

## V. RETAIL POTENTIAL

This section provides estimates of market support for retail uses in Jefferson County. The retail trade area designated for this research shown in the *Development Assessment* and *Socioeconomic Profile* is based on drive time estimates and survey research regarding where customers of Jefferson County businesses originate.

### A. Competitive Retail Market

Although the boundaries of the trade area for Jefferson County are not coterminous with those of Jefferson County, sales data for Jefferson County for the years 1991 through 2001 provide an indication of the increase in retail activity during this decade. By the year 2001, retail sales in Jefferson County had reached \$491 million, increasing 188% from \$170 million in 1991. In the State of Indiana, retail sales increased 102%, from \$39 billion in 1991 to \$81 billion in 2001. Nationally, retail sales increased 100% during these years, from \$1.8 trillion to \$3.7 trillion. These increases in retail sales are primarily derived from increases in the CPI, population and the number of retail establishments.

Appendices V, VI and VII display summary characteristics of retail/service space located in downtown Madison, Hanover and in the Hilltop area. Appendix V provides the retail mix for downtown Madison: 22 (13%) of the businesses in downtown Madison are restaurants, 18 (11%) offer gifts and specialty items and 14 (9%) are antique businesses. There are 12 (7%) beauty salons, 10 (6%) auto related businesses, seven (4%) art related businesses, seven (4%) food stores and seven (4%) home improvement services and supplies. Out of the 164 retail establishments located in downtown Madison, there are only 13 first-story vacancies. Rents in downtown Madison are on average \$7 per square foot, comparable if not slightly higher than retail space throughout the county. As there are only a handful of vacancies in downtown Madison (some of which, however, are large and prominent), the bulk of new retail development will require infill development or conversion of underutilized uses (e.g., first story office space).

The inventory of shopping centers (Appendix VI) includes 327,076 square feet in five centers, only 2% of which is vacant. The largest, River Pointe Plaza on Clifty Drive, is a community center anchored by Kroger and JC Penney. The 173,000 square foot shopping center has 16 shops including Cato and Cato Plus, a jeweler, Radio Shack and General Nutrition Center. River Pointe Plaza is 100% occupied after securing Farm Quality Store as a tenant in a space left vacant by Quality Farm and Fleet. Three of the remaining shopping centers located in the Hilltop area are neighborhood centers ranging from 24,000 to 60,000 square feet. Two of these centers are 100% occupied and one, Jefferson Plaza Shopping Center, is 87% leased. Hanover has a small neighborhood center (i.e., 10,000 square feet) anchored by CVS. This

shopping center is not yet built out. Average base rents at the shopping centers surveyed range from \$4.50 per square foot to \$7.00 per square foot.

Appendix VII provides an inventory of free standing businesses located in the Hilltop area, Hanover and rural Jefferson County. Businesses represent a wide range of establishments including a super Wal-Mart, restaurants, auto related businesses, office supplies, home improvement, manufactured homes, groceries, building and farm supplies, package stores, laundry and dry cleaning, hair salons and meat processing. Rural Jefferson County includes construction and building supplies, garden/farm supplies and some small groceries.

The leakage of retail sales dollars from the Madison area has increased with the development of shopping opportunities in the surrounding trade area and beyond. In addition to the retail establishments located in the Madison area, there are three Wal-Marts located within the trade area, in Carrollton (Carroll County), Scottsburg (in Scott County on I-65)) and North Vernon (Jennings County). While these towns attract trade area shoppers primarily through their Wal-Marts, the continuing development of retail space in these locations and the distribution of promotional material provide a draw to trade area shoppers.

Trade area shoppers are also drawn to shopping centers in the Louisville and Cincinnati areas and, to a lesser degree, the Columbus area (e.g., Greenwood Mall). Shoppers drive to Green Tree Mall (750,000 square feet) in Clarksville just north of Louisville and Florence Mall on I-71 south of Cincinnati. Retail offerings in the three metropolitan areas continue to expand. In the words of one of the stakeholders, "new retail development is moving toward us...not away."

## B. Primary Target Markets

### **Area Employees**

Employees who work within Jefferson County are "captive" in the sense that they are in the county for at least eight hours a day, five days a week and, consequently, are likely to shop, run errands and eat out in the county. The Indiana Department of Workforce Development reports that in 2000 there were 12,722 jobs in Jefferson County, which provides some indication of the county's daytime population – many of whom live outside of the county but will look to county businesses for their shopping and entertainment needs.

As part of the research for this project, the Collaborative Marketing Project distributed surveys to area employees to provide insight into their shopping habits and needs.<sup>2</sup> Over two thousand (2,319) employees responded to the survey, translating into approximately one-fifth of the county's workforce. Selection, convenience and price were key factors in selecting a place to shop. The types of stores that employees believe are most needed or are in short supply in Jefferson County include men's and women's casual apparel, casual shoes, groceries, fresh produce, men's and women's business apparel, furniture, appliances, garden supplies and specialty goods (toys & hobbies, sporting goods, pet supplies, arts & crafts supplies, electronics, books). Employees surveyed were also interested in entertainment (e.g., restaurants, concerts/live music, live theater, nightclub/bars) and convenience services (e.g., tailor/alterations, day care, dry cleaning/laundry). According to survey respondents, the greatest disadvantages of shopping in Jefferson County are a poor variety of goods/services and limited store hours.

General information on workday shopping behavior from surveys conducted by the International Council of Shopping Centers and other organizations follows:

- The major advantage of shopping close to the workplace is convenience.
- Surveys show that daytime workers will readily drive from 5 to 10 minutes to shop or eat at restaurants.
- The items purchased most frequently by workers include cards, stationery, gifts, drugstore items, books and magazines, music/CDs and video rentals.
- With lesser frequency, workers buy office supplies, jewelry, apparel and accessories, linens, housewares, cosmetics and perfume, sporting goods and arts and crafts.
- The types of convenience goods perceived as being most needed by the daytime population are baked goods, "take-home" dinners and groceries.
- Workers will stop for after work activities (e.g., drinks, dinner and shopping) from time to time when such opportunities are available. Some will be inclined to come back to the shopping district to eat and shop on weekends.
- Most desired leisure/entertainment services include restaurants/bars and movie theaters. Banks and financial services, exercise studios, dry cleaners/laundry, film processing, office supply, mail/packaging and copy centers are perceived as being desired types of personal or business services.

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<sup>2</sup> An analysis of the survey results is provided under separate cover.

### **Trade Area Residents**

The *Socioeconomic Profile* shows that population of the trade area is slightly older and less affluent relative to the State of Indiana. Median age of the trade area population is 36.3 years, compared with 35.2 statewide. The trade area median income level (\$33,407) in 2001 was significantly below the 2000 estimated state median (\$40,552).

The *Development Assessment* presents detailed lifestyle profiles of trade area residents. Overall, households within the trade area are middle age and older families, frequently with school age children but also with children that have moved out of the house (i.e., "empty nesters"). Incomes tend to be average or below average with manufacturing and farming as the predominate occupations. While these groups demand a range of products and services, purchases tend to be centered on the home and outdoors. As two-thirds of trade area households fall within the (34%) and *Rural Industrial Workers* (30%) lifestyle groups, the characteristics of both groups should be emphasized. As the name suggests, *Middle America* households are typical of the "American Household" – just slightly older, more family oriented and predominantly white. *Middle America* households center a bulk of their purchases and entertainment activities on the home and outdoors. *Rural Industrial Worker* households are older, have low to moderate incomes and enjoy the outdoors. Purchases include appliances, cameras, jewelry, toys, pet supplies, satellite dishes, powerboats and chain saws.

To further grasp the shopping preferences of local residents, the Collaborative Marketing Project oversaw the distribution and tabulation of a survey to Jefferson County residents. Over 700 Jefferson County residents participated in the survey, one-third (33%) of whom reside in rural Jefferson County, 24% in the Hilltop area, 18% in downtown Madison, 15% in Hanover and 9% outside of the county. Reflecting busy schedules and limited budgets, survey respondents were generally most concerned with selection, convenience and prices in selecting a place to shop. Similar to the employees surveyed, residents identified a strong need for men's and women's casual apparel, casual/sport shoes, men's and women's business apparel, dress shoes, grocery stores, fresh produce, a bakery, furniture, linens & towels, appliances, gardening supplies/hardware and specialty merchandise (books, toys & hobbies, arts/crafts supplies). Residents of rural Jefferson County surveyed also identified a strong need for farm equipment and feed & seed stores. Also similar to employees surveyed, Jefferson County residents noted a strong need for entertainment (restaurants, concerts/live music, live theater, bars/nightclubs) and personal services such as a shoemakers, tailor/alterations, drycleaner/laundry and daycare. According to survey respondents, the major disadvantages of shopping or doing business in Jefferson County are a poor selection of goods and services, limited store hours, a lack of entertainment and restaurants and high prices

### **Visitors**

Historic downtown Madison is one of the top five tourist destinations in Indiana with the lowest budget of any of the sites. As mentioned in the *Development Assessment*, Jefferson County attracted an estimated 374,700 visitors in 2000, generating approximately \$36 million in revenue. At present, downtown Madison is the county's primary destination for tourists. In 2000, the Madison visitor's center received almost 45,000 visitors. As the downtown continues to expand its retail base, more visitors will undoubtedly be drawn to the Madison as well as other portions of the county. In other words, attractions throughout the county could be marketed to visitors of downtown Madison (e.g., farm tours, wine tasting/vineyard tours, historic sites, etc.). Long term, Jefferson County should be able to increase the number of visitors to the area through the continued development of tourist attractions and joint marketing programs (e.g., *Down the Lazy River* motor coach tours) with local, regional and state level tourism organizations – the benefits of cooperation are powerful.

### **C. Retail Sales Potential and Supportable Space**

The methodology for estimating statistical market support for retail space in Jefferson County is displayed in Exhibits R-1 through R-4. This methodology applies expenditure potential by type of merchandise to trade area population figures in order to obtain potential sales volume for trade area residents. These figures do not represent total retail sales in the trade area since they exclude motor vehicle and parts sales, which in Jefferson County alone last year accounted for sales of more than \$127 million.

Estimates of sales per square foot of store space derived from the Urban Land Institute's *Dollars and Cents of Shopping Centers* are used to convert adjusted potential sales to supportable space estimates. In Exhibit R-1, for example, in the case of apparel, potential sales of \$97 million at sales per square foot of \$194 will support approximately 500,000 square feet devoted to this type of merchandise.

Exhibit R-1 shows that in 2001, there was the potential for approximately 3.3 million square feet of retail space based on potential expenditures of residents who reside in the Jefferson County trade area. That is, trade area residents have the potential to generate sales demand that will support 3.3 million square feet of retail space. However, these potential expenditures by residents may occur outside the Jefferson County trade area if desirable goods and services are not offered within the trade area.

Exhibit R-2 displays projected retail expenditure potential for the trade area by the year 2006. Based on projected population growth for the years 2001-2006, total supportable retail space in the trade area will have increased to more

than 4.1 million square feet by the year 2006. Exhibit R-3 provides the same type of analysis for the year 2011 when supportable space will have increased to approximately 4.9 million square feet.

EXHIBIT R-1

RETAIL EXPENDITURE POTENTIAL  
Jefferson County Trade Area  
2001

Type of Merchandise	Per Household Expenditure	Potential Sales Volume	Target Sales(3) (\$/sq.ft.)	Potential Supportable Space( Sq. Ft.)
Apparel	\$1,867	\$96,957,044	\$194	499,779
Furniture/Home(1)	\$1,531	\$79,507,892	\$189	420,677
Misc. Retail (2)	\$2,004	\$104,071,728	\$179	581,406
<b>Shoppers Goods</b>		<b>\$280,536,664</b>		<b>1,501,862</b>
Grocery	\$5,068	\$263,191,376	\$375	701,844
Pharmacy /Drugs	\$767	\$39,831,844	\$319	124,865
<b>Convenience Goods</b>		<b>\$303,023,220</b>		<b>826,708</b>
<b>Food &amp; Beverages</b>	<b>\$2,903</b>	<b>\$150,758,596</b>	<b>\$227</b>	<b>664,135</b>
<b>Personal Services (4)</b>	<b>\$736</b>	<b>\$38,221,952</b>	<b>\$136</b>	<b>281,044</b>
<b>Total</b>		<b>\$772,540,432</b>		<b>3,273,748</b>

**Potential Supportable Retail Space 3,273,748**

- (1) Household furnishings such as appliances, electronics, furniture, household textiles & housewares.
- (2) Selected shoppers goods such as reading material, camera equipment, luggage, jewelry, optical goods, sporting goods, toys & hobbies, garden and pets & supplies.
- (3) Urban Land Institute, "Dollars and Cents of Shopping Centers".
- (4) Selected personal services such as dry cleaning/laundry, apparel & footwear repair, video rental, film processing & haircuts/styling.

Sources: ESRI BIS 2002; Urban Land Institute; Marketek, Inc.

2002 by Marketek, Inc.

EXHIBIT R-2

RETAIL EXPENDITURE POTENTIAL  
Jefferson County Trade Area  
2006

Type of Merchandise	Per Household Expenditure(1)	Potential Sales Volume(4)	Target Sales (1) (5) (\$/sq.ft.)	Potential Supportable Space( Sq. Ft.)
Apparel	\$1,867	\$121,806,441	\$194	627,868
Furniture/Home(2)	\$1,531	\$99,885,196	\$189	528,493
Misc. Retail (3)	\$2,004	\$130,744,567	\$179	730,417
<b>Shoppers Goods</b>		<b>\$352,436,204</b>		<b>1,886,778</b>
Grocery	\$5,068	\$330,645,442	\$375	881,721
Pharmacy /Drugs	\$767	\$50,040,461	\$319	156,867
<b>Convenience Goods</b>		<b>\$380,685,903</b>		<b>1,038,588</b>
<b>Food &amp; Beverages</b>	<b>\$2,903</b>	<b>\$189,396,945</b>	<b>\$227</b>	<b>834,348</b>
<b>Personal Services (6)</b>	<b>\$736</b>	<b>\$48,017,965</b>	<b>\$136</b>	<b>353,073</b>
<b>Total</b>		<b>\$970,537,017</b>		<b>4,112,787</b>

**Potential Supportable Retail Space 4,112,787**

- (1) In 2001 dollars.
- (2) Household furnishings such as appliances, electronics, furniture, household textiles & housewares.
- (3) Selected shoppers goods such as reading material, camera equipment, luggage, jewelry, optical goods, sporting goods, toys & hobbies, garden and pets & supplies.
- (4) Potential sales volume has been adjusted to reflect projected increases in retail sales.
- (5) Urban Land Institute, "Dollars and Cents of Shopping Centers".
- (6) Selected personal services such as dry cleaning/laundry, apparel & footwear repair, video rental, film processing & haircuts/styling.

Sources: ESRI BIS 2002; Urban Land Institute; Marketek, Inc.

2002 by Marketek, Inc.

Exhibit R-4 distributes increases in sales and supportable retail space among the various retail categories for the years 2001, 2006 and 2011. This exhibit also provides an estimate of Jefferson County's capture of the increase in potential sales and demand for space for the years 2006 and for 2011.

Based on this analysis, sales by trade area retailers of selected *shoppers goods* had a potential to reach \$281 million in 2001, \$352 million by 2006 and \$419 million by 2011. In 2001, this sales level would support 1.5 million square feet devoted to *shoppers goods*. By 2006, supportable space for *shoppers goods* is projected to reach 1.9 million square feet of space, and by 2011, supportable space will potentially have increased to 2.2 million square feet. Potential sales for each of the major types of *shoppers goods* (i.e., apparel, home/furniture and miscellaneous retail) is also provided in Exhibit R-4. Miscellaneous retail has the potential to generate the largest portion of sales within *shoppers goods*, followed by apparel and home/furniture.

Utilizing the assumption that Jefferson County will strengthen its position as a major shopping destination for trade area residents, Jefferson County's projected capture of the potential increase in total trade area demand for *shoppers goods* during the study period 2001-2011 is realistic. The projection shows that Jefferson County has the potential to capture 40% to 42% of the increase in total sales generated by trade area residents by 2006 and 2011— 51% to 53% of the increase in sales within the *shoppers goods* category.

EXHIBIT R-3  
RETAIL EXPENDITURE POTENTIAL  
Jefferson County Trade Area  
2011

Type of Merchandise	Per Household Expenditure(1)	Potential Sales Volume(4)	Target Sales (1) (5) (\$/sq.ft.)	Potential Supportable Space( Sq. Ft.)
Apparel	\$1,867	\$144,643,491	\$194	745,585
Furniture/Home(2)	\$1,531	\$118,612,311	\$189	627,578
Misc. Retail (3)	\$2,004	\$155,257,395	\$179	867,360
<b>Shoppers Goods</b>		<b>\$418,513,198</b>		<b>2,240,523</b>
Grocery	\$5,068	\$392,636,965	\$375	1,047,032
Pharmacy /Drugs	\$767	\$59,422,366	\$319	186,277
<b>Convenience Goods</b>		<b>\$452,059,331</b>		<b>1,233,309</b>
<b>Food &amp; Beverages</b>	<b>\$2,903</b>	<b>\$224,906,296</b>	<b>\$227</b>	<b>990,777</b>
<b>Personal Services (6)</b>	<b>\$736</b>	<b>\$57,020,680</b>	<b>\$136</b>	<b>419,270</b>
<b>Total</b>		<b>\$1,152,499,505</b>		<b>4,883,878</b>

**Potential Supportable Retail Space 4,883,878**

- (1) In 2001 dollars.
- (2) Household furnishings such as appliances, electronics, furniture, household textiles & housewares.
- (3) Selected shoppers goods such as reading material, camera equipment, luggage, jewelry, optical goods, sporting goods, toys & hobbies, garden and pets & supplies.
- (4) Potential sales volume has been adjusted to reflect projected increases in retail sales.
- (5) Urban Land Institute, "Dollars and Cents of Shopping Centers".
- (6) Selected personal services such as dry cleaning/laundry, apparel & footwear repair, video rental, film processing & haircuts/styling.

Sources: ESRI BIS 2002; Urban Land Institute; Marketek, Inc.

2002 by Marketek, Inc.

EXHIBIT R-4  
 POTENTIAL SUPPORTABLE RETAIL SPACE  
 Jefferson County Trade Area  
 2001-2011

Type of Merchandise	2001	2006			2011			Total 2001-2011 Capture
	Trade Area	Trade Area	Numeric Increase	Capture	Trade Area	Numeric Increase	Capture	
<i>Shoppers Goods</i>								
Apparel								
Potential Sales	\$96,957,044	\$121,806,441	\$24,849,397	\$12,591,146	\$144,643,491	\$22,837,051	\$12,150,069	\$24,741,215
Supportable SF	499,779	627,868	128,090	64,903	745,585	117,717	62,629	127,532
Home/Furniture								
Potential Sales	\$79,507,892	\$99,885,196	\$20,377,304	\$10,325,144	\$118,612,311	\$18,727,115	\$9,963,447	\$20,288,591
Supportable SF	420,677	528,493	107,816	54,630	627,578	99,085	52,717	107,347
Misc. Retail								
Potential Sales	\$104,071,728	\$130,744,567	\$26,672,839	\$13,515,081	\$155,257,395	\$24,512,828	\$13,041,638	\$26,556,719
Supportable SF	581,406	730,417	149,010	75,503	867,360	136,943	72,858	148,362
Total								
Potential Sales	\$280,536,664	\$352,436,204	\$71,899,540	\$36,431,372	\$418,513,198	\$66,076,994	\$35,155,153	\$71,586,524
Supportable SF	1,501,862	1,886,778	384,916	195,036	2,240,523	353,745	188,204	383,241
<i>Convenience Goods</i>								
Grocery								
Potential Sales	\$263,191,376	\$330,645,442	\$67,454,066	\$19,260,673	\$392,636,965	\$61,991,523	\$18,585,957	\$37,846,631
Supportable SF	701,844	881,721	179,878	51,362	1,047,032	165,311	49,563	100,924
Pharmacy/Drugs								
Potential Sales	\$39,831,844	\$50,040,461	\$10,208,617	\$2,914,944	\$59,422,366	\$9,381,906	\$2,812,831	\$5,727,775
Supportable SF	124,865	156,867	32,002	9,138	186,277	29,410	8,818	17,955
Total								
Potential Sales	\$303,023,220	\$380,685,903	\$77,662,683	\$22,175,617	\$452,059,331	\$71,373,428	\$21,398,789	\$43,574,406
Supportable SF	826,708	1,038,588	211,879	60,500	1,233,309	194,721	58,380	118,880
<i>Food &amp; Beverages</i>								
Potential Sales	\$150,758,596	\$189,396,945	\$38,638,349	\$15,839,727	\$224,906,296	\$35,509,351	\$15,284,849	\$31,124,576
Supportable SF	664,135	834,348	170,213	69,779	990,777	156,429	67,334	137,113
<i>Personal Services</i>								
Potential Sales	\$38,221,952	\$48,017,965	\$9,796,013	\$4,751,918	\$57,020,680	\$9,002,715	\$4,585,455	\$9,337,373
Supportable SF	281,044	353,073	72,030	34,941	419,270	66,196	33,717	68,657
<b>Total</b>								
Potential Sales	\$772,540,432	\$970,537,017	\$197,996,585	\$79,198,634	\$1,152,499,505	\$181,962,488	\$76,424,245	\$155,622,879
Supportable SF	3,273,748	4,112,787	839,038	360,255	4,883,878	771,092	347,635	707,890

Note: This exhibit represents the estimated potential demand for new retail sales and space in the trade area in the years 2006 and 2011. This potential demand estimate is based on the expenditure potential of the trade area population by type of merchandise or service and projected population growth and increases in retail trade.

Source: Marketek, Inc.

2002 by Marketek, Inc.



Based on these capture rates, Jefferson County has the potential of drawing an additional \$36.4 million in **shoppers goods** sales by 2006 and another \$35.2 million by 2011. These increases in sales translate into 195,036 square feet of supportable retail space by 2006 and an additional 188,204 square feet by 2011. **Shoppers goods** that would appeal to the target markets of area employees, residents and visitors include: books, music/tapes/CDs, computers/software, card/stationery/gifts, camera equipment, flowers, sporting goods, pet supplies, art and craft gallery, jewelry and men's and women's apparel.

The primary target markets for **convenience goods** in the county will be area employees and residents. By 2006, Exhibit R-4 estimates that Jefferson County should be able to capture at least 29% of the trade area's potential increase in convenience store sales to produce additional sales of approximately \$22.2 million or demand for 60,500 square feet of additional convenience store space. By the year 2011, additional sales of \$21.4 million or approximately 58,380 square feet of new convenience store space is potentially supportable in Jefferson County.

Jefferson County's capture rate for the **food and beverages** category is based upon the assumption that by the year 2011, Jefferson County will have firmly established itself as a retail and entertainment center (especially downtown Madison) with a variety specialty shopping and restaurants. The target market for restaurants and other eating places are trade area residents, people who work in the Jefferson County area and, increasingly, visitors to Jefferson County. Accordingly, by 2006, Jefferson County should be able to capture at least 41% of the increase in the sales of **food and beverages** in the trade area resulting in additional demand of approximately 69,779 square feet of such space in the county.

By the year 2011, Jefferson County should be able to expand its offering of food and beverage businesses that will result in an increase of \$15.3 million in sales or demand for 67,334 square feet of additional space. This sales level represents 43% of the increase in total trade area potential demand for food and beverage businesses from 2006 to 2011.

The increase in **personal services** sales for the trade area is projected at \$9.8 million by the year 2006, increasing by an additional \$9.0 million by the year 2011. A 49% capture of increased sales for Jefferson County would justify an increase of more than 34,941 square feet of space devoted to **personal services** by the year 2006. By the year 2011, market support for personal services space in Jefferson County will have increased another by 33,717 square feet.

The types of **personal services** that might be considered in the retail mix include: laundry/dry cleaners, beauty/barber shops, repair shops for shoes, bike repair and film processing. Other types of services that will be in demand by local employees and residents might include: banks and financial services, postal service and copy center.

**D. Retail Spending Activity**

The Spending Potential Index (SPI) is a measure of market activity developed by ESRI Business Information Solutions and denotes actual dollars *spent* on these goods and services. When the SPI is equal to 100 for a specific type of merchandise, consumers are buying or spending at a rate equal to the national average. A SPI greater than 100 indicates that consumers are buying or spending above the national average. In other words, the SPI is an indicator of what prices consumers will pay and/or the level of their discretionary income they are willing to devote to a particular good or service.

EXHIBIT R-5

RETAIL MARKET ACTIVITY  
Trade Area  
2001

Merchandise or Service Category	Spending Potential Index	Merchandise or Service Category	Spending Potential Index	Merchandise or Service Category	Spending Potential Index
Apparel	73	Games and Toys	76	Insurance	
Men's	72	Food & Beverages		Homeowners/Renters	86
Women's	73	Groceries	80	Vehicle	77
Children's	78	Bakery & Cereal Products	79	Life	81
Infant's	72	Meats, Poultry, Fish & Eggs	79	Health	89
Footwear	77	Dairy Products	80	Lawn & Garden	81
Watches & Jewelry	66	Fruits & Vegetables	76	Luggage	60
Other Apparel	68	Other Foods at Home	82	Moving & Storage	72
Automotive Aftermart	84	Meals at Restaurants	74	Optical Goods	83
Automotive Maintenance & Repair	79	Alcoholic Beverages	65	Paint	78
Gasoline and Motor Oil	88	Nonalcoholic Beverages	84	Pets & Supplies	84
Books & Periodicals	73	Financial Services		Sporting Goods	79
Cameras & Equipment	70	Auto Loans	95	Telephone	80
Child Care	64	Home Loans	69	Television & Sound Equipment	76
Computer		Investments	64	Television and Video Equipment	75
Computer Information Services	62	Home		Music Equipment/Accessories	72
Personal Computer Software	65	Home Improvement	79	Cable Television	80
Entertainment		Maintenance & Repair	76	Rental & Repair of TV/Sound	73
Entertainment Fees & Admissions	64	Repair Materials	93	Travel	69
Membership Fees	68	Housekeeping Services	57	Air Fare	61
Sporting Events	67	Household Furnishings	74	Hotels/Motels	70
Sports Participation	68	Household Textiles	72	Rental Cars	59
Theater/Movies	60	Furniture	73	Food/Drink	73
Recreational Lessons	72	Major Appliances	84		
Video Rental	72	Other Household Furnishings	72		
Film Processing	72				

Source: ESRI BIS 2002

Overall, the data presented in Exhibit R-5 demonstrate that consumers within the trade area buy all of the goods and services displayed at a rate below the national average. This phenomenon is likely a result of the fact that household income levels in the trade area are below average and therefore they have less money available for shopping. Also, a below average SPI can be partially attributed to big-box discount stores in nearby cities that allow residents to comparison shop to find the "best deal."

While Exhibit R-5 shows low spending on all of the goods and services listed, spending was closest to the national average for items centered around the home including appliances (SPI=84), lawn and garden (SPI=81), pets & supplies (SPI=84), home repair materials (SPI=93), groceries (SPI=80), cable television (SPI=80) and health, homeowners/renter and life insurance (SPI=89, 86, 81, respectively). Trade area households also spend closer to the national average on auto loans (SPI=95), automotive aftermarket (SPI=84), sporting goods (SPI=79) and optical goods (SPI=83).

It is important to note that while spending is below average for the various types of goods and services listed in R-5, trade area consumers demand an array of goods and services – on the whole they just tend to pay less for them. Therefore, moderately priced goods and services would likely be most attractive to these households.

#### **E. Retail Purchasing Activity by Lifestyle Group**

While SPI is a measure of spending activity, the purchase potential index (PPI) measures consumer's tendency to *buy* certain goods and services. In other words, the PPI indicates that there is higher (PPI>100) or lower (PPI<100) than average demand for a product or service. Exhibit R-6 on the following page displays the PPI for various types of merchandise among the primary lifestyle groups within the trade area and should be used to gauge the types of businesses that would appeal to certain markets in the trade area – e.g., young families versus empty nesters. In many instances, there is high demand for merchandise among multiple lifestyle groups.

Exhibit R-6 shows that the primary lifestyle groups within the trade area tend to have above average demand for various home and family related goods and activities, including children's apparel (1-5 and 6-12 years old), family restaurants, gardening supplies, pet supplies and home remodeling. Needlework, using a camper/RV and boating are frequent hobbies among these groups.

The data presented in Exhibit R-6 should not be used solely to identify businesses that will be "all things to all markets." Attracting niche businesses that serve specific target groups will be the key to a successful business recruitment and retention program in Jefferson County.

Exhibit R-6

Purchase Potential Index of Selected Goods Among Primary Lifestyle Groups

	Middle America 34%	Rural Industrial Workers 30%	Heartland Communities 10%	Small Town Working Families 6%	Rustbelt Neighborhoods 5%		Middle America 34%	Rural Industrial Workers 30%	Heartland Communities 10%	Small Town Working Families 6%	Rustbelt Neighborhoods 5%
<b>Apparel</b>						<b>Baby Products</b>					
Purchased women's apparel	101	96	96	95	105	Purchased infant toys	100	114	90	96	112
Purchased men's apparel	101	101	96	105	97	Purchased infant clothing	101	107	110	92	106
Purchased adult dress shoes	78	84	69	94	89	Purchased infant sleepwear	95	97	104	84	95
Purchased adult casual shoes	95	80	80	109	95	<b>Pets</b>					
Purchased adult athletic shoes	99	93	88	101	103	Own dog	135	154	124	110	97
Purchased children's apparel: 1-5 yrs	106	110	94	101	101	Own cat	132	124	116	96	90
Purchased children's apparel: 6-12 yrs	106	111	104	114	100	Use dog/cat treats	122	103	94	109	108
Purchased fine jewelry	96	94	98	91	94	<b>PC Usage</b>					
Purchased costume jewelry	97	88	98	87	101	Own PC at home	87	60	74	75	74
Purchased watch	108	109	98	103	106	Use PC at home 10+ hrs/wk	84	60	67	79	76
<b>Restaurants</b>						Use/subscribe to Internet	63	38	43	68	65
Eat at family restaurants 6+/month	104	81	82	91	97	<b>Hobbies/Interests</b>					
Eat at family restaurants 2-5/month	103	106	110	103	103	Cooking	92	78	86	79	84
Eat at family restaurants <2/month	119	113	114	95	106	Bars/nightclubs	82	58	83	77	87
Take out: pizza	94	90	80	101	110	Dancing	74	69	73	77	80
Take out: Mexican	77	73	63	89	82	Needlework	127	94	130	116	131
Take out: Chicken	64	106	75	128	98	Listening to music	92	78	89	87	89
Take out: Chinese	86	50	42	88	85	Photography	97	63	81	98	77
Enjoy foreign food	86	74	85	82	84	Own camper/motor home	180	124	151	107	69
<b>Electronics</b>						Own powerboat	145	147	150	103	83
Purchased Separate Components	103	96	91	94	91	Attended movie last 6 months	75	58	67	87	77
Purchased Compact/Console Stereo	97	103	85	111	89	<b>Household Furnishings</b>					
Own 4+ televisions	97	78	74	89	96	Purchased household furniture	98	100	97	98	100
Own 2+ VCRs	94	90	83	104	95	Purchased tableware/dinnerware	85	102	78	92	80
Own camcorder	115	94	89	81	89	Purchased bedding/bath/linens	99	102	92	103	99
Rent 31+ video cassettes	99	92	82	99	82	Purchased furniture at a dept store	90	102	81	79	101
Purchase PC/Software/Peripherals	85	58	73	74	72	Purchased furniture at an outlet store	103	64	99	104	99
<b>Gardening</b>						Purchased furniture at other stores	104	108	94	107	101
Indoor gardening/plants	112	81	109	89	106	<b>Home Improvements</b>					
Outdoor flower gardening	116	88	112	98	99	Made home improvements	108	107	103	96	111
Outdoor vegetable gardening	144	127	138	94	100	Did home remodeling	126	112	113	93	111
<b>Books</b>						Bought wall covering	115	123	113	118	114
Purchased paperback book	87	78	93	98	93	Bought bath/kitchen fixtures	103	129	108	101	115
Purchased hardcover book	85	73	84	83	84	Bought indoor/outdoor lighting	117	106	99	110	114
Purchased travel book	57	27	64	33	64	Bought carpet/rugs	108	101	103	91	125
Purchased children's book	98	80	94	103	94	Bought flooring	107	101	99	101	99
Purchased cook book	108	81	96	69	96						
Purchased romance book	101	93	141	107	141						
Purchased religious book	104	130	86	65	86						

Source: ESRI BIS 2002

## F. Agriculture Retail Potential

This section of the retail potential analysis responds to the questions: What additional farm-related retail can Jefferson County support? Can Jefferson County have a full service farm supply and implement store? In response, Marketek gathered information on existing farm retailers (the supply) and on potential spending from Jefferson County farmers (market demand). In addition, several interviews/case studies were conducted with existing retailers of farm supplies and with representatives of farm industry retail trade associations.

### **Potential Demand**

The recognized source of information on farm expenditures is the National Agriculture Statistical Service of the USDA, which produces an annual report of Farm Production Expenditures by region of the country. The same data is produced by the US Census of Agriculture every five years (1992,1997, 2002, etc.) at the county level. However, only aggregated data are provided for counties, such as Total Farm Production Expenditures.

Using the annual survey at the regional level, it is possible to view specific categories of spending. Indiana falls within the Corn Belt Region. Listed below is the 'average amount' spent per farm in the Corn Belt during the year 2000 for key retail categories, excluding fuel.

#### Exhibit R-7

#### AVERAGE EXPENDITURE PER FARM Corn Belt Region 2000

Feed	\$8,803
Agricultural Chemicals	\$5,282
Fertilizer, Lime & Soil Conditioners	\$6,549
Farm Supplies/Repairs	\$4,671
Farm Improvements & Construction	\$3,263
Tractors & Self-Propelled Farm Machinery	\$2,676
Other Farm Machinery	\$1,690
Seeds & Plants	\$4,695
<b>TOTAL</b>	<b>\$37,610</b>

Total retail expenditures of \$37,610 represents 45% of all Farm Production Expenditures, \$82,958, the average per farm expenditure in the year 2000. In order to compare the same year expenditures (average regional/Corn Belt farm retail spending and average Jefferson County farm retail spending), 1997 figures were obtained at the regional level (Corn Belt). For the same retail-related categories as listed above, spending totaled \$36,450 for the average farm, representing 46% of total farm production expenditures of \$78,553 for 1997.

Total 1997 Farm Production Expenditures for the average Jefferson County farm were far smaller (\$22,630) than for the average Corn Belt region farm as a whole (\$78,553). No doubt, this is due to the preponderance of part time farmers and farm operations in Jefferson County. Assuming that 46% of those expenditures are tied to retail spending, as noted above, the average Jefferson County farm is spending approximately \$10,400 annually (in 1997 dollars) on farm-related retail. With 796 farms in Jefferson County in 1997, that translates into \$8.2 million in *potential retail sales*. This analysis is presented in the table below.

Exhibit R-8

POTENTIAL RETAIL SPENDING  
Jefferson County  
1997

Average farm	Total Farm Production Expenditures (97)	Retail-Related Farm Expenditures (97)	Number of Jefferson County Farms (97)	Total Retail Potential Jefferson County Farms (97)
Jefferson County	\$22,630	\$10,400	796	\$8,200,000
Corn Belt	\$78,553	\$36,450		

On a relative basis, future farm retail demand is likely to decline as the number of farms, total acreage of farmland and cropland have steadily declined throughout Indiana and in many parts of the U.S. for the last 20 years. A synopsis of trends from the agriculture section of the report is provided below:

- The number of farms and land in farms has declined throughout the last census counts.
- The 1997 census shows that of the 796 farms in Jefferson County, there are only 287 where farming is the *principal* occupation.

- Within Indiana from 1992 to 1997, the number of farms decreased from 62,779 to 57,916 and the total farmland in the state decreased by over 500,000 acres.
- Within Jefferson County, total Farm Production Expenses *decreased* from \$18.6 million in 1992 to \$18 million in 1997, not accounting for inflation. The actual decrease was probably much greater.

For these reasons alone, it is difficult to justify support or demand for additional farm-related retail businesses in Jefferson County.

### **Existing Supply**

Within a 30-mile radius of Madison, there presently exists at least 30 businesses listed as farm supply, farm equipment/ implement (new and used) and sales/service operations. No doubt, these vary in product range and mix, size and service, but nonetheless, in number, they are significant. No sources exist to enable an exact estimate of the total sales volume of these businesses. However, a 'sales range' appeared for two businesses in a Reference USA Business Data Base and another case study enabled Marketek to estimate the gross sales for a successful full service farm supply business at \$2 million annually. One Jefferson County farm supply business, however, has annual sales of between \$10 and \$20 million. To protect confidentiality, the exact figure is unavailable.

Utilizing the estimate of \$2 million in average annual sales, it appears that Jefferson County is 'oversupplied' in farm retail businesses and services. That is, 30 businesses grossing \$2 million a year require \$60 million total in purchases. By itself, Jefferson County can generate only \$8.2 million of that demand, as noted above. No doubt, specialty niches may be needed and potentially supported, but this determination requires a fine-grained analysis beyond the scope of this research.

### **Agriculture Retail Trends and Issues**

Agriculture retail trends and issues were identified through interviews with existing farm retail store owners and trade association representatives. Seven store owners, (four from Indiana, two-Oregon, one-Nebraska) and representatives of the Agriculture Retailers Association and the North American Farm Equipment Dealers Association were interviewed. Key findings and conclusions are listed below.

- Implements/Equipment  
There are a shrinking number of farms and a shrinking machine population. One tractor today can do what three tractors did 30 years ago. You simply need fewer. The farm implement business is driven by Parts & Service and

Equipment Sales. Most implement dealers will offer a lot for the 'general consumer population' in order to survive (i.e., compact utility mowers, small tractors).

John Deere is consolidating and was operating in the red last quarter. They are closing plants in the US. Exports are going to Europe and South America. To get into the business today is far costlier than previous decades. The equipment is very sophisticated and requires lots of specialty tools. Margins are smaller. Within 49 miles of Madison, five John Deere dealerships are already in operation. Unfortunately, none are within Jefferson County.

One local farm equipment dealer commented: *"Your best advice would be to decide a brand name or chain that would work best in your area. Most of the time these companies can tell you what volume you need to do. In fact, they won't approve a new location unless they feel there is enough business to support it. It's hard to say how many customers/sales you need. It all depends on your overhead cost, how many employees, renting or buying property, etc."*

- Pesticides/Fertilizer

Most retailers specialize in these products exclusively and are vertically integrated, that is, they bundle services: soil sampling, GPS soil/crop analysis, application and spraying, follow-up. This is known as Precision Agriculture

Mom & Pop's are in decline due to consolidation, a small number of younger farmers/retailers entering the market and increasing regulation of retailers by agencies that often impose costly restrictions or regulation.

In general, retail membership is in decline as consolidation occurs. Farmers are selling out to corporate operations. Buying groups exist, allowing farmers to buy in bulk and avoid some of the regulation for containing these products that other, large scale users must comply with. Internet purchases are growing. Also, it is very hard to regulate in terms of quality and accuracy of the product. Retailing has become increasingly competitive. The article in Appendix VIII summarizes what it takes to succeed with farm supply retail.

Average size operation is very difficult to quantify. One retailer has only two customers, but they each operate 12,000-acre farms. Another serves 25 customers who represent the same acreage, but average much smaller operations.

### **Case Studies/Examples**

A summary of selected interviews is presented in outline form below.

- Small family owned rural Nebraska farm supply retailer
  - Interview with store owner
  - Employees: 2 full time and 2 part time
  - This Nebraska farm supply store benefited from the recent closure of two small stores in his area. His business is still considered 'Mom & Pop.'
  - Customers: big dairies and big units and big cattle feeders
  - Product mix: Farm equipment, tac, feed, clothing. Their best seller is livestock feed.
  - Average number of customers per day: 60 people in the door and five or more over the phone
  - Average sales: \$110/customer
  - Open six days a week, 52 weeks a year which translates into \$2.059 million/gross annual sales from clothing to farm equipment to tac to feed
  
- General Farm Supply Store, Omaha, NB based chain
  - Interview with store owner/manager, Klamath Falls, Oregon
  - Employees: 12 full time and 5 part time
  - Diversification of product mix is essential. Could be a mix of hardware, auto parts and agriculture goods/supplies. The auto parts and hardware are year round while the Agriculture part is seasonal. Also offer gates, wire, etc.
  - In the farm supply business, there are no moms and pops left. There are some cooperatives like Big R and Wilco; some small chains like American Farm & Feed. Their business is only 30% farm related. Must have a very large consumer market area. In their business, they sell lots of pet supplies, feed, some clothing, hardware, lots of fencing, etc.
  - *"Farmers are cheap and are going to look for the BEST VALUE. Farmers can access an enormous amount of resources on the web."*
  
- Big Blue Store, Madison
  - Interview with Kit Imel
  - 40 years in business

- 
- At one time, Jefferson County's full-scale farms supported their business. As farming needs have changed, so too has their customer base, which is no longer strictly farmers.
  - Used to be all farming. Today, farming is less than one-half of their business
  - Eleven stores total in our company! Used to have more stores.
  - Product mix: Feed, farm, lawn and equipment, tools
  - Farming is not like it used to be - small farmers can't make it - between prices of equipment and getting help...can't farm full time any longer.
  - Today, need at least 500 acres on the average for a full time farm
  - *"Most Jefferson County farmers are hobbyists"*
  - Farm land is being sold to people - to create subdivision
  - *"I'd advise against opening a new implement or farm supply store...it's not realistic."*