Introduction to the Market Analysis Process

Webinar Session #1, September 18, 2012 (1:00 PM - CT)

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Working with local and regional Extension educators in Illinois, Minnesota and Wisconsin

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Purpose of a Market Analysis

1. To support business development with reliable data that accurately describes the market.

2. To research issues specific to your particular community.

3. To provide a foundation for developing economic development strategies for a business district.
Evaluating Retail & Service Business Opportunities

This section provides techniques for estimating market demand and supply for selected retail and service business categories. It examines business opportunities in terms of the number of businesses the market could support, total sales, and square feet of occupied business space. Other more qualitative and equally important market considerations are also discussed in this section. Specific tools to measure demand and supply, ranging from simple to complex, are presented.

Analyzing Demand & Supply—Overview

Step 1: Assess Demand
Step 2: Inventory Supply
Step 3: Draw Realistic Conclusions

Tool 1—Business Mix Analysis (a Population Threshold Method)
Tool 2—Gap Analysis Calculator (A Surplus-Leakage Method)
Tool 3—Pull Factors (A Surplus-Leakage Method)
Tool 4—Trade Region Gap Analysis (An Advanced Surplus-Leakage Method)
Appendix—Using GIS to Visualize Demand and Supply

Related Content
- PDF Version
- Descriptions of retail and service business categories
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Profitable retail and service businesses at street level are essential in creating an economically healthy downtown.

These institutions have collaborated in the 2010 update of the DMA toolbox with assistance from the North Central Regional Center for Rural Development.

Selected Wisconsin Resources:
- Downtown Economic Development Tools
- Center for Community & Econ Development
- Local Government Center – BID Resources Contact

University of Wisconsin-Extension
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I. Understanding the Market

Trade Area Analysis

A *trade area* is the geographic area from which a community generates the majority of its customers. A community may have both a *convenience* and a *destination* trade area.

Factors to Consider:
- Population
- Proximity of competing centers
- Local mix of businesses
- Local destination attractions
- Traffic patterns

Tools to Use:
- Focus groups
- Mapping using geographic features (distances, highways, drive-times, etc.)
- Mapping using customer addresses and zip codes
Establishing Trade Area(s) Using GIS

Destination Trade Area Consideration using General Merchandise Store Locations and Focus Group Insight
I. Understanding the Market

Demographic & Lifestyle Analysis

Demographic and Lifestyle data can provide insight into local consumer buying behaviors and preferences. Comparison are made to state and national averages.

Demographic Data:
- Population and households
- Housing ownership and value
- Income
- Age, gender and ethnicity
- Educational attainment
- Employment

Lifestyle Data:
- Households in a trade area are segmented into unique clusters that describe their lifestyle, characteristics
- Examine spending propensity for a variety of goods and services
Analysis of Trade Area(s) Using Tables and Maps

![Market Profile Table]

![Percent of Population Age 25 to 34 with a College Degree (2000) Map]

**Downtown and Business District Market Analysis**

Tools to Create Economically Vibrant Commercial Districts in Small Cities
I. Understanding the Market

Business Owners Survey

A business owner survey invites business owners to share their perspectives regarding the current and future economic health of the business district.

Purpose of Questions:
- provides information on business needs to support retention and expansion efforts.
- Allows business community to share ideas for new economic activity in the community.

Possible Methods to Use:
- Written Survey
- Telephone Survey
- Web-Based Survey
- Business Visitations
- Focus Groups
I. Understanding the Market

Consumer Survey

A survey can help you understand the attitudes and shopping behaviors and preferences of current and potential consumers specific to your trade area.

Provides Information on:

- Who they are and how to reach them.
- Where, when and why they shop for various goods and services.
- How downtown can be improved in terms of retail as well as other uses.

Possible Methods to Use:

- Written Survey
- Telephone Survey
- Web-Based Survey
- Social Media
- Intercept Surveys
- Focus Groups
Surveys – Download Examples and Templates

Toolbox includes:

• Question-bank to help you determine what questions are most relevant to your analysis
• Downloadable survey templates that can be customized for your community.
• Examples of surveys that have been customized and implemented in various cities.
I. Understanding the Market

Focus Groups

A carefully planned discussion to collect qualitative data about feelings and perceptions regarding the downtown area.

Structure of Sessions:

• 7-10 people with common characteristics (perhaps same market segment)
• Minimum of three groups
• Conducted by a trained facilitator
• Non-threatening environment
• Used to understand human behavior
• Not used to collect facts
II. Analysis of Opportunities by Sector

Examining Retail Opportunities

Includes tools for estimating demand and supply for selected business categories. Business opportunities are examined in terms of quantitative and qualitative factors.

Demand

Supply

Realistic Retail/Service Business Opportunities

Reasonableness Check
II. Analysis of Opportunities by Sector

Analysis of Other Property Uses

Includes techniques for estimating demand and supply for various downtown uses. To the extent possible, opportunities are examined in terms of quantitative and qualitative factors

- Restaurants
- Arts and Entertainment
- Housing
- Office Space
- Lodging
- Light Industrial
III. Putting Your Research to work

Using Your Market Analysis

*Market analysis findings can provide a solid and objective foundation for launching economic development strategies for your district.*

- Niche Development
- Space Usage
- Image, Branding, Marketing
- Business Retention/Expansion
- Business Recruitment
- Entrepreneurship
- Benchmarking
<table>
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<tr>
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<th>Report Name</th>
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<tr>
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<td>ACS Housing Summary</td>
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<td>ACS Population Summary</td>
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<td>Age 50+ Profile</td>
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<td>Age By Sex By Race Profile</td>
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<td>Age by Sex Profile</td>
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<td>Automotive Aftermarket Expenditures</td>
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<td>Business Locator</td>
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<td>Business Summary</td>
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<td>Census 1990-2000 Comparison Profile</td>
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<td>Census 2000 Detailed Race Profile</td>
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# Retail MarketPlace Profile

Fort Atkinson Trade Area  
**Area:** 81.53 Square Miles

## Summary Demographics

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
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<tr>
<td>2012 Population</td>
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<tr>
<td>2012 Households</td>
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<tr>
<td>2012 Median Disposable Income</td>
<td>$40,127</td>
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<td>2012 Per Capita Income</td>
<td>$24,811</td>
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## Industry Summary

<table>
<thead>
<tr>
<th>Industry Summary</th>
<th>NAICS</th>
<th>Demand (Retail Potential)</th>
<th>Supply (Retail Sales)</th>
<th>Retail Gap</th>
<th>Leakage/Surplus</th>
<th>Number of</th>
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</thead>
<tbody>
<tr>
<td>Total Retail Trade and Food &amp; Drink</td>
<td>44-</td>
<td>$176,571,964</td>
<td>$158,914,671</td>
<td>$17,657,293</td>
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<td>Total Retail Trade</td>
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<td>Total Food &amp; Drink</td>
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<td>$15,872,996</td>
<td>$1,200,494</td>
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## Industry Group

<table>
<thead>
<tr>
<th>Industry Group</th>
<th>NAICS</th>
<th>Demand (Retail Potential)</th>
<th>Supply (Retail Sales)</th>
<th>Retail Gap</th>
<th>Leakage/Surplus</th>
<th>Number of</th>
</tr>
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<tbody>
<tr>
<td>Motor Vehicle &amp; Parts Dealers</td>
<td>441</td>
<td>$30,477,969</td>
<td>$39,664,051</td>
<td>-$9,186,082</td>
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<td>Automobile Dealers</td>
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<td>$26,224,474</td>
<td>$37,391,447</td>
<td>-$11,166,973</td>
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<td>Other Motor Vehicle Dealers</td>
<td>4412</td>
<td>$2,059,609</td>
<td>$706,351</td>
<td>$1,353,258</td>
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<td>Auto Parts, Accessories &amp; Tire Stores</td>
<td>4413</td>
<td>$2,193,886</td>
<td>$1,566,253</td>
<td>$627,633</td>
<td>16.7</td>
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<tr>
<td>Furniture &amp; Home Furnishings Stores</td>
<td>442</td>
<td>$3,301,217</td>
<td>$1,330,110</td>
<td>$1,971,107</td>
<td>42.6</td>
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<td>Furniture Stores</td>
<td>4421</td>
<td>$2,074,319</td>
<td>$125,343</td>
<td>$1,948,976</td>
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<td>Home Furnishings Stores</td>
<td>4422</td>
<td>$1,226,898</td>
<td>$1,204,766</td>
<td>$22,131</td>
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<td>Electronics &amp; Appliance Stores</td>
<td>4431</td>
<td>$5,163,135</td>
<td>$779,496</td>
<td>$4,383,639</td>
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<td>Bldg Materials, Garden Equip. &amp; Supply</td>
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<td>$5,621,564</td>
<td>$2,081,970</td>
<td>$3,539,594</td>
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<td>Bldg Material &amp; Supplies Dealers</td>
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<td>$4,680,543</td>
<td>$879,250</td>
<td>$3,801,293</td>
<td>68.4</td>
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<td>Lawn &amp; Garden Equip &amp; Supply Stores</td>
<td>4442</td>
<td>$941,022</td>
<td>$1,202,720</td>
<td>-$261,699</td>
<td>-12.2</td>
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<tr>
<td>Food &amp; Beverage Stores</td>
<td>445</td>
<td>$26,337,880</td>
<td>$47,056,393</td>
<td>-$20,718,513</td>
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<td>Grocery Stores</td>
<td>4451</td>
<td>$24,503,132</td>
<td>$46,889,842</td>
<td>-$22,386,710</td>
<td>-31.4</td>
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<td>Specialty Food Stores</td>
<td>4452</td>
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<td>$166,551</td>
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<tr>
<td>Beer, Wine &amp; Liquor Stores</td>
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<td>$0</td>
<td>$1,267,352</td>
<td>100.0</td>
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<td>Health &amp; Personal Care Stores</td>
<td>446446</td>
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<td>$3,084,996</td>
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<tr>
<td>Convenience Stores</td>
<td>447447</td>
<td>$10,432,657</td>
<td>$18,030,212</td>
<td>$7,597,554</td>
<td>77.7</td>
<td>6</td>
</tr>
</tbody>
</table>
This report estimates the potential number (and Sq. Ft.) of trade area businesses across various categories based on businesses in the trade area (supply). Those categories where demand is greater than supply are possible opportun
US Economic Census and supply listings are manually inventoried in the community. Sales per square foot were deriv

<table>
<thead>
<tr>
<th>NAICS</th>
<th>Name</th>
<th>U.S. Sales Per Capita</th>
<th>Average Sales per U.S. Store</th>
<th>Potential Sales in Trade Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>441100</td>
<td>New car dealers</td>
<td>$2,280</td>
<td>$27,632,089</td>
<td>$37,336,806</td>
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<tr>
<td>441200</td>
<td>Used car dealers</td>
<td>$268</td>
<td>$633,563</td>
<td>$4,384,235</td>
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<tr>
<td>441210</td>
<td>Recreational vehicle dealers</td>
<td>$65</td>
<td>$2,426,928</td>
<td>$1,057,127</td>
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<tr>
<td>441220</td>
<td>Motorcycle, boat, &amp; other motor vehicles</td>
<td>$162</td>
<td>$1,039,132</td>
<td>$2,647,558</td>
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<tr>
<td>441300</td>
<td>Automotive parts, accessories, &amp; tire stores</td>
<td>$249</td>
<td>$789,354</td>
<td>$4,077,344</td>
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<td>442100</td>
<td>Furniture stores</td>
<td>$197</td>
<td>$1,271,871</td>
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<td>442200</td>
<td>Home furnishings stores</td>
<td>$172</td>
<td>$775,414</td>
<td>$2,821,151</td>
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<td>443100</td>
<td>Appliance, television, &amp; other electronics stores</td>
<td>$286</td>
<td>$1,437,590</td>
<td>$4,686,153</td>
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<td>443200</td>
<td>Computer &amp; software stores</td>
<td>$68</td>
<td>$1,008,571</td>
<td>$1,115,455</td>
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<td>443300</td>
<td>Camera &amp; photographic supplies stores</td>
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<td>$1,034,341</td>
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<td>444100</td>
<td>Home centers</td>
<td>$447</td>
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<td>444200</td>
<td>Paint &amp; wallpaper stores</td>
<td>$34</td>
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<td>444300</td>
<td>Hardware stores</td>
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<td>444400</td>
<td>Specialized building material dealers</td>
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<td>444500</td>
<td>Lawn &amp; garden equipment &amp; supplies stores</td>
<td>$123</td>
<td>$1,165,506</td>
<td>$2,015,319</td>
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<tr>
<td>445100</td>
<td>Grocery stores</td>
<td>$1,631</td>
<td>$3,570,309</td>
<td>$26,702,951</td>
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<td>445200</td>
<td>Specialty food stores</td>
<td>$62</td>
<td>$258,156</td>
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<td>445300</td>
<td>Restaurants</td>
<td>$62</td>
<td>$977,320</td>
<td>$3,475,000</td>
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