

LET'S TALK BUSINESS

Ideas for Expanding Retail and Services in Your Community

Issue 62
October 2001

Analyzing County Retail Sales Calculations of Surplus/Leakage

by
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Understanding economic development trends entails an analysis of the strengths and weaknesses of the existing retail market. By understanding the performance of the local retail market, local leaders and development practitioners can foster a more conducive environment for retail business development. This also becomes a base for further market analysis that can help current and future business operators make more informed business decisions.

To achieve this end, numerous research tools have been developed and refined over the years to help identify retail strengths and weaknesses at the county level. In this article, the tools of "Trade Area Analysis" are applied to the study of taxable retail sales in Wisconsin. These tools allow the analyst to estimate net inflows ("surpluses") and outflows ("leakages") of retail dollars to/from counties. A complete copy of the study is available online at: <http://www.aae.wisc.edu/www/pub/sps/stpap428.pdf>.

Trade Area Analysis Data

While a wide range of data are available such as the U.S. Census of Retail Trade and a number of private data firms, one of the best sources of information is generally drawn from sales tax receipts. Given that Wisconsin law allows counties to adopt a local option sales tax, detailed and timely data for a number of Wisconsin counties are available for analysis. This study uses these sales tax data from those counties that have elected to implement the tax. Total taxable sales is available from the Wisconsin Department of Revenue, County Sales Tax Reports on the web at: www.dor.state.wi.us/ra/co01coun.html.

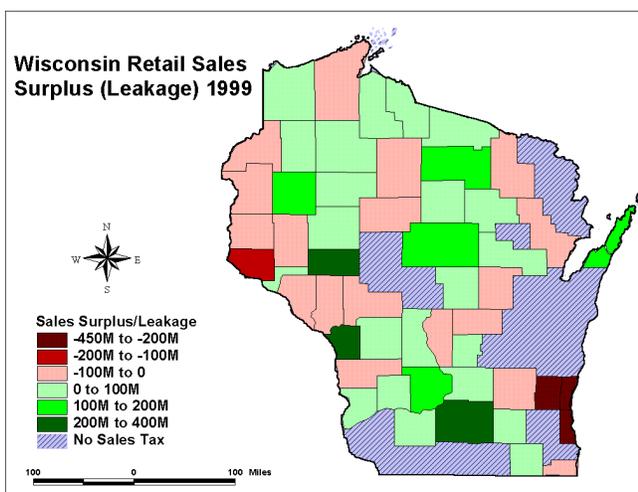
Potential Vs. Actual Sales

Potential sales are an estimate of the sales level that a county should achieve if it were performing on par with a state-wide (52 counties with county sales tax) average, after adjusting for income. A county's potential sales are calculated by multiplying state per capita sales by the county's population and an index of the county's buying power. The county's buying power is the ratio of its per capita income to the state's per capita income.

By comparing the potential sales of the county with the actual sales realized, a measure of retail surplus or leakage can be estimated. If actual sales are greater than potential sales, the county can be said to have a retail trade surplus. If potential sales are greater than actual sales, the county is said to have a retail trade leakage. Surpluses and leakages of total taxable retail sales are presented for the 52 counties with a county sales tax in the map and the table on page 2.

Analysis

The map and data indicates that La Crosse, Dane and Eau Claire counties, with their significant retail drawing power, had significant surpluses in 1999. On the other hand, Milwaukee, Ozaukee, Washington and Pierce



counties had significant leakages. Interesting, some of the counties with significant shopping districts (Waukesha and Outagamie counties among others) do not have a county sales tax and their expected surplus could not be calculated.

The possible reason for the “strong” performance of grocery stores in these two counties may be related to a strong tourist economy, particularly the second or recreational home market. Conversely, some counties had leakages in grocery stores, including Buffalo and Taylor counties. The reasons could range from the lack of county shopping opportunities, significant competition from neighboring communities or existing grocery stores not satisfying county demand.

1999 Taxable Retail Sales	
County	Surplus/(Leakage)
Adams	(4,858,904)
Ashland	20,284,150
Barron	116,792,676
Bayfield	(10,945,115)
Buffalo	(33,730,791)
Burnett	(2,674,845)
Chippewa	9,157,193
Columbia	7,318,438
Crawford	41,748,394
Dane	347,648,868
Dodge	(63,524,636)
Door	112,731,131
Douglas	41,691,567
Dunn	(4,062,685)
Eau Claire	280,684,310
Forest	(7,750,829)
Iowa	7,168,773
Iron	1,661,909
Jackson	(1,460,308)
Jefferson	2,677,003
Juneau	15,513,595
Kenosha	(45,859,738)
La Crosse	365,477,110
Langlade	37,903,907
Lincoln	14,559,962
Marathon	162,823,246
Marquette	11,730,816
Milwaukee	(447,025,102)
Monroe	19,715,216
Oconto	(29,714,517)
Oneida	130,476,149
Ozaukee	(324,033,438)
Pepin	648,505
Pierce	(109,770,529)
Polk	(16,499,850)
Portage	94,664,852
Richland	17,932,618
Price	(15,196,688)
Rusk	2,917,044
St. Croix	(32,067,110)
Sauk	129,279,878
Sawyer	48,988,154
Shawano	15,252,208
Taylor	(50,956,090)
Trempealeau	(22,748,425)
Vernon	(10,303,495)
Vilas	60,401,955
Walworth	48,748,786
Washburn	24,659,109
Washington	(233,623,791)
Waupaca	(16,997,425)
Waushara	(8,410,213)

Conclusion

County-level Trade Area Analysis provides important background information to help understand the current competitive situation (at the county level). In short, it describes whether a county is capturing its fair-share of taxable retail sales. The user must remember that market areas rarely follow the boundaries of a county. Further, the results do not provide sufficient detail to gauge market support for specific business expansion or development opportunities. Nevertheless, these tools provide a basic understanding of retail trends as part of the overall county or regional economy.

** Drawn from: Deller, Steven C., Trade Area Analysis of Select Wisconsin Counties, Update for 1999, Agricultural & Applied Economics, University of Wisconsin-Madison. Staff Paper No. 428 August 2001. Summarized by Bill Ryan, UWEX, Center for Community Economic Development. Newsletter production by Alice Justice, program assistant with the UWEX, Center for Community Economic Development.*

Additional insight is gained from the data in the complete report (online). Some counties have relatively large surpluses in food stores such as Door and Vilas counties.