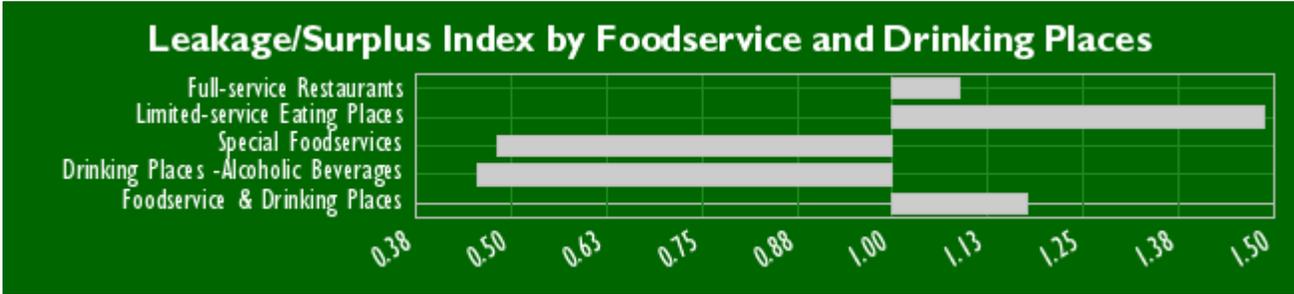
General Merchandise Stores	Potential	Actual Sales	Leakage/Surplus Index
Department Stores excluding leased depts.	44,919,480	125,782,451	2.80
Warehouse Clubs and Super Stores	47,232,158	42,566,121	0.90
All Other General Merchandise Stores	7,470,952	5,378,458	0.72
Other General Merchandise Stores	54,703,110	47,944,579	0.88
General Merchandise Stores	99,622,590	173,727,030	1.74

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Miscellaneous Store Retailers	Potential	Actual Sales	Leakage/Surplus Index
Florists	1,576,875	4,859,878	3.08
Office Supplies and Stationery Stores	5,036,860	11,070,999	2.20
Gift, Novelty, and Souvenir Stores	3,888,186	8,531,205	2.19
Office Supplies, Stationery, & Gift Stores	8,925,046	19,602,204	2.20
Used Merchandise Stores	1,787,139	3,527,432	1.97
Other Miscellaneous Store Retailers	10,628,677	36,924,298	3.47
Miscellaneous Store Retailers	22,917,737	64,913,811	2.83

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Foodservice and Drinking Places	Potential	Actual Sales	Leakage/Surplus Index
Full-service Restaurants	35,372,346	38,467,820	1.09
Limited-service Eating Places	32,599,881	48,479,507	1.49
Special Foodservices	6,297,722	3,031,918	0.48
Drinking Places -Alcoholic Beverages	3,510,500	1,601,859	0.46
Foodservice & Drinking Places	77,780,449	91,581,103	1.18

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Sources and Methodology

Household demand estimates are derived by combining data from the Consumer Expenditures Survey by the Bureau of Labor Statistics with current household demographic estimates from Claritas. The demand estimates only account for household expenditures. Demand is defined as the estimated dollar amount spent by a household that resides in the area of analysis for a specified retail store type or merchandise line item.

Supply estimates are generated from the Census of Retail Trade, a component of the Economic Census. County-level sales tax data is allocated to low levels of geography using business sales estimates, business locations, and employee counts provided by Claritas' Business Facts® database. Supply includes all products sold at retail outlets in a specified area for a one-year period. Supply is defined as the estimated total retail sales for a retail store type or merchandise line item.

Source: Retail Market Power™ (Claritas).