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## Business Development Series: Trade Area Capture and Trade Pull Factors for the Retail Trade Sectors

### *What Is It?*

Trade area capture provides an estimate of the number of customers who have shopped in the local economy over a one-year period. It assumes that local individuals will buy goods at the same rate as the state average and that the only force that causes a variation in spending patterns is income.

Trade pull factors measure a region's ability to attract shoppers, residents and nonresidents alike, to make retail purchases within the region.

## *How Are the Numbers Interpreted?*

If a trade area capture estimate is larger than the city's population, then two explanations are possible: 1) the city is attracting customers outside its boundaries or 2) residents of the city are spending more than the state average. If the estimate is smaller than the city's population: 1) the city is losing its customers to other regions for retail purchases or 2) residents of the city are spending less than the state average.

A trade pull factor greater than 1.0 indicates that the city is pulling in retail trade from beyond its boundaries. Thus, the balance of trade is favorable. Alternatively, a trade pull factor less than 1.0 indicates that the city is not capturing the shoppers within its boundaries. A trade pull factor equal to 1.0 indicates that there is a perfect balance of trade. The purchases of city residents who shop elsewhere are offset by the purchases of out-of-city customers.

## *How Are the Numbers Calculated?*

Trade area capture is calculated by dividing the city's retail sales by state per capita retail sales adjusted by relative local income.

Trade pull factors are calculated by dividing the trade area capture figure by the city's population.



## *What Are the Retail Trade Sectors?*

For the purpose of this study, we have focused on the trade area capture and trade pull factor figures that have been analyzed by the Standard Industrial Classification (SIC) Codes for the eight retail trade sectors. These sectors include:

### Building Materials, Hardware, Garden Supply and Mobile Home Dealers (SIC 52)

The Building Materials, Hardware, Garden Supply and Mobile Home Dealers (SIC 52) sector includes lumber and other building materials dealers; paint, glass and wallpaper stores; hardware stores; retail nurseries, lawn and garden supply stores; and mobile home dealers.

### General Merchandise Stores (SIC 53)

The General Merchandise Stores (SIC 53) sector consists of department stores; variety stores; and miscellaneous general merchandise stores.

### Food Stores (SIC 54)

The Food Stores (SIC 54) sector includes grocery stores; meat and fish markets, including freezer provisioners; fruit and vegetable markets; candy, nut and confectionery stores; dairy products stores; retail bakeries; and miscellaneous food stores.

### Automobile Dealers and Gasoline Service Stations (SIC 55)

The Automobile Dealers and Gasoline Service Stations (SIC 55) sector includes motor vehicle dealers (new and used); motor vehicle dealers (used only); auto and home supply stores; gasoline service stations; boat dealers; recreational vehicle dealers; motorcycle dealers; and automotive dealers, not elsewhere classified.





### Apparel and Accessory Stores (SIC 56)

The Apparel and Accessory Stores (SIC 56) sector includes men's and boy's clothing and accessory stores; women's clothing stores; women's accessory and specialty stores; children's and infants' wear stores; family clothing stores; shoe stores; and miscellaneous apparel and accessory stores.

### Furniture, Home Furnishings and Equipment Stores (SIC 57)

The Furniture, Home Furnishings and Equipment Stores (SIC 57) sector consists of home furniture and furnishings stores; household appliance stores; and radio, television, consumer electronics and music stores.

### The Eating and Drinking Places (SIC 58)

The Eating and Drinking Places (SIC 58) sector includes eating and drinking places.

### Miscellaneous Retail (SIC 59)

The Miscellaneous Retail (SIC 59) sector consists of drug stores and proprietary stores; liquor stores; used merchandise stores; miscellaneous shopping goods stores; nonstore retailers; fuel dealers; and retail stores, not elsewhere classified.



### *What Time Period?*

The trade area capture and trade pull factors reported in this newsletter use FY<sup>1</sup> 2004-2005, FY 2005-2006 and FY 2006-2007 population figures from the US Census Bureau, FY 2004-2005, FY 2005-2006 and FY 2006-2007 per capita personal income figures from the Bureau of Economic Analysis and FY 2004-2005, FY 2005-2006 and FY 2006-2007 retail sales figures from the Oklahoma Tax Commission.

### *Who Benefits from Them?*

Local business owners, economic development professionals, bankers and local government officials can benefit from using trade area capture and trade pull factors to identify the strengths and weaknesses of the retail sector in a given area.

### *What Is the Geographic Area?*

The trade area capture figures and trade pull factor figures reported in this newsletter have been calculated for Clinton, Elk City and Weatherford, Oklahoma.

<sup>1</sup>Fiscal year begins on July 1 and concludes on June 30 of the following year.



**Table 1: Trade Area Capture**

	FY 2004-2005			FY 2005-2006			FY 2006-2007		
	Clinton	Elk City	Weatherford	Clinton	Elk City	Weatherford	Clinton	Elk City	Weatherford
Building Materials, Hardware, Garden Supply & Mobile Home Dealers (SIC 52)	5,706.38	12,443.42	8,363.27	6,674.37	14,231.52	10,992.58	6,435.42	15,959.38	9,418.48
General Merchandise Stores (SIC 53)	12,429.86	31,877.73	17,182.50	12,740.68	36,546.03	21,059.05	12,446.13	33,128.18	18,507.89
Food Stores (SIC 54)	24,253.02	32,213.22	18,731.78	25,766.67	33,631.57	27,486.90	27,177.57	36,655.08	27,004.01
Automobile Dealers & Gasoline Service Stations (SIC 55)	11,731.34	47,993.92	16,143.44	11,883.59	52,188.70	13,896.08	11,046.31	50,598.09	13,471.51
Apparel & Accessory Stores (SIC 56)	6,127.25	28,492.72	23,816.42	5,009.29	28,390.06	27,125.33	5,039.73	29,234.05	22,947.89
Furniture, Home Furnishings & Equipment Stores (SIC 57)	6,929.09	22,716.46	8,691.39	7,839.87	23,315.74	10,895.80	7,899.16	24,757.87	11,594.12
Eating & Drinking Places (SIC 58)	11,585.35	21,282.35	16,521.47	11,390.96	22,061.37	20,056.62	11,985.80	21,099.19	18,122.84
Miscellaneous Retail (SIC 59)	10,220.13	15,801.34	25,396.07	10,101.73	17,170.42	16,637.24	10,299.74	27,767.14	20,100.11
Total Population	8,454	10,468	9,829	8,517	10,730	9,937	8,616	10,978	10,037

**Table 2: Trade Pull Factors**

	FY 2004-2005			FY 2005-2006			FY 2006-2007		
	Clinton	Elk City	Weatherford	Clinton	Elk City	Weatherford	Clinton	Elk City	Weatherford
Building Materials, Hardware, Garden Supply & Mobile Home Dealers (SIC 52)	0.67	1.19	0.85	0.78	1.33	1.11	0.75	1.45	0.94
General Merchandise Stores (SIC 53)	1.47	3.05	1.75	1.50	3.41	2.12	1.44	3.02	1.84
Food Stores (SIC 54)	2.87	3.08	1.91	3.03	3.13	2.77	3.15	3.34	2.69
Automobile Dealers & Gasoline Service Stations (SIC 55)	1.39	4.59	1.64	1.40	4.86	1.40	1.28	4.61	1.34
Apparel & Accessory Stores (SIC 56)	0.72	2.72	2.42	0.59	2.65	2.73	0.58	2.66	2.29
Furniture, Home Furnishings & Equipment Stores (SIC 57)	0.82	2.17	0.88	0.92	2.17	1.10	0.92	2.26	1.16
Eating & Drinking Places (SIC 58)	1.37	2.03	1.68	1.34	2.06	2.02	1.39	1.92	1.81
Miscellaneous Retail (SIC 59)	1.21	1.51	2.58	1.19	1.60	1.67	1.20	2.53	2.00
Average Trade Pull Factors	1.45	2.51	1.71	1.45	2.62	1.91	1.45	2.65	1.79