

RETAIL TRADE IN ROUND ROCK

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OVERVIEW

Round Rock, TX's retail businesses draw trade from different parts of the community and the region constituting primary, secondary and tertiary trade areas. The primary trade area is the geographical area from which local businesses capture trade in goods and services that are bought based on convenience and service. Some examples of the businesses that sell products that are highly influenced by these two motivating factors are plumbing services, vehicle repair services, dental care, banks, beauty salons, liquor stores, fast food restaurants, and florists. (Source: *Shepherd Retail Study; Cofer Group*)

The secondary trade area is the area from which local businesses capture trade in goods and services that are bought based on selection and price criteria. Some examples of the businesses that sell products that are highly influenced by these two motivating factors are shoe stores, clothing stores of all types, sporting good stores, discount departmental stores, specialty restaurants, furniture stores, and craft shops. (Source: *Shepherd Retail Study; Cofer Group*)

The tertiary trade area for Round Rock is not feasible to map especially with the retail growth and the new retail destinations that the City has seen. For example, people are coming from different parts of the state to shop at the Round Rock Premium Outlet Mall and it will be the same for the IKEA store starting in November 2006. Also, with the "Sports Capital of Texas" campaign going on, there will be people coming to Round Rock from all over the country for different sports occasions.

The Round Rock retail market analysis will assess the health of our local retail sales, which in turn can reveal the market's potentials. This will help us to identify the retail market trends and also show whether the market is having leakage or surplus in its retail sales.

A *retail sales surplus* indicates that a community pulls consumers and retail dollars in from outside the community. On the other hand, when local demand for a specific product is not being met within a community, consumers tend to go elsewhere to shop creating *retail leakages*. We can analyze the estimation of retail surpluses and leakages, which will give a snapshot of the relative strengths and weaknesses of our retail market. These numbers can then be utilized as a knowledge base for the City's retail planning.

It should be kept in mind that a retail trade area analysis is based on averages. Many times there are mitigating factors that can cause a market's retail potential to deviate substantially from ordinary market conditions. Proximity to larger regional shopping areas, natural barriers (such as lakes and mountains), and road systems are just a few of the factors that could greatly impact a market's retail potential. (Source: *Shepherd Retail Study; Cofer Group*). In Round Rock's case, its proximity to Austin, a larger regional shopping area, and to all the smaller surrounding cities is the biggest factor.

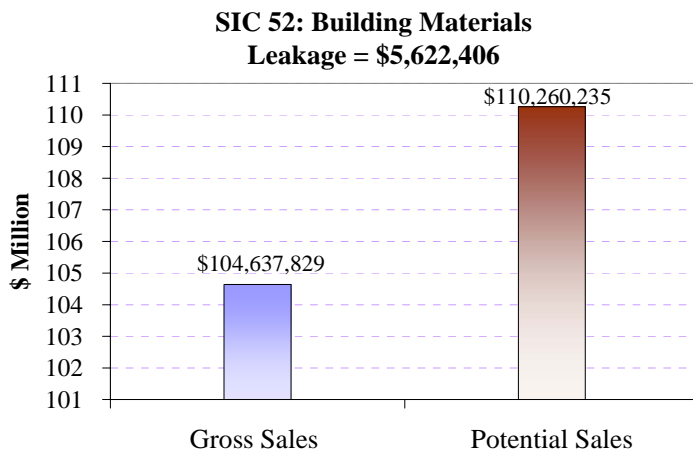
STUDY ANALYSIS

The retail trade categories, SIC 52 through SIC 59 for Round Rock were studied for year 2005. The gross sales on these categories were obtained from the Texas Comptroller's office. The potential sales were computed using the State retail sales trend categorically, state and local populations and the per capita income levels. The comparison of the gross sales to the potential sales gave us the scenario for leakage or the surplus.

The retail trade categories and their description with their SIC codes are listed below:

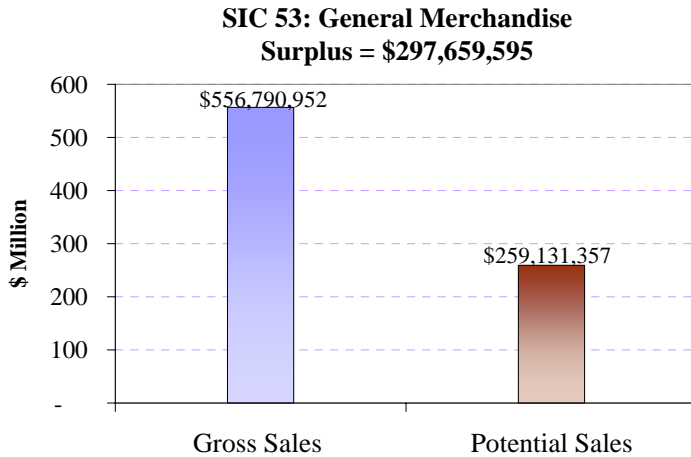
SIC 52: BUILDING MATERIALS

Making up the building materials category are lumberyards, hardware stores, paint stores, nursery stores, garden and lawn supplies, and other miscellaneous materials stores. The figure below depicts the potential sales, actual sales and surplus or leakage.



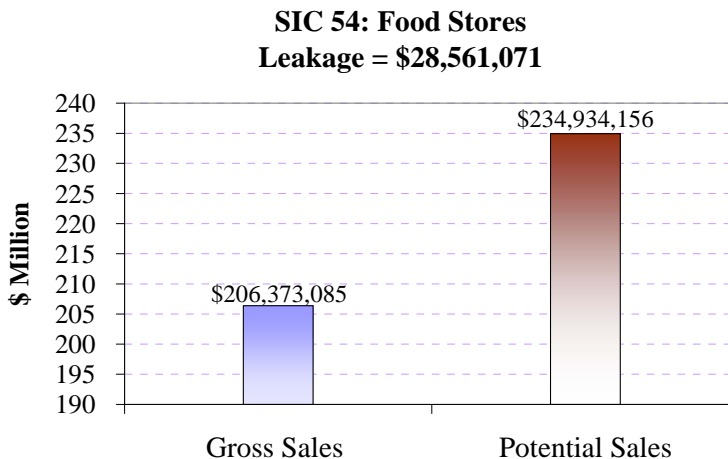
SIC 53: GENERAL MERCHANDISE

The general merchandise category consists primarily of department stores (i.e. Wal-Mart and K-Mart) and variety stores (i.e. Dollar General and Family Dollar). Comparable to anchor stores in a shopping mall, these department and variety stores play an important role.



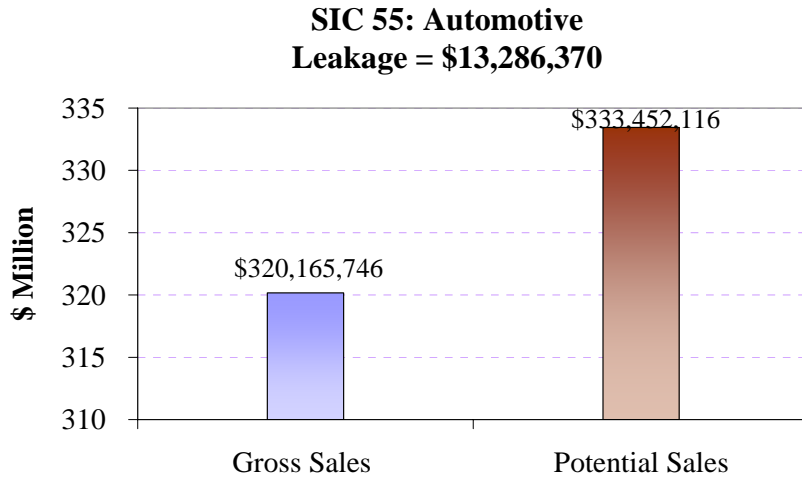
SIC 54: FOOD STORES

The food store category is comprised primarily of grocery stores, but also includes bakeries and candy and confectionery stores. This category is extremely important to a healthy retail sector as customers spend more money in grocery stores and shop there more often than any other type of store.



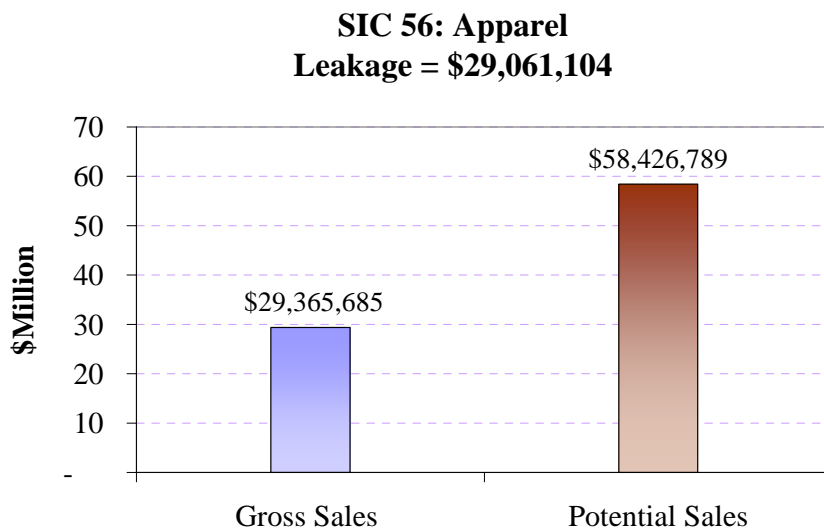
SIC 55: AUTOMOTIVE

New and used car dealers, gasoline service stations and recreational vehicle dealers make up the automotive retail category.



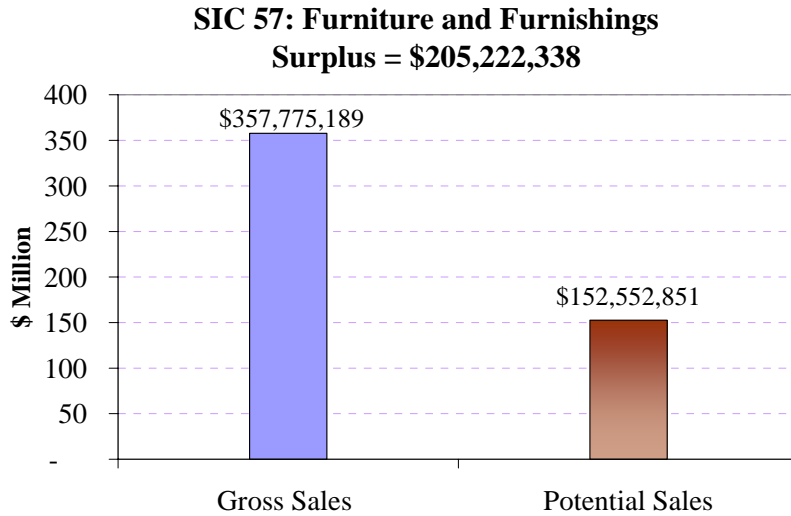
SIC 56: APPAREL

Apparel stores are made up of men's, women's and children's clothing stores as well as shoe stores.



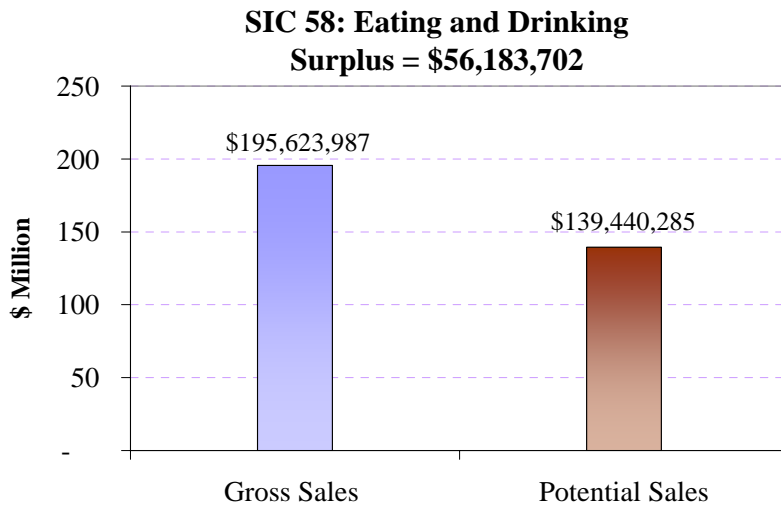
SIC 57: FIXTURES & FURNITURE

This category includes furniture stores, major appliance stores and consumer electronics stores.



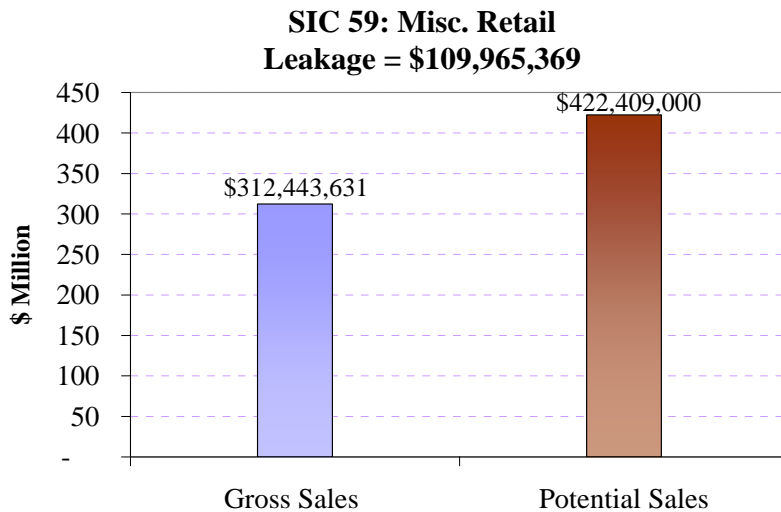
SIC 58: EATING AND DRINKING

This category consists of restaurants, taverns and bars and is a rapidly growing part of most economies since more and more people are eating away from home.



SIC 59: MISCELLANEOUS RETAIL

The miscellaneous sector includes different “specialty” retail businesses that could not logically be categorized into the previous retail groups. Drug stores, liquor stores, sporting goods, jewelry and others are included in this category.



TOTAL RETAIL TRADE SURPLUS/LEAKAGE, 2005

SIC	2005	Gross Sales	Potential Sales	Surplus	Leakage
53	General Merchandise	556,790,952	259,131,357.01	297,659,594.99	x
57	Fixtures & Furniture	357,775,189	152,552,851.38	205,222,337.62	x
58	Eating and Drinking Places	195,623,987	139,440,285.40	56,183,701.60	x
52	Building Materials, Hardware, Garden Supply & Mobile Home Dealers	104,637,829	110,260,235.63	x	(5,622,406.63)
54	Food Stores	206,373,085	234,934,156.39	x	(28,561,071.39)
55	Automotive Dealers and Gasoline Service Stations	320,165,746	333,452,116.40	x	(13,286,370.40)
56	Apparel and Accessory Stores	29,365,685	58,426,789.02	x	(29,061,104.02)
59	Misc. Retail	312,443,631	422,409,000.75	x	(109,965,369.75)
	Total	2,083,176,104	1,710,606,791.98	559,065,634.21	(186,496,322.20)

RETAIL SALES COMPARISON

SIC	Retail Categories	2004 Gross Sales	2005 Gross Sales	% Change
52	Building Materials, Hardware, Garden Supply & Mobile Home Dealers	110,384,970	104,637,829	-5%
53	General Merchandise	446,606,390	556,790,952	25%
54	Food Stores	195,350,593	206,373,085	6%
55	Automotive Dealers and Gasoline Service Stations	280,921,717	320,165,746	14%
56	Apparel and Accessory Stores	35,384,439	29,365,685	-17%
57	Fixtures & Furniture	477,307,923	357,775,189	-25%
58	Eating and Drinking Places	178,798,844	195,623,987	9%
59	Misc. Retail	287,572,690	312,443,631	9%
	Total Retail Sales	2,012,327,566	2,083,176,104	4%

CONCLUSION

Overall, Round Rock is doing pretty good in the retail sector. The retail sales growth shows consistency with the population and the business growth in the City. There are certain retail sectors (categories) that are bringing in surplus sales indicating that they not only serve its customers in the City but the consumers from surrounding cities too. However, there are those retail sectors that are losing its customers to the surrounding markets due to an inadequate availability of those services. But the retail trade sales scenario in Round Rock will definitely change in coming years starting late 2006 because of the addition of the Premium Outlet Malls and the IKEA store. Thus, the outcome might change completely!

A retail trade analysis provides the necessary input for the most important aspect of a retail development strategy which is the recruitment of retailers for those retail sectors that are currently not meeting the needs of a community. The above retail analysis points out the retail sectors that we should be concentrating on.