

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.

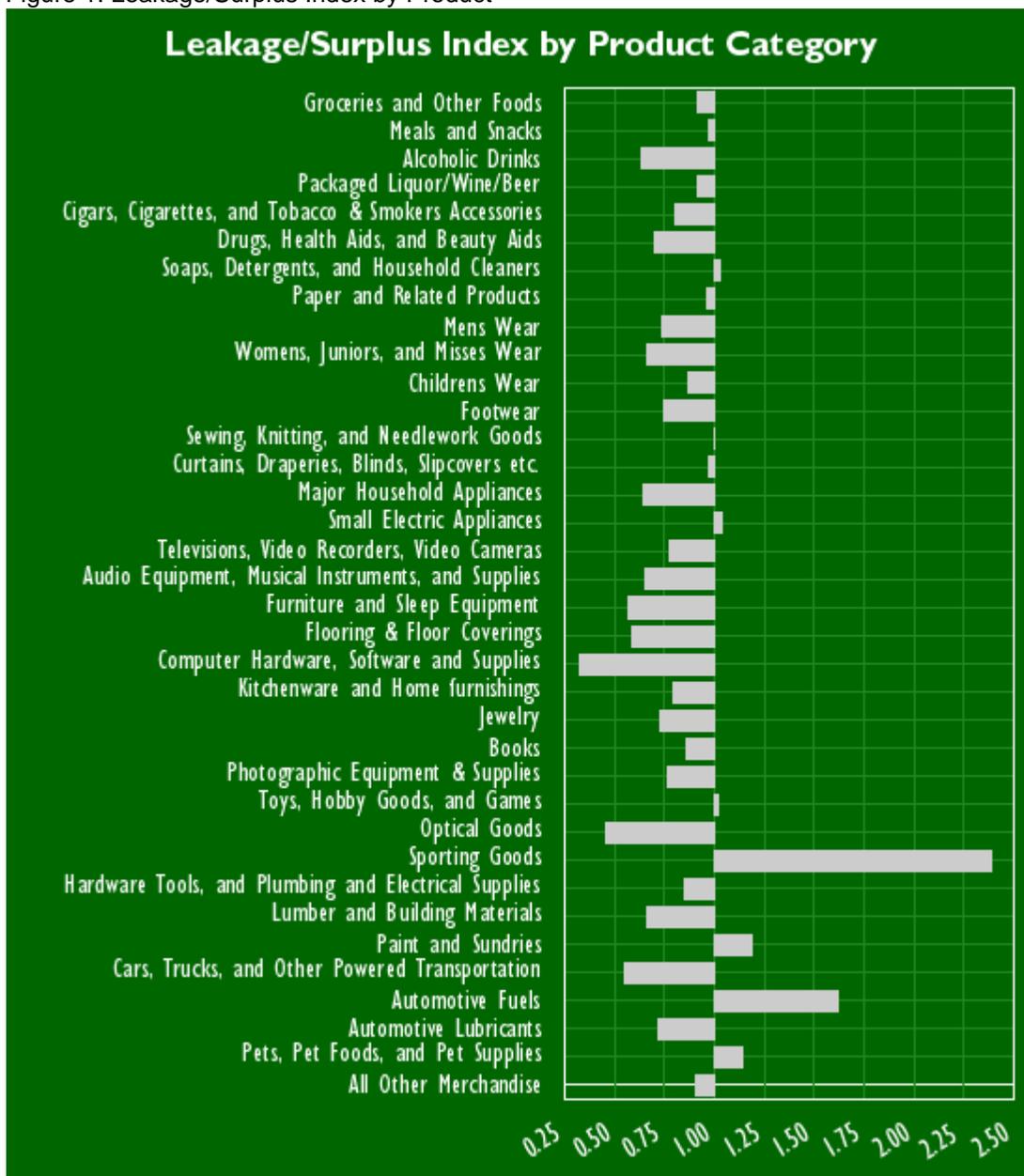
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Site 1 Secondary Trade Area	Site 1 Richmond, IN 47374	30 minute drive time

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	307,947,929	281,538,919	0.9
Meals and Snacks	202,060,224	196,437,275	1.0
Alcoholic Drinks	23,821,088	15,055,389	0.6
Packaged Liquor/Wine/Beer	39,737,608	36,555,841	0.9
Cigars, Cigarettes, and Tobacco & Smokers Accessories	56,332,052	45,374,461	0.8
Drugs, Health Aids, and Beauty Aids	170,065,882	118,770,697	0.7
Soaps, Detergents, and Household Cleaners	14,569,847	14,956,194	1.0
Paper and Related Products	14,506,225	13,952,348	1.0
Mens Wear	40,918,486	30,087,991	0.7
Womens, Juniors, and Misses Wear	71,420,835	47,286,856	0.7
Childrens Wear	20,704,863	17,905,351	0.9
Footwear	30,608,760	22,870,372	0.7
Sewing, Knitting, and Needlework Goods	3,718,546	3,724,175	1.0
Curtains, Draperies, Blinds, Slipcovers etc.	14,165,006	13,820,656	1.0
Major Household Appliances	18,260,436	11,704,154	0.6
Small Electric Appliances	6,621,779	6,900,863	1.0
Televisions, Video Recorders, Video Cameras	15,978,591	12,422,944	0.8
Audio Equipment, Musical Instruments, and Supplies	24,016,746	15,639,037	0.7
Furniture and Sleep Equipment	38,702,719	21,920,673	0.6
Flooring & Floor Coverings	18,253,772	10,804,014	0.6
Computer Hardware, Software and Supplies	48,849,678	15,867,133	0.3
Kitchenware and Home furnishings	30,318,105	24,015,356	0.8
Jewelry	21,863,684	15,848,396	0.7
Books	11,548,557	9,901,461	0.9
Photographic Equipment & Supplies	5,595,853	4,300,078	0.8
Toys, Hobby Goods, and Games	18,783,177	19,048,873	1.0
Optical Goods	6,124,535	2,820,674	0.5
Sporting Goods	30,342,225	72,459,652	2.4
Hardware Tools, and Plumbing and Electrical Supplies	153,462,249	130,854,457	0.9
Lumber and Building Materials	118,538,373	78,880,830	0.7
Paint and Sundries	17,748,949	21,037,186	1.2
Cars, Trucks, and Other Powered Transportation	385,088,100	212,382,532	0.6
Automotive Fuels	192,487,882	311,686,645	1.6
Automotive Lubricants	86,682,226	62,266,073	0.7
Pets, Pet Foods, and Pet Supplies	12,734,790	14,523,295	1.1
All Other Merchandise	78,271,411	71,198,003	0.9

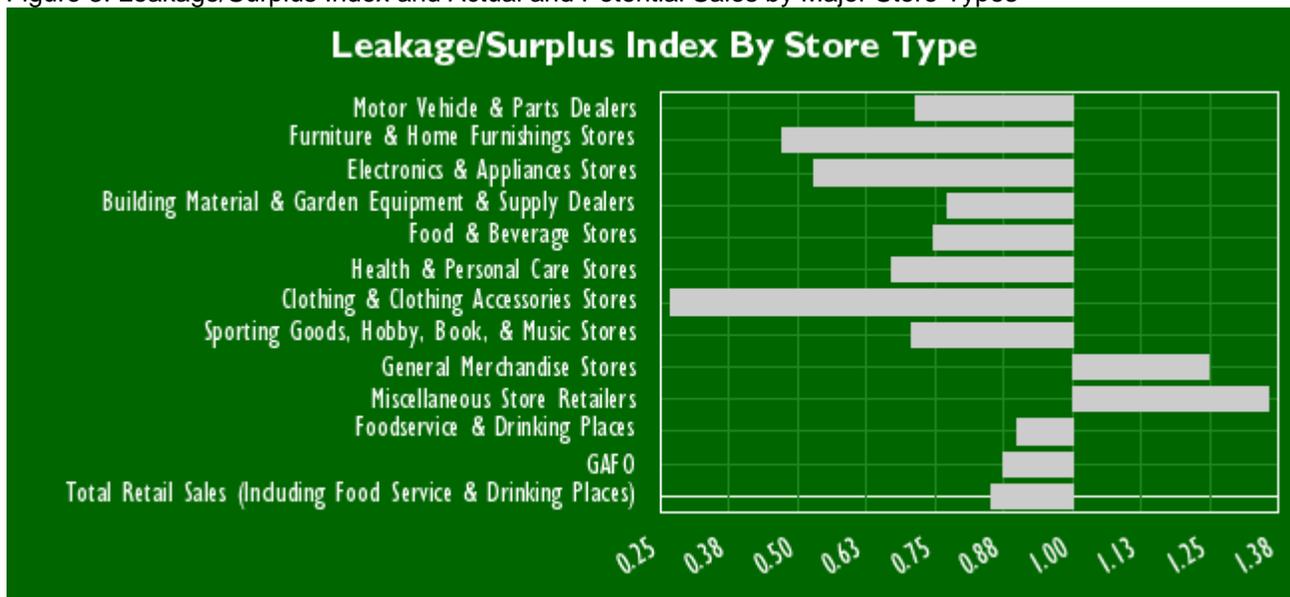
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Leakage/Surplus Index by Major Store Type

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



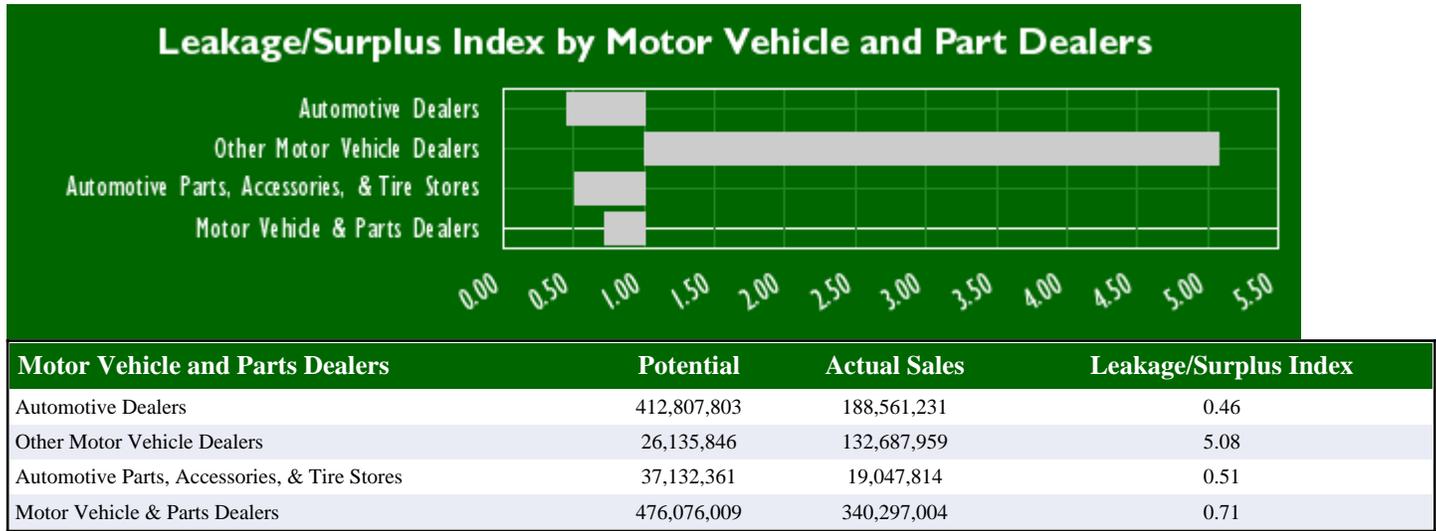
Store Type	Potential	Actual Sales	Leakage/Surplus Index
Motor Vehicle & Parts Dealers	476,076,009	340,297,004	0.71
Furniture & Home Furnishings Stores	60,642,717	28,680,534	0.47
Electronics & Appliances Stores	53,548,395	28,402,763	0.53
Building Material & Garden Equipment & Supply Dealers	268,967,778	207,794,953	0.77
Food & Beverage Stores	274,446,881	205,514,114	0.75
Health & Personal Care Stores	125,937,682	84,595,252	0.67
Clothing & Clothing Accessories Stores	96,620,147	25,969,121	0.27
Sporting Goods, Hobby, Book, & Music Stores	41,619,617	29,406,751	0.71
General Merchandise Stores	273,622,843	341,911,957	1.25
Miscellaneous Store Retailers	63,882,338	86,624,038	1.36
Foodservice & Drinking Places	210,190,190	189,379,152	0.90
GAFO	551,009,156	481,130,429	0.87
Total Retail Sales (Including Food Service & Drinking Places)	2,350,851,198	2,004,818,840	0.85

* 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.

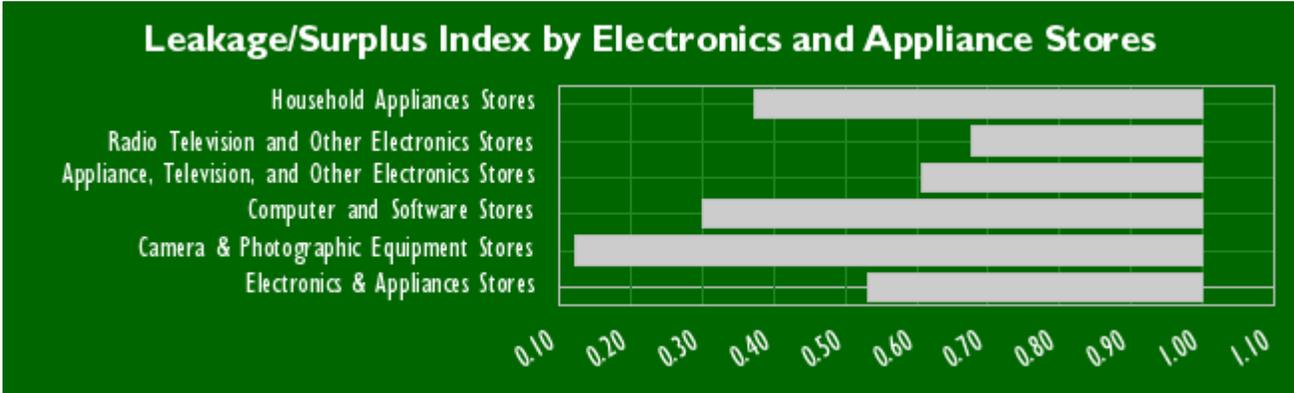
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Leakage/Surplus Analysis by Sub-Categories of Major Retail Types

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.

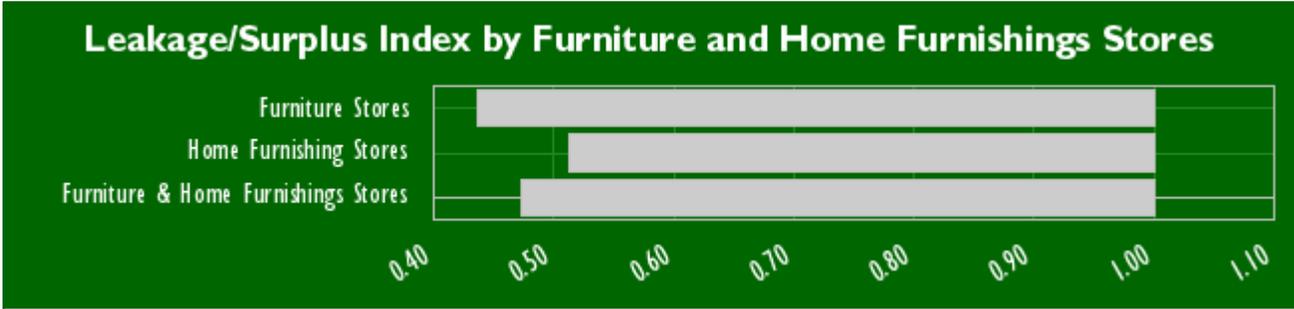


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Electronics and Appliance Stores	Potential	Actual Sales	Leakage/Surplus Index
Household Appliances Stores	9,391,380	3,507,218	0.37
Radio Television and Other Electronics Stores	31,877,648	21,587,552	0.68
Appliance, Television, and Other Electronics Stores	41,269,028	25,094,770	0.61
Computer and Software Stores	10,116,688	3,042,559	0.30
Camera & Photographic Equipment Stores	2,162,679	265,434	0.12
Electronics & Appliances Stores	53,548,395	28,402,763	0.53

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Furniture and Home Furnishings Stores	Potential	Actual Sales	Leakage/Surplus Index
Furniture Stores	32,037,139	13,998,877	0.44
Home Furnishing Stores	28,605,578	14,681,657	0.51
Furniture & Home Furnishings Stores	60,642,717	28,680,534	0.47

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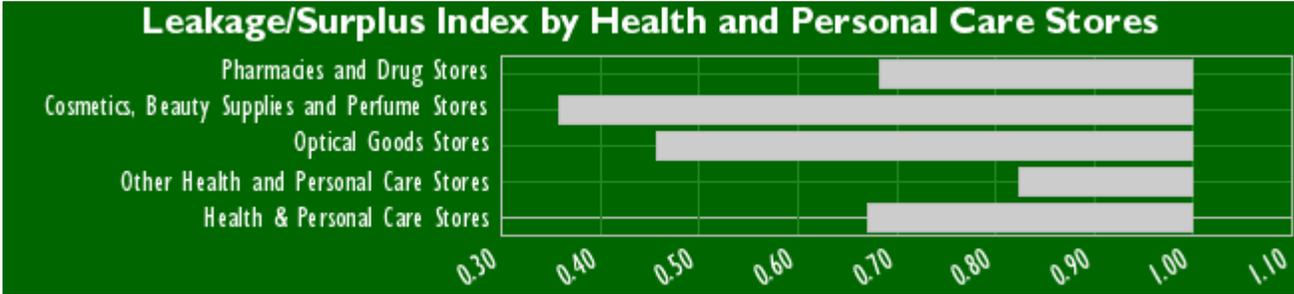
Building Material, Garden Equipment and Supply Dealers	Potential	Actual Sales	Leakage/Surplus Index
Home Centers	93,207,602	43,163,051	0.46
Paint and Wallpaper Stores	6,033,991	10,828,162	1.79
Hardware Stores	19,389,073	45,957,264	2.37
Building Materials, Lumberyards	42,739,433	29,545,593	0.69
Other Building Materials Dealers	125,937,761	86,641,174	0.69
Building Material & Supply Dealers	244,568,427	186,589,652	0.76
Outdoor Power Equipment Stores	3,759,757	3,368,886	0.90
Nursery and Garden Centers	20,639,593	17,836,414	0.86
Lawn and Garden Equipment and Supplies Stores	24,399,350	21,205,301	0.87
Building Material & Garden Equipment & Supply Dealers	268,967,778	207,794,953	0.77

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Food and Beverage Stores	Potential	Actual Sales	Leakage/Surplus Index
Supermarkets and Other Grocery (except Convenience) Stores	234,879,599	177,007,832	0.75
Convenience Stores	13,344,696	8,216,407	0.62
Grocery Stores	248,224,295	185,224,239	0.75
Specialty Food Stores	8,033,352	3,937,755	0.49
Beer, Wine, & Liquor Stores	18,189,235	16,352,120	0.90
Food & Beverage Stores	274,446,881	205,514,114	0.75

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Health and Personal Care Stores	Potential	Actual Sales	Leakage/Surplus Index
Pharmacies and Drug Stores	108,170,633	73,958,078	0.68
Cosmetics, Beauty Supplies and Perfume Stores	4,542,669	1,623,971	0.36
Optical Goods Stores	5,149,289	2,353,551	0.46
Other Health and Personal Care Stores	8,075,091	6,659,651	0.82
Health & Personal Care Stores	125,937,682	84,595,252	0.67

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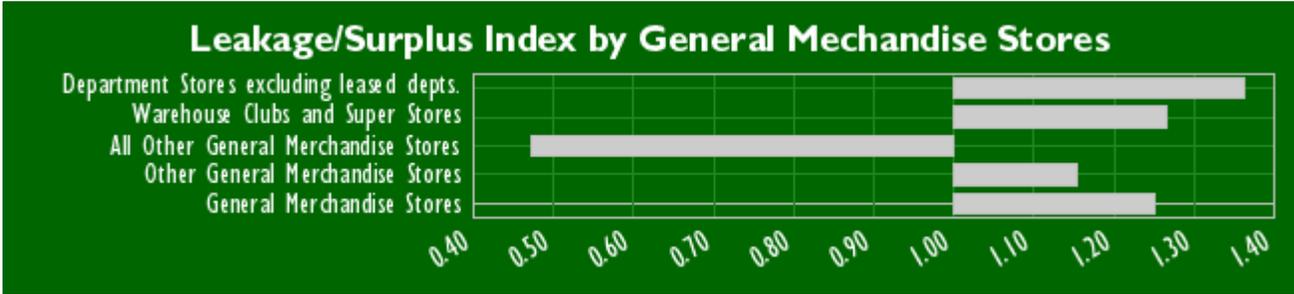
Clothing and Clothing Accessories Stores	Potential	Actual Sales	Leakage/Surplus Index
Mens Clothing Stores	4,458,924	167,179	0.04
Womens Clothing Stores	17,216,288	2,273,431	0.13
Childrens and Infants Clothing Stores	4,256,282	231,000	0.05
Family Clothing Stores	37,398,346	8,327,726	0.22
Clothing Accessories Stores	1,565,945	363,381	0.23
Other Clothing Stores	4,591,388	591,252	0.13
Clothing Stores	69,487,171	11,953,968	0.17
Shoe Stores	13,819,742	7,149,499	0.52
Jewelry Stores	12,222,714	6,865,654	0.56
Luggage, & Leather Goods Stores	1,090,519	0	0.00
Jewelry, Luggage, & Leather Goods Stores	13,313,233	6,865,654	0.52
Clothing & Clothing Accessories Stores	96,620,147	25,969,121	0.27

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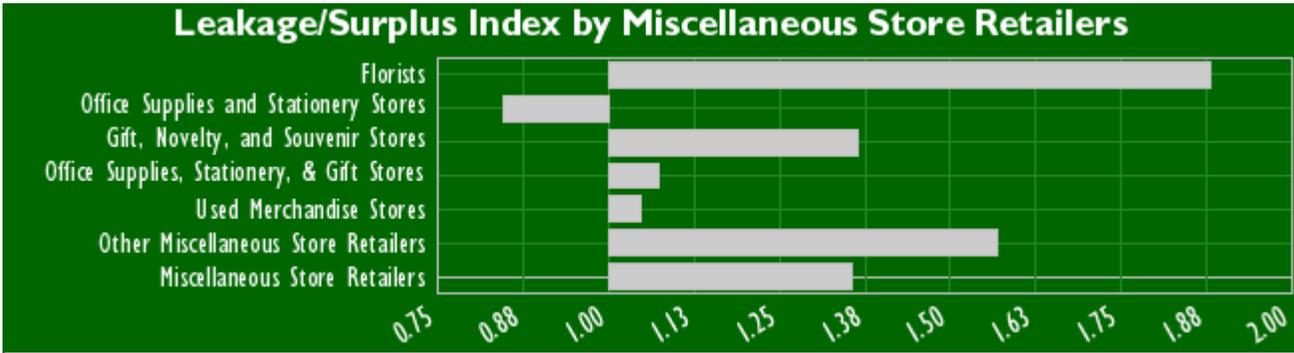
Sporting Goods, Hobby, Book and Music Stores	Potential	Actual Sales	Leakage/Surplus Index
Sporting Goods Stores	14,903,429	7,105,819	0.48
Hobby, Toys and Games Stores	9,518,041	9,194,212	0.97
Sew/Needlework/Piece Goods Stores	2,327,740	2,420,537	1.04
Musical Instrument and Supplies Stores	2,783,386	1,797,647	0.65
Sporting Goods, Hobby, & Musical Instrument Stores	29,532,596	20,518,215	0.69
Book Stores	7,216,499	5,378,423	0.75
News Dealers and Newsstands	555,160	0	0.00
Book Stores and News Dealers	7,771,659	5,378,423	0.69
Prerecorded Tape, Compact Disc, and Record Stores	4,315,362	3,510,113	0.81
Book, Periodical, & Music Stores	12,087,021	8,888,536	0.74
Sporting Goods, Hobby, Book, & Music Stores	41,619,617	29,406,751	0.71

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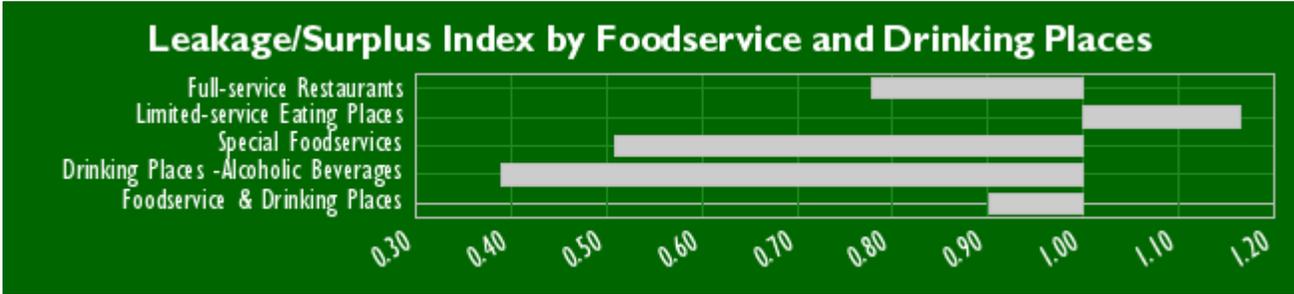
General Merchandise Stores	Potential	Actual Sales	Leakage/Surplus Index
Department Stores excluding leased depts.	125,353,085	170,715,878	1.36
Warehouse Clubs and Super Stores	127,434,561	161,361,766	1.27
All Other General Merchandise Stores	20,835,197	9,834,313	0.47
Other General Merchandise Stores	148,269,758	171,196,079	1.15
General Merchandise Stores	273,622,843	341,911,957	1.25

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Miscellaneous Store Retailers	Potential	Actual Sales	Leakage/Surplus Index
Florists	4,510,577	8,479,538	1.88
Office Supplies and Stationery Stores	14,079,291	11,923,948	0.85
Gift, Novelty, and Souvenir Stores	10,876,146	14,835,355	1.36
Office Supplies, Stationery, & Gift Stores	24,955,437	26,759,303	1.07
Used Merchandise Stores	5,029,730	5,272,366	1.05
Other Miscellaneous Store Retailers	29,386,593	46,112,831	1.57
Miscellaneous Store Retailers	63,882,338	86,624,038	1.36

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Foodservice and Drinking Places	Potential	Actual Sales	Leakage/Surplus Index
Full-service Restaurants	95,576,629	74,459,342	0.78
Limited-service Eating Places	88,116,507	102,553,471	1.16
Special Foodservices	17,037,265	8,670,894	0.51
Drinking Places -Alcoholic Beverages	9,459,790	3,695,445	0.39
Foodservice & Drinking Places	210,190,190	189,379,152	0.90

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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).