

# 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.

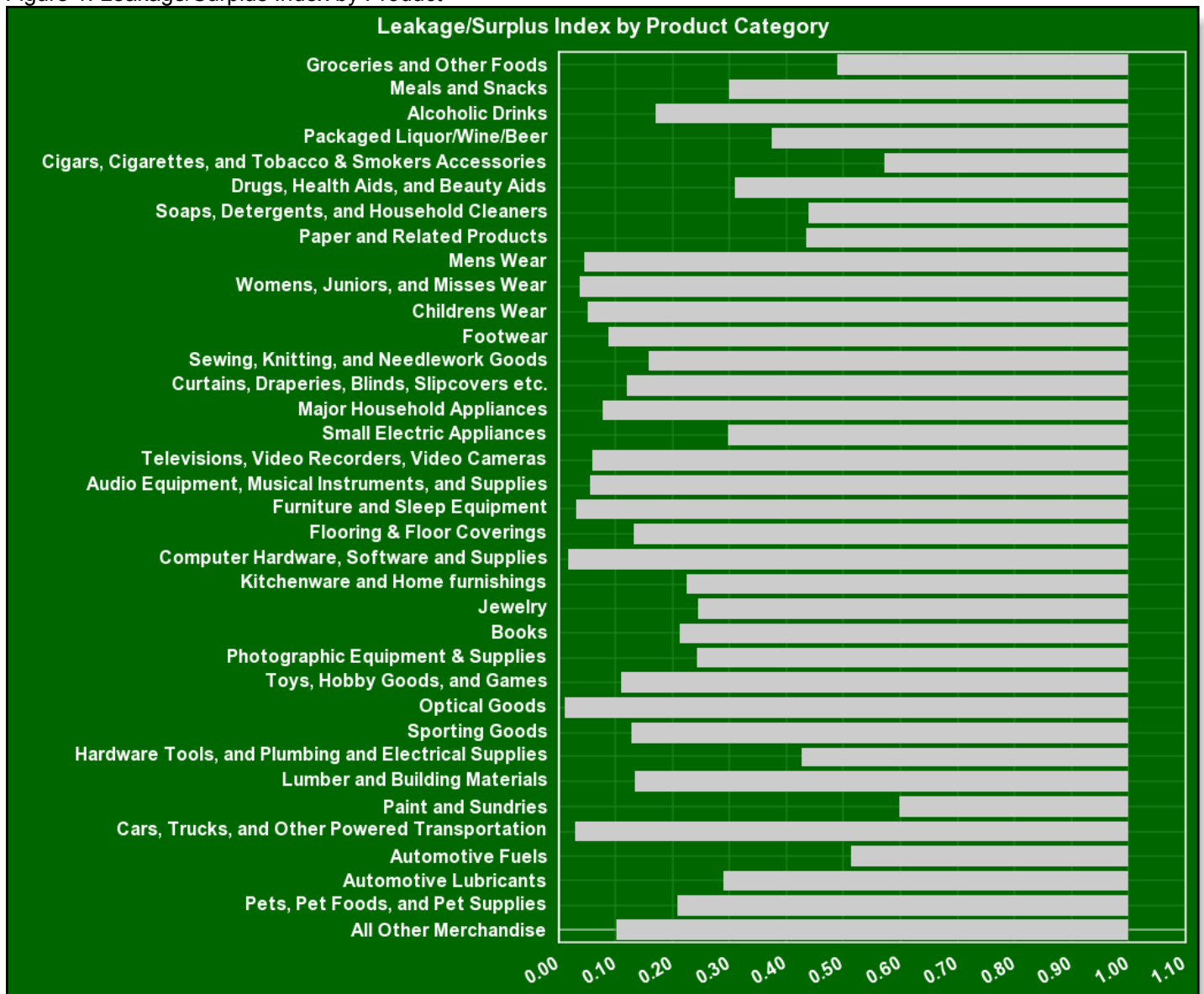
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Central Maricopa Location	SR 347 and Edison Maricopa, AZ 85239	15 minute drive time

### 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	38,886,381	18,990,777	0.5
Meals and Snacks	23,008,424	6,887,815	0.3
Alcoholic Drinks	2,197,359	372,191	0.2
Packaged Liquor/Wine/Beer	4,017,422	1,503,106	0.4
Cigars, Cigarettes, and Tobacco & Smokers Accessories	4,471,030	2,553,409	0.6
Drugs, Health Aids, and Beauty Aids	13,653,226	4,214,061	0.3
Soaps, Detergents, and Household Cleaners	1,614,182	710,548	0.4
Paper and Related Products	1,771,450	770,462	0.4
Mens Wear	4,383,230	192,692	0.0
Womens, Juniors, and Misses Wear	8,045,279	284,788	0.0
Childrens Wear	2,824,840	142,024	0.1
Footwear	3,648,811	320,287	0.1
Sewing, Knitting, and Needlework Goods	447,875	70,791	0.2
Curtains, Draperies, Blinds, Slipcovers etc.	1,264,593	150,261	0.1
Major Household Appliances	1,782,187	138,241	0.1
Small Electric Appliances	749,085	222,266	0.3
Televisions, Video Recorders, Video Cameras	1,763,401	102,961	0.1
Audio Equipment, Musical Instruments, and Supplies	2,685,047	142,888	0.1
Furniture and Sleep Equipment	3,568,044	103,735	0.0
Flooring & Floor Coverings	1,539,801	203,807	0.1
Computer Hardware, Software and Supplies	4,572,449	70,625	0.0
Kitchenware and Home furnishings	2,560,702	574,448	0.2
Jewelry	1,890,718	460,211	0.2
Books	1,135,352	239,974	0.2
Photographic Equipment & Supplies	469,938	113,342	0.2
Toys, Hobby Goods, and Games	1,892,404	209,012	0.1
Optical Goods	463,827	5,062	0.0
Sporting Goods	2,410,233	306,707	0.1
Hardware Tools, and Plumbing and Electrical Supplies	14,562,400	6,228,262	0.4
Lumber and Building Materials	10,961,938	1,477,017	0.1
Paint and Sundries	1,541,864	920,319	0.6
Cars, Trucks, and Other Powered Transportation	37,979,795	1,072,272	0.0
Automotive Fuels	23,214,368	11,891,584	0.5
Automotive Lubricants	8,185,103	2,375,908	0.3
Pets, Pet Foods, and Pet Supplies	1,552,300	321,502	0.2
All Other Merchandise	6,910,427	705,966	0.1

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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



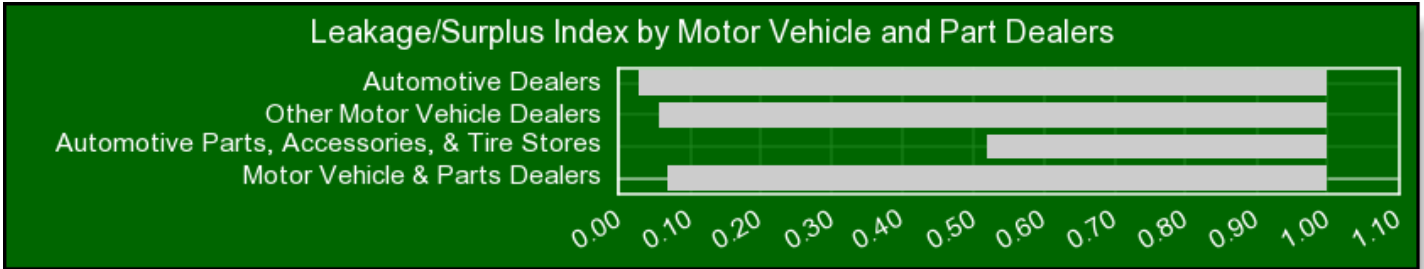
Store Type	Potential	Actual Sales	Leakage/Surplus Index
Motor Vehicle & Parts Dealers	47,032,111	3,160,268	0.07
Furniture & Home Furnishings Stores	5,207,480	329,617	0.06
Electronics & Appliances Stores	5,268,291	291,214	0.06
Building Material & Garden Equipment & Supply Dealers	25,319,114	9,206,099	0.36
Food & Beverage Stores	32,387,796	16,742,694	0.52
Health & Personal Care Stores	10,579,806	2,931,549	0.28
Clothing & Clothing Accessories Stores	10,464,595	514,696	0.05
Sporting Goods, Hobby, Book, & Music Stores	3,971,073	172,601	0.04
General Merchandise Stores	28,863,976	6,831,358	0.24
Miscellaneous Store Retailers	5,803,470	126,133	0.02
Foodservice & Drinking Places	23,384,018	6,579,624	0.28
GAFO	55,935,367	8,198,473	0.15
Total Retail Sales (Including Food Service & Drinking Places)	254,217,097	55,084,326	0.22

\* 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	40,842,287	1,140,917	0.03
Other Motor Vehicle Dealers	2,582,654	143,200	0.06
Automotive Parts, Accessories, & Tire Stores	3,607,169	1,876,150	0.52
Motor Vehicle & Parts Dealers	47,032,111	3,160,268	0.07

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Electronics and Appliance Stores	Potential	Actual Sales	Leakage/Surplus Index
Household Appliances Stores	903,224	0	0.00
Radio Television and Other Electronics Stores	3,222,282	281,332	0.09
Appliance, Television, and Other Electronics Stores	4,125,507	281,332	0.07
Computer and Software Stores	959,063	9,882	0.01
Camera & Photographic Equipment Stores	183,720	0	0.00
Electronics & Appliances Stores	5,268,291	291,214	0.06

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Furniture and Home Furnishings Stores	Potential	Actual Sales	Leakage/Surplus Index
Furniture Stores	2,877,246	0	0.00
Home Furnishing Stores	2,330,233	329,617	0.14
Furniture & Home Furnishings Stores	5,207,480	329,617	0.06

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Building Material, Garden Equipment and Supply Dealers	Potential	Actual Sales	Leakage/Surplus Index
Home Centers	9,222,475	176,956	0.02
Paint and Wallpaper Stores	472,755	0	0.00
Hardware Stores	1,935,657	7,341,449	3.79
Building Materials, Lumberyards	3,892,432	448,853	0.12
Other Building Materials Dealers	11,735,346	1,316,241	0.11
Building Material & Supply Dealers	23,366,236	8,834,646	0.38
Outdoor Power Equipment Stores	314,244	0	0.00
Nursery and Garden Centers	1,638,634	371,452	0.23
Lawn and Garden Equipment and Supplies Stores	1,952,878	371,452	0.19
Building Material & Garden Equipment & Supply Dealers	25,319,114	9,206,099	0.36

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Food and Beverage Stores	Potential	Actual Sales	Leakage/Surplus Index
Supermarkets and Other Grocery (except Convenience) Stores	28,183,269	16,585,954	0.59
Convenience Stores	1,440,162	0	0.00
Grocery Stores	29,623,431	16,585,954	0.56
Specialty Food Stores	964,416	156,740	0.16
Beer, Wine, & Liquor Stores	1,799,948	0	0.00
Food & Beverage Stores	32,387,796	16,742,694	0.52

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Health and Personal Care Stores	Potential	Actual Sales	Leakage/Surplus Index
Pharmacies and Drug Stores	9,182,696	2,650,840	0.29
Cosmetics, Beauty Supplies and Perfume Stores	350,815	208,049	0.59
Optical Goods Stores	389,978	0	0.00
Other Health and Personal Care Stores	656,316	72,660	0.11
Health & Personal Care Stores	10,579,806	2,931,549	0.28

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Clothing and Clothing Accessories Stores	Potential	Actual Sales	Leakage/Surplus Index
Mens Clothing Stores	495,411	0	0.00
Womens Clothing Stores	1,912,539	109,344	0.06
Childrens and Infants Clothing Stores	532,286	15,511	0.03
Family Clothing Stores	4,163,107	0	0.00
Clothing Accessories Stores	152,763	0	0.00
Other Clothing Stores	490,290	0	0.00
Clothing Stores	7,746,397	124,855	0.02
Shoe Stores	1,556,780	0	0.00
Jewelry Stores	1,063,083	389,840	0.37
Luggage, & Leather Goods Stores	98,333	0	0.00
Jewelry, Luggage, & Leather Goods Stores	1,161,416	389,840	0.34
Clothing & Clothing Accessories Stores	10,464,595	514,696	0.05

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Sporting Goods, Hobby, Book and Music Stores	Potential	Actual Sales	Leakage/Surplus Index
Sporting Goods Stores	1,269,019	0	0.00
Hobby, Toys and Games Stores	896,490	0	0.00
Sew/Needlework/Piece Goods Stores	259,267	54,093	0.21
Musical Instrument and Supplies Stores	296,867	0	0.00
Sporting Goods, Hobby, & Musical Instrument Stores	2,721,645	54,093	0.02
Book Stores	721,063	118,507	0.16
News Dealers and Newsstands	41,889	0	0.00
Book Stores and News Dealers	762,953	118,507	0.16
Prerecorded Tape, Compact Disc, and Record Stores	486,475	0	0.00
Book, Periodical, & Music Stores	1,249,428	118,507	0.09
Sporting Goods, Hobby, Book, & Music Stores	3,971,073	172,601	0.04

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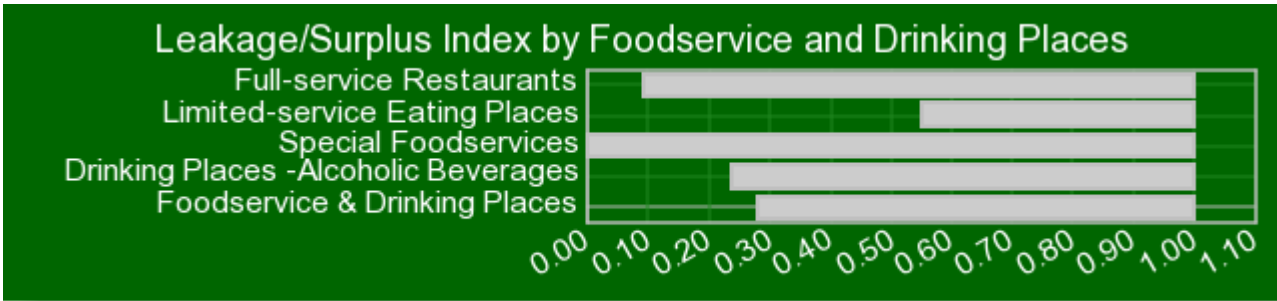
General Merchandise Stores	Potential	Actual Sales	Leakage/Surplus Index
Department Stores excluding leased depts.	13,133,220	0	0.00
Warehouse Clubs and Super Stores	13,710,555	6,761,845	0.49
All Other General Merchandise Stores	2,020,200	69,513	0.03
Other General Merchandise Stores	15,730,756	6,831,358	0.43
General Merchandise Stores	28,863,976	6,831,358	0.24

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Miscellaneous Store Retailers	Potential	Actual Sales	Leakage/Surplus Index
Florists	392,367	0	0.00
Office Supplies and Stationery Stores	1,217,048	0	0.00
Gift, Novelty, and Souvenir Stores	942,902	58,985	0.06
Office Supplies, Stationery, & Gift Stores	2,159,950	58,985	0.03
Used Merchandise Stores	471,591	11,142	0.02
Other Miscellaneous Store Retailers	2,779,561	56,005	0.02
Miscellaneous Store Retailers	5,803,470	126,133	0.02

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Foodservice and Drinking Places	Potential	Actual Sales	Leakage/Surplus Index
Full-service Restaurants	10,691,284	1,009,605	0.09
Limited-service Eating Places	9,735,672	5,339,549	0.55
Special Foodservices	1,984,646	0	0.00
Drinking Places -Alcoholic Beverages	972,415	230,468	0.24
Foodservice & Drinking Places	23,384,018	6,579,624	0.28

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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).