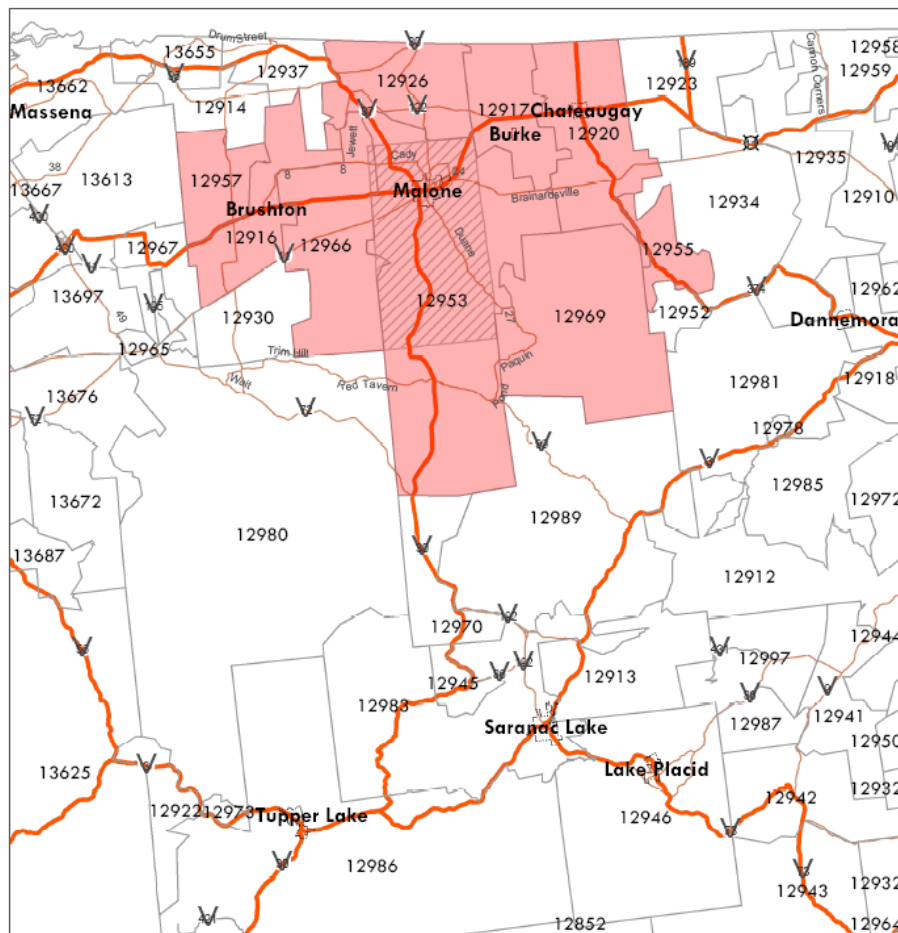


Introduction

As part of the background research conducted for the Malone Economic Development Plan, Camoin Associates carried out a retail market assessment for the Malone area. The goal of the exercise was to identify retail categories that the Malone community could consider targeting to fill existing demand that is leaking out of the community. All retail sales and consumer expenditure data presented in this report were purchased from ESRI Business Analyst On-line, a leading national provider of economic and demographic data.

In an effort to capture the Malone retail market, which would include the majority of people who shop in Malone, the Economic Development Committee defined a study area for analysis using the following zip codes: 12957, 12916, 12966, 12653, 12926, 12917, 12920, 12969, 12955. The “Malone Study Area” is shaded in red in the map below.



Source: Camoin Associates

Retail Leakage/Surplus Analysis

The table on the next page shows existing retail sales (“Supply”) in the study area and compares it to the retail potential (“Demand”) of study area residents. The table also shows the “retail gap” for all retail sales. Positive numbers shown in green indicate a sales leakage. Negative numbers shown in red indicate a sales surplus.

Sales Leakage

The demand for goods and services that is not being met locally is referred to as *sales leakage*, shown in the table below in green as a positive retail gap. The leakage occurs because consumers make purchases at establishments located outside the defined study area. For example, there were approximately \$1.2 million of retail sales in the *Electronics and Appliance store* category in the study area. However, Malone Study Area residents spent approximately \$5.2 million on these types of goods. Therefore, study area residents spent about \$4 million outside of the study area on *Electronics and Appliance Store goods*. This is money that has *leaked* out of the local study area. Most retail categories exhibit sales leakage for the Malone area.

Sales leakages are normally viewed as an opportunity for unmet demand in a study area to potentially be recaptured by new local businesses. However, not all retail categories that exhibit leakage within a particular study area should automatically be assumed to be a good fit for that community’s needs. It is also not likely that 100% of sales leakage in any one category would be recaptured if only there were additional local retailers of that type in Malone. Sometimes there are other reasons for leakage, such as commutation patterns or a large retail specialty/cluster in another community that attracts Malone area residents.

The table below also identifies the number of businesses within each industry sector that are located in the Malone Study Area for additional information. The industry sector with the highest number of businesses is the *Motor Vehicle and Parts Dealer* sector.

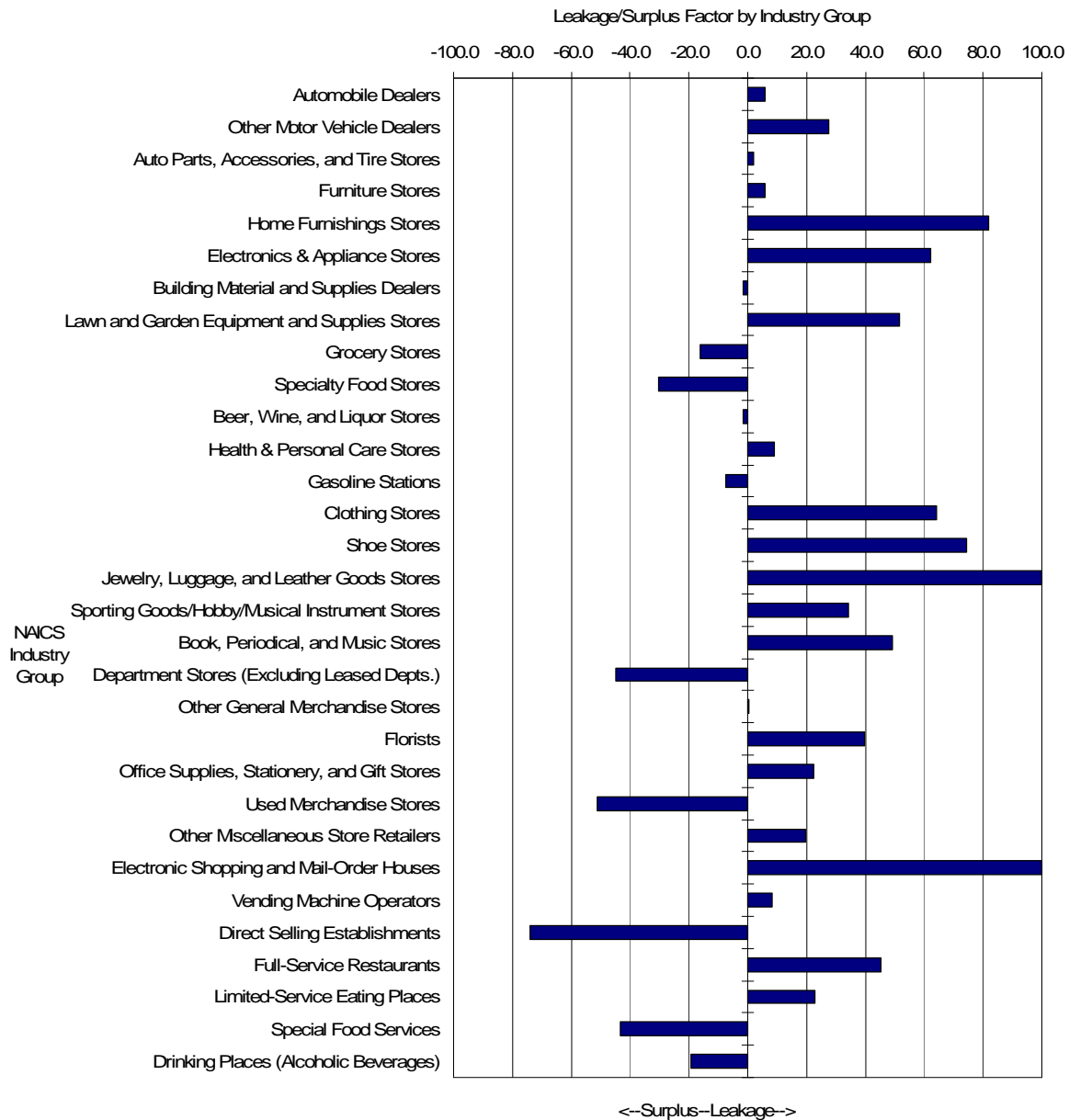
Sales Surplus

Conversely, if the supply of goods sold exceeds study area demand, we assume that non-residents are coming into the study area to spend money, creating a *sales surplus*. A sales surplus is shown in red as a negative retail gap in the table below. There are two likely reasons a sales surplus condition would exist. First, a group of competing businesses offering a similar good or product may be located within the study area, creating a specialty cluster that draws in spending by households from outside the study area. Secondly, a sales surplus may indicate a saturated retail market, where supply exceeds demand.

Retail Sales Surplus and Leakage				
Industry Group	Retail Potential (Demand)	Retail Sales (Supply)	Retail Gap	# of Stores
Motor Vehicle & Parts Dealers (NAICS 441)	\$44,158,653	\$37,696,640	\$6,462,013	26
Automobile Dealers (NAICS 4411)	\$36,550,103	\$32,406,167	\$4,143,936	15
Other Motor Vehicle Dealers (NAICS 4412)	\$5,131,484	\$2,903,364	\$2,228,120	4
Auto Parts, Accessories, and Tire Stores (NAICS 4413)	\$2,477,066	\$2,387,109	\$89,957	7
Furniture & Home Furnishings Stores (NAICS 442)	\$6,296,419	\$3,447,909	\$2,848,510	11
Furniture Stores (NAICS 4421)	\$3,578,364	\$3,178,242	\$400,122	8
Home Furnishings Stores (NAICS 4422)	\$2,718,055	\$269,667	\$2,448,388	3
Electronics & Appliance Stores (NAICS 443/NAICS 4431)	\$5,155,071	\$1,200,141	\$3,954,930	10
Bldg Materials, Garden Equip. & Supply Stores (NAICS 444)	\$6,292,574	\$5,956,239	\$336,335	17
Building Material and Supplies Dealers (NAICS 4441)	\$5,556,729	\$5,720,167	-\$163,438	14
Lawn and Garden Equipment and Supplies Stores (NAICS 4442)	\$735,845	\$236,072	\$499,773	3
Food & Beverage Stores (NAICS 445)	\$33,202,949	\$46,473,217	-\$13,270,268	24
Grocery Stores (NAICS 4451)	\$29,186,372	\$40,367,149	-\$11,180,777	15
Specialty Food Stores (NAICS 4452)	\$2,330,624	\$4,367,208	-\$2,036,584	6
Beer, Wine, and Liquor Stores (NAICS 4453)	\$1,685,953	\$1,738,860	-\$52,907	3
Health & Personal Care Stores (NAICS 446/NAICS 4461)	\$9,262,658	\$7,743,040	\$1,519,618	9
Gasoline Stations (NAICS 447/NAICS 4471)	\$31,353,929	\$36,294,705	-\$4,940,776	14
Clothing and Clothing Accessories Stores (NAICS 448)	\$7,090,827	\$1,424,872	\$5,665,955	7
Clothing Stores (NAICS 4481)	\$5,934,010	\$1,301,798	\$4,632,212	6
Shoe Stores (NAICS 4482)	\$834,443	\$123,074	\$711,369	1
Jewelry, Luggage, and Leather Goods Stores (NAICS 4483)	\$322,374	\$0	\$322,374	0
Sporting Goods, Hobby, Book, and Music Stores (NAICS 451)	\$2,403,123	\$1,136,022	\$1,267,101	7
Sporting Goods/Hobby/Musical Instrument Stores (NAICS 4511)	\$2,130,901	\$1,043,100	\$1,087,801	6
Book, Periodical, and Music Stores (NAICS 4512)	\$272,222	\$92,922	\$179,300	1
General Merchandise Stores (NAICS 452)	\$22,501,448	\$33,192,032	-\$10,690,584	14
Department Stores Excluding Leased Depts. (NAICS 4521)	\$6,612,868	\$17,392,534	-\$10,779,666	4
Other General Merchandise Stores (NAICS 4529)	\$15,888,580	\$15,799,498	\$89,082	10
Miscellaneous Store Retailers (NAICS 453)	\$4,200,914	\$3,297,962	\$902,952	28
Florists (NAICS 4531)	\$493,254	\$212,667	\$280,587	4
Office Supplies, Stationery, and Gift Stores (NAICS 4532)	\$644,238	\$408,168	\$236,070	5
Used Merchandise Stores (NAICS 4533)	\$253,211	\$782,118	-\$528,907	8
Other Miscellaneous Store Retailers (NAICS 4539)	\$2,810,211	\$1,895,009	\$915,202	11
Nonstore Retailers (NAICS 454)	\$2,129,308	\$6,166,376	-\$4,037,068	2
Electronic Shopping and Mail-Order Houses (NAICS 4541)	\$834,160	\$0	\$834,160	0
Vending Machine Operators (NAICS 4542)	\$438,271	\$370,915	\$67,356	1
Direct Selling Establishments (NAICS 4543)	\$856,877	\$5,795,461	-\$4,938,584	1
Food Services & Drinking Places (NAICS 722)	\$21,848,889	\$11,220,302	\$10,628,587	48
Full-Service Restaurants (NAICS 7221)	\$13,126,809	\$4,939,980	\$8,186,829	29
Limited-Service Eating Places (NAICS 7222)	\$8,076,526	\$5,053,639	\$3,022,887	12
Special Food Services (NAICS 7223)	\$260,681	\$657,709	-\$397,028	1
Drinking Places - Alcoholic Beverages (NAICS 7224)	\$384,873	\$568,974	-\$184,101	6

Source: ESRI

The graph below illustrates the surplus/leakage factor for the study area. This shows the degree to which the demand for goods is being met within or outside of the study area in relation to the total sales for that good. A factor of positive 100 would indicate that 100% of the demand is being met outside of the study area boundaries; the *Jewelry, Luggage and Leather Goods* industry is an example of this in the Malone Study Area. The graph illustrates that a good portion of the retail sales for the Malone Study Area are leaking to other surrounding regions.



Retail Use Feasibility Study

While the previous section identifies a number of retail categories that are experiencing leakage, it should not be automatically assumed that any leakage at all will translate into a new business of that type being successful in the Malone area. The following analysis identifies which of the retail categories exhibiting leakage have enough demand to potentially support a new store. This analysis will help the community to target businesses that are most likely to be successful.

Using national sales averages for the different retail categories, Camoin Associates calculated the maximum number of stores in each category that could be supported if 75% of the existing sales leakage from the Malone area were recaptured by new businesses in Malone. The 75% recapture rate is arbitrary. We know that it is not likely that 100% will be recaptured. This assumption allows us to provide a more conservative estimate.

The table on the next page shows the results of the analysis. Categories highlighted in yellow are those where enough leakage exists for one or more stores to be supported. Categories in boldface type are those where enough leakage exists for three or more stores to be supported. These categories include full service restaurants (over 12 new businesses); clothing stores (almost 4 new businesses); and electronics and appliance stores (over 3 new stores).

These findings are consistent with input gathered from local officials and business owners working in the tourism industry. In addition to identifying the need for more lodging facilities (lodging is not included in this retail data), interviewees talked a great deal about the need for additional dining and shopping options. The high amount of leakage in the full-service restaurant category further supports this, as does the number of new clothing and electronics stores that could potentially be supported by demand in the Malone area. Since visitor demand, such as that from Canadian tourists, is not really captured by the sales leakage data, there is likely to be more spending to support these new business categories than these data suggest. There may also be other retail categories where one or more new businesses could be supported when the visitor market is taken into account.

Retail Opportunities				
Industry Group	National Ave Sales	Retail Gap in Malone	75% recapture rate	#of Potential Businesses
Motor Vehicle & Parts Dealers (NAICS 441)	\$3,246,278	\$6,462,013	\$4,846,510	1.49
Automobile Dealers (NAICS 4411)	\$5,764,290	\$4,143,936	\$3,107,952	0.54
Other Motor Vehicle Dealers (NAICS 4412)	\$1,523,250	\$2,228,120	\$1,671,090	1.10
Auto Parts, Accessories, and Tire Stores (NAICS 4413)	\$561,729	\$89,957	\$67,468	0.12
Furniture & Home Furnishings Stores (NAICS 442)	\$969,075	\$2,848,510	\$2,136,383	2.20
Furniture Stores (NAICS 4421)	\$1,270,710	\$400,122	\$300,092	0.24
Home Furnishings Stores (NAICS 4422)	\$738,194	\$2,448,388	\$1,836,291	2.49
Electronics & Appliance Stores (NAICS 443/NAICS 4431)	\$789,203	\$3,954,930	\$2,966,198	3.76
Bldg Materials, Garden Equip. & Supply Stores (NAICS 444)	\$789,627	\$336,335	\$252,251	0.32
Lawn and Garden Equipment and Supplies Stores (NAICS 4441)	\$288,197	\$499,773	\$374,830	1.30
	\$0		\$0	
Health & Personal Care Stores (NAICS 446/NAICS 4461)	\$1,086,709	\$1,519,618	\$1,139,714	1.05
Clothing and Clothing Accessories Stores (NAICS 448)	\$734,881	\$5,665,955	\$4,249,466	5.78
Clothing Stores (NAICS 4481)	\$872,817	\$4,632,212	\$3,474,159	3.98
Shoe Stores (NAICS 4482)	\$669,060	\$711,369	\$533,527	0.80
Jewelry, Luggage, and Leather Goods Stores (NAICS 4483)	\$357,039	\$322,374	\$241,781	0.68
Sporting Goods, Hobby, Book, and Music Stores (NAICS 451)	\$373,648	\$1,267,101	\$950,326	2.54
Sporting Goods/Hobby/Musical Instrument Stores (NAICS 4511)	\$280,117	\$1,087,801	\$815,851	2.91
Book, Periodical, and Music Stores (NAICS 4512)	\$681,384	\$179,300	\$134,475	0.20
Other General Merchandise Stores (NAICS 4529)	\$4,750,775	\$89,082	\$66,812	0.01
Miscellaneous Store Retailers (NAICS 453)	\$195,518	\$902,952	\$677,214	3.46
Florists (NAICS 4531)	\$134,245	\$280,578	\$210,434	1.57
Office Supplies, Stationery, and Gift Stores (NAICS 4532)	\$260,341	\$236,070	\$177,053	0.68
Other Miscellaneous Store Retailers (NAICS 4539)	\$225,679	\$915,202	\$686,402	3.04
Electronic Shopping and Mail-Order Houses (NAICS 4541)	\$11,934,968	\$834,160	\$625,620	0.05
Vending Machine Operators (NAICS 4542)	\$1,380,416	\$67,356	\$50,517	0.04
Food Services & Drinking Places (NAICS 722)	\$686,985	\$10,628,587	\$7,971,440	11.60
Full-Service Restaurants (NAICS 7221)	\$508,933	\$8,186,829	\$6,140,122	12.06
Limited-Service Eating Places (NAICS 7222)	\$1,063,823	\$3,022,887	\$2,267,165	2.13

Source: ESRI, Camoin Associates