

## Understanding Market Data

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### LISC Urban Forum 2005

Tuesday May 24<sup>th</sup> 2005

### Downloading Market Data:

There are a number of online sources for market data. Two of the most popular are

ESRI - [www.esribis.com](http://www.esribis.com)

Claritas – [www.claritas.com](http://www.claritas.com)

Each offers the option to download reports for a district on a pay as you go basis – each report costs between \$20 and \$50. The examples below are based on reports available from ESRI but Claritas offers basically the same reports in a different format.

### Defining a Trade Area:

A trade area is the geographic area within which most of a businesses customers either live or work. Defining the trade area for an individual business is difficult. Defining the trade area for a commercial district is much harder. Each type of business tends to have a different size trade area. People generally travel much further for some kinds of products than others. A drugstore may sell primarily to people who live within a few blocks while an auto dealership will have customers that live more than an hour away. To speak of the trade area of a commercial district is really somewhat misleading. Every district has many different trade areas – some clusters of businesses will primarily serve neighborhood residents

#### Defining Terms:

**Target area:** This is the area within your commercial district boundaries. Your district may be only a few blocks long. Generally very few people actually live *within* the district, most customers live *around* the district.

**Trade Area:** The trade area for the district is the geographic area within which most of the district's customers live (or work).

**Study Area:** A Study Area is any area of whatever size surrounding your district that you generate reports for. You may not initially know the most appropriate trade area for your district but nonetheless you will want to generate some demographic information. You might want to run reports for three different study areas before settling on a specific trade area.

while others will draw people from several surrounding neighborhoods, while one or two may have citywide trade areas. To conduct any kind of market analysis you have to begin by making certain assumptions about the size of your trade area.

**Choosing a Trade Area:** Until recently it was common for market studies to define trade areas in terms of zip codes or census tracts. (i.e. the trade area might consist of zip codes 94610, 94608 and 94614) Before computer based mapping, it was extremely difficult to estimate the population or spending habits of the residents of any given area unless that area happened to be a zip code or census tract. The Census Bureau reports data by tract and by zip code. If your commercial district was in the very center of your zip code it was possible that the zip code would closely approximate your trade area. But what if your district was near the intersection of three zip code boundaries? Each zip code might include parts of neighborhoods that were not only far away but also very different from where your customers lived. You would like to know about the characteristics of the people who live in just the parts of each zip code that is closest to your district. ESRI's mapping system allows you to do just that. It will, for example, allow you to draw a circle around your district and generate your reports based on the population of that exact circle. Of course, since much of the data that they are using is only provided by zip code or census tract or block group, ESRI has to make some assumptions to estimate the exact population of any custom area. However, even if their estimates are slightly inaccurate, they are likely to be far more accurate than the numbers you would have generated if you were forced to define your trade area based on zip codes or census tracts.

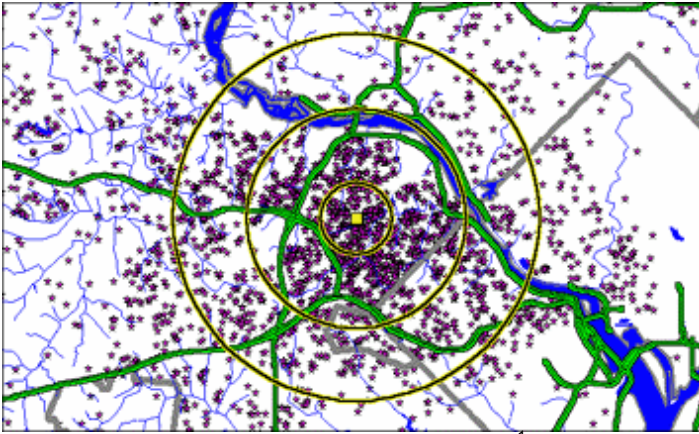


Site map showing 1, 3 and 5-mile areas and the 1,2 and 3-minute drive time areas around Oakland's EastLake district. Notice that the 2-minute drive time area (light green line) is close to the 1-mile radius.

**Drive Time Areas:** More recently it has become relatively easy to define trade areas in terms of "drive time." Drive time is a more complicated but probably a more accurate representation of who shops in your district. The system calculates who lives closest to your address or intersection based on how long it takes to drive there. This means that people who live on the other side of a body of water, for example, won't be counted but people at the next off ramp will. The drive times are calculated 'as if' people could drive at a constant speed *without ever stopping!* The result of this assumption is that the numbers of minutes don't make intuitive sense. It might realistically take people in the two minute drive time radius something more like 10 minutes to get to the center of your district depending on traffic.

### **How big is your trade area?**

The best way to identify your district's trade area would be to survey shoppers in your district, ask them where they live and then plot the results on a map. If you drew a line around the area where most of the dots were clustered, that would be your trade area. An



Location of individual customers for a retail store<sup>1</sup>

easier approach would be to just ask people what zip code they live in and then define your trade area as the zip codes where most of your customers live. In some states it is possible to write down the license plates of people parked in your district and submit a list of numbers to the State and receive a list of the customer's zip codes. However, this kind of survey work is time consuming and expensive and it is very common for market researchers to simply apply

some general rules of thumb based on other areas that they have studied.

Neighborhood retail districts are said to have trade areas between half a mile and 3 miles in diameter and to serve between 3,000 and 30,000 people. Larger districts (those with more stores and more total retail square footage) will tend to have larger trade areas than smaller areas. Districts that sell more “comparison goods,” things like electronics or furniture, will naturally have larger trade areas than those that focus more exclusively on “convenience goods” like groceries. However, there are very important differences between various areas of the country and between higher density and lower density areas and there has been almost no research on the trade areas of commercial districts serving low- and moderate-income neighborhoods.

Researchers often do not know what the appropriate trade area is at the beginning of their research, they will often generate and analyze data for more than one sized area and present the results side by side. For example, you will frequently see market reports on neighborhood commercial districts that list the population, spending estimates and other data for both a one-mile and three-mile radius for example.

**Reality Check:**

ESRI's Market Profile report contains some of the same data contained in the basic reports listed below but it is laid out for easy comparison between three different trade areas. One way to evaluate the appropriate trade area for your district is to first generate a *Market Profile Report* and an *Enhanced Site Map* comparing 1, 2 and 3 minute areas (or 1,2 and 3 mile areas) and then look at the results and see if one or the other of the areas “seems” right or wrong in some way. If the larger area has a very different median income, for example, than the smaller area, that might indicate that it is too large. If you know your district, you should recognize your customers when you look at the demographic reports.

# Demographic and Income Profile:

**Overview:** This report provides a brief description of the population living within your study area.

**Reading the Report:**

This is the population of your study area according to the 2000 US Census

This is the Study Area that you selected for this report.

These are estimates for the population in 2003 and 2008.

This section shows the projected annual rate of growth for your area compared with your state and the nation as a whole.

Median Household Income is the best indicator of how much people in your area earn. People here earn about \$31,000 per household.

The median income is expected to rise to almost \$40,000 by 2008.

This section shows the distribution of your population by age. There are 6,387 people in the area who are between 36 and 44 years old - 16.1% of the total population are in that age group.

This is the breakdown of your population by race. The Asian population in this area is expected to grow from 41.4% of the population in 2000 to 48.0% by 2008.

**LISC**  
Center for Commercial Revitalization

**Demographic and Income Profile**  
LISC Center for Commercial Revitalization - Neighborhood Market Snapshot

E 12th St AT 5th Ave  
Oakland, CA 94606

Latitude: 37.795  
Longitude: -122.2648  
Radius: 1.0 miles

Summary	2000	2003	2008
Population	39,576	41,014	43,782
Households	17,055	17,471	18,600
Families	7,863	8,061	8,591
Average Household Size	2.30	2.33	2.33
Owner Occupied HUs	2,560	2,655	2,859
Renter Occupied HUs	14,495	14,816	15,741
Median Age	33.9	34.6	36.0

Trends: 2003-2008 Annual Rate	Area	State	National
Population	1.32%	1.5%	1.18%
Households	1.26%	1.49%	1.33%
Families	1.28%	1.66%	1.50%
Owner HUs	1.49%	1.67%	1.50%
Median Household Income	3.06%	3.36%	3.36%

Households by Income	2000		2003		2008	
	Number	Percent	Number	Percent	Number	Percent
< \$15,000	4,209	24.6%	3,900	22.3%	3	
\$15,000 - \$24,999	2,665	15.6%	2,492	14.3%	2	
\$25,000 - \$34,999	2,674	15.6%	2,534	14.5%	2,431	13.1%
\$35,000 - \$49,999	2,879	16.8%	3,040	17.4%	3,001	16.1%
\$50,000 - \$74,999	2,465	14.4%	2,524	14.4%	2,891	15.5%
\$75,000 - \$99,999	1,058	6.2%	1,262	7.2%	1,670	9.0%
\$100,000 - \$149,999	811	4.7%	1,163	6.7%	1,769	13.3%
\$150,000 - \$199,999	222	1.3%	303	1.7%	608	3.3%
\$200,000+	150	0.9%	253	1.4%	471	2.5%
Median Household Income	\$31,232		\$34,149		\$39,697	
Average Household Income	\$41,936		\$49,109		\$61,641	
Per Capita Income	\$18,475		\$21,233		\$26,558	

Population by Age	2000		2003		2008	
	Number	Percent	Number	Percent	Number	Percent
0 - 4	2,320	5.9%	2,383	5.8%	2,359	5.4%
5 - 14	4,313	10.9%	4,505	11.0%	4,498	10.3%
15 - 19	2,155	5.4%	2,233	5.4%	2,377	5.4%
20 - 24	3,335	8.4%	3,346	8.2%	3,473	7.9%
25 - 34	8,600	21.8%	8,346	20.3%	8,234	18.8%
35 - 44	6,387	16.1%	6,687	16.3%	7,259	16.6%
45 - 54	4,883	12.3%	5,381	13.1%	6,214	14.2%
55 - 64	2,798	7.1%	3,174	7.7%	4,935	11.3%
65 - 74	2,474	6.3%	2,398	5.8%	2,338	5.3%
75 - 84	1,702	4.3%	1,779	4.3%	1,888	4.3%
85+	709	1.8%	782	1.9%	921	2.1%

Race and Ethnicity	2000		2003		2008	
	Number	Percent	Number	Percent	Number	Percent
White Alone	8,736	22.1%	8,401	20.5%	7,936	18.1%
Black Alone	8,973	22.7%	8,660	21.1%	8,027	18.3%
American Indian Alone	268	0.7%	256	0.6%	258	0.6%
Asian Alone	16,377	41.4%	17,989	43.9%	21,034	48.0%
Pacific Islander Alone	97	0.2%	104	0.3%	106	0.2%
Some Other Race Alone	3,210	8.3%	3,516	8.6%	3,968	9.1%
Two or More Races	1,856	4.7%	2,089	5.1%	2,462	5.6%
	5,963	15.1%	6,388	15.6%	7,153	16.3%

Source: Census of Population and Housing; ESRI BIS forecasts for 2003 and 2008.

Phone: 800-394-3690 - www.esribis.com      6/21/2004      Page 1 of 2

### **Source of the Data:**

The numbers for 2000 are based directly on the 2000 US Census. If your study area includes parts of several different census tracts, ESRI estimates the population (and other statistics) of your exact area based on the populations of each of those tracts and the percentage of each tract that falls within your study area. The 2003 and 2008 numbers are based on the 2000 census numbers but are adjusted with a complex formula that ESRI has created from national and statewide population trends.

### **Defining Terms:**

***Households vs. Families:*** The census counts not only the number of people in an area but also the number of households and families. A “Household” is all the people who live in a single housing unit. It may be a family of 4 or a single person or 7 unrelated people, each is one household. The census defines a “family” as more than one person related by blood or marriage living in the same household. Therefore there are always more households than families in any area.

***Median/Average/Per Capita Income:*** In addition to breaking down the population into income groups, the report provides the median and average household incomes and the per capita income. The per capita income is just the total income reported by everyone in the area divided by the number of people who live there. It is generally more useful to look at household income because, for example, the population includes children who don’t often have any source of income but every household has some source of income. The ***average*** household income is the total income reported for the area divided by the number of households. It can be misleading because a few very high income households in an area can raise the average income quite a bit and make it look like people are generally better off than they are. The ***Median*** Household Income is a better indicator of what people in the area generally earn. If you took the income for every household and made a list from lowest to highest, the median would be the number in the middle of this list: half of the households in the area earn more than the median and half earn less.

### **Problems with the Data:**

**Census Undercount:** The census is supposed to count everyone but actually finding every single person would be impossible. Over the past few decades the Census Bureau has been getting better at counting people, but in 2000 they are estimated to have “missed” over 3 million Americans. It has long been well understood that the Census tends to undercount low-income and minority populations more than others. Researchers at UCLA found that while the undercount for the state of California was approximately 1.4%, in some neighborhoods in Los Angeles, 5.9 percent of the population was not counted<sup>1</sup>. This undercount means that not only might the population figures on this report be understated but the income and spending estimates on the other reports will understate

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<sup>1</sup> Paul M. Ong, and Doug Houston, The 2000 Census Undercount in Los Angeles County, University of California at Los Angeles, December 2002 available at: <http://lewis.spsr.ucla.edu/research/workingpapers/LACensusUndercount.pdf>

the economic strength of your community to whatever extent the census failed to count everyone.

**Population forecasting:** The report presents data for 2000, 2003 and 2008. You might wonder how they know how many people will live in your area in 2008! The 2000 numbers are based on the 2000 US Census, which involved going out and counting the people. Since the Census happens only every 10 years there really is no way to know how many people live in a given neighborhood until the next census. However there is quite a lot of data collected between censuses at the state and national level (ie. We know generally how much the state population has grown each year.) ESRI analyzes this “post census” data and based on general trends projects how those larger changes are distributed geographically or by income categories, etc. to make the 2003 estimate. They project the 2008 totals by assuming that those trends continue unchanged. Therefore the 2003 and 2008 numbers should be looked at with some skepticism. Researchers at the University of Wisconsin compared projections for Milwaukee neighborhoods for 1999 (Projected forward from the 1990 Census) with the actual 2000 census and found significant discrepancies particularly in low-income neighborhoods<sup>2</sup>. Several neighborhoods were shown as having rapidly declining populations but turned out to be experiencing steady growth.

**Under reporting of income:** Keep in mind that the Census data presented here reflects only income that people have *reported* to the census. In most low- and moderate-income urban neighborhoods the actual income is far greater than the reported income – we just don’t know how much greater. A research project in Chicago showed that families with reported incomes of less than \$10,000 per year reported *spending* over \$25,000 on goods and services<sup>3</sup>. It is impossible to know how much income is unreported but some researchers estimate that 20 percent of US economic activity is unreported and much of this activity takes place in low-income urban areas – where the percentage of unreported income would, therefore, be much higher. Some unreported income is from illegal activity but most is from activities that are perfectly legal (like childcare) but not reported to the IRS or Census Bureau.

### **Reality Check:**

**Local Data:** Demographic data from the Census can be compared with more local “on the ground” data like school enrollment or church attendance in order to obtain a more accurate picture of demographic trends. For example, if ESRI’s forecast shows declining population, rapidly rising enrollment at the local school might cause you to doubt the forecast.

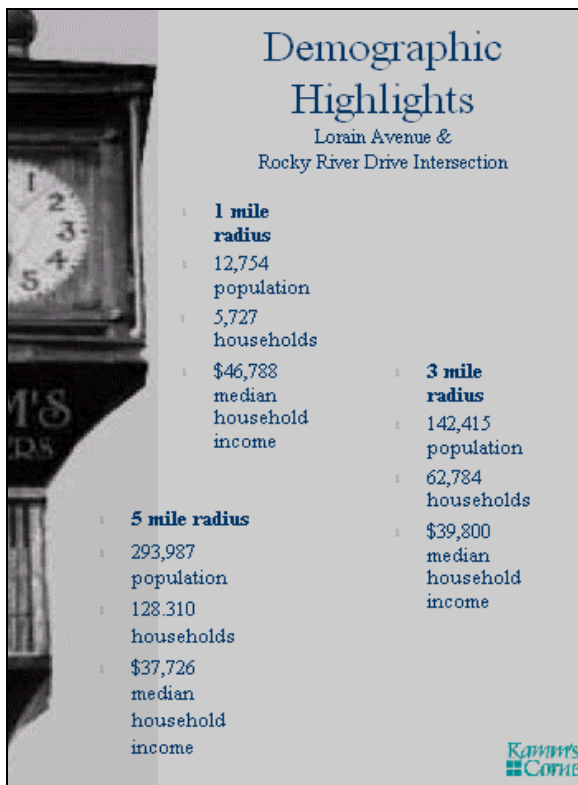
**Customer Survey:** In some districts, the demographics of the surrounding neighborhood are actually quite different from the demographics of actual customers, either because many customers are coming in from outside the area or because the district is mostly

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<sup>2</sup> Exposing Urban Legends: The Real Purchasing Power of Central City Neighborhoods by John Pawasarat and Lois M. Quinn, Brookings Institution, June 2001 available at: <http://www.brookings.edu/es/urban/pawasaratexsum.htm>

<sup>3</sup> ROBERT WEISSBOURD, The Market Potential of Inner-City Neighborhoods: Filling the Information Gap, Brookings Institution, 1999 available at: <http://www.brookings.edu/es/urban/Weissbourd.pdf>

servicing one sub group of the neighborhood's population. Directly surveying customers shopping in your district can provide demographic information about your actual customers.



The Kamm's Corners district in Cleveland put together a presentation about their district which included this page which provides population and income data.

### Using the Data:

This report answers questions like:

- Who lives in this community?
- Are there many children, here?
- How many Seniors live in the area?
- How much do people earn?
- Are most families renters or homeowners?
- Which parts of the population are growing the fastest?

The basic population count, income, age and race breakdowns of your neighborhood can be used in many different ways. In addition to providing this basic population snapshot to potential retailers and developers it can be useful for foundation proposals.

### Further Research:

**Additional Reports:** ESRI offers several other reports that provide additional detailed demographic information about the population living within your study area, including:

**Housing Profile:** This report provides additional information on local housing conditions including the number of vacant units, the age of housing units, the number of multi-unit buildings as well as estimates of rents and home values at the time of the 2000 census.

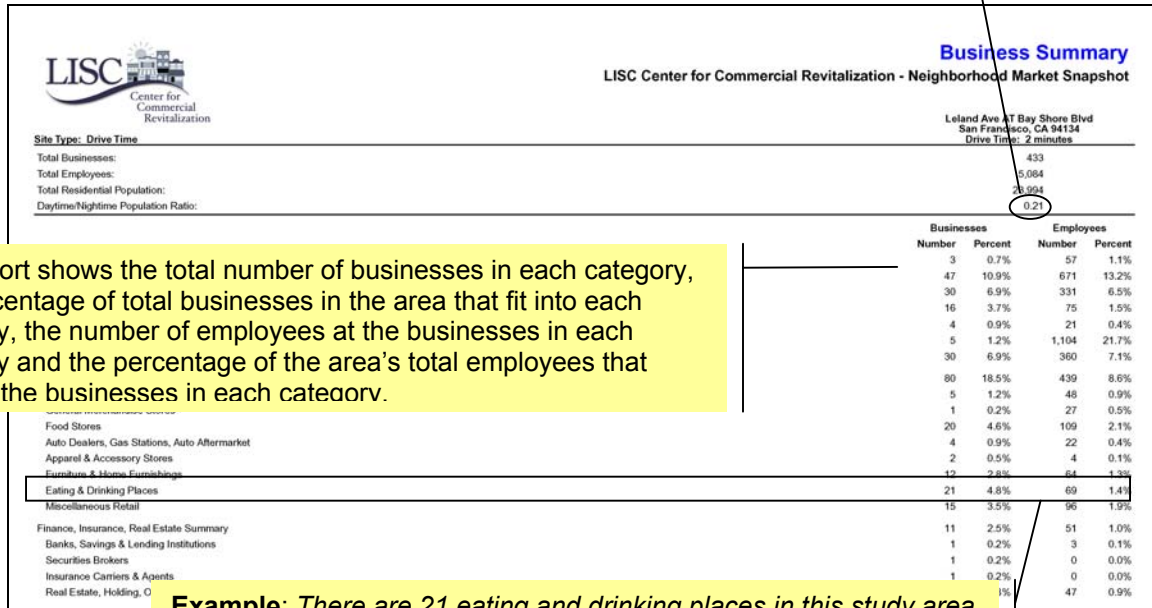
**Net Worth Profile:** This report estimates the total net worth of local residents by age group and provides a break down of sources of wealth (housing, stocks, etc.).

**Census Bureau:** The Census Bureau's web site ([www.census.gov](http://www.census.gov)) provides an enormous quantity of additional demographic data for predefined geographic units (Counties, zip codes, census tracts).

## Business Summary

**Overview:** This report provides a count of the number of businesses located within your study area in each of several standard categories. It also provides the number of employees in these businesses. It is helpful in identifying existing clusters of businesses in your community.

The daytime/nighttime population ratio is the ratio of the number of employees in area businesses to neighborhood residents. A high ratio indicates that daytime workers may be an important customer base.



The report shows the total number of businesses in each category, the percentage of total businesses in the area that fit into each category, the number of employees at the businesses in each category and the percentage of the area's total employees that work at the businesses in each category.

**Example:** There are 21 eating and drinking places in this study area and they employ 69 people. While these businesses make up 4.8% of total businesses they only offer 1.4% of the neighborhood's jobs.

**Source of data:** The data is based primarily on tax filings and is supplemented by telephone listings and other sources. The data may be several years old.

### Problems with the data:

These reports often fail to capture many small independent retail businesses and home based businesses (even when they pay their taxes regularly). Therefore the reports generally understate the number of businesses in urban neighborhoods. The employee counts are often quite inaccurate also.

### Reality Check:

This is the easiest report to reality check. A business inventory compiled by driving or walking the district may not be more accurate than this published data, but it will probably identify many businesses that are not counted on this report. If it is important to know exactly how many auto parts stores are in your trade area, it should be easy to drive



around and find at least as many as are listed in the report. If you find more, update the total.

### **Using the Data:**

**Employee market:** Area residents are not the only customers for your stores. If your district is located near places where large numbers of people work, these employees represent an important market for your businesses. The relative importance of workers is measured by the Daytime/nighttime Population Ratio shown at the top of the report. A ratio of 1 would represent an area where there were exactly as many workers as residents. Areas with a high ratio will tend to have more businesses that target workers (ie. more places to eat lunch, etc.) Consider listing the numbers of employees in addition to residential demographics in your promotional material or leasing packet.

In addition to the total number of employees, the types of businesses where the largest numbers of people work can also be important to the district's strategy. Health Care workers might support a uniform store, for example. A district's promotion strategy might be influenced by the employer mix. For example, a district with a few very large employers might want to work with these companies to sponsor promotional events, while one with many smaller employers may have no choice but to reach employees directly.

Note: while the Business Summary can be used to evaluate the mix of retail businesses in a district, the Retail Marketplace Profile provides a more complete picture.

### **Further Research:**

**Employer Surveys/Interviews:** In neighborhoods where employees represent a significant market, it is worth considering interviewing or surveying major employers to get more information about the likely spending patterns of their employees. Among other things, you might want to know the range of annual incomes and the hours that employees work.

**Windshield Survey of Competing districts:** Put the business mix in your neighborhood in context by driving through nearby districts and making note of the type, size and quality of retailers located in each.

**Cluster Analysis:** a single retail district may serve several different markets at the same time. Make a map of your district on which you mark each business and then look for patterns in their locations. Do you have clusters of similar businesses? They may be similar because they are the same type of business (ie. restaurants) or similar because people may shop at them all on the same trip (ie. record store and book store).

# Retail Goods and Services Expenditures:

**Overview:** This report provides estimates of the average household spending and total annual spending on each type of retail good or service. It is useful in identifying categories where your community has relatively higher spending power.

## Reading the Report:

LISC Center for Commercial Revitalization		Retail Goods and Services Expenditures	
LISC Center for Commercial Revitalization - Neighborhood Market Snapshot			
E 116th St AT Buckeye Rd Cleveland, OH 44120		Latitude: 41.481	Longitude: -81.6029
Site Type: Radius		Radius: 1.0 miles	
<b>Demographic Summary</b>		2003	2008
Population		33,321	32,528
Households		14,453	14,331
Families		7,912	7,805
Median Age		32.6	33.2
Median Household Income		\$25,206	\$29,181
	<b>Spending Potential Index</b>	<b>Average Amount Spent</b>	<b>Total</b>
<b>Apparel and Services</b>	69	\$1,827.80	\$26,417,222
Men's	66	\$337.49	\$4,877,803
Women's	70	\$598.67	\$8,652,602
Children's	65	\$271.92	\$3,930,102
Footwear	72	\$345.35	\$4,991,353
Watches & Jewelry	67	\$170.21	
Apparel Products and Services <sup>1</sup>	73	\$104.15	
<b>Computer</b>			
Computers and Hardware for Home Use	52	\$139.42	
Software and Accessories for Home Use	49	\$15.16	
<b>Entertainment &amp; Recreation</b>	55	\$1,620.64	
<b>Fees and Admissions</b>			
Membership Fees for Clubs <sup>2</sup>	52	\$78.74	
Fees for Participant Sports, excl. Trips	51	\$55.96	
Admission to Movie/Theatre/Opera/Ballet	55	\$74.97	
Admission to Sporting Events, excl. Trips	52	\$27.70	
Fees for Recreational Lessons	50	\$58.91	
<b>TV/Video/Sound Equipment</b>			
Community Antenna or Cable Television	57		\$851,453
Color Televisions	55		
VCRs, Video Cameras, and DVD Players	53		
Video Cassettes and DVDs	53		
Video Game Hardware and Software	55		
Satellite Dishes	47		
Rental of Video Cassettes and DVDs	56		
	61		
	58		
	68		
	42		
	58		
	54	\$71.88	\$1,038,863
	53	\$120.23	\$1,737,669
	70	\$5,229.75	\$75,585,573
	71	\$3,174.40	\$45,879,532
	71	\$484.67	\$7,004,868
	72	\$865.25	\$12,505,515
	69	\$341.60	\$4,937,112
	70	\$549.11	\$7,936,357
	70	\$933.76	\$13,495,680
<b>Food Away from Home</b>	69	\$2,055.33	\$29,706,041
<b>Alcoholic Beverages</b>	71	\$334.14	\$4,829,381
Nonalcoholic Beverages at Home	69	\$262.32	\$3,791,375

This section repeats some basic demographic data about your study area – it should be the same as the data on your Demographic and Income Report

This column represents the total annual amount that they estimate that people living in your study area spend on goods and services in each of these categories.

This column provides an estimate of the amount that each household spends annually. It is just the total spending in each category divided by the number of households

The Spending Potential Index compares the estimated average spent per household to the national average. If your average is the same as the national average the Index = 100. If their estimate for the average in your area is higher than the national average the index will be greater than 100.

**Example:** The average household in this area is estimated to spend \$2,055.33 per year on food away from home (ie. eating out). This is 69% of the amount that the average American household spends on food away from home. All 14,453 households in the study area together spend a total of \$29,706,041 each year.

**NOTE:** The spending potential index tells you about how your average household compares with the national average *but it is not a good indicator of the spending power of your neighborhood relative to other neighborhoods.*

### **Source of Data:**

This report is based on information collected by the Bureau of Labor Statistics in their annual Consumer Expenditure Survey. The BLS surveys 5000 households each year and publishes a report on how much different people spend on different consumer goods and services. The data is not collected for different locations – there is only one national sample. ESRI takes the information from this national sample and then, based on the demographics of your area, estimates how much people in your study area spend on each of these products. For example, if the Consumer Expenditure Survey says that African-American Seniors spend \$250 per year on footwear while Asian teens spend \$1200, they multiply the number of people in each of these categories by the appropriate figures and do the same for everyone else in the area population to arrive at their estimate of total expenditures on Footwear for your study area. The average amount spent is just the total divided by the total number of households.

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The Retail Marketplace Report (see below) compares estimated consumer spending with actual reported sales in the study area and therefore provides a better picture of untapped market opportunities however, that report is organized by type of *store* rather than type of *product* and may be less accurate.

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### **Defining Terms:**

***Spending Potential Index:*** The Spending Potential Index compares the estimated average spent per household to the national average. If your average is the same as the national average the Index = 100. If their estimate for the average in your area is higher than the national average the index will be greater than 100.

***Tapestry Lifestyle Segments:*** This report includes a summary of the study area's population according to a lifestyle segmentation system known as Tapestry. Tapestry is one of several such systems which group people (and neighborhoods) based on likely consumer behavior in order to simplify the process of identifying target markets for retailers and other businesses. ESRI publishes several other reports that provide more complete data on the Tapestry segments. There are some serious problems with systems like Tapestry reinforcing negative stereotypes of urban neighborhoods. See "Exposing Urban Legends: The Real Purchasing Power of Central City Neighborhoods" by John Pawasarat and Lois M. Quinn, Brookings Institution, June 2001 available at: <http://www.brookings.edu/es/urban/pawasaratexsum.htm> for a discussion of the application of these segmentation systems to low-income urban neighborhoods.

### **Problems with the Data:**

***Small Sample:*** While the report may seem to be saying that people in your area spend more than the national average on shoes, all it is really saying is that you have more of the kind of people who tend to spend money on shoes than other neighborhoods. ESRI does not really know whether teenagers in your area spend more on shoes than teenagers across town, they only know whether you have more teenagers. Not everyone in a given demographic category behaves the same way. The Consumer Expenditure Survey is based on a *very* small nationwide sample. Because most people in America live in middle-income neighborhoods, the survey does a better job of reflecting what middle-income suburban families spend their income on.

**Average spending vs. total spending:** Like nearly all national market research data these reports are built around the assumption that marketers are interested more in *average* household income and spending than they are in the *total* (aggregate) spending in an area. Most retailers and market analysts seem to have assumed that areas with higher *average* spending per household would also be the areas with the highest *total* spending. This is very far from the truth. This faulty assumption puts low-income urban areas at a very serious disadvantage. What urban markets sometimes lack in average spending power they often more than make up for in total spending because they are generally much more densely populated. In a higher-income, lower-density area each family may spend more on shoes each year than families in the low-income neighborhood but since there are far more families in the low-income community, the total spending on shoes may be far higher. Failure to appreciate the impact of density is one of the key factors that have led retailers to underestimate the potential of neighborhood markets. To really understand a neighborhood market, you have to encourage retailers to look at the total spending not just the household average.

Therefore it is important to notice that ESRI's Spending Potential Index is based on the average spending per household not the total spending. This means that if you run this report for two different study areas with one mile radii, the lower-income area might have a lower spending potential index for any given product, while at the same time having estimated total spending on that product that is quite a bit higher than that of the other area. The spending potential index tells you about how your average household compares with the national average ***but it is not a good indicator of the spending power of your neighborhood relative to other neighborhoods.***

### **Reality Check:**

While this type of report is probably the only way to estimate the total spending for each category of product, it is not the only relevant source of information about consumer behavior. Directly surveying area residents about where they shop, what kinds of products they buy and how often, will yield important data that can supplement this report. Retailers may still want this kind of estimate for total spending, but if your survey shows that residents report renting an average of 6 DVDs a week that might lead you to conclude that your area has above average demand for video rental, even if the ESRI estimate says your neighborhood is only average.

### **Using the Data:**

This report answers questions like:

- How much do people in this area spend on various goods and services?
- What is the total dollar amount of spending on each item?
- How does average spending per household compare with the national average?

**Retail Strategy:** The goods and services expenditures report, used in conjunction with the Retail Marketplace Report (See below), can help to identify potential business types that might succeed in a neighborhood. While the total estimated consumer

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These reports are no substitute for common sense, they can only point in the direction of potential business opportunities.

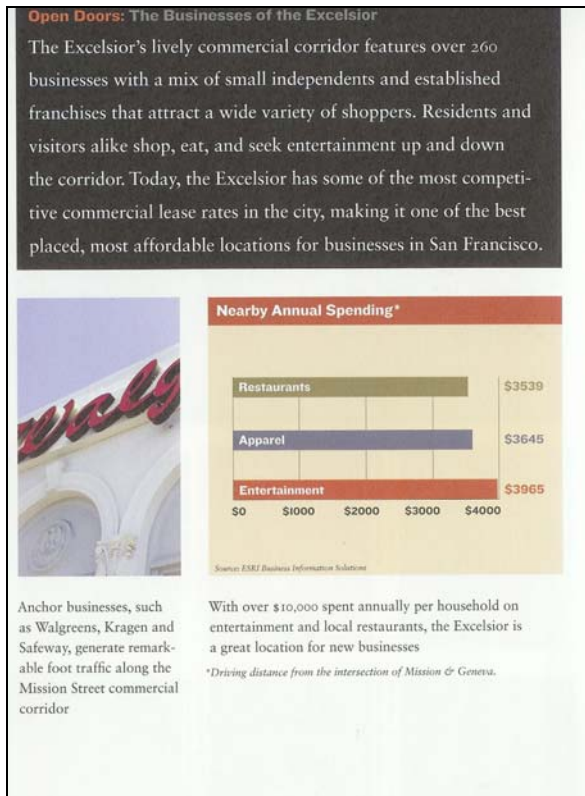
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spending for any given category may sound impressive, it is hard to know how large it is *supposed* to be. If it says that residents of your trade area spend \$3 million a year on men's clothing, is that a lot relative to other areas?

While the Spending Potential Index is not an ideal indicator of a neighborhood's spending power, it can help put your neighborhood's numbers in context by comparing them to national averages. Keep in mind that it compares the average spending per household to the national average household spending rather than comparing the neighborhood's total spending to some (imaginary) national neighborhood average. Still, the categories with the highest numbers in the Spending Potential Index column

represent goods and services that people in this area are likely to spend more of their money on relative to others in the country. If these goods and services are not readily available in your area, they *may* represent opportunities for new businesses or for new product lines for existing businesses.

Compare the categories where the spending potential index number is highest to a list of businesses that people in the neighborhood say that they want. The lists may not be identical but if people say that they want a shoe store and the report shows that people in the area spend more than the national average on shoes, you might consider spending more time researching the market potential for shoe stores.



The business attraction booklet for San Francisco's Excelsior District provides spending data for the three categories that the community identified as top priorities for new businesses.

business that you are trying to attract, presenting the average household expenditures and the Spending Potential Index numbers to businesses should help. Where these numbers are not favorable, focusing on the total spending might be more effective. In either case, you will want to present only those categories that you are interested in attracting to your community, rather than reprinting the entire report.

**Business expansion:** Of course existing retailers may be in the best position to take advantage of the market opportunities that this report identifies. Some revitalization programs have been successful in encouraging businesses to expand their product lines by identifying goods or services that are currently not being offered in the district and then sharing data with local retailers about the size of the potential market for these items.

### **Further Research:**

**Concentrated Buying Power:** Calculate the number of square miles in your trade area and divide the total estimated consumer expenditures by the square miles for an estimate of the concentrated buying power. This statistic offers a means for comparing the relative spending power of different areas with different levels of housing density. (note: if your study area is based on a 1 mile radius it contains 3.14 square miles. 2 miles = 12.57, 3 miles = 28.27)

**Comparative Spending Power:** Identify a neighborhood in the surrounding area that has the kinds of retail that local stakeholders think your commercial district should have and run this report for that district and compare the spending power of that District's trade area to your own.

**Additional consumer behavior data:** ESRI publishes a number of additional reports which are not included in LISC's basic subscription, that provide additional data on consumer behavior. In particular the Retail Market Potential report (\$75) provides estimates of the number of consumers in the study area that have exhibited certain consumer behaviors like, purchased bottled water, rented a DVD within the last 30 days, eaten at a sit down restaurant in the last 6 months, etc. They offer additional reports specific to certain industries including, health care, pets, sports, and restaurants.

# Retail Marketplace Profile

**Overview:** This report provides a count of the number of businesses located within your study area in each of several standard categories. It also provides the number of employees in these businesses. It is helpful in identifying existing clusters of businesses in your community.

Business Information Solutions		Retail MarketPlace Profile			
ESRI		LISC Center for Commercial Revitalization - Neighborhood Market Snapshot			
Leland Ave AT Bay Shore Blvd San Francisco, CA 94134		Site Type: Drive Time	Latitude: 37.7112	Longitude: -122.4037	Drive Time: 2 minutes
<b>Summary Demographics</b>					
2003 Population					23,994
2003 Households					5,988
2003 Median Disposable Income					\$44,269
2003 Per Capita Income					\$17,958
<b>Industry Summary</b>					
Total Retail Trade and Food & Drink (NAICS 44-45, 72Z)	\$99,991,635	\$182,931,303	29.3		74
Total Retail Trade (NAICS 44-45)	\$98,133,852	\$182,709,669	-28.4		54
Total Food & Drink (NAICS 72Z)	\$3,858,183	\$29,191,694	76.7		20
NAICS 441: Motor Vehicle & Parts Dealers	\$3,292,654	\$35,787,235	83.1		3
NAICS 4411: Automobile Dealers	\$67,253	\$28,730,451	99.5		0
NAICS 4412: Other Motor Vehicle Dealers	\$2,151,816	\$3,142,689	18.7		1
NAICS 4413: Auto Parts, Accessories, and Tire Stores	\$1,073,585	\$3,914,095	57.0		2
NAICS 442: Food and Beverage Stores	\$5,570,460	\$5,176,891	-3.7		4
NAICS 4421: Groceries	\$514,685	\$2,757,717	68.5		1
NAICS 4422: Other Food and Beverage Stores	\$5,055,775	\$2,419,174	-35.3		3
NAICS 443: Health and Personal Care Stores	\$2,806,918	\$3,765,604	14.6		5
NAICS 4431: Drug Retailers, Health and Beauty Supply Stores	\$3,554,449	\$5,647,377	22.7		5
NAICS 4432: Building Material and Supplies Dealers	\$2,780,096	\$5,172,985	30.1		4
NAICS 4442: Lawn and Garden Equipment and Supplies Stores	\$774,353	\$474,862	-24.0		1
NAICS 445: Furniture and Home Goods Stores	\$25,928,939	\$34,335,709	13.9		21
NAICS 4451: Furniture Stores	\$22,204,193	\$27,770,513	11.1		14
NAICS 4452: Home Goods Stores	\$843,635	\$4,192,461	66.5		4
NAICS 4453: Home Furnishings Stores	\$2,881,111	\$2,367,735	-9.8		3
NAICS 446: Electronics and Computer Stores	\$1,945,374	\$6,164,809	61.5		2
NAICS 4461: Electronics Stores	\$1,652,766	\$12,379,467	76.4		1
NAICS 447: Sporting, Recreation, and Amusement Stores	\$2,235,126	\$13,678,910	71.9		2
NAICS 4471: Clothing Stores	\$2,235,126	\$9,809,379	62.9		2
NAICS 4482: Shoe Stores	\$0	\$1,866,576	100.0		0
NAICS 4483: Jewelry, Luggage, and Leather Goods Stores	\$0	\$2,002,965	100.0		0
NAICS 449: Miscellaneous Store Retailers	\$4,789,229	\$0	0.6		4
NAICS 4491: Miscellaneous Store Retailers (except liquor, beer, and wine)	\$2,575,048	\$0	-26.5		3
NAICS 4492: Liquor, Beer, and Wine Stores	\$2,214,181	\$0	76.0		1

Example: In this area there are 20 Food and Drink businesses that, together, do \$3,858,183 in annual sales. Residents in the area are estimated to spend \$29,191,694 each year at Food and Drink businesses. A leakage factor of 76.7 indicates that residents are spending more than 2/3 of this money outside of the area.

This column lists the total annual sales by businesses of each type within the study area based mostly on sales tax figures.

This column provides an estimate of the total amount that neighborhood residents spend annually in each type of business both inside the neighborhood and elsewhere.

If area residents spend more money than local businesses receive, the difference is called "leakage" – it is money that is seen as leaking outside of the neighborhood. A zero in this column would mean that the total sales is equal to the estimated spending by local residents. A positive number means that residents spend more than local businesses sell. A negative number (surplus) means that businesses sell more than residents are likely to be spending (ie. people from outside are shopping here).

Some items are excluded. Demand (retail potential) represents the current dollars. The Leakage/Surplus Factor is a measure of the percentage of retail sales that is spent in the neighborhood. SFJGIS uses the North American Industry Classification System (NAICS) to classify retail businesses into 27 industry groups in the Retail MarketPlace Profile.

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### **Source of data:**

The count of businesses and the retail sales figures are based on sales tax records but may be estimated based on tax data reported for larger areas (like a whole county) and then estimated for your area based on the number of businesses. The consumer demand estimates are more complicated but are ultimately based on data collected by the Bureau of Labor Statistics which is then adjusted based on data from the Census of Retail Trade.

### **Defining Terms:**

***Disposable Income:*** This report lists the Median Disposable Income, which is just the money that people retain after paying income taxes.

***Leakage Factor:*** If area residents spend more money than local businesses receive, the difference is called “leakage” – Leakage is money that is seen as leaking outside of the neighborhood when people go elsewhere to spend their money. A zero leakage factor would mean that the local shops received as much money as local people were estimated to spend. A positive factor represents local money that is spent outside the area. Negative numbers (surplus) indicate that people from outside the area are coming in to the neighborhood to shop (ie. the area sees more goods sold than the total estimated demand for all local residents). Keep in mind that both of these things happen in every neighborhood all of the time so that even if there is zero leakage factor it just means that the money people in the neighborhood spend elsewhere balances the evenly against the money outsiders are spending in the area.

***NAICS Codes:*** This report is organized according to NAICS (North American Industry Classification System) codes. These codes, which used to be called SIC (Standard Industrial Classification) codes, are used by the Census Bureau and others to categorize all US businesses. The coding system is designed such that similar businesses are grouped into more general categories so that results can be totaled and subtotaled at different levels of detail. For Example, Grocery stores are 4451 while Liquor stores are 4453. Code 445 is used to refer to all “food and beverage stores” including groceries and liquor stores among others. Similarly, code 44 (“Retail Trade”) summarizes all of the categories that begin with 44. On this report, ESRI has selected only a small handful of the thousands of 4 digit NAICS categories. Some of the 4 digit categories appear on the list beneath the 3 digit category that they fit within while others are listed without their

### **Problems with the data:**

***Layers of estimates:*** Like the Retail Goods and Services Expenditures Report the consumer demand information here is ultimately based on information collected in the Bureau of Labor Statistics annual Consumer Expenditure Survey. However the survey asks people about how much they spend on certain *goods* but this report lists demand for certain kinds of *stores*. For example, the survey tells us how much people say that they spend on clothing but not whether they buy it at clothing stores or department stores. While the Retail Goods and Services Expenditures Report presents estimates for each study area based on the same categories used in the annual survey, this Retail Marketplace Report attempts to estimate the sales for each type of retail business (ie. clothing stores, department stores, etc.). In doing so it inherits all of the problems related to the very small sample size of the Consumer Expenditure Survey while introducing an additional set of assumptions that are not likely to apply equally in every community. To take just one example, even if the estimate of how much people in a given neighborhood



spend on clothing were accurate, this report assumes that a percentage of that money for every neighborhood is spent at online retailers but internet usage is not the same in every community. If the amount spent online is overstated, the estimated demand for clothing stores will actually be higher than what is shown on this report. The danger of layering assumptions upon assumptions is that, because the result is a very specific number, people tend to think that the result is more accurate than it really is. These numbers should be understood for what they are: rough estimates based on some very general assumptions.

**Leakage:** The concept of leakage is very important but it can be misleading when applied at the neighborhood scale. At a large geographic scale (think nations or regions) the extent to which local money is spent outside the region is a fairly good measure of the health of the local economy. Economic development professionals tend to focus on identifying goods that are being imported which could be produced and sold locally as a way of keeping more money circulating in the local economy. This can work at the neighborhood scale also; when people leave the community to buy groceries, there may be an opportunity to “capture” a greater share of local spending by opening a grocery store in the neighborhood. However, leakage in the Automobile Dealers category probably does not represent any kind of opportunity. We can calculate a leakage factor for every category for any sized geographic area but the smaller the study area, the fewer of the numbers have any real meaning. Just because we can calculate a number should not lead anyone to conclude that their neighborhood should expect to capture any particular percentage of what local residents spend on new cars. Even with categories like hardware, clothing and shoes, no neighborhood captures all of the local resident’s spending. Neighborhoods are not really self-contained economies in that way.

### **Reality Checking:**

This may be the most important report but, unfortunately, it may also be the least reliable. Small errors in the data can result in very large changes in the leakage estimates for small trade areas. For example, if one business is not included in the underlying data, the business count may be off by one but one large business might be the difference between high leakage and a surplus.

**Consultants:** While this report is a very convenient planning tool, it is worth considering paying a market research consultant to produce a similar leakage analysis before relying too heavily on the results or publicizing them too widely. Most researchers will use the same raw data but they may use different formulas to produce the estimates. An experienced researcher should be able to identify results that don’t quite make sense and can double check their underlying data and their formulas for errors – something that cannot be done with a packaged report.

**Surrounding Retail:** No matter what boundary you use to define your trade area, there is always some retail just outside your boundary, which has a significant impact on what is possible within your district. When looking at the data, keep in mind what kinds of retailers are located nearby but outside your trade area.

## **Using the data:**

This report is intended to answer one important question:

- Is there unmet consumer demand for any type of additional retail stores?

**Strategy:** The leakage factor provides a quick way to evaluate the potential market for each type of business. For some of the business categories, a high leakage factor is an indicator that a new business could succeed in your community. For others, it is simply an indicator that the entire category of business is just operating at a larger regional scale – meaning no neighborhood can expect to capture much of the sales anymore.

Unfortunately, no one can tell you which is which. Some people will say that in the age of big box super centers, neighborhoods can no longer expect to compete in hardware sales (NAICS 4441) while others will point to new smaller store formats being offered by Home Depot and the continued success of many independent neighborhood hardware stores. This report cannot tell you whether a neighborhood hardware store can survive in your community, but it can tell you how much your residents are spending outside the area on hardware.

Categories that merit special attention for urban commercial districts include:

- NAICS 4413: Auto Parts, Accessories, and Tire Stores
- NAICS 4421: Furniture Stores
- NAICS 4422: Home Furnishings Stores
- NAICS 443/NAICS 4431: Electronics & Appliance Stores
- NAICS 4441: Building Material and Supplies Dealers
- NAICS 4442: Lawn and Garden Equipment and Supplies Stores
- NAICS 4451: Grocery Stores
- NAICS 4452: Specialty Food Stores
  
- NAICS 446/NAICS 4461: Health & Personal Care Stores
- NAICS 447/NAICS 4471: Gasoline Stations
- NAICS 4481: Clothing Stores
- NAICS 4482: Shoe Stores
- NAICS 4483: Jewelry, Luggage, and Leather Goods Stores
- NAICS 4511: Sporting Goods/Hobby/Musical Instrument Stores
- NAICS 4512: Books, Periodical, and Music Stores
- NAICS 4529: Other General Merchandise Stores
- NAICS 4531: Florists
- NAICS 4532: Office Supplies, Stationery, and Gift Stores
- NAICS 4533: Used Merchandise Stores
- NAICS 4539: Other Miscellaneous Store Retailers
- NAICS 7221: Full-Service Restaurants
- NAICS 7222: Limited-Service Eating Places

**Strategy:** Another strategic use for this report is to help community members focus their energy on potential tenant types with the strongest potential market, even when these may not be at the top of community wish lists. Sometimes the data will make a convincing argument that there is not enough of a market to support any more of a particular type of business that people say that they want to bring in to the neighborhood.

**Excerpt: Ward 15 Commercial Revitalization Study – Cleveland, OH.**

*“Due to the expressed needs of the community an analysis of area grocery stores was conducted to determine the commercial viability of adding a larger full-service grocery store within the primary market area. The study concluded that there are insufficient grocery store expenditures as related to current supportable space and market conditions to support a new, full-service grocery store development within the primary market area.*

*Market research shows that the total study area has annual grocery store expenditures of \$91.0 million. The grocery store expenditures by study areas are \$32.7 for the primary market area and, 58.3 million in the total market area. Comparatively and competitively, a typical full-service, 50,000 square foot grocery store has an annual sales volume threshold of approximately \$13 million. There are currently five grocery stores located within the total study area with 226,320 square feet of combined space.”*

- From the Ward 15 Commercial Revitalization Study, Conducted by Basile Baumann Prost & Associates for the Old Brooklyn Community Development Corporation, a participant in LISC's Re\$store Cleveland program.

**Business Attraction/Leasing:** Once you have a list of target retail types, it can be helpful to provide potential businesses with the estimates from this report. While the Leakage factor may not be meaningful out of context, showing a potential Shoe Store operator that there is approximately \$x million spent by local residents at shoe stores and only 2 local stores selling approximately \$Y million worth of shoes each year.

# Traffic Profile

## Overview:

This report provides counts of the number of vehicles driving along various streets in or near the study area each day.

## Reading the Report:

The screenshot shows a report titled "LISC Center for Commercial Revitalization - Neighborhood Market Snapshot" for "Leland Ave AT Bay Shore Blvd, San Francisco, CA 94134". The report includes a table with columns: Distance, Street, Closest Cross-street, Year of Count, and Count. Callout boxes explain: "Each line on the report represents a different traffic count that was conducted at a different location in the neighborhood.", "The traffic traveling (in both directions) along streets listed in this column was counted.", "The traffic counts were conducted at or near the intersections with these streets.", and "These numbers represent the average number of cars passing each location (in either direction) in one day." A fifth callout box explains the "Distance" column: "This column provides the distance between the intersection where the traffic count was conducted and the address or intersection that you specified to define the center of your study area."

Distance:	Street:	Closest Cross-street:	Year of Count:	Count:
0.03	Bayshore Blvd	Leland Ave (0.03 miles NE)	1997	26,817
0.14	Blanken Ave	Tunnel Ave (0.03 miles E)	1998	4,001
0.14	Tunnel Ave	Lathrop Ave (0.02 miles S)	1999	5,027
0.14	Bayshore Blvd	Sunnydale Ave (0.03 miles SW)	2001	27,652
0.17	San Bruno Ave	San Bruno Ave (0.17 miles N)		

## Source of the Data:

Traffic count data is generally compiled by local transportation agencies using automatic counting devices that are installed for a period of several weeks on a given street. These studies are not conducted according to any regular schedule. ESRI provides the 25 most recent available counts for locations that are relatively close to your study area.

## Reality Check:

If ESRI does not provide counts for the street that you need or the data is outdated, try contacting your local transportation department; they may have more recent data. If necessary, you can conduct your own traffic count by posting volunteers at one or more key intersections to count cars by hand. You don't need to count for 24 hours but you should count on several different days and average the totals. You might just count the number of cars during weekday rush hours in the morning and evening, for example. This won't give you the daily total traffic but the numbers can be just as useful. In fact, being able to compare traffic volumes at different times of day can often be useful for understanding the behavior of commuters.

### **Using the Data:**

**Business Attraction:** Certain retailers have very clear standards related to traffic counts for potential sites. They won't consider locating somewhere where there are fewer than X cars passing daily. Other retailers with less specific requirements may be interested in knowing how many potential customers drive past a site each day. Keep in mind that high traffic volume may not translate into large numbers of customers for every business. Most commuters will never stop on their way to or from work.. People who do stop will only tend to stop for certain kinds of convenience goods (ie milk but not appliances). This means that traffic counts are more important to certain retailers than others.

### **Further Research:**

**Transit Ridership:** Public Transit operators can often provide daily ridership on bus and train lines that pass through your district. This information provides an essential supplement to the traffic count data in most urban neighborhoods.

**Parking Inventory:** Perhaps as important as knowing how many cars are passing through your district, is understanding where and how easily they can park if they choose to stop. Make a list or map identifying all of the parking spaces (on street and off street) that are available to the public within your district.