

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.

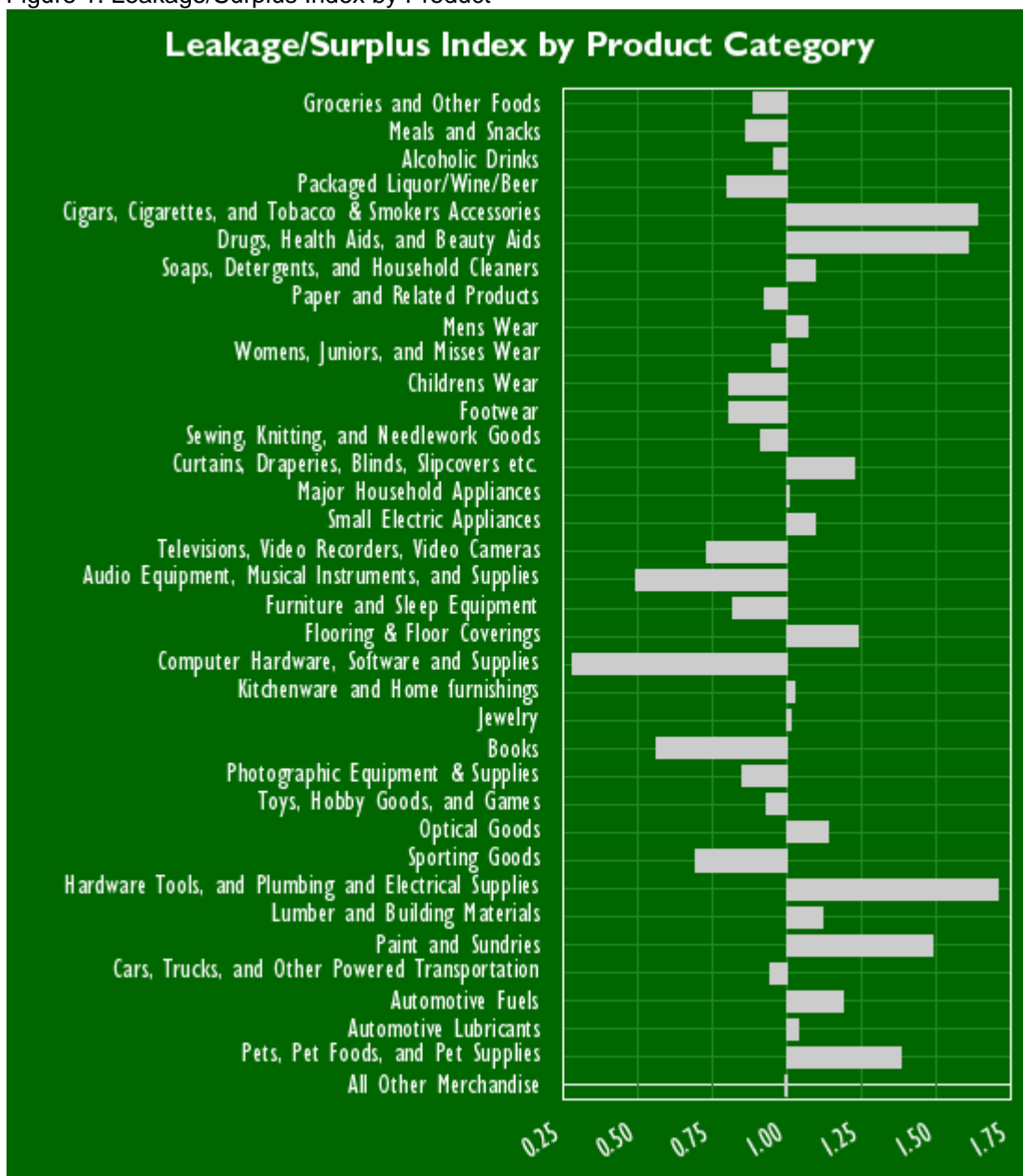
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Site 2	East Laurel Dr and Sanborn Rd Salinas, CA 93905	20 minute drive time

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	431,860,013	382,075,658	0.9
Meals and Snacks	278,289,269	240,215,336	0.9
Alcoholic Drinks	26,816,444	25,629,792	1.0
Packaged Liquor/Wine/Beer	48,573,739	38,919,350	0.8
Cigars, Cigarettes, and Tobacco & Smokers Accessories	29,345,230	48,130,953	1.6
Drugs, Health Aids, and Beauty Aids	155,997,763	250,222,923	1.6
Soaps, Detergents, and Household Cleaners	18,985,646	20,775,347	1.1
Paper and Related Products	19,955,979	18,405,972	0.9
Mens Wear	61,963,241	66,227,051	1.1
Womens, Juniors, and Misses Wear	117,257,527	111,254,098	0.9
Childrens Wear	38,239,406	30,778,572	0.8
Footwear	52,287,976	42,204,531	0.8
Sewing, Knitting, and Needlework Goods	5,261,801	4,797,178	0.9
Curtains, Draperies, Blinds, Slipcovers etc.	18,224,570	22,378,621	1.2
Major Household Appliances	20,267,404	20,339,187	1.0
Small Electric Appliances	8,583,517	9,400,694	1.1
Televisions, Video Recorders, Video Cameras	22,105,427	16,213,749	0.7
Audio Equipment, Musical Instruments, and Supplies	37,366,061	18,412,658	0.5
Furniture and Sleep Equipment	49,755,078	40,731,326	0.8
Flooring & Floor Coverings	20,368,463	25,165,993	1.2
Computer Hardware, Software and Supplies	66,097,876	18,445,494	0.3
Kitchenware and Home furnishings	36,782,370	37,683,521	1.0
Jewelry	33,691,123	34,174,188	1.0
Books	18,585,566	10,453,672	0.6
Photographic Equipment & Supplies	6,822,227	5,786,832	0.8
Toys, Hobby Goods, and Games	26,085,841	24,216,830	0.9
Optical Goods	6,391,515	7,274,255	1.1
Sporting Goods	38,507,067	26,785,978	0.7
Hardware Tools, and Plumbing and Electrical Supplies	156,013,799	266,397,912	1.7
Lumber and Building Materials	121,510,457	135,880,897	1.1
Paint and Sundries	19,430,417	28,903,256	1.5
Cars, Trucks, and Other Powered Transportation	428,440,664	404,148,928	0.9
Automotive Fuels	220,161,694	261,992,546	1.2
Automotive Lubricants	88,628,315	91,680,443	1.0
Pets, Pet Foods, and Pet Supplies	11,838,295	16,361,840	1.4
All Other Merchandise	83,083,622	82,632,552	1.0

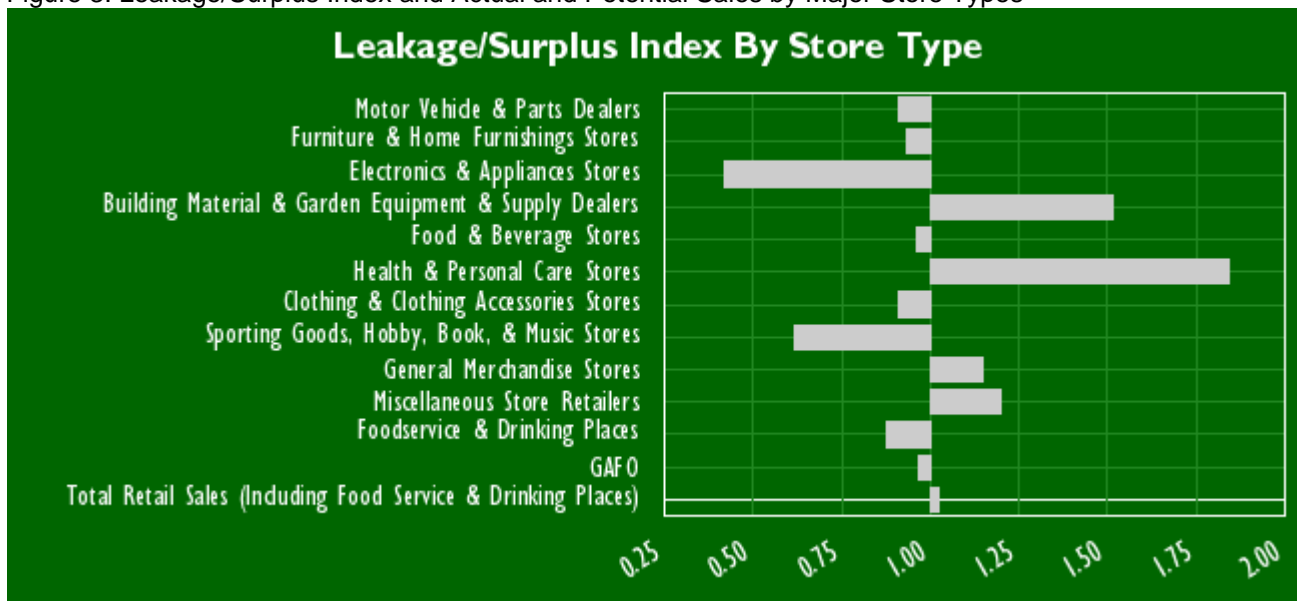
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Leakage/Surplus Index by Major Store Type

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



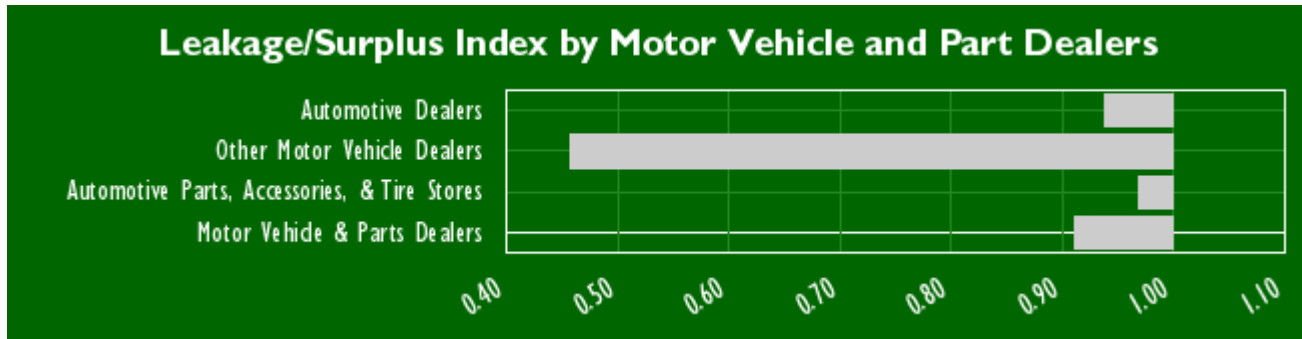
Store Type	Potential	Actual Sales	Leakage/Surplus Index
Motor Vehicle & Parts Dealers	537,749,225	490,102,147	0.91
Furniture & Home Furnishings Stores	73,469,263	68,699,774	0.94
Electronics & Appliances Stores	71,352,220	29,743,869	0.42
Building Material & Garden Equipment & Supply Dealers	279,107,933	422,458,066	1.51
Food & Beverage Stores	355,077,203	340,571,482	0.96
Health & Personal Care Stores	122,477,343	225,533,906	1.84
Clothing & Clothing Accessories Stores	153,110,774	139,500,441	0.91
Sporting Goods, Hobby, Book, & Music Stores	57,895,030	35,731,950	0.62
General Merchandise Stores	358,099,479	410,508,894	1.15
Miscellaneous Store Retailers	70,959,496	85,198,827	1.20
Foodservice & Drinking Places	282,501,524	247,525,410	0.88
GAFO	741,990,452	715,486,513	0.96
Total Retail Sales (Including Food Service & Drinking Places)	2,823,575,376	2,885,098,133	1.02

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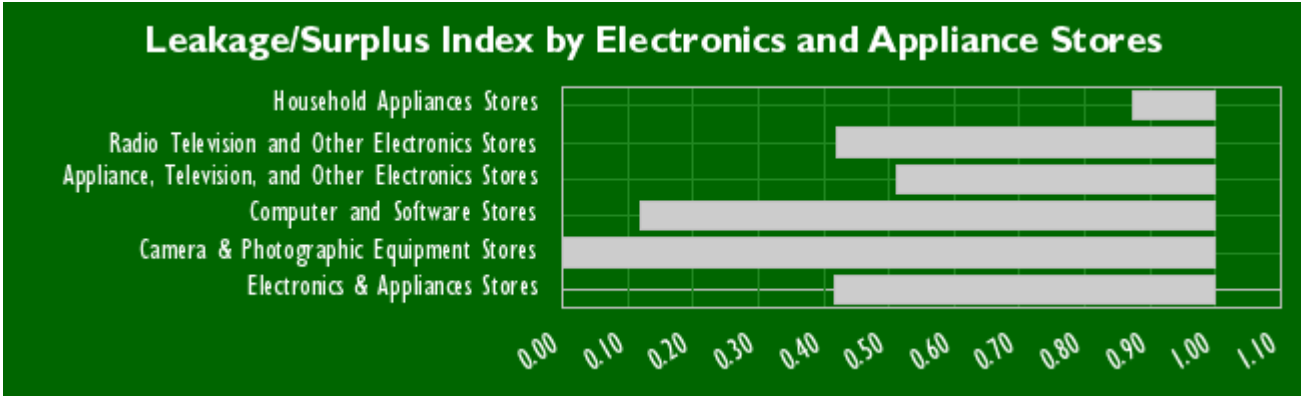
Leakage/Surplus Analysis by Sub-Categories of Major Retail Types

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.



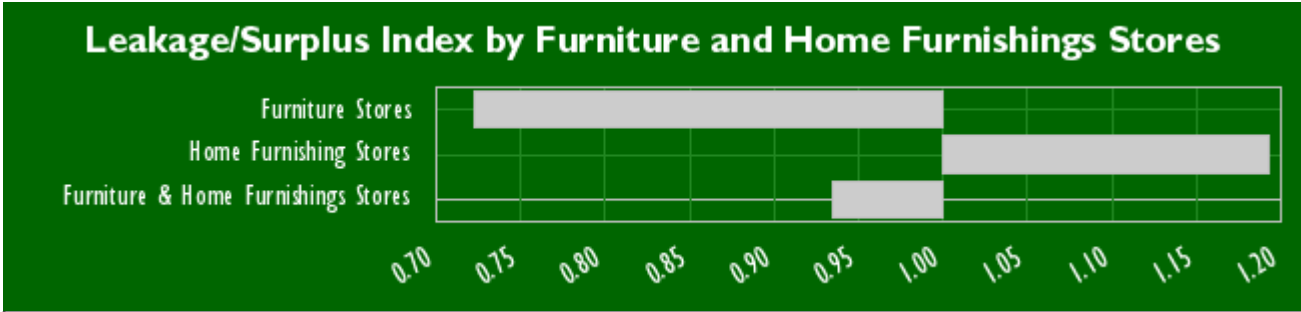
Motor Vehicle and Parts Dealers	Potential	Actual Sales	Leakage/Surplus Index
Automotive Dealers	463,863,050	434,756,051	0.94
Other Motor Vehicle Dealers	31,686,568	14,490,721	0.46
Automotive Parts, Accessories, & Tire Stores	42,199,607	40,855,375	0.97
Motor Vehicle & Parts Dealers	537,749,225	490,102,147	0.91

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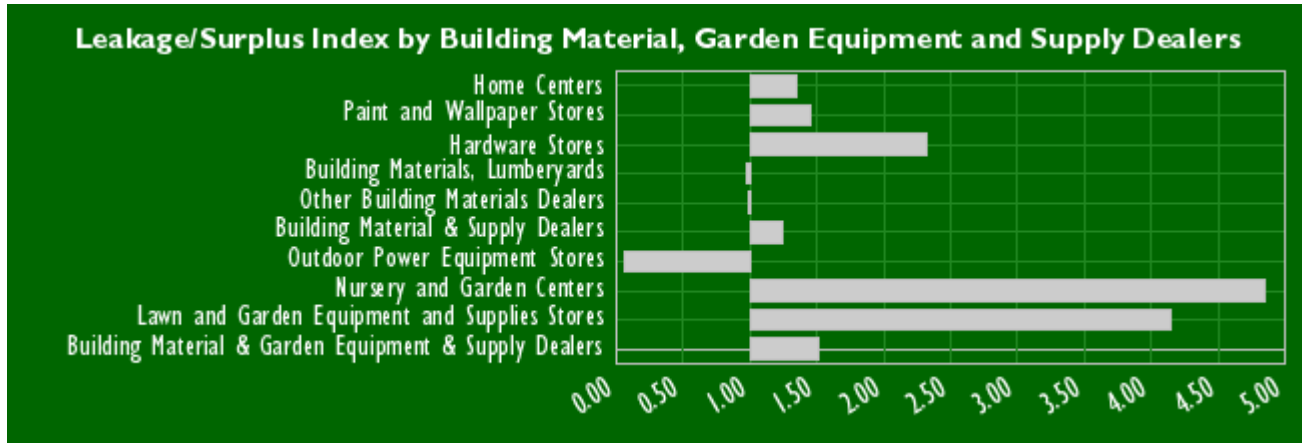
Electronics and Appliance Stores	Potential	Actual Sales	Leakage/Surplus Index
Household Appliances Stores	11,072,248	9,654,417	0.87
Radio Television and Other Electronics Stores	44,080,324	18,488,300	0.42
Appliance, Television, and Other Electronics Stores	55,152,572	28,142,717	0.51
Computer and Software Stores	13,551,079	1,601,151	0.12
Camera & Photographic Equipment Stores	2,648,569	0	0.00
Electronics & Appliances Stores	71,352,220	29,743,869	0.42

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Furniture and Home Furnishings Stores	Potential	Actual Sales	Leakage/Surplus Index
Furniture Stores	40,316,234	29,149,744	0.72
Home Furnishing Stores	33,153,029	39,550,030	1.19
Furniture & Home Furnishings Stores	73,469,263	68,699,774	0.94

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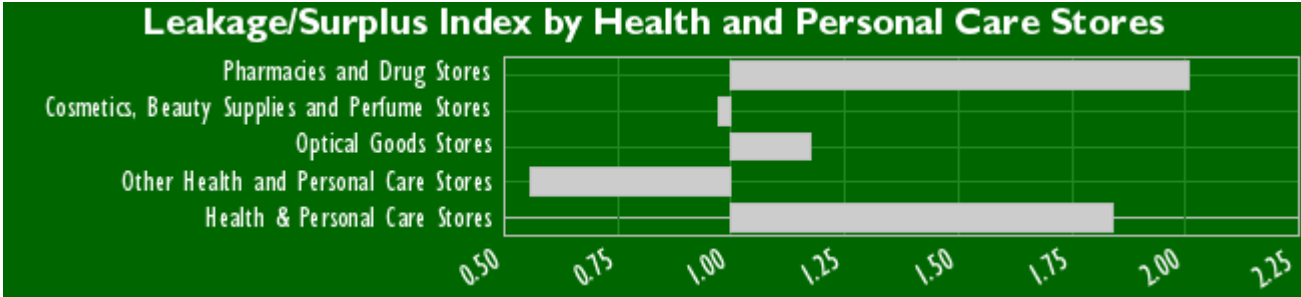
Building Material, Garden Equipment and Supply Dealers	Potential	Actual Sales	Leakage/Surplus Index
Home Centers	97,197,629	130,926,335	1.35
Paint and Wallpaper Stores	6,698,795	9,705,558	1.45
Hardware Stores	21,079,957	48,809,381	2.32
Building Materials, Lumberyards	44,143,627	43,070,942	0.98
Other Building Materials Dealers	128,400,627	126,303,609	0.98
Building Material & Supply Dealers	253,377,008	315,744,883	1.25
Outdoor Power Equipment Stores	3,792,585	237,368	0.06
Nursery and Garden Centers	21,938,340	106,475,815	4.85
Lawn and Garden Equipment and Supplies Stores	25,730,925	106,713,183	4.15
Building Material & Garden Equipment & Supply Dealers	279,107,933	422,458,066	1.51

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Food and Beverage Stores	Potential	Actual Sales	Leakage/Surplus Index
Supermarkets and Other Grocery (except Convenience) Stores	307,360,177	287,542,329	0.94
Convenience Stores	14,766,744	14,552,175	0.99
Grocery Stores	322,126,921	302,094,504	0.94
Specialty Food Stores	11,561,430	25,671,806	2.22
Beer, Wine, & Liquor Stores	21,388,853	12,805,172	0.60
Food & Beverage Stores	355,077,203	340,571,482	0.96

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Health and Personal Care Stores	Potential	Actual Sales	Leakage/Surplus Index
Pharmacies and Drug Stores	104,897,349	210,652,091	2.01
Cosmetics, Beauty Supplies and Perfume Stores	4,265,226	4,149,715	0.97
Optical Goods Stores	5,386,464	6,319,095	1.17
Other Health and Personal Care Stores	7,928,304	4,413,005	0.56
Health & Personal Care Stores	122,477,343	225,533,906	1.84

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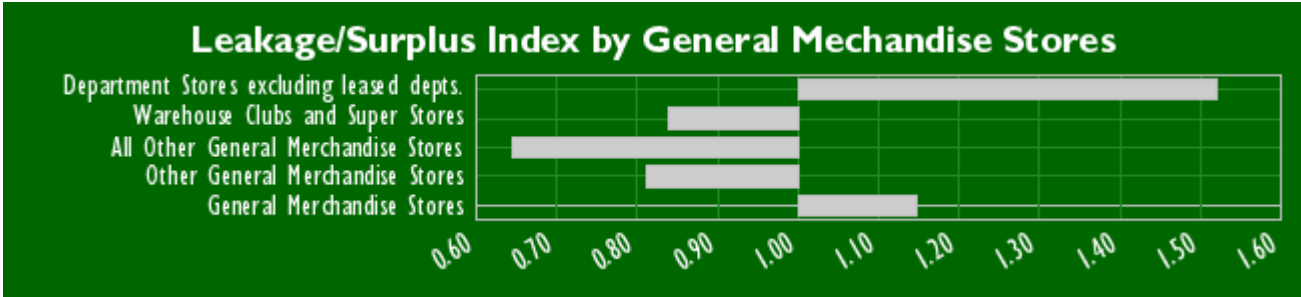
Clothing and Clothing Accessories Stores	Potential	Actual Sales	Leakage/Surplus Index
Mens Clothing Stores	6,756,813	9,281,495	1.37
Womens Clothing Stores	28,001,769	24,008,001	0.86
Childrens and Infants Clothing Stores	7,416,400	2,939,662	0.40
Family Clothing Stores	57,949,927	50,480,342	0.87
Clothing Accessories Stores	2,447,262	4,886,778	2.00
Other Clothing Stores	7,287,112	9,379,241	1.29
Clothing Stores	109,859,284	100,975,519	0.92
Shoe Stores	23,221,530	18,954,337	0.82
Jewelry Stores	18,471,689	19,164,299	1.04
Luggage, & Leather Goods Stores	1,558,271	406,286	0.26
Jewelry, Luggage, & Leather Goods Stores	20,029,960	19,570,585	0.98
Clothing & Clothing Accessories Stores	153,110,774	139,500,441	0.91

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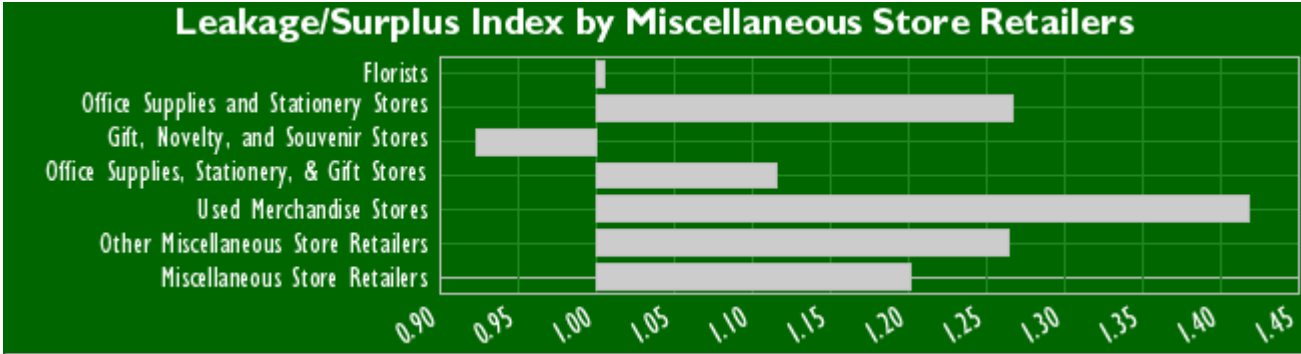
Sporting Goods, Hobby, Book and Music Stores	Potential	Actual Sales	Leakage/Surplus Index
Sporting Goods Stores	20,131,275	10,378,893	0.52
Hobby, Toys and Games Stores	12,505,117	10,422,478	0.83
Sew/Needlework/Piece Goods Stores	3,153,428	2,865,107	0.91
Musical Instrument and Supplies Stores	4,273,225	904,506	0.21
Sporting Goods, Hobby, & Musical Instrument Stores	40,063,044	24,570,984	0.61
Book Stores	10,936,468	5,363,410	0.49
News Dealers and Newsstands	535,250	258,408	0.48
Book Stores and News Dealers	11,471,719	5,621,818	0.49
Prerecorded Tape, Compact Disc, and Record Stores	6,360,268	5,539,147	0.87
Book, Periodical, & Music Stores	17,831,986	11,160,965	0.63
Sporting Goods, Hobby, Book, & Music Stores	57,895,030	35,731,950	0.62

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General Merchandise Stores	Potential	Actual Sales	Leakage/Surplus Index
Department Stores excluding leased depts.	169,043,948	257,064,611	1.52
Warehouse Clubs and Super Stores	163,115,042	136,727,771	0.84
All Other General Merchandise Stores	25,940,489	16,716,513	0.64
Other General Merchandise Stores	189,055,530	153,444,284	0.81
General Merchandise Stores	358,099,479	410,508,894	1.15

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Miscellaneous Store Retailers	Potential	Actual Sales	Leakage/Surplus Index
Florists	5,131,076	5,157,373	1.01
Office Supplies and Stationery Stores	15,717,392	19,901,345	1.27
Gift, Novelty, and Souvenir Stores	12,346,294	11,400,240	0.92
Office Supplies, Stationery, & Gift Stores	28,063,686	31,301,585	1.12
Used Merchandise Stores	6,649,448	9,424,561	1.42
Other Miscellaneous Store Retailers	31,115,286	39,315,308	1.26
Miscellaneous Store Retailers	70,959,496	85,198,827	1.20

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Foodservice and Drinking Places	Potential	Actual Sales	Leakage/Surplus Index
Full-service Restaurants	127,604,753	154,265,680	1.21
Limited-service Eating Places	120,852,923	84,530,246	0.70
Special Foodservices	23,118,470	5,673,545	0.25
Drinking Places -Alcoholic Beverages	10,925,378	3,055,940	0.28
Foodservice & Drinking Places	282,501,524	247,525,410	0.88

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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).