Esri’s Retail MarketPlace database includes a Leakage/Surplus Factor that measures the balance between the volume of retail sales (supply) generated by retail businesses and the volume of retail potential (demand) produced by household spending on retail goods within the same industry. The Leakage/Surplus Factor enables a one-step comparison of supply against demand—and a simple way to identify business opportunity. For a retailer, the opportunity to invest in a new retail store or to expand an existing location comes with risk. Selecting the optimum location is a fundamental first step to any investment decision.

The strength of the Leakage/Surplus factor lies in its power to differentiate across retail sectors, across markets large and small and even across standard and non-standard geographies. Amenable to mapping, the Leakage/Surplus Factor provides a snapshot of the retail market that allows an analyst to quickly focus in on potential opportunities.

**Leakage** in an area represents a condition where demand exceeds supply. In other words, retailers outside the market area are fulfilling the demand for retail products; therefore, demand is “leaking” out of the trade area. Such a condition highlights an opportunity for new retailers to enter the trade area or for existing retailers to extend their marketing outreach to accommodate the excess demand.

**Surplus** in an area represents a condition where supply exceeds the area’s demand. Retailers are attracting shoppers that reside outside the trade area. The “surplus” is in market supply. Brand positioning and product mix are key differentiators in these types of markets.

The Leakage/Surplus Factor ranges in value from “-100” to “+100”. The following chart provides an explanation of this range and interpretations of the Leakage/Surplus Factor under various market scenarios.

- **Industry A**: The Leakage/Surplus Factor of +100 reveals complete leakage of potential retail sales to other markets. There are no retailers in the market, but household demand exists. This is an opportunity for investment.
- **Industry B**: A positive Leakage/Surplus Factor represents a market with some retail potential that is lost to other areas. As the Leakage/Surplus Factor approaches +100, retailers have a better opportunity to capture more local demand.
- **Industry C**: In a perfectly balanced retail market, supply equals demand. This condition yields a Leakage/Surplus Factor of zero. A zero value also occurs when a trade area has neither businesses nor households.
- **Industry D**: A negative Leakage/Surplus Factor is a market with a surplus of retail sales. As the Leakage/Surplus Factor approaches -100, the proportion of sales to shoppers increases with few local shoppers.
- **Industry E**: A Leakage/Surplus Factor of -100 identifies a market with a complete surplus of retail sales. This market has no local shoppers.
The following map highlights the power of the Leakage/Surplus Factor to reveal the markets for Grocery Stores in the City of Chicago and surrounding suburbs.

Shown in white, the well-developed, established neighborhoods in downtown Chicago show moderate Leakage/Surplus values, in other words a balanced offering of Grocery Stores to meet the needs of area residents.

Driven by the influx of daytime population and tourism, some pockets of the city, shaded tan, have a surplus of sales in the grocery market. Shoppers in nearby areas exhibiting a leakage of sales also contribute to these markets.

The strongest opportunities for grocery store development or expansion are naturally in the far suburbs, where population growth is the greatest. The far suburbs show concentrations of neighborhoods with strong L/S factors, signaling the opportunity for expansion.

In a dense city environment, one does not expect to find opportunity, but the L/S factor map clearly points to potential opportunities. As neighborhoods evolve, so too do preferences and shopping styles of residents. The grocery market must follow suit. Areas of light green in the map focus on these types of opportunity.