

# Retail Market Analysis Program

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# Brief Objectives

1. Overview of the Retail Industry
2. Overview of RMA
3. Guide to conducting an RMA
4. Value of RMA to the Community and for you professionally
5. Partners to assist in the development of the RMA
6. Identify opportunities to stimulate local job growth
7. Establish and maintain an ongoing program that develops and fosters long-term productive relationships
8. Lessons learned



# Retail Sector Overview: United States

- Retailers differ from Industry: Retailers purchase goods from industry and resell to consumers for (hopefully) a profit.
- In U.S. 15 million people work in retail
  - About one out of ten workers in America
- Retail sales estimated at \$5.1 trillion during 2013, \$4.88 in 2012
- Factors that impact Retail Sector: consumers increasing savings, consumers paying down debt, high unemployment levels, generally consumers are being more conservative with their spending



## RMA Overview: In Ohio

- 650,000 work in retail
- 25 billion retail sales in 2014
- Trending up, less manufacturing
- Factors that impact Retail Sector: consumers increasing savings, consumers paying down debt, high unemployment levels, generally consumers are being more conservative with their spending
- What is the retail industry like in your state? County where you work?



# Any Town USA



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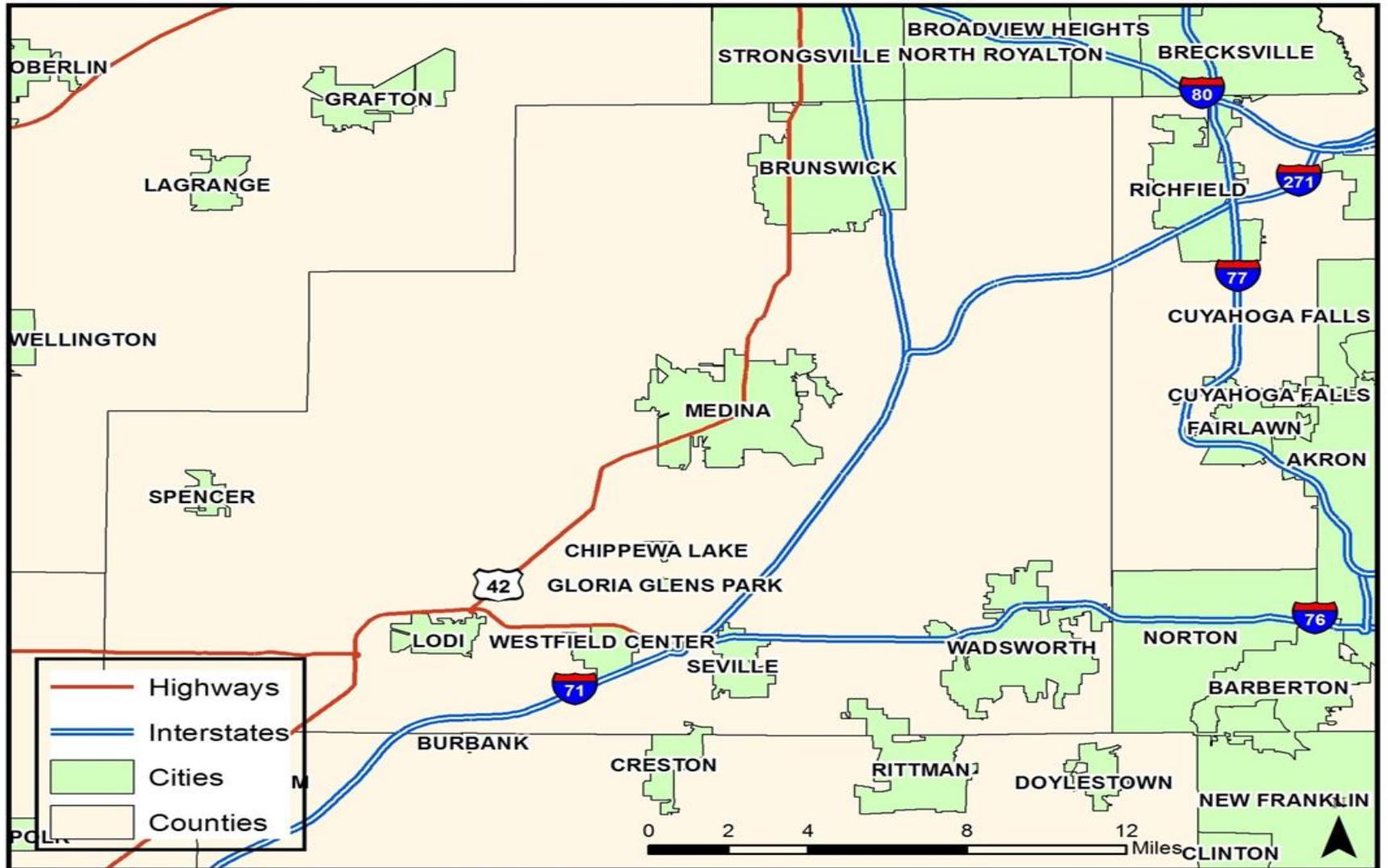
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# RMA Overview

- RMA is a tool for identifying retail market trends within a local community.
- It focuses specifically on the performance of local retail markets & information on the broader demographic and economic trends within the region.
- Changes in population, the age and income distributions of the population will change the demand for retail goods within a local community.



# Medina, Ohio RMA



# RMA Overview: Understanding the pattern of Retail Spending

- Understanding the pattern of retail spending within the local community relative to spending in neighboring areas

## Key Terms to remember

- *Retail sales leakages* could reflect that the local demand for a particular product is not being met within the local community
- *Retail sales surpluses* may indicate that the local community serves a regional market that pulls consumers in from outside the local area





# RMA Overview: Understanding the pattern of Retail Spending

- Estimation of retail surpluses and leakages by specific retail sectors provides a means to identify the relative strengths and weaknesses of an area's retail markets and thereby inform economic development strategies for local communities.
- A retail market analysis is not a detailed plan of action, but rather provides facts and analysis for input into the community's decision-making process about future economic development



# The Ohio Retail Market Analysis Program: How it works

- OSUE Extension Educators work with interested local community leaders
- OSUE provides a brief overview, reasons for conducting a RMA and the value of a targeted Economic Development effort for the retail sector.
- Actual cost to conduct an RMA? One note of caution- the number of competing market areas can be costly
- Formal process
  - Local coordinator, committee members, data purchase, data interpretation, and final report.  
Developing a CEDS is our next step
  - How long does it take to conduct a RMA?
- Informal Process: Local coordinator selects other competing market areas
  - Teaching vs doing projects conundrum



## Remember what a RMA really is:

- Compare where we live and shop to other places that we shop (self-defined)
- Compare socio-economic (population and income) data
- Purchase sales data
- Based on sales data and socioeconomic data, we determine whether a retail category has a surplus or leakage.
- We then use that information to create a technical report for the community.
- Finally, community professionals can then focus on targeted economic development



# The Ohio Retail Market Analysis Program: Potential Local Coordinators/Champions

- Main Street Activists
- Chambers of Commerce
- Economic Development Professionals
- Community Leaders
- Recently hired Extension Educators
- Concerned Business Leaders



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## The Ohio Retail Market Analysis Program: Suggested Committee Members

- Folks to consider: Previous list. Local retail owners and stereotypical family residing in community
- Actual number vs Interested parties
- 6-12 month program
- ½ day to a day to teach and identify market areas
- Review final report and promote within community
- Anyone interested in Retail Economic Development



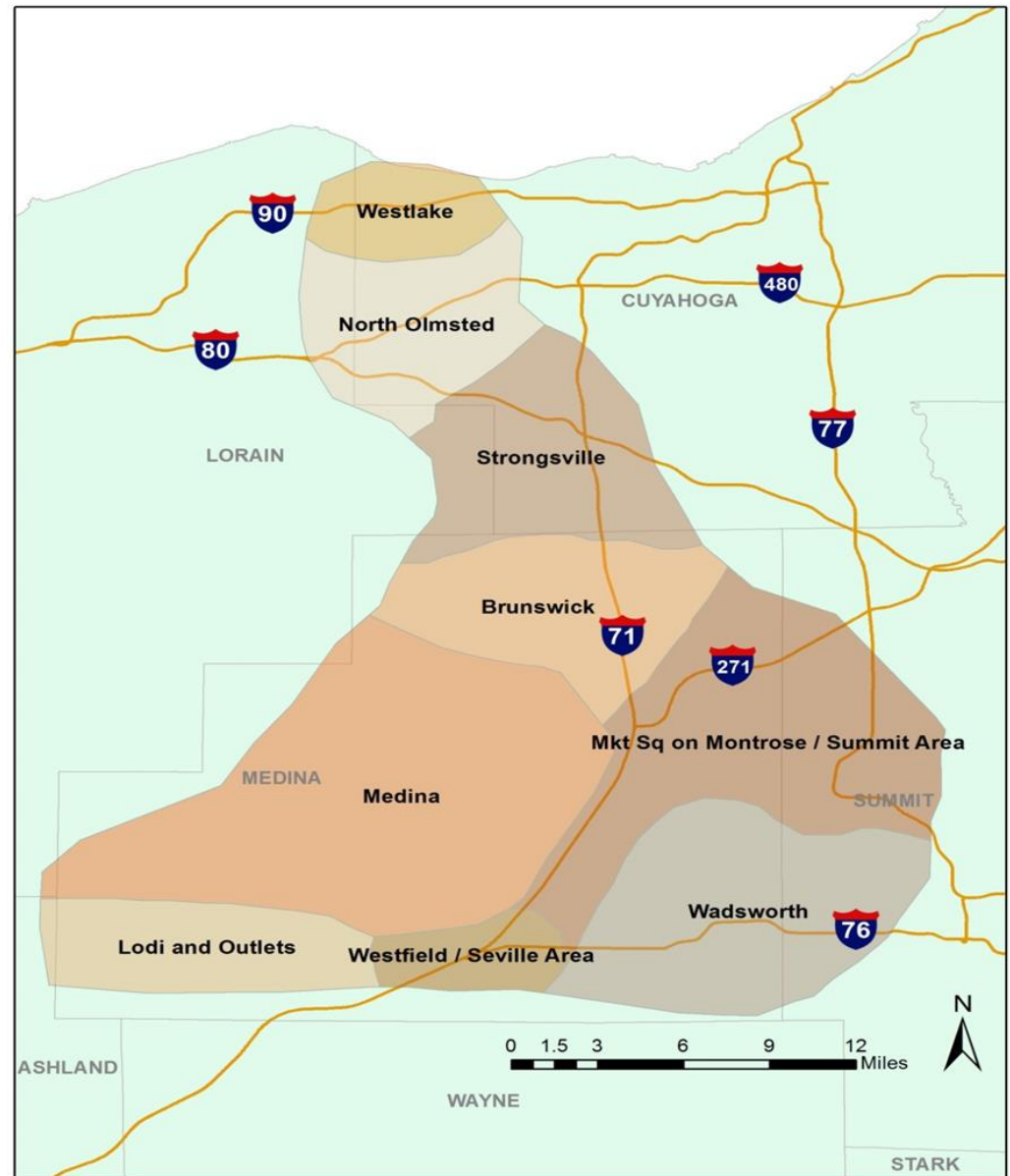
## Project Partners to consider

- GIS and mapping services- Geography Department, Planning Departments, Engineering Firms
- Data census gathering
- Private retail marketing firms to purchase retail sales data. InfoUSA
  - Estimated retail sales data are compiled by InfoUSA, that compiles estimates of retail sales data. These data are then geo-coded and extracted using ESRI's ArcMap.
- Data Analysis interpretation



# Medina RMA: Determining Market Areas

- Asking business owners where their customers come from
- Asking customers
- Asking the Chamber and other Business led groups



## Conducting an RMA: Key Economic and Demographic indicators

- Census data
  - Population of market areas, # of households, # Families
  - Educational attainment, Employment status, commuting patterns
  - Per capita income (income per person)- all sources of income divided by total population in market area
- NAICS Code for retail sectors





## Conduct an RMA

- Through sales data, determining market area, and socio-economic data, retail categories will be identified as either a surplus or leakage.
- This can be used in a variety of ways, but all to promote targeted economic development

## Medina RMA: Comparison of other Market Areas

Market Area	TOTAL OBSERVED RETAIL SALES (2013)	STORES	NUMBER OF ACTIVE SECTORS (FROM A MAX OF 42)	SECTORS ABOVE POTENTIAL	Percentage of active sectors above potential	Range of service from max of 42: closer to 100 is better	POTENTIAL SALES
Brunswick	\$514,089,000	224	33	7	21.21	78.57	\$ 867,119,908
Lodi and Outlets	\$ 47,463,000	25	13	6	46.15	30.95	\$ 87,648,961
<b>Medina</b>	<b>\$1,254,230,000</b>	<b>333</b>	<b>37</b>	<b>12</b>	<b>32.43</b>	<b>88.10</b>	<b>\$ 1,054,181,379</b>
Mkt Sq on Montrose / Summit Area	\$1,965,319,000	461	39	28	71.79	92.86	\$1,232,023,213
North Olmsted	\$1,667,916,000	584	40	25	62.50	95.24	\$1,629,418,409
Strongsville	\$1,916,270,000	694	40	28	70.00	95.24	\$1,821,242,903
Wadsworth	\$ 712,091,000	213	34	8	23.53	80.95	\$ 932,574,324
West Lake	\$ 788,154,000	334	38	14	36.84	90.48	\$1,202,038,855
Westfield / Seville Area	\$ 25,670,000	29	12	7	58.33	28.57	\$ 64,954,258
Regional Total	\$8,891,202,000	2897	42				\$8,891,202,209



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# Estimating Retail Sales Surplus/Leakage

- Retail sales surpluses and leakages are estimated for each retail sector (42) for each Market Area (9) by comparing the actual retail sales in that sector with “potential” sales.
- Potential sales are estimated based on the population of the Market Area and the per capita income of the residents living in the Market Area relative to the whole region.
- Potential sales are the annual sales that a Market Area could achieve if all the residents shopped locally.
- A surplus results if actual sales are greater than potential sales, and vice versa, a leakage results if actual sales are less than potential sales.



# OHIO STATE UNIVERSITY EXTENSION

Original	Detail	POTENTIAL SALES	ACTUAL SALES (Medina)	Surplus or Leakage (D - C)	% Surplus [as a % of potential]	Number of markets with surplus (from 9)
5211 Total	Lumber and Other Building Materials Dealers	\$141,082,568	\$104,013,000	-\$37,069,568	-26%	1
5251 Total	Hardware Stores	\$6,886,229	\$27,446,000	\$20,559,771	299%	1
5261 Total	Retail Nurseries, Lawn and Garden Supply Stores	\$25,490,549	\$28,685,000	\$3,194,451	13%	4
5311 Total	Department Stores	\$121,407,018	\$141,175,000	\$19,767,982	16%	4
5331 Total	Variety Stores	\$5,732,952	\$4,582,000	-\$1,150,952	-20%	6
5411 Total	Grocery Stores	\$141,153,233	\$118,000,000	-\$23,153,233	-16%	4
5441 Total	Candy, Nut, and Confectionery Stores	\$4,729,896	\$1,939,000	-\$2,790,896	-59%	3
5461 Total	Retail Bakeries	\$2,259,248	\$1,452,000	-\$807,248	-36%	3
5511 Total	Motor Vehicle Dealers (New and Used)	\$169,943,789	\$113,729,000	-\$56,214,789	-33%	3
5561 Total	Recreational Vehicle Dealers	\$2,992,451		-\$2,992,451	-100%	1
5599 Total	Automotive Dealers, Not Elsewhere Classified	\$5,714,930	\$6,962,000	\$1,247,070	22%	3
5611 Total	Men's and Boys' Clothing and Accessory Stores	\$2,032,196	\$485,000	-\$1,547,196	-76%	3
5621 Total	Women's Clothing Stores	\$14,959,527	\$10,112,000	-\$4,847,527	-32%	1
5632 Total	Women's Accessory and Specialty Stores	\$2,536,214		-\$2,536,214	-100%	3
5641 Total	Children's and Infants' Wear Stores	\$4,832,691	\$2,270,000	-\$2,562,691	-53%	4
5651 Total	Family Clothing Stores	\$29,615,172	\$5,547,000	-\$24,068,172	-81%	3

# Now that you have the Data

- Analyze the data
  - This may take time, may want to have fresh eyes look at it as well
- Determine surpluses and leakages
  - Is a surplus good and a leakage bad?
- Compare with other market areas
  - How is our market area doing compared to the others
- Sharing the data with community partners
  - What do you want to highlight, what are your concerns
- Presenting the final report to the community
- Determining next steps



## Identifying Opportunities to stimulate local job growth

- Data can be used to promote/develop job training initiatives
- Can be used to assist in the development of a Comprehensive Economic Development Strategy



## Establishing the program and fostering long term relationship

- This is part of a community economics story
  - Like BRE, RMA is not done in a silo
  - Part of a broader economic development tool kit
- Showing tangible results is critical
- As Economic Development professionals come and go in a community, RMA can be shown as a results oriented program to the new guy



## Lessons Learned: The City of Medina

- Take an inventory of the retail economy in the community
- It takes time, patience is truly a virtue
- Before you submit a proposal, determine competing market areas, then contact private market research company for a quote to purchase retail sales data
- Do you enjoy census data?
- What about GIS and mapping?
- Is a retail surplus good and a leakage bad?
- Can I just conduct an RMA for my community and forget about the other competing market areas?
- Retail is growing nationally; is your community prepared?





# Curriculum Development and Evaluation

- Template Proposal, Power point presentation and case studies part of Curriculum Development package
- Forthcoming: Fact sheet, web-base materials coming
- Evaluation component for intro workshop, coordinator, committee, data analysis finished shortly



Please indicate your level of agreement with the following statements (**using a scale of 1-5, with 1 being strongly disagree and 5 being strongly agree**).

For example, if you had little knowledge of how to conduct a Retail Market Analysis prior to the workshop, circle 1. If you have gained a great deal of knowledge today about how you might go about conducting a Retail Market Analysis, you might circle a 4 or 5.

**before** the workshop

① 2 3 4 5

**EXAMPLE**

I know how to conduct a Retail Market Analysis Program.

**after** the workshop

1 2 3 4 ⑤

**before** the workshop

1 2 3 4 5

1 2 3 4 5

1 2 3 4 5

1 2 3 4 5

1 2 3 4 5

**Statements**

I have a good sense for my role in the development of my community's economy.

I appreciate the need to better understand existing businesses.

I have a good understanding of the concept of Retail Market Analysis.

I know where to purchase retail sales data

I am willing and able to play an active role in the development of my community.

**after** the workshop

1 2 3 4 5

1 2 3 4 5

1 2 3 4 5

1 2 3 4 5

1 2 3 4 5

**What did you learn today?**

**How will you do your job differently?**

**What other community economic topics would you like to see addressed in future workshops?**

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# Your Town USA



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