A GUIDE TO RETAIL IMPACT STUDIES

TABLE OF CONTENTS

INTRODUCTION

States and municipalities have long evaluated the impact that large retail development projects may have on such things as traffic and the environment. Some are now adopting policies that require that the economic and fiscal impact of these developments be considered as well. These policies typically have two key components:

- They require that an independent **study** of the economic and fiscal impact of the retail development be conducted by a qualified analyst selected by the municipality and paid for by a fee assessed to the developer.

- They establish a **standard** that the project must meet in order to be approved. The policy may say, for example, that the planning board (or city council or other permitting authority) may approve the development only if it concludes, based on the data provided by the study and other evidence submitted, that the project will not have an undue adverse impact on the community or that the benefits of the development will outweigh the costs.

A growing number of cities and towns are incorporating these types of policies into their zoning codes. At the state level, Vermont has long required a review of the fiscal impact (i.e., the effect on local government revenue and costs) of large development projects through its Act 250, which became law in 1970. More recently, Maine adopted the Informed Growth Act, which requires a comprehensive economic impact study for proposed retail stores of 75,000 square feet or larger, and stipulates that such a development may be approved only if the town concludes that it would not have an undue adverse impact.

The Purpose of this Guidebook

This guidebook is designed to give municipal officials and concerned citizens an understanding of how retail impact studies are conducted and what types of data and analysis they provide. Although written in an accessible style, this guide is intended to familiarize readers with the process and terminology of economic impact analysis. As such, it may feel a bit technical at times, but should leave readers better equipped to evaluate and use the findings of these studies.

For Maine municipal officials, this guidebook is part of a larger package of resources designed to assist towns in implementing the Informed Growth Act and getting the most out of this new development review tool. These resources are available at www.informedgrowthact.com and include:

- *Answers to Common Questions about Maine's Informed Growth Act* — A Q&A that describes how the law works and addresses common questions about it.

- *Municipal Forms Package* — A set of sample forms that towns may use, including a "Checklist," which guides town officials through the steps and deadlines established by the Informed Growth Act, and a "Municipal Decision Form," which guides officials through the process of making findings of fact and determining whether a proposed development would have an undue adverse impact.

Steps in the Process

Here are the main steps involved a typical impact review for retail development:

➢ **1.** A **developer** files an application for a project large enough to trigger an economic impact review.

The size at which a retail development must undergo an economic impact review varies by jurisdiction. In Maine, projects involving stores of 75,000 square feet or larger trigger the provisions of the Informed Growth Act. Several different types of retailers currently develop and operate stores of this scale. See **Appendix A: Large-Scale Retail Formats** for a description of these store types.

By the time an application for such a development is filed, the applicant typically will have secured a site, evaluated the market demand in the region, and prepared preliminary site plans. In addition, many developers put forth economic and fiscal impact numbers for the project. These values are based on the activity forecast to occur within the project, including construction, retail sales, employment, and tax revenue.

However, these figures provide only a partial picture of the economic and fiscal impact of the development. Those millions of dollars in sales and the associated tax revenue and employment do not exist in a vacuum. The new store will be inserted into an existing economic ecosystem, which must be fully understood in order to evaluate the likely changes in spending patterns, employment, tax revenue, and public costs the new store will bring.

➢ **2. Municipal officials** (i.e., the planning board, city council, or other permitting authority as specified by municipal or state statute) retain a qualified **consultant** to prepare an impact analysis for the proposed development

Cities typically find a consultant through a request-for-proposals process. In Maine, the **State Planning Office** maintains a list of qualified preparers for municipalities to choose from when implementing the Informed Growth Act. In contracting with the consultant, the town should specify the scope of the study, which, in the case of many municipal impact review policies, as well as the Informed Growth Act, is defined within the law.

➢ **3.** The **consultant** conducts the study.

There are typically four phases in analyzing the economic and fiscal impact of a proposed retail development:

First, in order to evaluate the impact a new large-scale retailer will have on the local and regional economy and community, that new retailer itself must be carefully analyzed. Large discount stores offer tens of thousands of individual products across multiple lines of goods, which may or may not overlap with the inventory of existing local and regional businesses and may or may not add diversity in public choice. The analyst must identify the lines of goods to be offered by the new retailer, forecast the sales for each line of goods, and estimate the jobs and wages associated with the forecast sales.

Second, the consultant must gain a thorough understanding of the existing retail activity and conditions within the region. This includes determining the extent of the retail market area, quantifying both the demand for and actual retail sales in the market area by line of goods, quantifying retail employment in the area, and analyzing other aspects of retail activity in the region.

Third, the analyst must examine how the existing retail economy will likely respond to the new retail store. The primary consideration here is just how much of the retailer's projected sales will be drawn from existing merchants and how much will be new to the locality. Analysts often develop this forecast into probable ranges, reflecting the medium, or most probable, scenario, as well as the high and low end of the forecast.

Finally, the analyst projects the impact on retail employment, wages, tax revenue, municipal costs, and other factors. Just as a traffic analysis cannot determine the exact number of car trips a development will generate, forecasting economic impacts is not an exact science. However, like a traffic analysis, an economic impact analysis can forecast impacts that are reasonably close to the mark and sufficiently reliable to serve as a basis for evaluating the overall impact of a retail development proposal.

➢ **4.** After the study is submitted to the town, **municipal officials** then hold a public hearing, providing an opportunity for **citizens**, the **developer**, **neighboring municipalities**, and others to offer testimony on the findings of the study and the impact of the proposed development.

➢ **5. Municipal officials** review the study and any data and testimony submitted by the applicant and others, and make a determination as to whether the development meets the standard set forth in the policy.

What Follows in this Guide

The remainder of this guidebook focuses on the third step in the process: how the consultant conducts the analysis. The methodology described here is the approach used by Civic Economics. While other firms and analysts may follow other approaches and call upon other data, the fundamental principles should be the same. That is, any credible analysis must begin with an understanding both of the practices of the proposed large-scale retailer and of local retail conditions, then proceed to forecast the economic and fiscal impact of inserting that retailer into the local and regional economy.

1. ANALYSIS OF THE PROPOSED RETAIL STORE

OVERVIEW: The analysis begins with a careful study of the large-scale retailer proposed for the community. Large discount stores offer tens of thousands of individual products across multiple lines of goods, which may or may not overlap with the inventory of existing local and regional businesses and may or may not add diversity in public choice. Therefore, the analyst will first:

- Identify the lines of goods to be offered by the proposed retailer.

- Forecast the sales for each line of goods.

- Estimate the jobs and wages associated with the forecast sales.

GLOSSARY: Sales per square foot is a standard measure of a retailer's performance and refers to annual revenue. General retail, as used here, is a cluster of product segments offered by a discount department store.

DATA SOURCES: Discussions with company officials; ESRI-BIS and/or Claritas; corporate annual reports.

Identifying the Lines of Goods to be Offered by the Proposed Retailer

The analyst must first identify the lines of goods to be offered by the proposed retailer. The North American Industry Classification System (NAICS) provides a thorough categorization of all businesses and a useful system for categorizing the lines of goods sold in a retail store. The broadest classifications are in the two digit range, and increasing specialization is represented by additional digits. Retail businesses are found in the 44 and 45 segments.

For a typical discount department store, the lines of goods in the table at right will be represented. A "supercenter" retailer will generally add a full service grocery to those categories. For some types of large format retail, NAICS includes specific classifications. For example, "home centers" and "warehouse clubs" are now listed independently.

Retail Categories Comprising General Retail

NAICS	LINES OF GOODS
4413	Auto Parts, Accessories, and Tire Stores
442	Furniture and Home Furnishing Stores
4431	Electronics and Appliance Stores
4442	Lawn and Garden Equipment and Supply Stores
4461	Health and Personal Care Stores
448	Clothing and Clothing Accessories Stores
451	Sporting Goods, Hobby, Book, and Music Stores
452	General Merchandise Stores
453	Miscellaneous Store Retailers

Source: US Census Bureau, Civic Economics

Forecasting Sales by Line of Goods in the Proposed Store

Once the composition of the store is identified, the analyst should then proceed to estimate the sales of each line of goods to be offered by the proposed retailer. Methodologies here may vary. The process often involves determining how much space the store will devote to each line of goods and what the sales per square foot will be in those categories. The primary source of information is the corporation's Annual Report and the filings required by the Securities Exchange Commission (SEC). In these documents, firms provide an extraordinary range of information about business practices. In addition, investment analysts routinely review the business practices of major retailers. It is from such information that consultants specializing in retail impact analysis develop space allocation and average sales per square foot for particular retailers.

The emergence of supercenter retailing has added to the complexity of this task. Until recently, the bulk of grocery sales in a given jurisdiction were easily quantified. However, an increasing share of grocery purchases take place in stores that are reported under other NAICS categories. Corporate average sales per square foot in groceries provide only rough guidance because actual values vary widely by locale depending on local market conditions. This variance plays a significant role in the ongoing reshuffling of markets among the major national and regional grocery chains and is, in turn, affected by that reshuffling. One approach some economic analysts use is to forecast grocery sales in proposed supercenter retailers by applying current sales per square foot in grocery stores for the region to the space to be allocated in the supercenter.

In any case, the goal is to forecast sales in the proposed retail store by line of goods. There is no single methodology or data source for such an analysis. Indeed, such forecasts reflect hard-earned, in-house knowledge rather than any formulaic approach to the issue. The analyst must be willing and able to visit examples of the proposed retailer, to procure and review investment analyst reports, and to maintain an ongoing knowledge base about the ever-evolving practices of large-scale retailers.

The illustration below represents the proposed space allocation of a hypothetical 66,000 square foot retailer. As you can see, not all 66,000 square feet will be allocated to grocery items as 13,000 square feet is being dedicated to general merchandise and 9,000 square feet to various sales, service, and administrative needs. These square footages are important to note as they will affect the analysis in later stages.
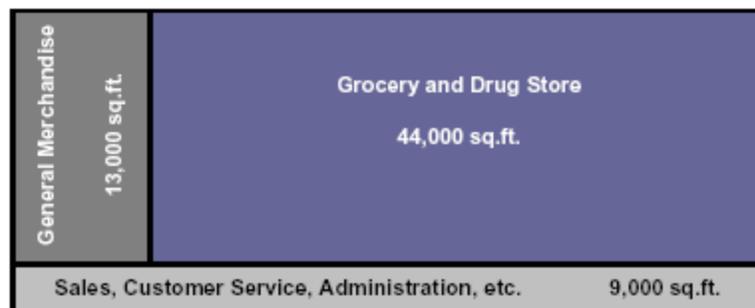
This table, showing space allocation and sales by line of goods, is from a 1993 impact analysis prepared on behalf of the state of Vermont for a proposed retail development in St. Albans.

Table 13
ALLOCATION OF 1995 WAL-MART SALES BY CATEGORY OF GOODS

Category	Space (%)	Sales (000s)
Apparel	33.00%	$9,990
Furn., home furn.	17.00%	$5,146
Misc DSTM	18.00%	$5,449
Hardware	10.00%	$3,027
Drug Store	10.00%	$3,027
Food	4.00%	$1,211
Auto Parts	3.00%	$908
Other Non DSTM	2.00%	$605
subtotal	97.00%	$29,365
Other	3.00%	$908
TOTAL	100.00%	$30,273

Estimating Jobs and Wages at the Proposed Store

The analysis of business practices will provide enough data to estimate jobs, wages, and benefits for local workers. These estimates may vary substantially from those presented by project proponents. The goal here is primarily to determine the share of store revenue that will be paid to local workers in the form of wages and benefits.

The typical retail Annual Report provides a single, broad line item for "General & Administrative" (G&A), which contains all labor costs and a number of other items, typically enumerated in a footnote. The task of the analyst is to extrapolate from that gross figure the future spending on wages and benefits in the proposed new store. Filings and investment reports and the specific expertise of the consultant will often provide additional detail for that task. However, under all but the most unusual circumstances, the analyst should err on the side of allocating spending to labor at the retail level, in individual stores. If portions of the G&A line item cannot be reasonably isolated, that should be assumed to occur in the individual markets where the company operates stores.

The estimate of local labor costs will be expressed as a share of total revenue. In order to lay the groundwork for forecasting employment change, these values should also be expressed as total jobs (both full-time and part-time) per unit of revenue. If credible data sources make it possible, wage and employment may be further broken down to reflect hourly work and the range of job types to be provided.

2. ANALYSIS OF EXISTING RETAIL ACTIVITY IN THE REGION

OVERVIEW: In the second phase of the study, the analyst develops a thorough understanding of the existing retail activity and conditions within the region. The analyst will:

- Determine the market area (the geographic area to be studied).

- Quantify both the demand for and actual retail sales in the market area by line of goods.

- Quantify retail employment and wages in the region.

- Develop a more detailed understanding of the region's retail activity through site visits and/or surveys.

GLOSSARY: Some of these terms may have a different meaning in common usage. Supply refers to actual retail sales. **Demand** refers to expected retail sales based on average per capita spending patterns. **Surplus** is said to exist where supply exceeds demand or where total sales are greater than can be accounted for by residents. **Deficit** is said to exist where demand exceeds supply. A deficit indicates **leakage**, or residents making purchases elsewhere.

DATA SOURCES: ESRI-BIS and/or Claritas; US Census Bureau's Economic Census.

Determining the Market Area

To understand the local retail economy, one must first determine the general boundaries of the retail markets served by the community.

Market area patterns of various communities tend to follow consistent rules. The most fundamental is that larger communities have a stronger retail draw than smaller communities. In Maine, for example, Greater Portland and Bangor routinely draw shoppers from a wide geographic area, whereas small towns and villages typically attract only those living in the immediate vicinity. To gain an initial understanding of the boundaries of the market area to be studied, the analyst maps the interconnections between the host community and surrounding communities and applies a formula to each relationship that factors in both distance and size. The result is a reasonable approximation of the market area (also known as the "trade area").

The analyst then makes adjustments to this based on several factors. One has to do with the lines of goods to be offered by the proposed large retailer. Market areas for everyday needs, such as bread or gasoline, tend to be quite small, as even the smallest communities can provide such goods. For less frequent and more expensive purchases, market areas begin to expand

greatly. A rural resident may drive further for a good deal on a television than for bread, and further still for a dishwasher or a vehicle.

Geographical features, such as mountains or bodies of water, may further alter market areas. In a Colorado analysis, for example, the strong boundary created by the winding passes across the Continental Divide and various roadless areas altered the market area of a mountain city a great deal. In Alaska, ferry routes brought some very distant communities into the orbit of a study community, while nearer communities on paved roads felt little draw. These boundaries are best understood by discussions with local residents and business owners and a review of transportation infrastructure in the region.

Finally, market areas in many regions are impacted by other factors, such as the presence of tourists, niche specialization in particular communities, or the location of "destination retail" outlets. Upon taking all these considerations into account, the analyst can identify a consensus market area for the lines of goods at issue in the analysis.

Analysts can employ consumer surveying to help determine the extent of market areas, but this may be prohibitively expensive in many cases.

Below are two sample market area maps.

RETAIL MARKET AREAS: GUNNISON, CO AND HOMER, AK
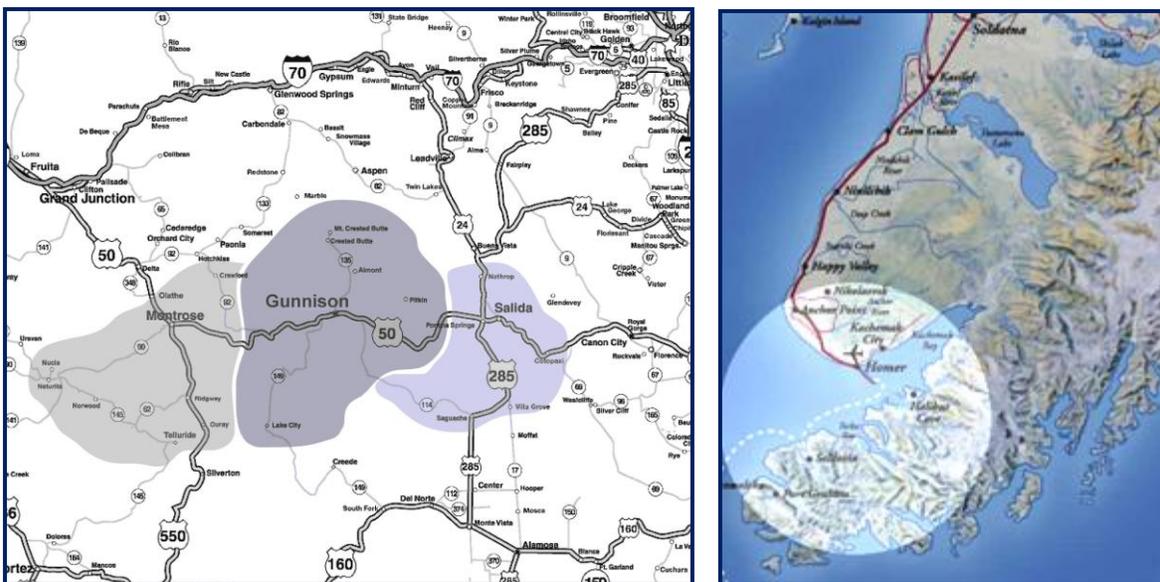
Note that market areas for the study communities are strongly affected by both transportation infrastructure and geographic features. In Gunnison on the left, the market is defined by the broad arc of the continental divide to the east and the Black Canyon to the west. In such a setting, there is little the community might offer to entice residents from adjacent market areas. In Homer on the right, note in particular the inclusion of roadless areas to the south. In those communities, would-be shoppers must travel on a ferry that delivers them to Homer.

In some cases, the area to be considered in the impact analysis is already specified by the permitting regulations. For example, Maine's Informed Growth Act specifies that the "comprehensive economic impact area" to be considered "includes the municipality [where the store would be located] and its abutting municipalities." The statutorily defined "impact area" and the "market area" will overlap, but may or may not be identical.

In cases where the area to be analyzed is defined by statute, that impact area should be used for the analysis instead of the market area. Please note, however, that under the Maine statute, the impact area "includes" the municipality and abutting municipalities, but does not prohibit the addition of other areas so as to evaluate the entire market area. The terms "market area" and "impact area" are used interchangeably below.

Comparing Demand with Actual Retail Sales in the Market Area by Line of Goods

Having determined the lines of goods to be sold by the proposed large format retailer and the geographic extent of the impact area or market area, the analyst then quantifies the volume of retail sales in the impact area (referred to as the "supply") and compares those figures with the amount of retail activity expected based on local population and demographic characteristics. This analysis is often referred to as a "retail gap" or "leakage" study. It is a well-established tool of economic analysis and is widely and frequently prepared for communities of all sizes. The purpose of this analysis in this context is to gain an understanding of where new retailers will likely reduce leakage and where they will likely redirect retail sales from existing stores in the impact area.

Actual or estimated local sales figures should be established for each line of goods to be studied. Proprietary datasets of sales are available for purchase from various data providers. In large communities, these datasets are generally reliable because public data for larger markets is less often subject to suppression. Suppression is the withholding of public data in order to protect the privacy of businesses or individuals included in the dataset. The smaller the community, the more likely one is to encounter widespread suppression. For example, if a community has only one car dealership, public data will generally not reveal car sales in that jurisdiction. Private sector data providers correct for suppression by applying various methodologies to fill in gaps in the data. In our experience, these datasets are quite accurate, though sales for specific lines of goods in smaller markets may be easily adjusted by the analyst based on real world observations.

Actual sales in the impact area are then compared to expected sales in the area. Expected sales, or "demand," is based on population and demographic characteristics in the region. Most analysts do not calculate demand in-house, relying instead on proprietary data providers. These data providers, moreover, allow potential demand to be estimated within highly customized geographic boundaries. Although these statistical packages, offered by firms such as Claritas, have a cost associated with them, the fees are generally small and will not affect the cost of such studies in any meaningful way.

The next step is to compare supply with demand: for each line of goods, how much do actual retail sales exceed or fall short of expected sales? This analysis involves a rather simple process of subtraction. Actual sales for a given line of goods are compared with potential demand in the market area and the difference is expressed as either a surplus (indicating strong local sales and attraction of shoppers from outside the area) or a deficit (indicating weak local sales and leakage to other jurisdictions).

Although e-commerce sales can affect retail activity for certain lines of goods, there is no reliable data on internet sales by location. In situations where the presence of internet sales is skewing the results in a meaningful way, the analyst may estimate these sales to correct the problem or provide some discussion of the issue in the analysis.

Similar retail surplus/deficit analyses may also be prepared for nearby communities with retail market areas. These analyses will provide very clear indications of where residents in the impact area are making various purchases and, conversely, how successful the impact area is in attracting nonresident spending.

The following is an example of a retail surplus/deficit analysis, adapted from an actual rural community:

Retail Supply and Demand Analysis			
NAICS LINES OF GOODS	CITY SALES	TRADE AREA DEMAND	SURPLUS / DEFICIT
4431 Electronics and Appliance Stores	$70,094	$2,784,584	$2,714,490
448 Clothing and Clothing Accessories Stores	$3,711,557	$7,239,125	$3,527,568
451 Sporting Goods, Hobby, Book, and Music Stores	$3,960,259	$4,333,791	$373,532
452 General Merchandise Stores	$2,700,058	$5,238,087	$2,538,029
Available Deficit in the Market: General Merch.			*$9,153,619*
445 Food and Beverage Stores	$29,566,236	$26,858,876	$2,707,360
4461 Health and Personal Care Stores	$344,065	$3,073,249	$2,729,184
Available Deficit in the Market: Grocery/Drug			*$21,824*

Source: ESRI-BIS, Civic Economics

This is a another example of a retail surplus/deficit analysis, from a 1993 study prepared on behalf of the state of Vermont for a proposed retail development in St. Albans.

Table 12
PER CAPITA[1] TAXABLE RECEIPTS: 1993
(in current dollars)

	Actual Franklin Cty	Actual State of VT	Expected[2] Franklin Cty	Difference Act.-Exp.
Lumber & Bldg Maint	$324	$249	$215	$109
Hardware	174	163	140	34
Gen Merch	472	545	471	1
Food	389	371	321	68
Auto	221	235	203	18
Apparel	105	321	277	-172
Home Furn	156	219	187	-31
Other Misc	499	720	622	-123
Total	$2340	$2823	$2436	-$96

It should be noted here that, for the typical rural community, deficits or leakage will be the rule rather than the exception and leakage, in an of itself, is no cause for alarm. Even urban areas

present measurable leakage to other communities. Communities with strong tourism sectors or particularly appealing retail offerings or districts will demonstrate surplus sales in selected categories and deficits in others. The addition of a strong and appealing large format retailer will not reverse all leakage, as the lure of the big city or the novel retailer will always remain. For most communities, strategies to reduce leakage must be balanced with a concern for maintaining the strength of those retail segments generating a surplus.

A Note on Data Sources

Retail sales data can be procured from three general sources, presented in ascending order of preference:

Public records may be reviewed for a broad snapshot of retail activity in a given municipality. Federal and state data sources tend to be reliable in large jurisdictions where suppression is unnecessary. However, these datasets are typically updated infrequently and are subject to suppression often enough to yield only the broadest analyses. They should not be utilized for anything more substantial than preliminary reviews for discussion.

Local government officials may be willing to provide actual sales records for a given municipality. In a small market, the analyst can then conduct a survey of goods offered at existing retailers and allocate sales to specific lines of goods. While this is clearly the most accurate method for identifying current retail sales, it presents challenges. First, in all but the smallest communities, it may be prohibitively time-consuming to visit every retailer and identify the range of goods offered. Second, confidentiality requirements may make reporting quite difficult because the analysts themselves will be required to suppress any detailed data that might reveal sales of a particular business.

Private, proprietary data providers are the more common source of retail sales numbers for any jurisdiction. In many ways, these datasets are preferred because they provide the analyst with the most detailed and current information available. Using proprietary algorithms and/or rolling surveys, these frequently updated datasets fill in the gaps created by data suppression. Moreover, relying on a private data provider frees the analyst from the confidentiality constraints associated with the use of actual sales tax records. The amount of detail reported will be limited by professional courtesy and client sensitivities rather than strict and legally binding agreements. Moreover, the software associated with these data providers allows a highly customized analysis according to a wide variety of geographic or economic parameters. Claritas and ESRI are two of the leading providers, and both are widely accepted sources among retailers, market analysts, and economic development practitioners.

Quantifying Retail Employment and Wages in the Region

The analyst then needs to quantify retail employment and wages in the market area. One source for this data is the U.S. Census Bureau's Economic Census. This census is conducted every five years and typically there is further delay before publication. This results in outdated datasets for most analyses. However, adjusting these values for inflation in the time since the

survey provides a credible estimate of local employment and wages in any given sector. If the community has experienced significant changes in the composition of the retail sector through the opening or closing of stores, the analyst should endeavor to adjust employment and wage data to reflect these changes.

Other datasets, including publicly available data from states or cities, can be used if they are readily available and suited to the task. However, these datasets may not have retail sales broken out by line of goods or correspond to the geographic area needed for this analysis. The analyst must weigh the trade-offs and select the data source most appropriate for the situation.

Developing a More Detailed Understanding of the Region's Retail Activity

The analyst should then endeavor to gain a more specific understanding of local retail dynamics. This can only be done through meaningful "time on the ground," touring the community and visiting as many retail stores as possible. Such visits will allow the analyst to understand local shopping habits, note the availability and cost of a range of goods and services, and speak to shopkeepers and local officials about the customer base and community.

Particular attention should be paid to reviewing the retail economy in the impact area and identifying existing merchants facing new competition from the proposed large format retailer. If the proposed development includes grocery inventory, existing grocery stores should be included in the evaluation.

This can be supplemented or replaced with a retailer survey, which may be less expensive and is likely to provide better statistical information.

The analyst may also find it useful to conduct a *market basket study*, comparing the availability and cost of goods in the impact area and nearby communities. Such a price comparison may shed light on regional spending patterns. In addition, the findings are often surprising to residents of the study community, highlighting price competitiveness that local lore assumed was lacking.

3. FORECAST OF MARKET CHANGES

OVERVIEW: In the third phase of the study, the analyst examines how the existing retail economy will likely respond to the proposed development. The analyst will:

- Forecast how much of the proposed retailer's projected sales will be new to the market area, derived from either import substitution (reduced leakage) or nonresident spending, and how much will be drawn from existing merchants.

- Present this forecast in probable ranges, reflecting the medium, or most probable, scenario, as well as the high and low end of the forecast.

GLOSSARY: Import substitution occurs when residents begin making purchases locally that they previously made in other communities. **Nonresident spending** refers to retail purchases made by people living outside the market area.

DATA SOURCES: ESRI-BIS and/or Claritas; corporate annual reports.

Forecasting Changes in Retail Sales in the Market Area

Any new retail option in a community presents an opportunity to increase total retail activity through two outcomes.

The first is *import substitution*, in which local residents begin making purchases locally that they previously made in other communities. No community, large or small, is entirely self-sufficient in retail activities. Residents of a town routinely make purchases across jurisdictional boundaries for a wide range of reasons, from convenience to preference to cost sensitivity. In rural Maine, for example, it is likely that many consumers incorporate shopping time into trips to Portland, Bangor, or Augusta. A new retailer in one's hometown, with new offerings and merchandising strategies, might well induce residents to forego some of the shopping they do elsewhere.

The second is *nonresident spending*, in which residents of other communities begin making purchases in the host community that they previously made elsewhere. The underlying effect is to strengthen or even expand the local retail market area, attracting residents of other communities due to the availability of new, more appealing, or cheaper goods. True "destination retailers" or vibrant and appealing downtown areas may, in fact, radically alter the ability of a given community to draw nonresidents.

Nonresident spending may also grow through increases in tourist spending. It should be noted that spending by tourists presents analytical challenges. The values compiled for market area demand are based on residents and their anticipated spending habits. Areas with strong tourist activity, however, regularly show substantial surplus retail spending in lines of goods that

tourists purchase while visiting. The ability of a new retailer to attract additional tourist spending is, therefore, more difficult to estimate.

Moreover, in some cases, the presence or design of a large format retailer may ultimately reduce tourist spending and even nonresident spending by damaging the appeal of the downtown or other establish shopping areas.

A small and short-lived increase in local retail sales may also occur due to *induced spending*, in which consumers make purchases that they previously would not have made. Only the most novel and attractive retailers, though, can induce completely new retail spending. Moreover, the relatively inflexible nature of the typical household budget suggests that such spending will be a brief indulgence or will be offset by reduced spending on other items.

Presenting the Forecast in Probable Ranges

Humans are a fickle species, never more so than when we act as consumers. Our tastes change with the seasons, fads and trends come and go, and retailers are perpetually reacting to those changes. Indeed, many retailers seek to drive those changes, creating demand where there was none.

As a result, forecasting the impact any proposed retailer may have in a given retail market is not an exact science. However, careful and data-driven analysis can provide public officials with a reasonable guide for what they may anticipate. Often, presenting forecasts within a range from a low impact scenario to a high impact scenario can provide decision makers with enough information to make their votes from an educated stance.

It should be noted that, barring truly extraordinary circumstances, a new large-scale retailer will not, by its very presence and in the near term, reduce total retail sales in the area.[1] The basic question for the analyst, then, is by what amount the proposed store would increase sales.

FORECAST RANGE
LOW: The new retailer generates minimal new sales with more of its revenue diverted from existing merchants.
MEDIUM: Most likely mix of new and diverted sales.
HIGH: The new retailer generates maximum new sales with less of its revenue diverted from existing merchants.

New retailers with the least positive impact are those that offer goods already widely available and price competitive in the impact and market areas. Those with the most positive impact tend to introduce new, more attractive, or cheaper goods to the market or to merchandise those goods in compelling ways. These impacts will also vary among different lines of goods. A new supercenter, for example, may dramatically broaden local offerings in electronics or sporting goods,

---

[1] Research by economist Kenneth Stone suggests that, over the long-term, towns that gain large-format stores may experience declines in overall retail sales if the surrounding region becomes saturated by similar outlets. See, for example, "The Impact of 'Big-Box' Building Materials Stores on Host Towns and Surrounding Counties in a Midwestern State," by Kenneth Stone and Georgeanne M. Artz, Iowa State University, 2001.

while adding grocery store space quite comparable to existing merchants.

An economic forecast should begin by creating a "*medium* scenario," reflecting the analysts' most confident forecast of the ability of the new merchant to reduce leakage through import substitution and nonresident spending for each broad line of goods. In the case of the supercenter described above, for example, the increase in electronics offerings may be expected to lead to a real increase in local spending on electronics, while new grocery space may be expected to primarily divert spending from existing stores. Although derived from solid data and careful analysis, these are forecasts and are best expressed within ranges.

The base year for the analysis is the most recent 12 months for which credible retail sales data is available. This approach provides a demonstrated and conservative foundation for forecasting "Year 1" impacts. If the analysis is to be projected into future years, area forecasts of population, demographics, and economics should be drawn from government sources such as state data centers and regional planning bodies. If the community is experiencing or expected to experience growth or decline in population and income, associated increases or decreases in retail sales should be incorporated into the impact forecast for future years.

The example below is drawn from an actual study, in which the proposed retailer was forecast to increase total retail sales by adding retail offerings that were previously absent in the impact area.

MARKET SHARE FORECAST

GROCERY		Year 1			Year 5			Year 10		
		Low	Medium	High	Low	Medium	High	Low	Medium	High
Variable	Sales Diverted from Other Merchants	3%	5%	7%	3%	5%	7%	3%	5%	7%
Sales	Sales WITHOUT New Retailer ($ Millions)	22.9	22.9	22.9	23.1	23.1	23.1	23.2	23.2	23.2
	Sales WITH New Retailer ($ Millions)	24.3	25.2	26.2	24.4	25.4	26.3	24.1	25.5	26.4

GENERAL MERCHANDISE		Year 1			Year 5			Year 10		
		Low	Medium	High	Low	Medium	High	Low	Medium	High
Variable	Sales Diverted from Other Merchants	25%	15%	5%	25%	15%	5%	25%	15%	5%
Sales	Sales WITHOUT New Retailer ($ Millions)	10.4	10.4	10.4	10.5	10.5	10.5	10.6	10.6	10.6
	Sales WITH New Retailer ($ Millions)	13.8	14.3	14.7	13.9	14.3	14.8	14	14.4	14.9

TOTAL		Year 1			Year 5			Year 10		
		Low	Medium	High	Low	Medium	High	Low	Medium	High
Sales	Sales WITHOUT New Retailer ($ Millions)	33.3	33.3	33.3	33.6	33.6	33.6	33.8	33.8	33.8
	Sales WITH New Retailer ($ Millions)	38.1	39.5	40.9	38.3	39.7	41.1	38.1	39.9	41.3

The table on the following page, from a 1993 impact analysis prepared on behalf of the state of Vermont for a proposed retail development in the town of St. Albans, shows the amount of the proposed retailer's projected sales that are forecast to be recaptured retail sales (i.e., reduced leakage), nonresident spending from people living outside the county and in Canada, and revenue redirected from existing businesses in the county.

PROPOSED WAL-MART PROJECTED SALES IN FRANKLIN COUNTY
(in current dollars)

Wal-Mart Character	1995	1998	2000
Square feet	100,780	126,090	126,090
Sales per sq ft (1)	$316.20	$366	$399.70
Total sales	$31,866,636	$46,148,940	$50,398,173
Maturity factor (2)	0.95	0.95	1
Adjusted sales	$30,273,304	$43,841,493	$50,398,173
Sales by Source			
Canada	$3,027,330	$4,384,149	$5,039,817
Recapture	$2,497,548	$3,616,923	$4,157,849
Outside Franklin	$1,755,852	$2,542,807	$2,923,094
Total Outside	$7,280,730	$10,543,879	$12,120,761
From Franklin Cty Bus	$22,992,575	$33,297,614	$38,277,412
Total Wal-Mart Sales	$30,273,304	$43,841,493	$50,398,173

It may be desirable to aggregate reported values into one value for grocery and one value for non-grocery items, as in the first table above. Indeed, circumstances may call for further forecasting by line of goods. However, greater specificity, particularly in small communities, risks publicly forecasting the decline or closure of a specific local business, which should be avoided as some retailers can and do successfully restructure their businesses.

Maine's Informed Growth Act requires the analyst to evaluate the impact of the proposed retailer on existing retail operations. Although the analysis should avoid speculating about the future of any particular business, an estimate of the number of business in the impact area likely to see their sales affected to a meaningful extent by the proposed retail development could be made by determining how many existing businesses carry overlapping lines of goods in categories in which the new retailer is forecast to have significant market impact. The analysis should also estimate the total volume of sales the proposed retailers is expected to draw from existing merchants.

4. ECONOMIC AND FISCAL IMPACT ANALYSIS

OVERVIEW: Up to this point, the study has forecast the change in retail sales activity to be expected upon the opening of the proposed large-scale retailer. The final stage of the analysis will:

- Forecast changes in retail employment and wages.

- Forecast impacts on municipal revenue and costs.

- Forecast additional impacts on such factors as the supply of retail space and downtown, as specified by municipal directive or state statute.

GLOSSARY: Economic impacts include such things as employment and wages. **Fiscal impact** refers to the effect of the development on government revenue and costs.

DATA SOURCES: ESRI-BIS and/or Claritas; information provided by the retailer; local tax records; public data on municipal services costs; interviews with local officials.

Forecasting Changes in Retail Employment and Wages

While virtually all proposed large-scale retail developments will increase total retail sales and sales in particular lines of goods, employment increases are by no means automatic. Many of the largest retailers achieve employee productivity rates (revenue per employee and per unit of labor cost) that are substantially higher than most other retailers. As a result, a large-scale retailer with high worker productivity that creates relatively little new retail activity will likely have a negative impact on total retail employment and wages as various studies have shown.[2]

The values for comparison here were generated in the second phase of the study. For the forecast of total retail employment in the market area without the proposed store, the analyst will bring forward in time (accounting for inflation and changes in the local retail sector) the most recent Economic Census data for sales, wages, and jobs in the retail sector. (See page 13 for a discussion of other public data sources.)

Employment figures for the proposed large-scale retailer are derived from the first phase of the study. In the case of a proposed new store, the most reliable indicator of the total number of employees will come from the retailer itself. Absent a compelling reason to dismiss that

---

[2] David Neumark (University of California-Irvine), Junfu Zhang (Clark University), and Stephen Ciccarella (Cornell University), "The Effects of Wal-Mart on Local Labor Markets," IZA Discussion Paper No. 2545, Jan. 2007; Arindrajit Dube, T. William Lester, and Barry Eidlin, "The Impact of Wal-Mart Stores on Retail Wages and Benefits," UC Berkeley Center for Labor Research and Education, Dec. 2007.

forecast, it should be used. However, keep in mind that such forecasts will make no attempt to quantify full-time versus part-time workers and may introduce wage and benefit values that do not apply across the board.

To forecast total retail employment in the market area after the opening of the large-scale retailer, however, requires recognition of the sales diverted from existing retailers and the associated reduction in employment. For example, if existing grocery stores currently employ ten persons per $10X of sales, a loss of $1X in sales will be forecast to result in the loss of one local grocery job. To calculate the net change in employment in the local grocery sector, that loss is added into the grocery employment in the new store.

This chart is drawn from the same study as that on page 17 and shows calculations for changes in retail employment:

ECONOMIC AND FISCAL IMPACTS

GROCERY		Year 1			Year 5			Year 10		
		Low	Medium	High	Low	Medium	High	Low	Medium	High
Variable	Sales Diverted from Other Merchants	3%	5%	7%	3%	5%	7%	3%	5%	7%
Impact	Change in Sales ($ Millions)	1.4	2.3	3.3	1.3	2.3	3.2	0.9	2.3	3.2
	Change in Employment	-3	2	7	-3	1	6	-4	1	6
	Change in Sales Tax Collections ($)	59,708	99,514	139,319	59,708	99,514	139,319	59,708	99,514	139,319

GENERAL MERCHANDISE		Year 1			Year 5			Year 10		
		Low	Medium	High	Low	Medium	High	Low	Medium	High
Variable	Sales Diverted from Other Merchants	25%	15%	5%	25%	15%	5%	25%	15%	5%
Impact	Change in Sales ($ Millions)	3.4	3.9	4.3	3.4	3.8	4.3	3.4	3.8	4.3
	Change in Employment	20	23	26	20	23	26	20	23	26

TOTAL		Year 1			Year 5			Year 10		
		Low	Medium	High	Low	Medium	High	Low	Medium	High
Sales	Sales WITHOUT New Retailer ($ Millions)	33.3	33.3	33.3	33.6	33.6	33.6	33.8	33.8	33.8
	Sales WITH New Retailer ($ Millions)	38.1	39.5	40.9	38.3	39.7	41.1	38.1	39.9	41.3
Impact	Change in Sales ($ Millions)	4.8	6.2	7.6	4.7	6.1	7.5	4.3	6.1	7.5
	Change in Employment	17	25	33	17	24	32	16	24	32

This chart is drawn from another study analyzing the impact of a proposal to expand an existing discount store into a supercenter with groceries.

			Increased Sales Attributable to Supercenter		
			Low	Medium	High
Economic Impacts	Current Year	Change in Jobs	-32	-14	+3
		Increased Sales ($ Milions)	6.61	9.52	12.35
	2009	Change in Jobs	-42	-19	+4
		Increased Sales ($ Milions)	11.47	15.11	18.70

Source: ESRI BIS, Civic Economics

A related calculation is the change in total retail wages to be expected in the community. As with retail jobs, the baseline value is derived from Economic Census data for the community, while the wage contribution of the proposed new store is based on corporate averages identified earlier and adjusted for local conditions. The chart below is drawn from the same study as the first chart above. In this case, the proposed new retailer was expected to offer wages comparable to the prevailing local wage.

WAGES AND EMPLOYMENT	2005			2010			2015		
	Low	Medium	High	Low	Medium	High	Low	Medium	High
Net New Employees	17	25	33	17	24	32	16	24	32
Net New Wages	424,507	624,275	824,043	424,507	599,304	799,072	399,536	599,304	799,072

Forecasting Impacts on Municipal Finances

The analysis also examines the fiscal impact of the proposed development, meaning its effect on public revenue and costs for towns in the market area. The impact of a large-format retail store on public finances varies considerably depending on the particular circumstances and the types of taxes that the host municipality relies on.

Sales Tax Revenue

Several states, including Maine, have no municipal sales tax. Sales taxes flow to the state. At the state level, a new retail development is unlikely to have much effect on sales tax revenue as its presence cannot induce new spending beyond what the state's population and income levels can support. An exception would be a store that draws significant numbers of shoppers from across state lines. However, this is still unlikely to have more than a slight effect on overall state tax revenue.

In areas where municipalities and counties do rely on sales taxes, they are often of paramount importance in financing local government services. Even seemingly small increases in municipal revenue are attractive to officials. The job of the analyst, of course, is not to weight the costs and benefits of employment, wages, and public revenues. Rather, the analyst should present these values with clarity and allow the community to determine the appropriate balance.

Generally speaking, the calculation for estimating the amount of sales tax gained or lost is an easy one. The net change in sales is simply multiplied by the sales tax rate to determine the sales tax generated. Cities, counties, states, and other political subdivisions may have different sales tax rates that determine the amount of income received by each entity.

Property Tax Revenue

Many communities rely quite heavily on property taxes. That tax base may be, in turn, heavily reliant on a healthy retail and commercial sector, on a healthy tourist industry, or on high value shoreland and other residential properties.

Any new, large-scale retail development will provide local authorities with a similarly scaled increase in assessed valuation and property tax payments. On the other hand, the reduction in value in other properties negatively affected by the retail development may offset that increase.

The analyst must seek to identify any related and offsetting declines in property values in other commercial or residential areas. The challenge is to forecast the location, pace, and degree of decline in these other areas. Analysts will want to refer to what has occurred in similar circumstances in other areas in the state and country to aid in their projections by analogy; will want to project impacts over time; and will want to balance carefully the data indicators to provide a reasoned assessment of what degree and type of decline may be anticipated.

Public Infrastructure and Services

There has been much discussion across the nation regarding the costs and benefits of large-scale retail developments with regard to public infrastructure and services.

Infrastructure demands such as water and sewer are a relatively simple matter for local officials and utility providers to estimate and should be used as part of any analysis. Communities face a challenge when a large project would quickly exhaust current excess capacity, thereby forcing an earlier than expected investment in capacity increases. Traffic demands and associated public works costs (including initial infrastructure outlays and ongoing costs) are also quantifiable by specialist consultants and municipal planners. It is recommended analysts use the estimates supplied by those experts.

Demands on public services such as police, fire, and rescue present another challenge. Any new development in a community is likely to call upon these services, yet forecasting the degree to which demand may increase is difficult. Calls for police and fire intervention are frequently reported to be higher at large-scale retail developments than in similarly sized traditional commercial districts. A simple method in which to forecast these costs is to calculate the cost of these services on a per square foot basis in current retail projects and assume the same relative costs with increased square footage in the new development.

Other Municipal Costs and Benefits

The analysis should state the amount of any public subsidies, including tax increment financing, that the development is slated to receive.

It should also detail the value of any community benefits negotiated with the developer. Municipalities nationwide have increasingly attempted to negotiate terms for the development of large-scale retail projects to ensure a net benefit for their communities. These terms may include conditions that the developer hire a specified number of employees, provide a minimum level of wages and benefits, donate conserved and public land, contribute to extraordinary municipal costs caused by the development, and commit to an exit plan in the event of the store's closure to ensure there will be no empty large shell made unavailable to others' reuse. In many cases, these negotiations result in an incentive package with monetary value. Such incentives must be incorporated into any analysis of costs and benefits.

The following table is from an impact study prepared by Planning Decisions on behalf of the city of Biddeford, Maine, for a proposed development involving multiple large-format stores. In this case, the projected fiscal impact varied depending on whether the city followed thorough on a plan to use tax increment financing ("TIFF") for the project and the effect that would have on the state's contribution to local education costs.

Table 1
Fiscal Impact of "The Shops at Biddeford Crossing"

Item	amount with 100% TIFF	amount with 50% TIFF	amount with 0% TIFF
Property Tax Revenues	$609,700	$609,700	$609,700
Excise Tax Revenues	$0	$0	$0.00
State Revenue Sharing	$18,000	$1,000	($6,000)
State Education Subsidy	$0	($143,000)	($286,000)
Other	$0	$0	$0.00
Total Revenue Impact	**$627,700**	**$467,700**	**$317,700**
General Government	$7,000	$7,000	$7,000
Public Services	$0	$0	$0
Public Safety	$173,100	$173,100	$173,100
Public Works	$112,300	$112,300	$112,300
Public Service & Education	$0	$0	$0
County Tax	$0	$11,000	$22,000
Debt Service	$0	$80,000	$160,000
Total Expense Impact	**$292,400**	**$383,400**	**$474,400**
Total Revenue	$627,700	$467,700	$317,700
Total Expenses	$292,400	$383,400	$474,400
Net Fiscal Impact	**$335,300**	**$84,300**	**-($156,700)**

Forecasting Additional Impacts

As mentioned in the introduction, the economy functions much like an ecosystem, and therefore a comprehensive impact study must go beyond examining retail sales, employment, and tax revenue to adequately assess the impacts of a proposed retail store. Many state and municipal statutes call for a number of additional components to be included in the required study. They are discussed below.

Supply of Retail Space and Downtown Vitality

The addition of a large-scale retailer can have significant impact on retail vacancies and downtown vitality. The introduction of 75,000 square feet of new retail space into a large market area will likely have little measurable impact. However, that same development in a small market may dramatically reshape the flow of retail traffic in the region. An impact analysis should provide the municipality with an evaluation of the extent and impacts of such a change.

For a baseline, the analyst should procure from local officials any current estimates of retail square footage. In addition, local real estate brokers may be able to provide current vacancy and rental rates, as well as a sense of how the impact area compares in those measures to

nearby areas. From that information and public tax records, the analyst should be able to estimate total local square footage occupied by retailers specializing in the lines of goods most directly impacted by the proposed new store. In the smallest markets, that estimate may be made more comprehensive based on the earlier survey of local retail firms.

From that baseline, it is a simple matter to calculate the percentage increase in total retail space and space dedicated to the particular lines of goods. If the increase in space is substantially comparable to the near term growth prospects of the community overall, the economic analyst will be hard pressed to assert significant difficulties related to oversupply.

However, in many communities, a large-scale retail project will represent a tremendous increase in total retail space in the impact area, raising concerns about oversupply, vacancy, and declining rents. Moreover, many communities contain underutilized spaces originally designed and currently zoned for non-retail uses. In such circumstances, the analyst may be asked to consider the potential retail uses of these spaces and, where appropriate, incorporate them into the supply and demand discussion.

A related challenge associated with large increases is the relocation of the center of gravity in regional retail. In a traditional community, the downtown area may remain the retail anchor. In others, retail activity may have spread in one direction or another from the center. In all of these, however, large-scale projects raise the prospect of significantly and permanently altering traffic patterns in the impact area and leaving vacancies in formerly prosperous areas. Municipal officials, property owners, business owners, and nearby residents may be greatly concerned about a project drawing away shoppers, as they struggle to maintain activity, revenue, and infrastructure in declining commercial areas.

Forecasting the location, pace, and degree of such decline is, of course, a challenge. Analysts should, however, be able to indicate which commercial areas are likely to be negatively affected by a new large scale retail project and the degree of that impact. Findings of this nature are highly relevant to municipal planning officials when evaluating permitting and zoning applications.

Comprehensive Plan Compatibility

For those municipalities in the impact area that have adopted comprehensive land use plans or related growth management documents, the analyst will want to review those plans and documents to identify relevant provisions as to which the proposed large scale retail project is or is not consistent. The analyst may also want to confer with planning officials, groups, commissions, unions and chambers of commerce for further insights into the project's anticipated community impacts.

Revenue Retained and Reinvested in the Region

A "local premium" is a term defined recently and refers to the amount of money kept in the local economy by a retail business. This is calculated separately from the standard economic or fiscal impact and is usually expressed as a percentage of sales revenue. It includes such factors as

salaries paid locally, services contracted for locally, and donations made to local charities. Local and regionally based businesses often produce a higher local premium than publicly held firms because they usually rely more heavily on local services and retain a larger share of their profits in the region. There are numerous methods for calculating this premium which vary from firm to firm. This premium can help paint a fuller picture in an economic or fiscal impact analysis by digging deeper into financial patterns of firms to see which firms keep more money local in the long term.

General Environmental Impacts

Many jurisdictions require environmental and traffic impact analyses for any large development. These are typically conducted separately from an economic impact analysis.

Maine's Informed Growth Act calls for including information on a range of environmental impacts within the comprehensive impact study, with two substantial conditions. First, there must be existing studies and data available. The analyst is not required to prepare an independent environmental impact study, but only to survey what information is available from existing studies, including the retailer's own traffic, wetland, and other impact studies that it submits as part of its development permit application. Second, environmental impacts are to be identified generally.

Because these issues are substantively different from the economic issues discussed throughout this document, few firms with the relevant economic expertise would be qualified to prepare detailed environment assessments. However, as the Informed Growth Act places limits on the applicability and depth of these assessments, firms specializing in economic impact analysis with a degree of in-house planning expertise should be well-equipped to handle these tasks, including commenting, in general terms, on the impact the proposed development will have on residential areas and on natural, recreational, and historic sites, and describing the key findings of any relevant studies of the impacts of the proposed development on air and water quality, plant and wildlife habitat, and other environmental conditions.

PRESENTATION OF FINDINGS TO THE COMMUNITY

The municipality should expect to receive a single document containing all the analyses and assessments required above. This document should be accessible for the non-technical reader, yet contain sufficient technical detail to allow for a meaningful review by the permitting authority, and provide sufficient supporting evidence for the findings of fact and the conclusions of law that the authority is charged to make in determining whether the proposed project will or will not have an "undue adverse impact" on the comprehensive economic impact area.

The primary document should be supplemented with an Executive Summary, providing highlights of the findings and pointing interested readers to specific locations in the primary document for further review. In addition, appendices should be provided containing legible worksheets, data source materials, and any external studies and surveys cited.

Finally, the analyst should be prepared to deliver one or more live presentations of the findings and methodologies and provide a forum for questions to be asked and answered.

APPENDIX A: LARGE-SCALE RETAIL FORMATS

A number of national and regional retailers currently develop and operate stores of a scale that would trigger an economic impact review under some municipal zoning policies as well as Maine's Informed Growth Act, which applies to stores of 75,000 square feet or larger. The following describes the types of stores that may reach this size. These stores may be proposed as stand-alone projects or grouped together in a shopping center. The latter requires that the analyst examine the cumulative impact of all of the large-scale stores in the development.

Department Stores: The traditional department store offers a range of goods and services under one roof, often on multiple floors. Typically focused on clothing and accessories, departments may also include housewares, appliances, furniture, toys, sporting goods, or hardware, among others. In addition, many offer fine and casual dining, salon and spa services, and optometry and eyewear. A few continue to offer automotive service, lawn and garden, and hardware, as well. Larger stores such as mall anchors will generally exceed 75,000 square feet. Of course, many American communities are still served by smaller downtown department stores which will be unaffected by large scale retail regulations.

Discount Stores: The prototypical "large scale retailer" is a variant of the traditional department store. Mass merchandisers eschew the complex layouts and amenities of department stores, instead displaying merchandise in long rows with checkout services located at the front of the store. Automotive services are typically offered. Wal-Mart stores without full-service grocery sales average 102,000 square feet while the average Target without full-service grocery sales average 123,000 square feet.

Grocery Stores: Supermarkets, with an industry average of 44,000 square feet, will generally fall below the size threshold for mandatory impact analyses. In particularly strong markets, traditional supermarket retailers have begun introducing "plus" format stores with an expanded general merchandise selection. These have recently begun surpassing 75,000 square feet.

Supercenters: Recent years have seen an explosion of so-called supercenter retailers, which combine conventional, general merchandise discount stores with grocery stores and often eclipse 200,000 square feet of space even in smaller markets. The average Wal-Mart supercenter is 186,000 square feet. The average SuperTarget is 176,000 square feet.

Wholesale Clubs: A variant of the supercenter, wholesale clubs are large, no-frills retail operations that typically require a membership fee. While the total number of items offered is generally less than in a supercenter, bulk packaging and unusual special offers characterize the format. Originally conceived as a wholesale channel to serve the needs of small business, wholesale clubs have evolved into a distinct retail format serving a broad range of business and consumer customers. Large clubs may also offer a range of business services such as insurance, office and break-room supply, travel planning, or automotive purchasing.

Home Centers: Traditionally, hardware stores and lumber yards were distinct operations, as were retailers focused on the consumer and wholesalers focused on the trades. In recent

years, however, expansive home centers have incorporated all these segments under one roof, covering 100,000 to 150,000 square feet. The segment remains in flux, as leading national retailers explore business models for serving both consumers and the trades.

Other Large Scale Retailers: In addition to those described above, a number of national and regional retailers specializing in particular lines of goods have emerged. Within the local market for the line of goods offered, these stores are as influential as the large retailers described above, earning the industry name "category killers." Few break the 75,000 square foot threshold. These include specialty stores focused on electronics, books, music and musical instruments, home goods, furniture, office supply, sporting goods, clothing and accessories, etc.

The following table summarizes the lines of goods and services typically offered by each of these large-scale retail formats.

OFFERINGS OF LARGE-SCALE RETAILERS

FORMAT

LINES OF GOODS AND SERVICES

Lines of Goods and Services	Department Stores	Discount Stores	Grocery Stores	Supercenters	Wholesale Clubs	Home Centers	NAICS
Appliances	Often	Often		Typically	Typically	Typically	443
Auto Supplies		Typically		Typically	Typically		4413
Books & Music		Typically		Typically	Typically		4512
Clothing	Typically	Typically		Typically	Typically		448
Drugs		Typically	Often	Typically	Typically		446
Electronics	Often	Typically		Typically	Typically		443
Furniture	Often	Often		Typically	Typically	Typically	442
Groceries (Dry Goods)		Typically	Often	Typically	Typically		445
Groceries (Full Line)				Typically	Typically	Often	445
Hardware		Typically	Often	Typically	Typically	Typically	444
Housewares	Typically	Typically	Often	Typically			
Lawn & Garden		Often	Often	Typically	Typically	Typically	444
Office Supplies		Typically		Typically	Typically		4532
Pet Supplies		Typically	Typically	Typically	Typically		45391
Sporting Goods	Often	Typically		Typically	Typically		451
Toys	Often	Typically		Typically	Typically		
Auto Fuel			Often	Often	Typically	Typically	447
Auto Service			Often		Typically	Typically	4413
Insurance						Often	
Optometry		Often	Often		Typically	Typically	44613
Photography		Often	Often	Typically	Typically	Typically	44313
Salon/Spa		Often			Typically	Often	
Travel Services						Often	

KEY

Typically Offered ▮ (dark)

Often Offered ▮ (light)

NAICS: North American Industry Classification System