

Revitalizing Urban Business Districts

Class 6: Market Analysis

Focus is demand side analysis to:

- estimate potential demand for different products and store types
- understand the demographic composition of your market and how it influences potential demand for goods and services
- understand customer shopping patterns, what consumer shop for in you district, what they do not shop for in your district and key sources of competition by product and store type
- estimate the sales gap/leakage for the district and the potential to capture more of this leaking sales dollars locally.

Draw Upon Two Key Information Sources:

- Secondary data sources
- Customer surveys

Basics of Demand Analysis Using Secondary Data

- Define Market or Trade Area. This will vary somewhat for type of store and type of customer. You can define a general trade area that works for most stores (esp. in case of convenience goods) or you can define multiple trade areas for different store groups or customer segments (e.g., market area for Hispanic residents who shop at AFB)
- Determine the number of households, their average household income, and their distribution by age, income, race/ethnicity, housing tenure
 - What are large customer groups in market area and how what are unique spending patterns for these groups → examples of different spending patterns by demographic groups:
 - Households with 45-54 year olds spend 2x that of households under 25 and 75% more than households 65
 - Homeowners spend 220% more on home furnishings than renter
 - Hispanics spend 25% more on food at home than non-Hispanic
 - Blacks and Hispanics both spend 65% more on footwear than whites
- Estimate spending by product category using CES data
- Alternative of purchasing data from private services, allow data organized by store group

Issues in assessing sales potential from demographic data:

- Deciding what consumer categories to use and how to segment data for analysis, to build spending model on race, income, age, etc. or to use general figures.
- Translating product spending data from CES into store sales data

Demand Analysis Using Customer Survey Data:

- Identify differences between customers served by district and overall market
- Determine the primary uses and destinations for customers
- Determine the district's market share/capture rate for major product and store categories and its major competition for these categories

- Identify obstacles to increased customer shopping

Converting Demand Analysis Into Potential for New Stores or Expanding Existing Stores

- Sales Gap Analysis Comparing consumer spending to actual sales in district
 - For a municipality, Economic Census Data provides sales data
 - Estimate based on square footage of stores and industry data for sales per store (ULI Dollars and Cents of Shopping Centers)
 - Estimate by number of stores and store sizes
 - Estimate by market share observed from customer survey data
- Adjust sales gaps for likely capture rate based on location, competition, etc.
 - Identifying competing stores in and near trade area
 - Estimate level of sales at these stores and the share obtained from the district's trade area
 - Based on this data, estimate the additional market share that could be captured at the site/district from a new or expanded store
 - Calculate the dollar value of this market share
- Ideal endpoint is an estimate of the amount of new square feet that can be supported by the resulting sales estimate

Discussion of Hyde Park Market Analysis

What types of information and analysis were used in the Hyde Park Market Analysis?

Customer Survey, demographic data & ACORN profiles, cluster analysis

Which information did you find most valuable and what did you learn from it?

What was missing or would have made the report more helpful?

What were some of the major conclusions from the analysis?

Market area and key market segments

Goods and services that attract most people:

Linkages, anchors. Convenience vs. comparison, segmentation

Key business clusters

Type of businesses/stores to attract and/or expand

What recommendations did it generate vis-à-vis the Hyde Park Main Streets Program?

How can we build on this study?

What more might we want to say/recommend?

What additional information or analysis would we need?

How might we incorporate it into our work?