

RETAIL MARKET POWER®

RELEASE NOTES FOR ENVISION

DATA VINTAGE

2019 Estimates
2024 Projections

VARIABLES

608

UPDATE FREQUENCY

Annually

To view the complete list of variables please visit:
environicsanalytics.com/en-us/variables

WHAT IT IS

Retail Market Power (RMP) by Environics Analytics provides current-year estimates for supply-side retail sales and demand-side consumer expenditures. RMP also offers five-year projections of demand side expenditures on merchandise items and retail store types. Current-year supply and demand estimates, along with an estimate on the resulting opportunity gap, are available for 114 retail store types, including department stores, warehouse clubs, supercenters and restaurants. Current-year supply, demand and opportunity-gap estimates are available for 33 merchandise items, such as women's wear, sporting goods and appliances.

Retailers and real estate analysts use RMP to understand the difference between supply and demand in existing and potential new trade areas. In areas where demand exceeds

supply, an opportunity gap exists that can attract new retail operations or inform what changes need to be made to a brick and mortar store's product mix. In areas where supply exceeds demand, a surplus exists, which may initiate efforts from niche retailers for increased competitive strategies, store network re-alignment and identify new store locations to raise their market share.

RMP supply, demand and opportunity-gap analysis is possible across all census, postal and designated marketing area geographies, as well as small custom-defined trade areas, such as drive times or radii.

ENVISION offers reports that include additional RMP metrics to help users understand the demand growth in retail store types and merchandise line items in any trade area. Through the RMP 2019 tool in ENVISION, users can produce the current-year and five-year growth figures, as well as the compound annual growth rate (CAGR), for each variable. ENVISION users can also visualize these metrics through the mapping tools.

MAJOR CHANGES

The 2019 edition of Retail Market Power includes several notable improvements and changes from 2018 edition, which are as follows:

- RMP features current-year estimates for 12 new supply and demand variables for Retail Store Types as well as 12 new demand variables in five-year projections.
- The descriptions are better aligned with classifications from the Bureau of Labor and Statistics.
- The RMP demand model integrates estimates derived from the CBP database, excluding services, and is scaled to supply figures to estimate consumer and business demand.

- The model used to create RMP has been improved to present the best estimates available today (the 'How it was Built' section below highlights the major improvements).
- Variable names, descriptions and category hierarchy have been updated to show how retail store types nest according to their 2012 North American Industry Classification System (NAICS) codes.
- Business location data has been enhanced using the 2018 Businesses Q3 database.

VARIABLE CATEGORIES AND COUNTS

Merchandise line item and store-type demand variables are available for both current-year estimates and five-year projections. Demand by merchandise line item or store type, supply, opportunity gap and surplus variables are available as current-year estimates.

CATEGORY – MERCHANDISE LINE ITEM	CURRENT-YEAR ESTIMATES	FIVE-YEAR PROJECTIONS
Basics	5	3
Demand By Merchandise Line	34	34
Supply By Merchandise Line	34	
Opportunity Gap/Surplus By Merchandise Line	34	

CATEGORY – STORE TYPE	CURRENT-YEAR ESTIMATES	FIVE-YEAR PROJECTIONS
Demand by Store Type	3	3
Supply by Store Type	3	
Opportunity Gap/Surplus By Store Type	3	
Motor Vehicle and Parts Dealers	12 Demand 12 Supply 12 Opportunity Gap/Surplus	12 Demand
Furniture and Home Furnishings Stores	7 Demand 7 Supply 7 Opportunity Gap/Surplus	7 Demand
Electronics and Appliance Stores	3 Demand 3 Supply 3 Opportunity Gap/Surplus	3 Demand
Building Material and Garden Equipment and Supplies Dealers	9 Demand 9 Supply 9 Opportunity Gap/Surplus	9 Demand

CATEGORY – STORE TYPE	CURRENT-YEAR ESTIMATES	FIVE-YEAR PROJECTIONS
Food and Beverage Stores	12 Demand 12 Supply 12 Opportunity Gap/Surplus	12 Demand
Health and Personal Care Stores	7 Demand 7 Supply 7 Opportunity Gap/Surplus	7 Demand
Gasoline Stations	1 Demand 1 Supply 1 Opportunity Gap/Surplus	1 Demand
Clothing and Clothing Accessories Stores	12 Demand 12 Supply 12 Opportunity Gap/Surplus	12 Demand
Sporting Goods, Hobby, Musical Instrument and Book Stores	9 Demand 9 Supply 9 Opportunity Gap/Surplus	9 Demand
General Merchandise Stores	5 Demand 5 Supply 5 Opportunity Gap/Surplus	5 Demand
Miscellaneous Store Retailers	13 Demand 13 Supply 13 Opportunity Gap/Surplus	13 Demand
Non-store Retailers	6 Demand 6 Supply 6 Opportunity Gap/Surplus	6 Demand
Food Services and Drinking Places	17 Demand 17 Supply 17 Opportunity Gap/Surplus	17 Demand

HOW IT WAS BUILT

KEY DATA SOURCES

Supply-side estimates for retail stores are collected from the 2012 Census of Retail Trade (CRT), which is a component of the economic census administered by the U.S. Census Bureau. The CRT is conducted every five years. Data for the 2017 CRT will be released by the U.S. Census Bureau in 2019 and incorporated into RMP once available.

RMP focuses on Retail Trade NAICS codes 44 and 45, as well as Food Services industry NAICS code 722. Once national and county level CRT tables are retrieved from the U.S. Census Bureau, all establishments are coded using 2012 North American Industrial Classification System (NAICS) codes to match the data source. The 2012 NAICS codes are then matched with the latest release of NAICS codes from 2017 to reflect any changes.

Additional data sources include the Monthly Retail Trade and Food Services (MRTS) Report from U.S. Census Bureau, the Quarterly Census of Employment and Wages (QCEW) from the U.S. Bureau of Labor Statistics, available sales tax data from states and counties along with our 2018 Businesses Q3 database.

The demand-side current-year estimates and five-year projections for merchandise line items, and current-year estimates for retail store types, are based on our 2019 Consumer Buying Power (CBP) database. CBP is based on the Consumer Expenditure Survey (CEX) conducted by the U.S. Bureau of Labor Statistics. The [CBP Release Notes](#) provide additional information on its methodology and is available online.

MODELING FRAMEWORK

For supply-side estimates, the state and county level CRT tables (NAICS 44, 45 and 722) for 2012 are used as the primary data input. Like any census or survey data, some data cells (NAICS by geography) are suppressed where there are a small number of businesses associated with a NAICS. It is necessary to run a robust imputation process on the raw data, otherwise sales volume amounts will be biased and over represented to reported NAICS codes by geography. Any suppressed cells from the CRT are imputed using an optimization procedure leveraging information available from the geography and NAICS hierarchy. Employee counts are imputed first and then used to inform sales volume imputations. The imputed 2012 CRT data provides the best foundation for creating the current-year supply-side estimates reported in RMP.

The national-level MRTS and the state and county-level QCEW and sales tax data provide more recent data than CRT and are used to project the sales values from 2012 to 2019. These data are used to create the growth rates that are applied to major NAICS codes (typically three-digit codes) for years 2012 to 2019. Minor NAICS codes (usually four to six-digit codes) are scaled to the corresponding major NAICS parent using iterative proportional fitting. An enhancement for 2019, a mixed metric (combination of the sales tax volumes with variables from the QCW) approach informed by the MRTS national growth rate was used to balance out the county values. This leveled out anomalies in growth rates for adjacent counties.

The demand side uses 2019 current-year expenditures and 2024 five-year projections from CBP. A rescale factor is applied to equate demand to supply at the national level, which accounts for consumer-level expenditures and business-to-business expenditures. Service estimates and projections, such as repairs, are excluded from RMP.

SMALL AREA ESTIMATES

Block group estimates are created using data from our 2018 Businesses Q3 database, which contains the records of U.S. businesses, their addresses and sales volumes. A mixed metric of sales volume and employee size was computed by block group and county. The shares of these metrics are rolled out against the county supply estimates described before and an Iterative

Proportional Fitting (IPF) function is implemented to make the data conform to the NAICS hierarchy and county controls. If a collection of block groups in a county did not report a value for a specific NAICS code despite the county estimates having a value, a similar five or six digit code was used.

NATIONAL CONTROL TOTALS

The 2012 CRT and the MRTS are the authoritative data sources for trade in the U.S. Once the 2019 supply side estimates are created from these sources, demand-side estimates are scaled to the 2019 supply-side estimates to represent an equilibrium between supply and demand at the national level.

FIVE-YEAR PROJECTIONS

Five-year projections of RMP data are available on the demand side and sourced from CBP. Data are projected into 2024 using trends of income shares for merchandise line items and applied to a matrix assigning merchandise line items to retail store types. The 2024 income data are obtained from the Claritas Pop-Facts® database.

GEOGRAPHIC LEVELS USED IN RETAIL MARKET POWER

Consumer expenditure estimates and projections are created for the current-year geographic data roster sourced from TomTom International BV. Data are created for the following levels:

GEOGRAPHIC LEVEL	COUNT OF CURRENT YEAR GEOGRAPHIES
National	1
State	50 + Washington D.C.
County	3,142
Tract	72,739
Block Group	217,182
Combined Statistical Area	172
Core-Based Statistical Area	933
Place	29,261
Minor-Civil Division/Census Civil Division	35,611
ZIP Code	30,794
DMA	210

HOW IT'S USED



To rank areas targeted for retail expansion based on total demand, total supply or opportunity gaps.



To look for new sales opportunities by comparing the total supply of goods in a market to the total demand of goods in the same market.



To understand the impact of competitors in any market based on supply estimates.

SAMPLE QUESTIONS IT CAN ANSWER

- Should we stock more jewelry items based on the opportunity gap for our trade area?
- Is there enough demand in this trade area to support a new restaurant?
- Which of our department stores are in areas with a supply surplus?
- Are expenditures in children's wear expected to grow sufficiently in the next five years to support new retail locations?