

Retail Trade Area Assessment & Leakage/Surplus Analysis

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Table of Contents

Project Introduction.....	3
Methodology.....	3
About Joey Grisham.....	4
Retail Trade Area Assessment.....	5-8
Retail Leakage.....	9-10
Dominant Psychographics Profiles.....	11
Retail Matches.....	12
Conclusion.....	13

Introduction

The City of Hutto in partnership with the Hutto Economic Development Corporation commissioned this retail analysis to better understand its market and potential opportunities. The analysis includes: retail trade area assessment; retail leakage/surplus analysis; snapshot of Hutto retail market; list of potential retailers/restaurants that fit the marketplace; and psychographic (lifestyle segmentation) profiles.

For many years the field of Economic Development focused exclusively on the recruitment of industrial and manufacturing jobs to communities, however, that strategy has evolved over the last several years. Until recently, recruiting retailers was considered outside the scope of many economic development organizations because primary jobs were considered more prevalent. Although primary jobs are important to a community, the declining nature of the manufacturing sector has caused many communities to adapt to the new economy.

Many cities and counties now understand the numerous advantages of additional retailers in the community including:

- Expanding the Tax Base- New retail adds needed sales tax dollars and increased property taxes that can relieve burden on residential taxpayers
- Reduce Sales Tax Leakage- Loss of sales tax dollars to nearby communities takes away potential local sales taxes
- Creating jobs- This is especially important to smaller communities as new jobs are critical a community's social and economic health
- Enhancing quality of life- New retail provides options for local citizens which can help enhance the quality of life in an area.

Methodology

To develop an accurate depiction of the Hutto retail market, a customized approach was utilized rather than a cookie-cutter method. To determine the retail trade area we spoke with numerous retailers in the market to understand how far out customers are traveling consistently to shop in Hutto. For the retail surplus/leakage analysis, data was collected from Nielsen Claritas, the Census of Retail Trade, ESRI, the Bureau of Labor Statistics, and the Consumer Expenditure Survey.

About Joey Grisham

During his ten years in local Economic Development positions and retail consulting, Joey has been involved with retail from many different angles. He successfully led local Economic Development agencies in Texas, Alabama, and Mississippi, and is one of less than 300 individuals in the U.S. to possess a Master's Degree in Economic Development. Joey began his retail consulting career with a retail firm called The Retail Coach where he worked on a number of retail market studies across the U.S. including Texas, Wisconsin, Tennessee, Arizona, and Indiana. Over the years he has developed a large network of developers, retailers, and retail industry professionals. He holds degrees from the University of Mississippi, University of Memphis, and University of Southern Mississippi. Originally from North Mississippi, Joey is married with 2 children and lives in Granbury, Texas.

5-Minute Drive-Time Map



Source: Nielsen

In an effort to truly capture the entire retail trade area a polygon was drawn based on conversations with area retailers as to how far out they consistently draw customers. Hutto would undersell itself if it only utilized generic drive-time and radial maps.

Hutto Retail Trade Area Polygon



Based on conversations with retailers and spending time in the market, the trade area polygon represents the Hutto market more accurately than the drive-time and radial methodologies. The Hutto trade area is affected most by competition, especially in Pflugerville and Round Rock. The Stone Hill Town Center is perhaps the biggest competition for Hutto because of the number of retailers it has attracted. Hutto also loses shoppers to Round Rock because of the vast amount of retail along Interstate 35 and other corridors. The good news for Hutto is that it boasts a Lowe's Home Improvement store that attracts shoppers from Georgetown, Taylor, Pflugerville, Granger, Round Rock, and other nearby areas. Attracting retailers that are not currently in the Pflugerville and Georgetown markets will continue to attract surrounding shoppers to the Hutto area and reduce leakage.

Another positive for the Hutto market is the population density in the area and Highway 130 that makes it easier for shoppers to travel to the community. Many

Round Rock citizens who live on the eastern side of the city will shop in Hutto because of convenience and avoiding the traffic mayhem along Interstate 35. We did not include Taylor and other rural areas in the trade area even though they do shop consistently in Hutto. Chart 1 highlights the differences between the trade area polygon and the drive-time and radial approaches.

Chart 1- Comparison of Retail Trade Area to Radial/Drive-Time

	2011 Population	2016 Population Projection	Potential Retail Sales
3-mile Radial	23,412	27,803	\$305,987,124
5-minute Drive-time	13,164	15,633	\$173,348,958
Trade Area Polygon	56,906	67,887	\$589,535,977

Source: ESRI

Retail Leakage

Retail leakage occurs when members of a community spend money outside of the community, usually meaning there is an unmet demand in the trade area. Conversely, a retail surplus means that the trade area has an adequate supply of retail in certain categories. The following analysis highlights the different retail categories along with a trade area demand (retail potential) and supply (actual sales). The difference between demand and supply will show either a leakage or a surplus amount. It is important to note that these numbers represent estimations and averages but are effective in showing opportunities for communities.

Retailers and Restaurants are broken down into categories that are based on the North American Industrial Classification System (NAICS).

Hutto Retail Trade Area Leakage

	2011 Demand (Retail Potential)	2011 Supply (Actual Sales)	Gap/Surplus
Total Sales Incl. Eating/Drinking Places	\$589,535,977	\$71,952,568	\$517,583,409- Total Leakage
Furniture and Stores	\$13,687,765	\$1,995,478	\$11,692,287
Home Furnishing Stores	\$4,250,337	\$279,586	\$3,970,751
Appliances, TV's, Electronic Stores	\$15,762,096	\$2,814,812	\$12,947,284
Lawn, Garden Equip., Building Stores	\$63,480,738	\$39,455,203	\$24,025,535
Supermarkets, Grocery Stores	\$90,226,589	\$1,274,484	\$88,952,105
Specialty Food Stores	\$5,549,200	\$210,434	\$5,338,766
Beer, Wine, and Liquor Stores	\$4,666,365	\$0	\$4,666,365
Health and Personal Care Stores	\$34,984,357	\$15,212,015	\$19,772,342
Gasoline Stations	\$91,663,881	\$4,191,442	\$87,472,439

	2010 Demand (Retail Potential)	2010 Supply (Actual Sales)	Gap/Surplus
Clothing Stores	\$32,715,985	\$0	\$32,715,985
Shoe Stores	\$8,373,329	\$0	\$8,373,329
Jewelry Stores	\$7,307,580	\$0	\$7,307,580
Sporting Goods Stores	\$17,769,001	\$93,860	\$3,468,480
General Merchandise Stores	\$73,565,103	\$0	\$73,565,103
Florists	\$2,537,734	\$101,295	\$2,436,439
Office Supplies and Stationery Stores	\$7,886,711	\$144,453	\$7,742,168
Used Merchandise Stores	\$2,819,499	\$0	\$2,819,499
Other Miscellaneous Store Retailers	\$10,806,215	\$0	\$10,806,215
Non-Store Retailers	\$17,025,752	\$0	\$17,025,752
Full-Service Restaurants	\$35,717,236	\$6,179,506	\$29,537,730
Limited-Service Restaurants	\$43,650,535	\$0	\$43,650,535
Special Foodservices	\$2,689,306	\$0	\$2,689,306
Drinking Places- Alcoholic Beverages	\$2,790,663	\$0	\$2,790,663

Source: ESRI, BLS, Census of Retail Trade * Red denotes leakage*

Based on the analysis, the Hutto market is leaking just more than \$517 million. This number reveals numerous opportunities for the Hutto market including electronics, clothing, restaurants, grocery stores, and others.

Dominant Psychographic Profiles

Over the last few years psychographic profiling or lifestyle segmentation has been used more often to identify potential retail markets. Psychographics involves the study of opinions, values, attitudes, interests, and lifestyles, with information coming mostly from surveys. Since “birds of the same feather flock together” the idea is to identify where certain groups are located that are likely shoppers for a certain retailer. Below are the top 5 psychographic profiles for the Hutto area:

Country Squires The wealthiest residents in exurban America live in Country Squires, an oasis for affluent Baby Boomers who've fled the city for the charms of small-town living. In their bucolic communities noted for their recently built homes on sprawling properties, the families of executives live in six-figure comfort. Country Squires enjoy country club sports like golf, tennis, and swimming as well as skiing, boating, and biking.

Fast-Track Families With their upscale incomes, numerous children, and spacious homes, Fast-Track Families are in their prime acquisition years. These middle-aged parents have the disposable income and educated sensibility to want the best for their children. They buy the latest technology with impunity: new computers, DVD players, home theater systems, and video games. They take advantage of their rustic locales by camping, boating, and fishing.

Greenbelt Sports A segment of upscale exurban couples, Greenbelt Sports is known for its active lifestyle. Most of these middle-aged residents are married, college-educated, and own new homes. And few segments have higher rates for pursuing outdoor activities such as skiing, canoeing, backpacking, boating, and mountain biking.

Mayberry-ville Like the old Andy Griffith Show set in a quaint picturesque berg, Mayberry-ville harks back to an old-fashioned way of life. In these small towns, upper-middle-class couples like to fish and hunt during the day, and stay home and watch TV at night. With lucrative blue-collar jobs and moderately priced housing, residents use their discretionary cash to purchase boats, campers, motorcycles, and pickup trucks.

New Homesteaders Young, upper-middle-class families seeking to escape suburban sprawl find refuge in New Homesteaders, a collection of small rustic townships filled with new ranches and Cape Cods. With decent-paying jobs in white and blue-collar industries, these dual-income couples have fashioned comfortable, child-centered lifestyles: their driveways are filled with campers and powerboats, their family rooms with PlayStations and Game Boys.

Source: Nielsen

Retail/Restaurant Matches

Applebee's

H.E.B

Hibbett Sports

Aldi

Dairy Queen

Which Wich

Firehouse Subs

Zaxby's

Brookshire Brothers

Schlotzsky's

Wendy's

Kohl's

Buffalo Wild Wings

Popeye's Chicken

Dunkin Donuts

Randall's

Conclusions

Hutto, Texas has seen some of the most explosive growth over the last decade and projections indicate that trend will likely continue. SH 130 has also opened Hutto up to even more for growth and potential. From a retail standpoint, Hutto offers an excellent location with available land at key intersections but faces much competition from Pflugerville and Round Rock. The Stone Hill Town Center is a quality development with a broad mix of retailers and restaurants and sits at the intersection of SH 130 and SH 45. Many big box and junior anchors are attracted to this location because of the mix of tenants. From a grocery standpoint, Hutto residents most likely shop at the Wal-Mart Supercenter and HEB Plus on Highway 79 meaning there is a huge opportunity for a grocery store.

Lowe's and Home Depot are excellent anchors but Hutto needs a "soft goods" anchor like a Kohl's to attract more ancillary retail. Retailers typically like to follow anchors that fit their target audience and attract the most shoppers. It will be important to attract retailers and restaurants that are not represented in the Pflugerville market so that Hutto can lure shoppers from greater distances. The future Higher Education Campus and YMCA project will enhance restaurant potential as they both will bring high daytime populations.

Hutto should continue to work closely with developers and landowners to market available properties and attend the Texas ICSC each year. Recruiting retail has become extremely competitive and it is vital that the community continues to market itself aggressively to help keep dollars local.

Retail Strengths

- Highway 130
- High traffic counts
- High Incomes
- Available sites
- Upcoming Higher Education Campus and YMCA

Retail Challenges

- Area needs more primary jobs that would provide a larger daytime population for restaurants and businesses
- Numerous commuters leave the community every day to work in the Round Rock, Austin area
- Retail competition, especially Stone Hill Shopping Center—many retailers will like Stone Hill's location at SH 130 and 45
- Demographics companies have not accurately kept up with Hutto population growth—New Census data should help