

Ohio State University Extension, Community Development  
Retail Market Analysis  
Program Description

**Program Purpose:**

The Retail Market Analysis program identifies opportunities for retail market growth or targeted expansion within a geographic area. Opportunities are based on analysis of retail spending patterns within a targeted geographic area relative to neighboring areas. Spending leakages or surpluses are identified within specific retail sectors that can then inform economic development strategies that can strengthen the retail market.

**Program Process Outline:**

General steps include (described in more detail below):

1. Initial project planning meeting with community team leader/local project team to define the scope of the project.
2. Identify competing market areas with community leader.
3. Develop maps to illustrate market areas.
4. Collect/purchase retail spending data from both private and public data sources.
5. Organize and analyze data.
6. Produce draft report with tables, charts or other visuals and supporting narrative.
7. Check-in planning meeting with community team leader/project team to share initial findings.
8. Develop final report (see report content and scope) and present to community leadership.

**Process Description:****Initial Project Planning Meeting**

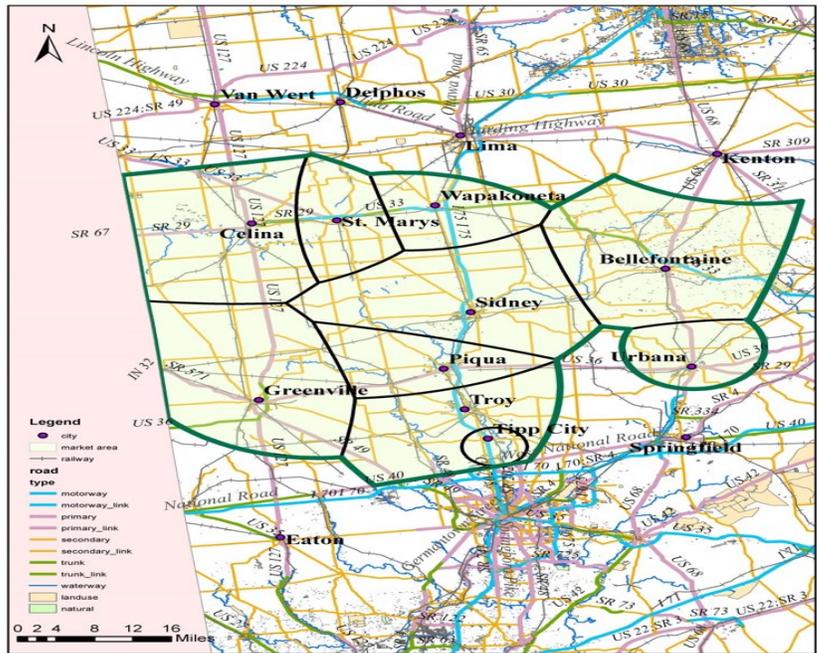
At least one initial planning meeting with the local community team leader/local project team is necessary to define the scope of the project and delineate market area boundaries.

**Identify and Map Market Areas:**

The boundaries for each of the market areas are determined based on three main factors: (1) sales for current year in each Market Center, (2) distance to the Market Center, and (3) input from the local project team. In general, the larger the local market area, the larger the competing market areas that correspond. Initial boundaries are determined using geographic information systems and then are modified according to feedback from the local team.

Market areas are determined by local leaders who provide input regarding the average maximum distance traveled by residents for retail shopping and where they shop. Below is a sample map showing market areas within the Shelby County, OH market region.





Market areas for Shelby

The definition of the relevant market region for each of the study areas is very important in analyzing regional retail market trends. The region should include all surrounding areas that are relevant to retail sales activity within the local market area. The market region is considered to represent a reasonable distance within which residents would do most of their shopping.

**Collect Retail Spending and Demographic Data:**

Estimated retail sales data are compiled by data firms such as Data Axle, that compiles estimates of retail sales data. These data are then geo-coded and extracted using ESRI’s ArcGIS. Data is estimated by sales quarter or annually. The data is available for all businesses by four- or six-digit NAICS code.

Data on population, housing, income, commuting, and labor force characteristics are from the U.S. Census Bureau’s decennial census of housing and population. These data can be accessed at: <http://www.census.gov>. Estimates are provided by ESRI. For an explanation of the retail sectors, visit: [http://www.osha.gov/pls/imis/sic\\_manual.html](http://www.osha.gov/pls/imis/sic_manual.html).

**Data Analysis:**

Surplus and leakage calculations are conducted for each retail sector within each market area. The formula is as follows:

$$\text{Potential Sales} = (\text{Population of market area } A) \times (\text{Income ratio of market area } A) \times (\text{Regional per capita consumption of retail good } R)$$

The income ratio is the ratio of per capita income in market area A to the regional per capita income. This ratio gives an indication of the relative spending power of residents in market area A. A correction factor is used to ensure potential and actual sales are equal in aggregate for the region. The regional per capita consumption of retail good R is the total regional sales in retail sector R divided by the population of the region. Because these values are dependent on the geographic extent of the regional boundary, they are relative measures that are specific to each study region.

Surplus/leakage numbers are reported in dollars as well as in percentage form. The percentage term is the percentage of the potential sales for the market area, which indicates the size of actual sales relative to the estimated potential sales. For example, a 50% surplus implies that the actual sales are 50% larger than the estimated potential sales and vice versa, a -50% surplus (i.e., a leakage) implies that actual sales are 50% less than potential sales. A -100% surplus results if actual sales are zero.

Below is an example table

Original	Detail	POTENTIAL SALES	ACTUAL SALES (SIDNEY)	Surplus or Leakage (D - C)	% Surplus	# of markets w/ surplus (from 7)
5211	Lumber and Other Building Materials Dealers	\$ 65,793,405	\$ 133,102,000	\$ 67,308,595	102%	2
5231	Paint, Glass, and Wallpaper Stores	\$ 9,257,596	\$ 4,686,000	\$ (4,571,596)	-49%	2
5251	Hardware Stores	\$ 2,954,362	\$ 1,828,000	\$ (1,126,362)	-38%	4
5261	Retail Nurseries, Lawn and Garden Supply Stores	\$ 34,384,997	\$ 474,000	\$ (33,910,997)	-99%	2
5271	Mobile Home Dealers	\$ 282,202	\$ 838,000	\$ 555,798	197%	2
5311	Department Stores	\$ 90,030,591	\$ 84,663,000	\$ (5,367,591)	-6%	3
5331	Variety Stores	\$ 5,933,307	\$ 4,898,000	\$ (1,035,307)	-17%	3
5399	Miscellaneous General Merchandise Stores	\$ 896,445	\$ 3,472,000	\$ 2,575,555	287%	3
5411	Grocery Stores	\$ 109,886,578	\$ 80,431,000	\$ (29,455,578)	-27%	1
5421	Meat and Fish (Seafood) Markets, Including Freezer Provisioners	\$ 1,023,402	\$ 980,000	\$ (43,402)	-4%	4
5431	Fruit and Vegetable Markets	\$ 3,909,066		\$ (3,909,066)	-100%	1
5441	Candy, Nut, and Confectionery Stores	\$ 5,371,430		\$ (5,371,430)	-100%	2
5451	Dairy Products Stores	\$ 62,468	\$ 371,000	\$ 308,532	494%	1
5461	Retail Bakeries	\$ 1,908,734	\$ 5,900,000	\$ 3,991,266	209%	2
5499	Miscellaneous Food Stores	\$ 988,043	\$ 426,000	\$ (562,043)	-57%	3
5511	Motor Vehicle Dealers (New and Used)	\$ 101,166,108	\$ 65,077,000	\$ (36,089,108)	-36%	3
5531	Auto and Home Supply Stores	\$ 11,968,315	\$ 11,874,000	\$ (94,315)	-1%	3
5551	Boat Dealers	\$ 66,173		\$ (66,173)	-100%	1
5561	Recreational Vehicle Dealers	\$ 245,159		\$ (245,159)	-100%	1
5571	Motorcycle Dealers	\$ 4,760,049	\$ 1,431,000	\$ (3,329,049)	-70%	3
5611	Men's and Boys' Clothing and Accessory Stores	\$ 190,436		\$ (190,436)	-100%	1
5621	Women's Clothing Stores	\$ 1,042,597	\$ 758,000	\$ (284,597)	-27%	3
5632	Women's Accessory and Specialty Stores	\$ 214,177		\$ (214,177)	-100%	2
5641	Children's and Infants' Wear Stores	\$ 69,372		\$ (69,372)	-100%	1
5651	Family Clothing Stores	\$ 2,202,217		\$ (2,202,217)	-100%	3
5661	Shoe Stores	\$ 1,655,325	\$ 831,000	\$ (824,325)	-50%	2
5699	Miscellaneous Apparel and Accessory Stores	\$ 4,427,165	\$ 16,943,000	\$ 12,515,835	283%	2
5712	Furniture Stores	\$ 9,613,884	\$ 10,663,000	\$ 1,049,116	11%	2
5713	Floor Covering Stores	\$ 2,080,817	\$ 2,832,000	\$ 751,183	36%	3
5714	Draperies, Curtain, and Upholstery Stores	\$ 150,362	\$ 198,000	\$ 47,638	32%	3

**Findings/Recommendations:**

The report, from the above table, will list the top sectors with the greatest percentage of retail sales surplus, i.e.:

- Dairy products stores – 494%
- Miscellaneous general merchandise stores – 287%
- Miscellaneous apparel and accessory stores – 283%
- Automatic merchandising machine operators – 276%
- Retail bakeries – 209%
- Mobile home dealers – 197%
- News dealers and newsstands – 197%
- Computer and computer software stores – 151%
- Optical goods stores – 131%

**Report Content and Scope:**

Recommendations can also be listed to include researched best practices or methods to recruit and or retain retail-oriented businesses.

The deliverable is a customized report produced for the community that can inform economic strategies for recruitment and/or retention of retail or service businesses and to strengthen the competitiveness of the retail market. The scope of the report includes the following:

- Description of market area geographics
- Current/prior/future demographic and economic trends for the market area and competing areas
- Compilation of estimated surplus/leakage results for the market area and competing market areas depicted through tables, charts, and other visuals
- Comparison of actual retail sales to potential sales for market area
- Findings and recommendations

Projects are typically completed within 6-9 months with a mutually agreed upon timetable at the time of project acceptance.

For further information:

Nancy Bowen, [bowen-ellzey.1@osu.edu](mailto:bowen-ellzey.1@osu.edu)

David Civittolo, [Civittolo.1@osu.edu](mailto:Civittolo.1@osu.edu)

