

# 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.

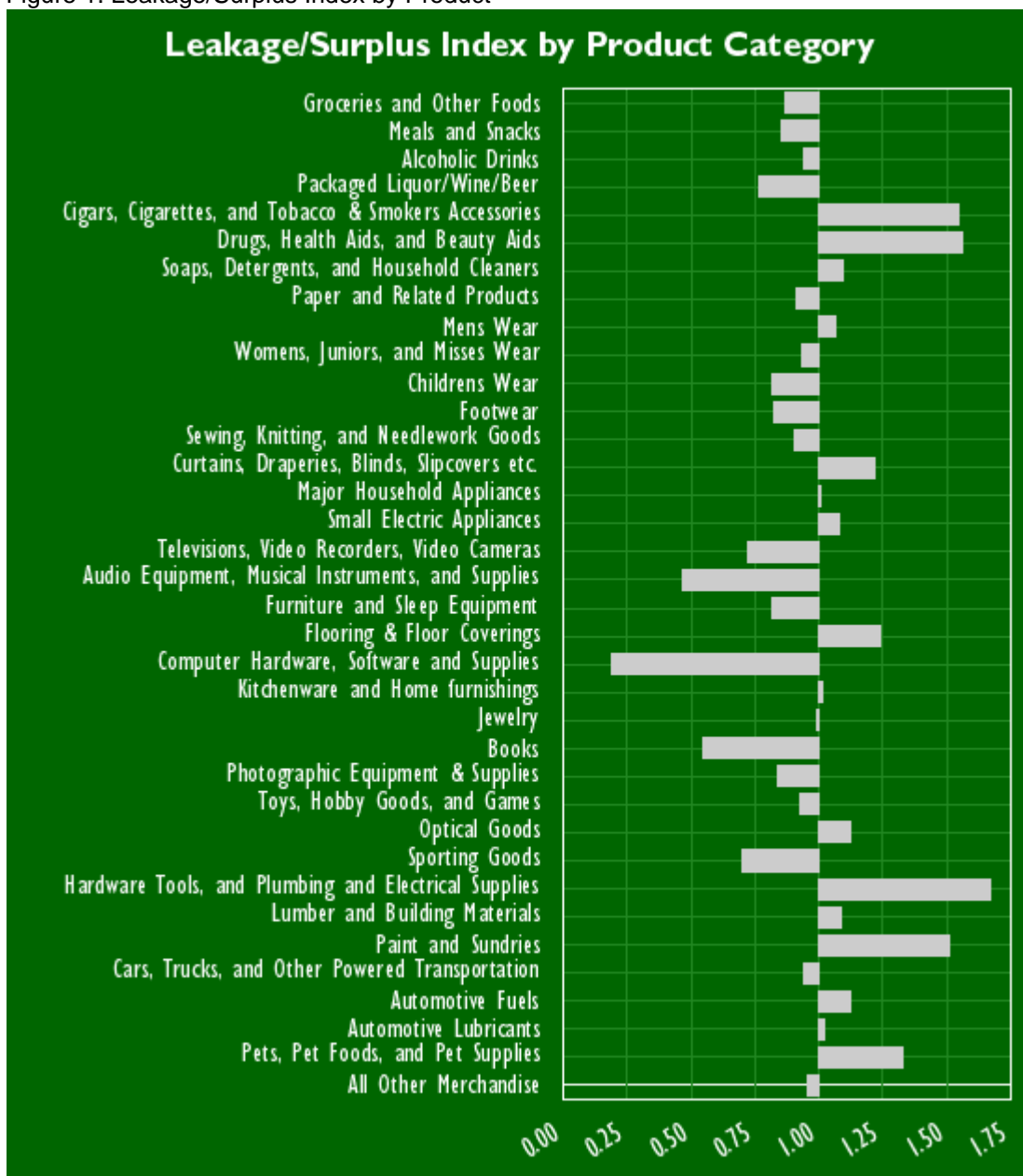
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Site 1	Boranda Hwy and Hwy 101 Salinas, CA 93907	20 minute drive time

### 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	430,741,122	372,633,928	0.9
Meals and Snacks	279,107,003	239,107,180	0.9
Alcoholic Drinks	27,051,439	25,503,272	0.9
Packaged Liquor/Wine/Beer	48,620,980	37,228,777	0.8
Cigars, Cigarettes, and Tobacco & Smokers Accessories	29,724,263	45,841,685	1.5
Drugs, Health Aids, and Beauty Aids	156,009,077	243,195,519	1.6
Soaps, Detergents, and Household Cleaners	18,852,702	20,599,540	1.1
Paper and Related Products	19,935,647	18,178,854	0.9
Mens Wear	61,796,150	65,669,303	1.1
Womens, Juniors, and Misses Wear	116,961,169	109,250,603	0.9
Childrens Wear	37,779,884	30,746,234	0.8
Footwear	51,939,690	42,675,214	0.8
Sewing, Knitting, and Needlework Goods	5,268,233	4,762,719	0.9
Curtains, Draperies, Blinds, Slipcovers etc.	18,264,072	22,252,109	1.2
Major Household Appliances	20,259,432	20,318,460	1.0
Small Electric Appliances	8,615,936	9,322,536	1.1
Televisions, Video Recorders, Video Cameras	22,153,469	15,985,397	0.7
Audio Equipment, Musical Instruments, and Supplies	37,327,353	17,497,018	0.5
Furniture and Sleep Equipment	49,831,503	40,541,011	0.8
Flooring & Floor Coverings	20,313,606	25,218,819	1.2
Computer Hardware, Software and Supplies	66,222,244	12,377,104	0.2
Kitchenware and Home furnishings	36,894,992	37,354,763	1.0
Jewelry	33,859,141	33,680,257	1.0
Books	18,748,396	10,268,021	0.5
Photographic Equipment & Supplies	6,840,662	5,724,827	0.8
Toys, Hobby Goods, and Games	25,963,674	23,962,895	0.9
Optical Goods	6,396,557	7,191,066	1.1
Sporting Goods	38,510,471	27,011,303	0.7
Hardware Tools, and Plumbing and Electrical Supplies	155,597,444	260,365,307	1.7
Lumber and Building Materials	121,004,340	131,774,189	1.1
Paint and Sundries	19,347,212	29,141,579	1.5
Cars, Trucks, and Other Powered Transportation	428,362,793	404,029,215	0.9
Automotive Fuels	220,565,309	247,515,855	1.1
Automotive Lubricants	88,556,726	90,632,939	1.0
Pets, Pet Foods, and Pet Supplies	11,864,761	15,722,851	1.3
All Other Merchandise	83,737,312	79,839,816	1.0

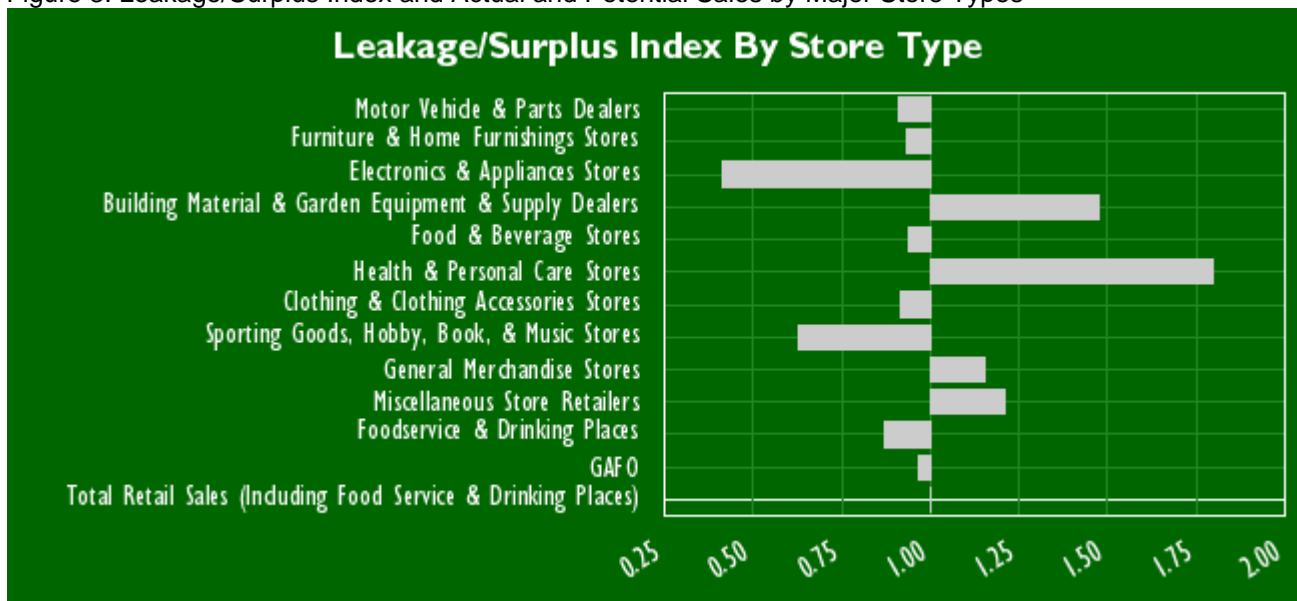
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### Leakage/Surplus Index by Major Store Type

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



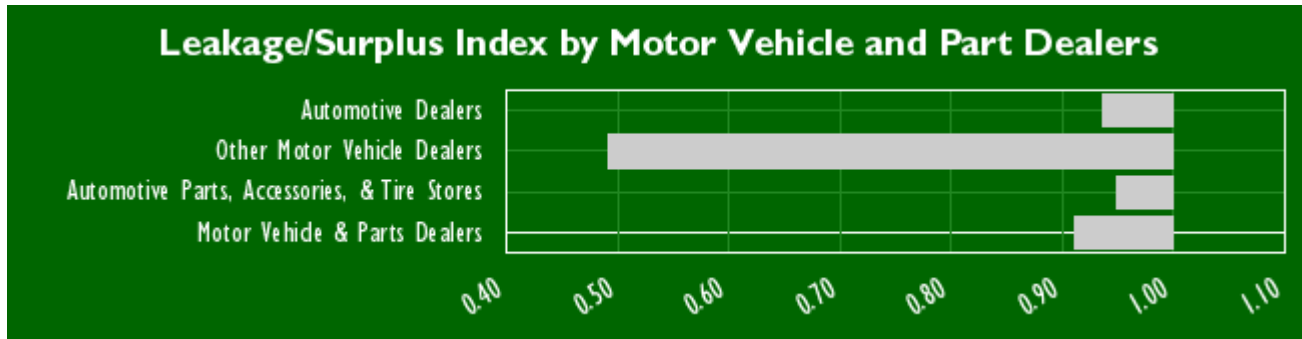
Store Type	Potential	Actual Sales	Leakage/Surplus Index
Motor Vehicle & Parts Dealers	537,689,890	489,920,841	0.91
Furniture & Home Furnishings Stores	73,527,998	68,798,833	0.94
Electronics & Appliances Stores	71,396,105	29,426,763	0.41
Building Material & Garden Equipment & Supply Dealers	278,204,005	410,041,283	1.47
Food & Beverage Stores	354,486,524	332,469,536	0.94
Health & Personal Care Stores	122,513,183	220,321,176	1.80
Clothing & Clothing Accessories Stores	152,679,411	139,559,555	0.91
Sporting Goods, Hobby, Book, & Music Stores	57,945,310	36,268,445	0.63
General Merchandise Stores	357,513,662	412,209,832	1.15
Miscellaneous Store Retailers	71,236,950	86,036,246	1.21
Foodservice & Drinking Places	283,450,710	246,825,887	0.87
GAFO	741,282,963	717,683,540	0.97
Total Retail Sales (Including Food Service & Drinking Places)	2,823,024,737	2,823,120,171	1.00

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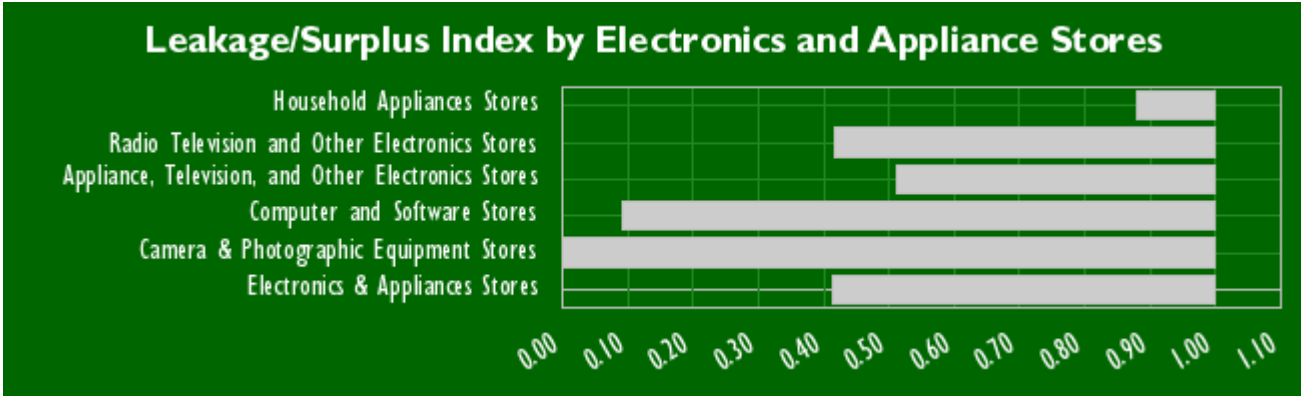
**Leakage/Surplus Analysis by Sub-Categories of Major Retail Types**

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.



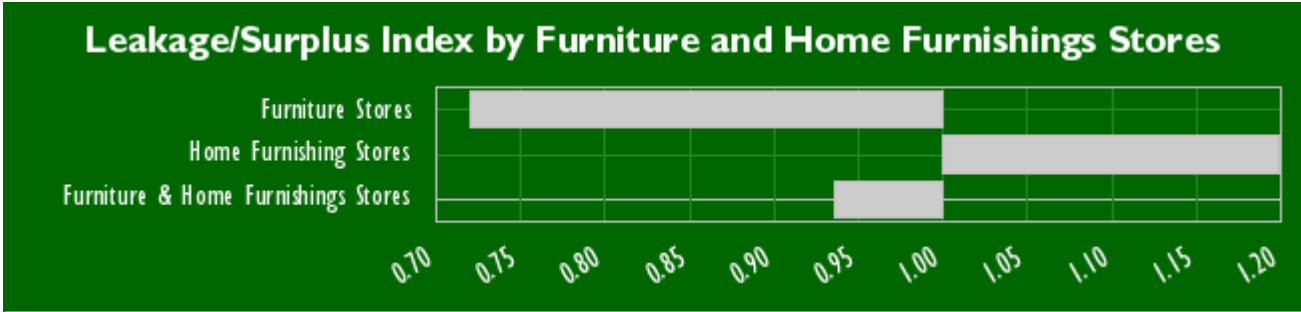
Motor Vehicle and Parts Dealers	Potential	Actual Sales	Leakage/Surplus Index
Automotive Dealers	463,791,644	434,309,978	0.94
Other Motor Vehicle Dealers	31,696,070	15,563,760	0.49
Automotive Parts, Accessories, & Tire Stores	42,202,176	40,047,103	0.95
Motor Vehicle & Parts Dealers	537,689,890	489,920,841	0.91

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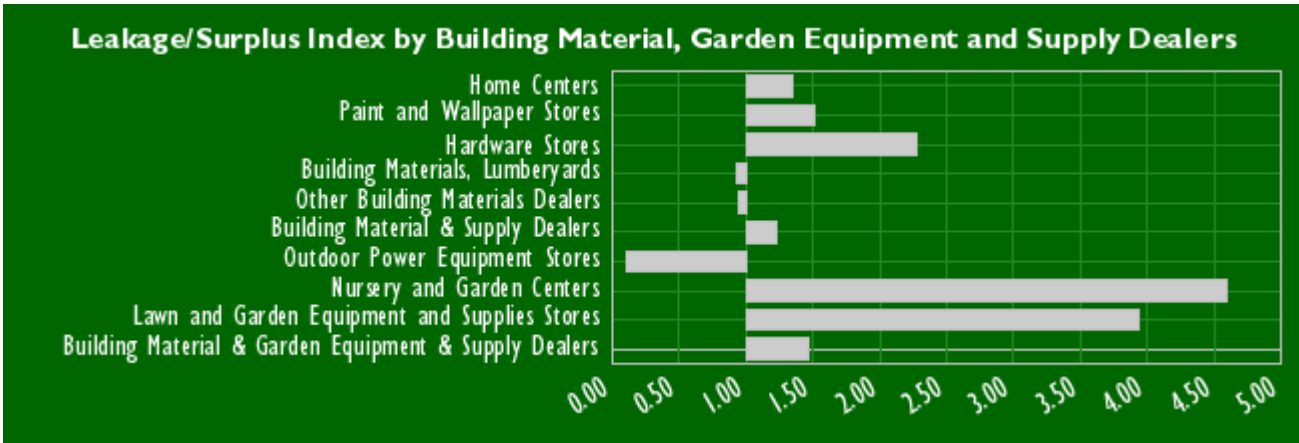
Electronics and Appliance Stores	Potential	Actual Sales	Leakage/Surplus Index
Household Appliances Stores	11,073,047	9,750,859	0.88
Radio Television and Other Electronics Stores	44,092,824	18,423,254	0.42
Appliance, Television, and Other Electronics Stores	55,165,871	28,174,114	0.51
Computer and Software Stores	13,575,964	1,252,649	0.09
Camera & Photographic Equipment Stores	2,654,270	0	0.00
Electronics & Appliances Stores	71,396,105	29,426,763	0.41

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Furniture and Home Furnishings Stores	Potential	Actual Sales	Leakage/Surplus Index
Furniture Stores	40,373,453	29,060,094	0.72
Home Furnishing Stores	33,154,545	39,738,739	1.20
Furniture & Home Furnishings Stores	73,527,998	68,798,833	0.94

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Building Material, Garden Equipment and Supply Dealers	Potential	Actual Sales	Leakage/Surplus Index
Home Centers	96,886,676	130,926,335	1.35
Paint and Wallpaper Stores	6,674,614	10,139,018	1.52
Hardware Stores	21,044,577	47,874,518	2.28
Building Materials, Lumberyards	43,979,050	40,910,295	0.93
Other Building Materials Dealers	127,932,562	119,967,605	0.94
Building Material & Supply Dealers	252,538,429	308,907,477	1.22
Outdoor Power Equipment Stores	3,778,886	410,147	0.11
Nursery and Garden Centers	21,886,689	100,723,660	4.60
Lawn and Garden Equipment and Supplies Stores	25,665,576	101,133,807	3.94
Building Material & Garden Equipment & Supply Dealers	278,204,005	410,041,283	1.47

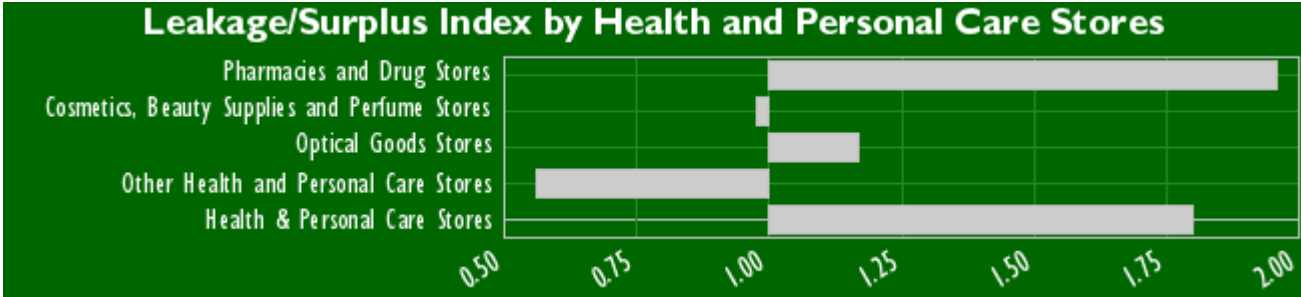


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Food and Beverage Stores	Potential	Actual Sales	Leakage/Surplus Index
Supermarkets and Other Grocery (except Convenience) Stores	306,767,861	283,189,727	0.92
Convenience Stores	14,777,447	14,564,302	0.99
Grocery Stores	321,545,308	297,754,029	0.93
Specialty Food Stores	11,526,209	22,596,422	1.96
Beer, Wine, & Liquor Stores	21,415,007	12,119,086	0.57
Food & Beverage Stores	354,486,524	332,469,536	0.94

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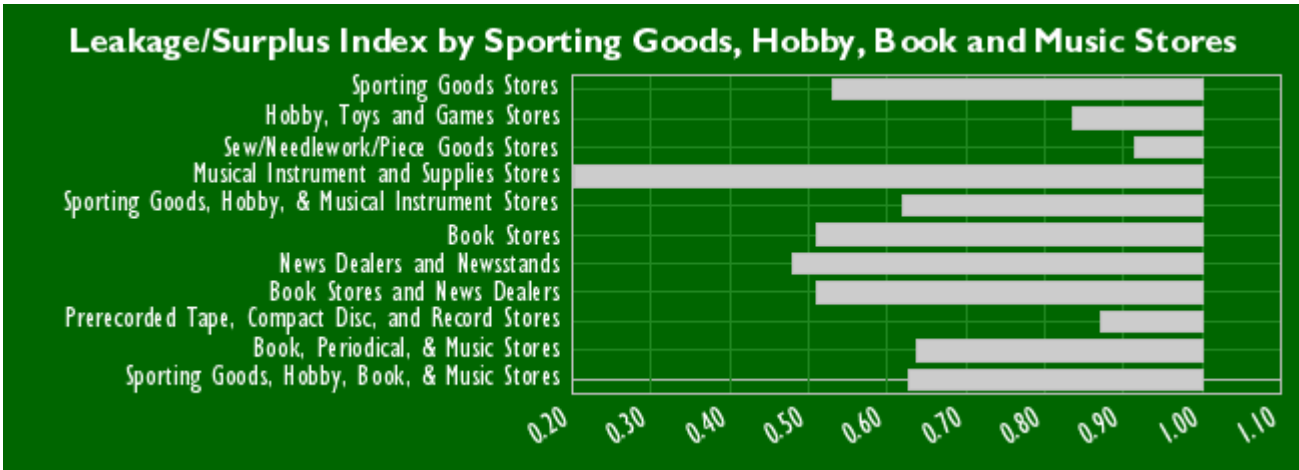
Health and Personal Care Stores	Potential	Actual Sales	Leakage/Surplus Index
Pharmacies and Drug Stores	104,929,599	205,430,822	1.96
Cosmetics, Beauty Supplies and Perfume Stores	4,266,541	4,164,275	0.98
Optical Goods Stores	5,390,881	6,294,531	1.17
Other Health and Personal Care Stores	7,926,162	4,431,548	0.56
Health & Personal Care Stores	122,513,183	220,321,176	1.80

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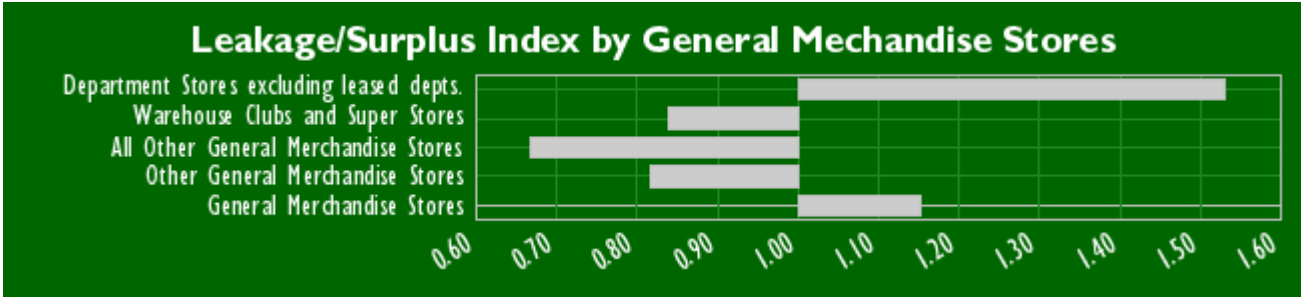
Clothing and Clothing Accessories Stores	Potential	Actual Sales	Leakage/Surplus Index
Mens Clothing Stores	6,737,614	9,114,947	1.35
Womens Clothing Stores	27,929,649	23,521,782	0.84
Childrens and Infants Clothing Stores	7,336,964	2,936,770	0.40
Family Clothing Stores	57,763,660	50,452,986	0.87
Clothing Accessories Stores	2,448,456	4,886,548	2.00
Other Clothing Stores	7,266,325	9,309,061	1.28
Clothing Stores	109,482,668	100,222,095	0.92
Shoe Stores	23,075,033	19,772,816	0.86
Jewelry Stores	18,558,924	19,158,357	1.03
Luggage, & Leather Goods Stores	1,562,785	406,286	0.26
Jewelry, Luggage, & Leather Goods Stores	20,121,710	19,564,643	0.97
Clothing & Clothing Accessories Stores	152,679,411	139,559,555	0.91

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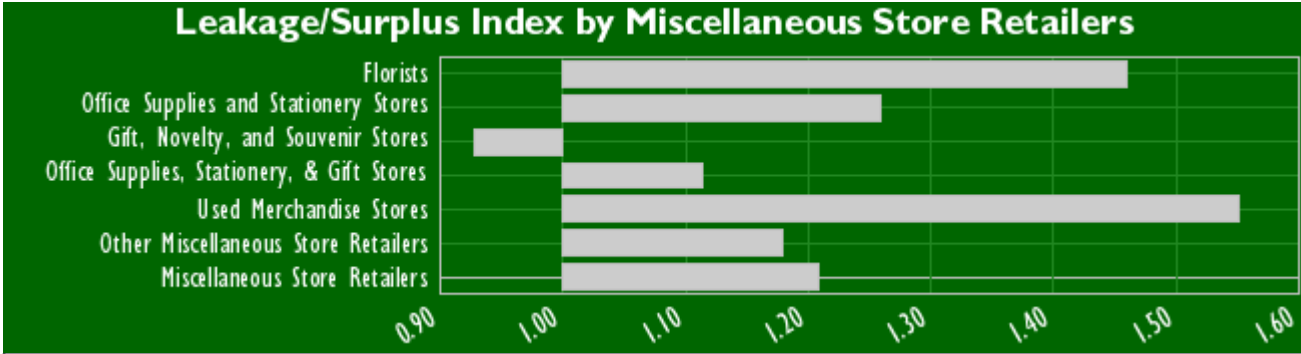
Sporting Goods, Hobby, Book and Music Stores	Potential	Actual Sales	Leakage/Surplus Index
Sporting Goods Stores	20,105,054	10,646,019	0.53
Hobby, Toys and Games Stores	12,479,216	10,425,847	0.84
Sew/Needlework/Piece Goods Stores	3,159,467	2,888,864	0.91
Musical Instrument and Supplies Stores	4,267,544	864,879	0.20
Sporting Goods, Hobby, & Musical Instrument Stores	40,011,281	24,825,610	0.62
Book Stores	11,018,046	5,634,971	0.51
News Dealers and Newsstands	538,805	258,868	0.48
Book Stores and News Dealers	11,556,851	5,893,839	0.51
Prerecorded Tape, Compact Disc, and Record Stores	6,377,177	5,548,996	0.87
Book, Periodical, & Music Stores	17,934,029	11,442,835	0.64
Sporting Goods, Hobby, Book, & Music Stores	57,945,310	36,268,445	0.63

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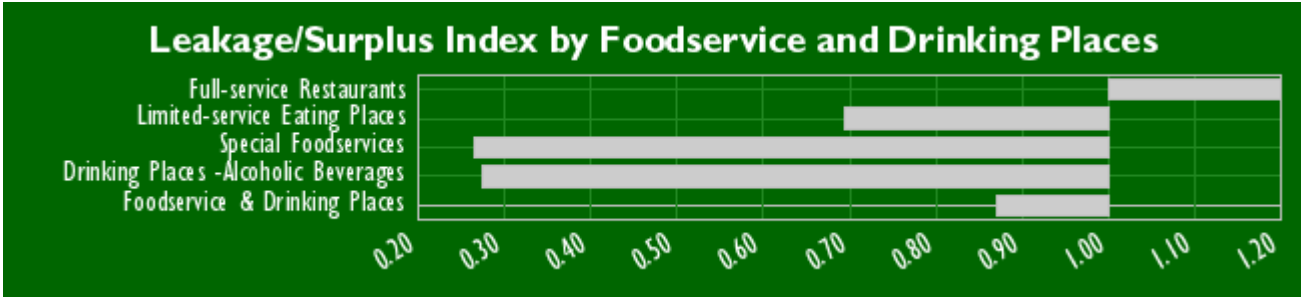
General Merchandise Stores	Potential	Actual Sales	Leakage/Surplus Index
Department Stores excluding leased depts.	168,715,832	258,157,323	1.53
Warehouse Clubs and Super Stores	162,862,999	136,727,771	0.84
All Other General Merchandise Stores	25,934,831	17,324,738	0.67
Other General Merchandise Stores	188,797,830	154,052,509	0.82
General Merchandise Stores	357,513,662	412,209,832	1.15

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Miscellaneous Store Retailers	Potential	Actual Sales	Leakage/Surplus Index
Florists	5,136,883	7,499,586	1.46
Office Supplies and Stationery Stores	15,810,940	19,901,345	1.26
Gift, Novelty, and Souvenir Stores	12,409,537	11,518,769	0.93
Office Supplies, Stationery, & Gift Stores	28,220,477	31,420,114	1.11
Used Merchandise Stores	6,659,730	10,330,195	1.55
Other Miscellaneous Store Retailers	31,219,860	36,786,351	1.18
Miscellaneous Store Retailers	71,236,950	86,036,246	1.21

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Foodservice and Drinking Places	Potential	Actual Sales	Leakage/Surplus Index
Full-service Restaurants	128,062,155	153,555,487	1.20
Limited-service Eating Places	121,200,650	84,106,948	0.69
Special Foodservices	23,183,863	6,142,631	0.27
Drinking Places -Alcoholic Beverages	11,004,042	3,020,820	0.27
Foodservice & Drinking Places	283,450,710	246,825,887	0.87

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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).