# Memphis Retail Potential Study

## Midtown

**Prepared for:**

The City of Memphis Division of
Housing and Community Development
Debra Brown, Director

U.S.Department of Commerce
Economic Development Administration

**Prepared by:**

Regional Economic Development Center
The University of Memphis
Luchy Burrell, Project Director

Steve Redding, Principal Investigator

Sonya Schenk
Lisa Milligan
Shannon Dixon
Jim Atkinson
LaChanda Finch

December 1998

## Table of Contents

## Introduction

The purpose of this study is to identify areas within the City of Memphis where business development efforts are warranted for developing (or re-developing) retail trade and service industries. The emphasis is on retail and service industries that draw their market primarily from the expenditures of households.

There is a general belief by many city residents and civic leaders that several areas of Memphis are now underserved with respect to retail trade. Over the past several years business creation has been brisk in suburban areas of Shelby County and in portions of east Memphis as developers and retailers have responded to population growth in newer and rapidly growing markets. Similar studies in other cities, including Boston and Washington, have revealed significant retail opportunities, especially in older neighborhoods. Several organizations, including Price Waterhouse and the Boston Consulting Group are likewise conducting research and finding significant business opportunities in inner city markets across the country.

This report provides information on business development potential for all major industry groups in retail trade and consumer services. Sixty-nine industries in nine separate geographic markets are included in the study. The geographic markets generally cover the western two-fifths of the City of Memphis' land area and approximately 60% of its citizens. Retail expenditures from households in the study area comprise approximately 35% of all retail expenditures by Shelby County residents.

Intended users of this study include owners and managers of consumer oriented businesses, real estate developers, economic development professionals, bankers, community development initiatives, and others with an interest in commercial development in Memphis.

This study was conducted by the Regional Economic Development Center (REDC) at The University of Memphis under a contract with the City of Memphis, Department of Housing and Community Development (HCD).

This report focuses on the Midtown retail market but includes background information on the total study area. Reports for eight other Memphis retail markets are available.

## Description Of Total Study Area

*Market Geography*

The nine retail markets studied correspond to the westernmost planning districts of the Memphis & Shelby County Office of Planning and Development and are shown on Map 1. These planning districts are: Downtown / Medical Center, Midtown, North Memphis, South Memphis, Depot, University, Jackson, Frayser, and Whitehaven-Levi.

Planning districts provide a good market definition based on their general conformity to the demographic and physical characteristics that typically define retail markets. Additionally, planning districts are the geographic boundaries used by Memphis and Shelby County for community and economic development planning. Each retail and service industry, as well as each particular business, has its own market area that may be larger or smaller than the planning district markets. It would not be possible to fully incorporate individual markets into this study, however, they are discussed where appropriate.

*Study Area Characteristics*

The total study area (nine markets) has an estimated population of 365,000 and 140,000 households, each approximately 41% of Shelby County. Although households in the study area declined by almost 8% since 1980 versus an increase of over 13% for Shelby County as a whole, significant differences in household change are found in the nine markets, and among neighborhoods within these markets. There is evidence of stabilization or growth in several areas.

Median household income is currently estimated at $25,000 for the study area versus $37,000 for Shelby County. However, households in the study area spend a higher percentage of their income on retail goods and services than do Shelby Countians in areas with higher incomes. Retail spending by households in the study area totals over $2.5 billion per year. An estimated $1 billion of this spending is conducted outside the markets included in the study area. Automotive items account for much of this leakage, but over $500 million is in a variety of other retail and service industries.

*Income Dynamics And Retail Spending*

Total retail spending by households is highly correlated with income, however, the relationship is not linear. Retail spending as a percent of income declines with increasing household incomes. Consequently, the distribution of incomes in a market is an important component of

total retail expenditures, in addition to mean income. Overall, the average U.S. household spends roughly 42% of total gross income on retail purchases. However, ratios of expenditure to income vary widely over income ranges. Lower income households may spend all of their gross income on living expenses, whereas upper income households generally spend smaller proportions due to higher rates of savings and income taxes. Data show many low income households have expenditure ratios significantly higher than gross income due to a wide variety of reasons, including: income underreporting (failing to account for all income from all sources), temporary unemployment, self-employment income losses, retirees spending savings or investment principal, college students being supported by loans and parents, and other factors. This is particularly the case with household incomes below $15,000.

Chart 1 shows aggregate retail expenditures for each income group in the total study area. Households with incomes less than $15,000 earn only 8.4% of aggregate income but account for 17.7% of total retail spending. At the opposite end of the spectrum, households with incomes of $100,000 and above control 23.7% of aggregate income, but their retail expenditures are only 13.4% of total retail spending.

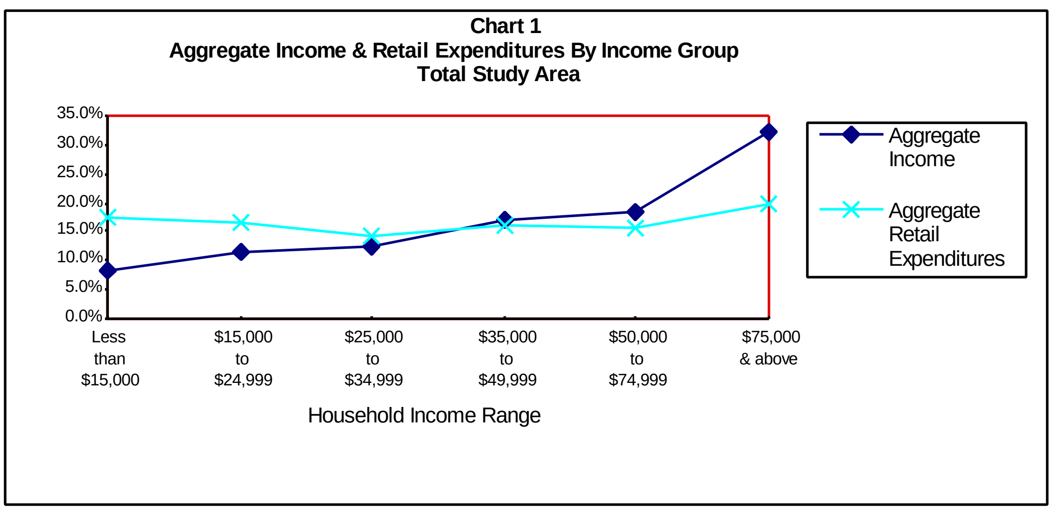
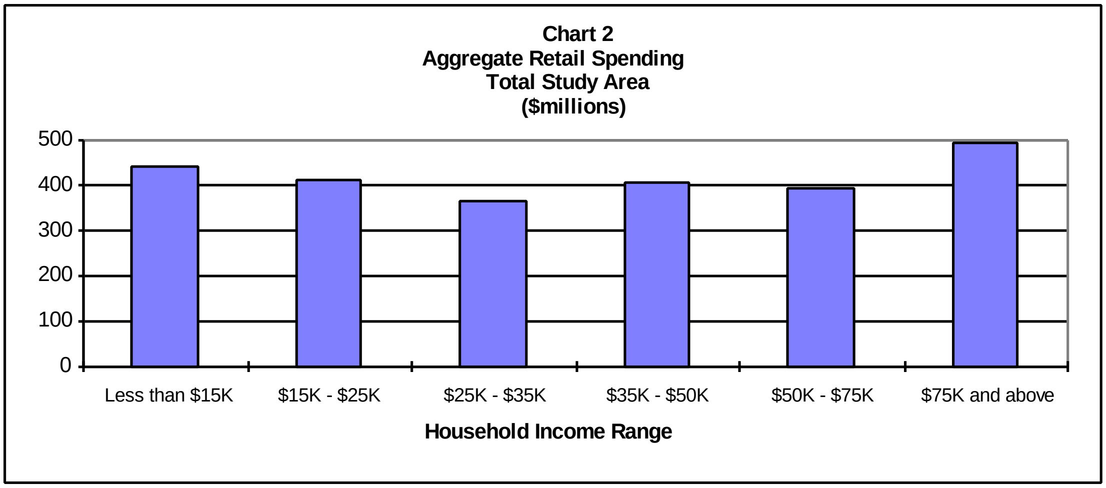



Chart 2 shows aggregate retail spending by income group for the study area. Each income group produces over $350 million in retail spending, with households earning less than $35,000 per year contributing $1.2 billion in retail expenditures, and those over $35,000 contributing $1.3 billion. Almost one half billion in retail expenditures are from households with incomes over $75,000.




## Overview Of Retail And Service Expenditure Analysis

Estimated trade area household expenditures are compared with actual sales to determine if gaps exist between the supply and demand for goods and services. If trade area businesses are not capturing all expenditures, i.e., there is leakage of expenditures from the neighborhood, there may be potential for additional businesses. Generally, capture rates less than 100% indicate gaps while capture rates over 100% usually indicate a retail or service industry has a customer base larger than the trade area and is exporting goods or services to other markets. Above or below average consumption by trade area households can also be reflected in capture rates. When gaps are present, the difference between expenditures and actual sales is the dollar amount of leakage and represents sales potential if all of the gap were captured by new or expanded businesses. Industry specific market analysis is then necessary to determine the percentage of total sales potential that can actually be captured. It is unlikely that any business, or group of businesses, can capture the entire sales potential in a market.

Capture analysis provides a general picture of the relationships between consumer demand and the existing supply of retail stores and service providers. Even in cases where a gap is found, there may be insufficient sales potential to warrant viable new businesses. On the other hand, there may be new business potential even when capture rates exceed 100% if there are unmet needs for a particular store format, product line or price range. Likewise, market analysis must consider consumer preferences of the particular market. Indeed there may be compelling reason to add stores to an area with a high capture rate if the agglomeration of retail creates a synergy drawing customers from outside the trade area.

Tables showing capture rates and potential sales were developed for both retail trade and consumer services. All major industry groups of retail trade and consumer services were studied
as well as all individual industries for which there are sales data. Forty-two retail industries and 27 service industries were included.[1] The methodology for developing estimated household expenditures is discussed in the methodology section and appendices.

## Methodology

The study's methodology was designed to match household purchasing power in each of nine markets to the existing level of sales for each retail or service industry. Industries in markets where purchasing power exceeds sales are generally losing business to other trade areas, and may be able to capture this lost spending through new or expanded business opportunities.

Reliable estimates for both consumer expenditures and current retail sales at the market or trade area level are critical for determining retail potential. REDC used a combination of government and proprietary data in developing expenditure and sales estimates for the nine markets studied. Major components of our methodology are discussed below. Additional detail is included in the appendix.

*Consumer Expenditures - Retail*

Household expenditures for the various retail and service industries were based on estimated current households in each planning district from Infomark Express of National Decision Systems, Inc. (NDS), and household income estimates developed by REDC. Reliable current income and consumer expenditure data at the sub-county level were believed to be unavailable for a period (1998) that is nine years past the 1990 census income measurement. REDC utilized national data by income level to estimate household incomes at the planning district level. Then spending levels for these income groups from the Bureau of Labor Statistic's Consumer Expenditure Survey were used to estimate consumption for each planning district.

*Consumer Expenditures - Household Services*

The methodology used for retail trade was not suitable for household services due to

[1] SIC codes 52 through 59 for Retail Trade, and 72, 7342, 753, 76, 78, and 79 for Consumer Services.

data limitations and the classification system used by the Consumer Expenditure Survey (CES). Rather than using the CES approach, average 1998 expenditures per household were calculated by adjusting Memphis MSA sales from the 1992 Census of Service Industries by the change in the Consumer Price Index, and dividing by estimated 1992 MSA households.

*Retail and Service Industry Sales*

Sales estimates are from the Business Facts Database compiled by National Decision Systems, Inc. (NDS) and are based on a combination of credit reporting data, S.E.C. filings and sales estimates based on the number of employees at a specific location. National Decision Systems provided business data to REDC for each of the nine market areas based on the census tracts contained within each planning district. REDC then sorted the database by Standard Industrial Classification (SIC) codes to match the 69 industry groups included in the study. REDC reviewed each business in the NDS database to eliminate observable errors in sales estimates or industry classification.

## Economic and Social Characteristics of Midtown Memphis

The Midtown Planning District is centrally located in our study area, and it shares boundaries with all other planning districts in the study with the exception of Frayser and Whitehaven. Boundaries of the Midtown Planning District are I-240 and Bellevue on the west, Vollintine and Jackson on the north, the IC Railroad on the east and South Parkway to the south.

Midtown's population density of 5,054 persons / square mile is the highest in Shelby County. Total population in the Midtown Planning District is essentially unchanged since the 1980 Census, yet households show an estimated decline of 7.4%. Current estimates of the number of households are based heavily on the trend between the 1980 and 1990 censuses. Presumptive evidence may indicate that the decline in households has reversed. Close to 600 building permits for new housing units were issued for Midtown between 1980 and 1996, with 177 single family units permitted between 1990 and 1996. Likewise, continued reconstruction in the Evergreen Historic District and housing investment in Central Gardens, Cooper-Young, and other areas are stabilizing influences for Midtown Memphis.

Median household income in Midtown ($30,647) is 18% below the median for Shelby County, yet the percentage of households with incomes greater than $75,000 is very close to the county's percentage. Midtown's high population density results in the highest aggregate income per square mile in Shelby County. Midtown's $96 million / square mile is slightly above that of the more affluent Walnut Grove Planning District in East Memphis.

Midtown's median age of 36 is above the county median due to a smaller proportion of children and higher proportions of young adults and persons over age 65. Midtown has the highest percentage of non-family households in Shelby County, 26.5% versus a county average of 13.2%. Racially, Midtown mirrors the county's mix of White and African American households.

Education levels are high in Midtown with 30% of residents over age 25 having a college degree, compared with a county average of 21%. Consequently, the proportion of persons employed in professional, executive and managerial professions is higher than Shelby County as a whole, 32.5% versus 26.8%. Approximately 7,300 or 14.7% of Midtown residents were enrolled in college in 1990, reflecting Rhodes and Christian Brothers campuses, and University of Memphis students. Overall approximately 60% of Midtown residents over age 18 have attended, or are attending, post secondary education.

**Table 1**
**Population and Household Trends of Midtown**
**1980, 1990, and 1997 Estimate**

| | 1980 | 1990 | 1997 Estimate | % Change 1980-90 | % Change 1990-97 |
|---|---|---|---|---|---|
| **Total Population** | 49,785 | 47,940 | 47,481 | (3.7%) | (1.0%) |
| **Households** | 22,120 | 20,904 | 20,480 | (5.5%) | (2.0%) |

Note: Tables 1 & 3 reflect a decrease of 1,600 for the 1990 and 1997 group quarters population allocated to this planning district from the University Planning District in the 1990 Census. This change does not impact households.

Source: National Decision Systems, 1997

**Table 2**
**Income Characteristics of Midtown and Shelby County**
**1998 Estimates**

| | Midtown | Shelby County | Midtown Over/(Under) Shelby County |
|---|---|---|---|
| **Median Household Income** | $30,647 | $37,362 | (18.0%) |
| **Mean Household Income** | $46,002 | $51,704 | (11.0%) |
| **Households by Income:** | | | |
| **Under $15,000** | 28.4% | 22.9% | 5.5 |
| **$15,000 to $34,999** | 32.2% | 28.6% | 3.6 |
| **$35,000 to $74,999** | 24.3% | 32.3% | (8.1) |
| **$75,000 or More** | 15.0% | 16.1% | (1.1) |

Source: National Decision Systems, 1997, and REDC Estimate, 1998

**Table 3**
**Demographic Characteristics of Midtown and Shelby County**
**1997 Estimates**

| | Midtown | Shelby County | Midtown Over/(Under) Shelby County |
|---|---|---|---|
| **Persons by Age:** | | | |
| **0-9** | 12.5% | 16.8% | (4.2) |
| **10-17** | 7.8% | 10.9% | (3.1) |
| **18-34** | 30.0% | 25.5% | 4.5 |
| **35-64** | 34.9% | 36.2% | (1.3) |
| **65 and Over** | 14.7% | 10.6% | 4.1 |
| **Median Age** | 36.2 | 33.0 | (3.2) |
| **Persons by Race:** | | | |
| **White** | 54.8% | 54.9% | 0.0 |
| **Black** | 42.4% | 43.5% | (1.2) |
| **Other** | 2.8% | 1.6% | 1.2 |
| **Female Headed Households w/ Children (1990)** | 38.9% | 33.2% | 5.7 |
| **% Owner Occupied Housing Units (1990)** | 46.1% | 59.6% | (13.4) |
| **% Households w/ No Vehicle (1990)** | 16.4% | 13.9% | 2.5 |

Source: National Decision Systems, 1997

*Characteristics of Areas Within Midtown*

Midtown has a heterogeneous population with significant variations in income, household composition and ethnicity. The area north of Poplar is similar to Shelby County as a whole on many statistical measures. This area of almost 18,000 residents has median and average incomes slightly below the county, and property values are slightly above the median for Shelby County. Population has been stable since 1980, but households have declined 8.5% to 6,941. Neighborhoods between East Parkway and the IC Railroad, principally Binghampton, have lower incomes than most other areas north of Poplar. Median household income is $21,000 for these 750 households. Households in this area declined about 5% during the 1980's but there has been new housing construction recently.

Midtown between Poplar and the L&N Railroad (south of Central Avenue) has a mix of apartment dwellers and middle to upper income home owners. Almost two-thirds of this area's 9,600 households rent in multi-unit buildings, however, the median value of single family residences exceeds $100,000. The area's median income of $33,000 is the same as found north of Poplar but greater income dispersion is present between Poplar and the L&N Railroad. This area is 76% White, 20% African American and at 4% has a relatively large Asian population for Memphis. From 1980 to the present the number of households declined 2.7% which is a significantly smaller decline than other areas of Midtown. Population declined by 1.3% during the same period.

Neighborhoods south of the L&N Railroad have lower median incomes ($16,000 to $27,000) than the balance of Midtown. The area has over 4,400 households, representing a 14.7% decline since 1980, however, the estimated population of 14,465 has remained relatively stable with only a 1.7% decline. This low population decline is misleading in that a reported population gain of 2,301 in Census Tract 66, which includes CBU, masks a population decline of 2,477 in the balance of this area.[2] Neighborhoods south of the railroad are predominately African American (71%) and consist of family households (71%). Home ownership is 55%.

## Retail Profile of Midtown

Midtown has over 550 retail establishments with total annual sales of $538 million. Map 2 illustrates concentrations of retail parcels along major streets. The distribution of sales roughly

---

[2] The 1990 Census of Population mistakenly assigned at least some University of Memphis dormitory residents to Census Tract 66. The exact magnitude of this error is not known but it is logically sufficient to distort the estimated population decline in Midtown. Households were not affected as the error was limited to a group quarters population. Population tables in this report show our best estimates for correcting this error, based on historical data from The University of Memphis and CBU.

follows the location of retail parcels with Poplar Avenue being the most notable exception. Fifty-seven percent of retail sales in Midtown are from businesses located on Union, Madison and Poplar Avenues, with Union and Madison forming a unified retail corridor. Sales along Poplar Avenue are highly concentrated due to two large supermarkets and substantial public and residential development.

Midtown has a diverse retail base with representation in most major categories of retail trade. It serves a regional market in restaurants, specialty retail and entertainment. Food Stores are the largest retail category in Midtown with sales of $188 million representing 35% of all retail sales included in our sales estimates. Eating & Drinking Establishments follow with $90 million in sales, aided by entertainment districts including Overton Square and Cooper-Young.

The Crosstown / Sears area is one of the City's oldest shopping districts, and for many years was the only regional shopping center outside downtown. With the closing of Sears, Crosstown has lost its regional status, but has remained strong in retail sales by serving the surrounding neighborhoods with convenience goods. This area, principally along North Cleveland, has an estimated retail sales base of $83 million with over half of these sales attributed to the Kroger at Poplar and Cleveland.

Midtown's largest retail concentration is now along Madison and Union Avenues. This commercial corridor has approximately $210 million in retail sales. Food stores account for $70 million, followed by restaurants with over $45 million. Overton Square accounts for about $20 million of retail sales. Since the 1950's Midtown's retail nucleus has shifted from Crosstown to the Madison / Union corridor, reflecting the shift from public transportation to private automobile use, land availability, and the generally eastward movement of the Memphis population.[3]

A strong supermarket presence is found in the Mid City Shopping Center where Piggly Wiggly, fronting on Madison, and Megamarket on Poplar garner almost $70 million in grocery trade. The shopping center has a drug store but only a few other businesses that can benefit from the large customer base generated by two large supermarkets.

The Central Avenue / Cooper-Young area has over 60 retailers with many specialized stores

---

[3] Based on comparison of retail parcels from 1954 map by Sisco (The Retail Function of Memphis) and current map generated from Shelby County Tax Assessor data. Historically, Cleveland Street has been a major crosstown bus route, whereas Union has the highest traffic counts and retail development in Midtown due in large measure to its east/west orientation.

appealing to a regional customer base. One-third of the stores in this area are antique shops, and some specialization also occurs in art galleries, high end audio equipment and furniture. Combined with Overton Square, these two areas generate over $60 million in retail sales with a large proportion likely coming from outside Midtown.

Summer and Broad Avenues, between Overton Park and the IC Railroad, constitute a retail node of $45 million in sales with heavy representation in building materials and home furnishings (over $35 million including Cumberland Street). This retail node is much more oriented to serving contractors and other business customers as opposed to households. However, several neighborhood businesses, including restaurants, grocery stores and others, are located along both Summer and Broad.

Several other major streets in Midtown have predominately strip developments. Jackson Avenue has $12 million in retail chiefly in three clusters near intersections with North Watkins and Evergreen, and between Trezevant and the IC Railroad. Lamar Avenue has close to $15 million in retail sales mostly between Central and Southern. These clusters have a wide mix of stores with no clear retail identity or focus. Poplar Avenue between Hollywood and the IC Railroad is predominately retail with chain restaurants accounting for $4.5 million of $11 million in sales volume.

South Bellevue between the Southern Railroad and Trigg Avenue forms a neighborhood retail center that borders the South Memphis Planning District. Piggly Wiggly and two drug stores (Walgreens and Super D) account for two-thirds of the $24 million retail sales volume. Other neighborhood businesses include restaurants and discount stores.

Midtown's high population density with heavy concentrations near the major east-west avenues allows for most households to have relative proximity to major retail centers. At least two thirds of Midtown households are within one mile of Poplar or Union Avenues. The major supermarkets and drug stores are fairly centrally located for most of the population, however, some northern and southern portions of the Midtown Planning District may not have easy access to a wide variety of retail offerings.

A rather distinct geographic pattern is observed along the South Cooper corridor, including its major cross streets. Beginning at Overton Square and continuing down to the Cooper-Young District, most retail businesses are in industries that typically draw customers from a large region rather than adjacent neighborhoods alone. These include the restaurants and specialty

**Table 4**
**Retail Trade Capture Analysis**
**Midtown Planning District**

| SIC Code | Retail Category | Plng. District Household Expenditures | Retail Sales in Plng. District | Capture Rate | Retail Sales Potential * |
|---|---|---|---|---|---|
| 52 | **Building Materials & Garden Supply** | | | | |
| 521 | Lumber & Other Building Materials Dealers | $ 4,632,803 | $ 18,000,000 | 388.5% | $ 0 |
| 523 | Paint, Glass & Wallpaper Stores | 542,581 | 13,100,000 | 2414.4% | 0 |
| 525 | Hardware Stores | 3,464,168 | 7,500,000 | 216.5% | 0 |
| 526 | Retail Nurseries & Garden Supply Stores | 751,265 | 1,300,000 | 173.0% | 0 |
| | Total Bldg. Matls. & Garden Supply | 9,390,817 | 39,900,000 | 424.9% | 0 |
| 53 | **General Merchandise Stores** | | | | |
| 531 | Department Stores (Excl. Leased Depts.) | 47,914,035 | 2,900,000 | 6.1% | 45,014,035 |
| 533,9 | Variety & Discount General Mdse. Stores | 14,107,094 | 700,000 | 5.0% | 13,407,094 |
| | Total General Merchandise | 62,021,129 | 3,600,000 | 5.8% | 58,421,129 |
| 54 | **Food Stores** | | | | |
| 541 | Grocery, Supermarket & Convienence Stores | 73,790,953 | 174,640,000 | 236.7% | 0 |
| 542 | Meat & Seafood Markets | 709,528 | 1,300,000 | 183.2% | 0 |
| 543 | Fruit & Vegetable Markets | 918,213 | 6,800,000 | 740.6% | 0 |
| 546 | Retail Bakeries | 626,054 | 300,000 | 47.9% | 326,054 |
| 544,5,9 | Other Food Stores | 459,107 | 4,800,000 | 1045.5% | 0 |
| | Total Food Stores | 76,503,856 | 187,840,000 | 245.5% | 326,054 |
| 55 ex. 554 | **Automotive Dealers** | | | | |
| 551,2 | New & Used Car Dealers | 84,726,038 | 8,500,000 | 10.0% | 76,226,038 |
| 553 | Auto & Home Supply Stores | 6,427,493 | 18,600,000 | 289.4% | 0 |
| 555,6,7,9 | Miscellaneous Automotive Dealers | 3,005,061 | 0 | 0.0% | 3,005,061 |
| | Total Automotive | 94,158,591 | 27,100,000 | 28.8% | 79,231,099 |
| 554 | **Gasoline Service Stations** | 37,521,531 | 19,860,000 | 52.9% | 17,661,531 |

**Table 4**
**Retail Trade Capture Analysis**
**Midtown Planning District**

| SIC Code | Retail Category | Plng. District Household Expenditures | Retail Sales in Plng. District | Capture Rate | Retail Sales Potential * |
|---|---|---|---|---|---|
| 56 | **Apparel & Accessory Stores** | | | | |
| 561 | Men's & Boy's | 3,923,275 | 400,000 | 10.2% | 3,523,275 |
| 562,3 | Women's Clothing & Specialty | 10,350,767 | 4,300,000 | 41.5% | 6,050,767 |
| 565 | Family Clothing Stores | 4,924,962 | 0 | 0.0% | 4,924,962 |
| 566 | Shoe Stores | 5,050,173 | 600,000 | 11.9% | 4,450,173 |
| 564 | Children & Infants | 542,581 | 200,000 | 36.9% | 342,581 |
| 569 | Other Apparel & Accessory | 542,581 | 1,900,000 | 350.2% | 0 |
| | Total Apparel | 25,334,337 | 7,400,000 | 29.2% | 19,291,757 |
| 57 | **Furniture & Home Furnishings** | | | | |
| 5712 | Furniture Stores | 8,347,393 | 17,700,000 | 212.0% | 0 |
| 5713,4,9 | Homefurnishing Stores | 5,217,121 | 13,900,000 | 266.4% | 0 |
| 572 | Household Appliances | 1,168,635 | 5,400,000 | 462.1% | 0 |
| 5731 | Electronics (Radio & TV) | 4,507,592 | 4,500,000 | 99.8% | 7,592 |
| 5734 | Computer & Software Stores | 1,335,583 | 16,000,000 | 1198.0% | 0 |
| 5735 | Records & Tapes | 1,502,531 | 5,800,000 | 386.0% | 0 |
| 5736 | Musical Instruments | 417,370 | 5,700,000 | 1365.7% | 0 |
| | Total Furniture & Home Furnishings | 22,496,224 | 69,000,000 | 306.7% | 7,592 |
| 58 | **Eating & Drinking Places** | | | | |
| 5812 | Eating Places | 38,523,218 | 87,200,000 | 226.4% | 0 |
| 5813 | Drinking Places | 1,085,161 | 3,000,000 | 276.5% | 0 |
| | Total Eating & Drinking Establishments | 39,608,379 | 90,200,000 | 227.7% | 0 |
| 591 | **Drug & Proprietary Stores** | 20,325,902 | 31,800,000 | 156.5% | 0 |

**Table 4**
**Retail Trade Capture Analysis**
**Midtown Planning District**

| SIC Code | Retail Category | Plng. District Household Expenditures | Retail Sales in Plng. District | Capture Rate | Retail Sales Potential * |
|---|---|---|---|---|---|
| 59 ex. 591 | **Miscellaneous Retail** | | | | |
| 592 | Liquor Stores | 4,340,644 | 3,900,000 | 89.8% | 440,644 |
| 593 | Used Merchandise & Antiques | 1,836,426 | 7,300,000 | 397.5% | 0 |
| 5941 | Sporting Goods | 2,003,374 | 3,600,000 | 179.7% | 0 |
| 5942 | Book Stores | 2,545,955 | 1,900,000 | 74.6% | 645,955 |
| 5944 | Jewelry Stores | 3,130,272 | 500,000 | 16.0% | 2,630,272 |
| 5945 | Hobby, Toy & Game Shops | 2,086,848 | 1,500,000 | 71.9% | 586,848 |
| 5947 | Gift, Novelty & Souvenir Shops | 1,419,057 | 2,400,000 | 169.1% | 0 |
| 5949 | Sewing, Needlework & Piece Goods | 793,002 | 300,000 | 37.8% | 493,002 |
| 5992 | Florists | 1,252,109 | 4,800,000 | 383.4% | 0 |
| 5995 | Optical Goods | 834,739 | 400,000 | 47.9% | 434,739 |
| 5943,46,93,94, 99 | Other Miscellaneous Retail | 4,048,486 | 34,200,000 | 844.8% | 0 |
| | Total Miscellaneous Retail | 24,290,913 | 60,800,000 | 250.3% | 5,231,461 |
| | **Total Retail** | $ 411,651,679 | $ 537,500,000 | 130.6% | $ 180,170,623 |

* Retail sales potential for major categories (2 digit bold headings) represents the sum of the 3 or 4 digit sub-category sales potential.

Note:
The following retail industries are not included in our analysis: Manufactured Homes (SIC 527), Mail Order Houses (SIC 5961), Vending Machine Operators (SIC 5962), Direct Selling Establishments (SIC 5963) and Fuel Oil & LP Gas Dealers (SIC 598).

**Table 4**
**Retail Trade Capture Analysis**
**Midtown Planning District**

| SIC Code | Retail Category | Plng. District Household Expenditures | Retail Sales in Plng. District | Capture Rate | Retail Sales Potential * |
|---|---|---|---|---|---|
| 59 ex. 591 | **Miscellaneous Retail** | | | | |
| 592 | Liquor Stores | 4,340,644 | 3,900,000 | 89.8% | 440,644 |
| 593 | Used Merchandise & Antiques | 1,836,426 | 7,300,000 | 397.5% | 0 |
| 5941 | Sporting Goods | 2,003,374 | 3,600,000 | 179.7% | 0 |
| 5942 | Book Stores | 2,545,955 | 1,900,000 | 74.6% | 645,955 |
| 5944 | Jewelry Stores | 3,130,272 | 500,000 | 16.0% | 2,630,272 |
| 5945 | Hobby, Toy & Game Shops | 2,086,848 | 1,500,000 | 71.9% | 586,848 |
| 5947 | Gift, Novelty & Souvenir Shops | 1,419,057 | 2,400,000 | 169.1% | 0 |
| 5949 | Sewing, Needlework & Piece Goods | 793,002 | 300,000 | 37.8% | 493,002 |
| 5992 | Florists | 1,252,109 | 4,800,000 | 383.4% | 0 |
| 5995 | Optical Goods | 834,739 | 400,000 | 47.9% | 434,739 |
| 5943,46,93,94, 99 | Other Miscellaneous Retail | 4,048,486 | 34,200,000 | 844.8% | 0 |
| | Total Miscellaneous Retail | 24,290,913 | 60,800,000 | 250.3% | 5,231,461 |
| | **Total Retail** | $ 411,651,679 | $ 537,500,000 | 130.6% | $ 180,170,623 |

* Retail sales potential for major categories (2 digit bold headings) represents the sum of the 3 or 4 digit sub-category sales potential.

Note:
The following retail industries are not included in our analysis: Manufactured Homes (SIC 527), Mail Order Houses (SIC 5961), Vending Machine Operators (SIC 5962), Direct Selling Establishments (SIC 5963) and Fuel Oil & LP Gas Dealers (SIC 598).

number of specialty food stores, including vegetable markets and health food stores, also contribute to the high level of food store sales. The only gap in food stores is in bakeries, however, bakery sales from the larger supermarkets likely fill this small gap.

*Automotive Dealers*

A large gap is noted in New & Used Car Dealers. In the past Union Avenue was known as automobile row, but dealerships have relocated to clusters primarily in east Shelby County in recent years. Land requirements for large dealerships mitigate against locations in Midtown. Retail potential in Miscellaneous Auto Dealers, which includes RV's, boats, etc. , likewise would require large parcels of land.

*Gasoline Service Stations*

A significant gap is found in gas stations but 23 gas stations and convenience stores are located throughout Midtown along major thoroughfares.[4]

*Apparel & Accessory Stores*

Significant gaps are found in most categories of apparel and total over $19 million. Women's clothing has the largest presence in Midtown with 19 small shops, however, this category also has the largest retail potential of over $6 million. Family Clothing, with no stores, has a gap of almost $5 million. Men's apparel is represented by only one store, and only two shoe stores are located in Midtown. Other Apparel is the only category with adequate representation, owing to six custom tailors.

*Furniture & Home Furnishings*

Our capture analysis for Furniture & Home Furnishings categories reveals no gaps, however, further review of the specific stores in Midtown does indicate retail potential may in fact exist.

The furniture stores category shows a capture rate of 266%, however, only $6.7 million of the $17.7 million sales of this category are from finished furniture, with the $11 million balance coming from custom furniture and cabinet makers, which are classified as furniture stores under the SIC system. Adjusting our capture analysis for the high incidence of custom furniture, reveals retail potential of $1.6 million for finished furniture. Furthermore, of the

[4] Sales potential for gas stations in high traffic areas such as Midtown may be overstated due to the use of employment data in estimating existing sales. Businesses where employees only serve as cashiers can experience significant increases in sales volumes before additional staff is required.

stores selling furniture, only one, Heileg-Meyers, offers general purpose lines. Other furniture stores are more specialized in casual furniture, bedding, futons, etc. Altogether, retail potential of at least $2 million or more is likely present in Midtown.

A similar situation is encountered with electronics. Audio equipment accounts for most of the $4.5 million in electronics sales. One small store specializing in televisions may leave a significant gap in consumer electronics.

Computer & Software stores show an extremely high capture rate, however, this may be misleading as many of these stores are oriented towards business customers. Radio Shack is the only store recognized as serving a large base of household consumers. Musical instruments also have a very high capture due to two stores that draw customers from throughout the Memphis area.

*Eating & Drinking Places*

In addition to area residents, Midtown restaurants and bars serve a large volume of customers who come for entertainment, as well as those who work in Midtown. These factors account for the high capture rate for eating and drinking establishments.

*Drug & Proprietary Stores*

A capture rate of over 150% indicates no retail potential for drug stores. Midtown has representation by three major drug store chains, with Walgreens alone having five stores.

*Miscellaneous Retail*

Capture analysis shows that overall Midtown serves a large market in the miscellaneous retail category, as might be expected considering its central location and regional draw. Several categories contribute to this strength including office supplies ($10.1 million) and telephone equipment ($7.8 million) in addition to antique shops, florists and sporting goods stores and others shown in Table 4. Other significant concentrations in miscellaneous retail include art ($4.3 million including both galleries and print shops) and pet stores at $2.5 million.

Nevertheless, a few categories have gaps between supply and expected demand, including jewelry stores, book stores and sporting goods. Filling these retail gaps may provide opportunity for a few smaller stores, however, capitalizing on the strength of those categories with high capture rates may afford greater retail potential. Given Midtown's regional attraction in both specialty retail and entertainment/dining, it should be possible to significantly increase capture of the regional market in selected categories of miscellaneous retail. Jewelry, books, hobby and gifts, along with art and others, may have potential from a retail agglomeration strategy. Unified shopping districts such as Overton Square and Cooper-Young will substantially increase the sales potential of new specialty stores.

## Service Industry Analysis

Service industries serving the frequent needs of Midtown households are generally meeting demand, with some services serving a much wider market. However, sales potential is found in several categories. Table 5 shows capture rates and retail potential for household related service establishments.

*Personal Services*

Potential may exist for additional photographic studios even though four small studios are located in Midtown. Funeral homes show a small gap, however, the dominant business in this category (M. J. Edwards) is located on Airways Boulevard, potentially leaving room for another establishment elsewhere in Midtown. It is noted that a sizable funeral home recently left the Midtown market.

*Automotive Repair & Services*

High capture is found in auto mechanical repair with over 25 businesses in these categories, however, significant gaps are present in body repair and glass ($2.6 million) and tires ($600,000).

*Miscellaneous Repair Services*

A particularly high capture rate in Refrigeration & Air Conditioning Repair is attributable to one large business. By contrast, high capture in Re-upholstery & Furniture Repair is due to a concentration of 15 establishments in Midtown. The only significant potential is found in pest control services.

*Amusement & Recreation*

Business potential totaling over $2.2 million is found in Amusement & Recreation industries. The largest single category potential is in movie theaters, and this gap will be filled with the completion of the Malco Theater in Overton Square. Additional recreation businesses, coupled with compatible retail categories such as restaurants and specialty retail, may help increase the regional attraction of Midtown.

# Table 5
# Service Industry Capture Analysis
# Midtown Planning District

| SIC Code | Service Industry Category | Plng. District Household Expenditures | Service Industry Sales in Plng. District | Capture Rate | H'hld. Service Industry Sales Potential * |
|---|---|---|---|---|---|
| **72** | **Personal Services** | | | | |
| 7211,2,6 | Dry Cleaners | $ 2,729,720 | $ 4,386,000 | 160.7% | $ 0 |
| 7215 | Coin-Op Laundries | 223,064 | 679,000 | 304.4% | 0 |
| 722 | Photographic Studios | 545,792 | 246,000 | 45.1% | 299,792 |
| 7231,41 | Beauty & Barber Shops | 3,201,881 | 7,883,000 | 246.2% | 0 |
| 7251 | Shoe Repair Shops | 110,167 | 224,000 | 203.3% | 0 |
| 7261 | Funeral Homes | 1,560,303 | 1,442,000 | 92.4% | 118,303 |
| 7291 | Tax Return Preparation | 283,385 | 616,000 | 217.4% | 0 |
| | Total Personal Services | 8,654,312 | 15,476,000 | 178.8% | 418,095 |
| **753** | **Automotive Repair & Services** | | | | |
| 7532 | Auto Body Repair | 4,068,166 | 2,157,000 | 53.0% | 1,911,166 |
| 7533 | Exhaust Systems Repair | 458,319 | 1,069,000 | 233.2% | 0 |
| 7534 | Tire Retreading & Repair | 598,900 | 0 | 0.0% | 598,900 |
| 7536 | Auto Glass Replacement | 687,161 | 0 | 0.0% | 687,161 |
| 7537 | Transmission Repair | 697,257 | 641,000 | 91.9% | 56,257 |
| 7538 | General Auto Repair | 3,960,666 | 4,919,000 | 124.2% | 0 |
| 7539 | Auto Repair n.e.c. | 725,322 | 0 | 0.0% | 725,322 |
| 7542 | Car Washes | 729,322 | 1,145,000 | 157.0% | 0 |
| | Total Automotive Repair | 11,925,112 | 9,931,000 | 83.3% | 3,978,805 |
| **76** | **Miscellaneous Repair Services** | | | | |
| 7622 | Radio & TV Repair | 851,299 | 1,203,000 | 141.3% | 0 |
| 7623 | Refrigeration & Air Conditioning Repair | 450,826 | 5,615,000 | 1245.5% | 0 |
| 763 | Watch, Clock & Jewelry Repair | 50,670 | 0 | 0.0% | 50,670 |
| 764 | Reupholstery & Furniture Repair | 278,877 | 1,405,000 | 503.8% | 0 |
| 7342 | Pest Control Services | 1,514,458 | 900,000 | 59.4% | 614,458 |
| | Total Miscellaneous Repair Services | 3,146,131 | 9,123,000 | 290.0% | 665,128 |

**Table 5**
**Service Industry Capture Analysis**
**Midtown Planning District**

| SIC Code | Service Industry Category | Plng. District Household Expenditures | Service Industry Sales in Plng. District | Capture Rate | H'hld. Service Industry Sales Potential * |
|---|---|---|---|---|---|
| **78 & 79** | **Amusement & Recreation** | **$** | | | |
| 783 | Movie Theaters & Drive-Ins | 714,845 | 0 | 0.0% | 714,845 |
| 7841 | Video Tape Rental | 1,085,284 | 1,030,000 | 94.9% | 55,284 |
| 7911 | Dance Studios | 114,421 | 106,000 | 92.6% | 8,421 |
| 7933 | Bowling Centers | 377,995 | 0 | 0.0% | 377,995 |
| 7991 | Physical Fitness Centers | 571,025 | 693,000 | 121.4% | 0 |
| 7993 | Coin-Op Amusements | 345,295 | 152,000 | 44.0% | 193,295 |
| 7999 | Amusements, n.e.c. | 1,995,382 | 1,100,000 | 55.1% | 895,382 |
| | Total Amusement & Recreation | 5,204,248 | 3,081,000 | 59.2% | 2,245,222 |
| | Total Household Services | $ 28,929,803 | $ 37,611,000 | 130.0% | $ 7,307,251 |

* Sales potential for major categories (2 digit bold headings) represents the sum of the 3 or 4 digit sub-category sales potential.

Note:
The following service industries are not included in the above analysis: Lodging, Business Services, Healthcare, Legal Services, Education, Social Services
and Engineering, Accounting & Management Services.

## Summary

Capture analysis reveals a total retail sales potential of $180 million. Eliminating gaps in gas stations and bakeries, and including moderate sales potential for garden supply and furniture indicates retail opportunities are closer to $164 million. Automobile dealers account for $79 million of the difference between the calculated sales potential and development opportunities, leaving retail potential totaling $85 million in six of the broad retail categories. Additional retail potential may come from increasing store representation in some categories already having a regional market.

Particular population characteristics of Midtown may afford opportunities in certain types of retail. As mentioned above, Midtown has a large number of college graduates and college students. Midtown's age distribution includes higher percentages of young adults and persons over age 65 and these two age groups contribute to high percentages of both non-family households and renters. Purchasing patterns of these populations differ from "average" households, and create greater market potential for some goods and services.

Midtown's high population density, especially along the Poplar and Union corridors, is unique in Shelby County in that several hundred million dollars in consumer spending is concentrated in a relatively small area.

If new businesses were to capture only one-third of the sales potential identified above, over 140,000 square feet of retail space could be supported by Midtown residents alone. This does not include retail potential from surrounding planning districts where large gaps were found in similar retail categories. Actual retail capture would depend on types of stores, competition, regional draw and other factors, and could exceed the arbitrary 33%.

Midtown has a number of advantages that should be exploited, including central location relative to a large population, a workforce of over 40,000, plus an additional 71,000 workers in downtown and the medical center, high traffic counts, a long standing ability to attract customers from throughout the metro area for entertainment and more specialized retail, and sustained successes in residential and commercial revitalization.

## Appendix

### Study Methodology

*Consumer Expenditures - Retail*

Household expenditures for the various retail and service industries were based on estimated current households in each planning district from Infomark Express of National Decision Systems, Inc. (NDS), and household income estimates developed by REDC. Reliable current income and consumer expenditure data at the sub-county level were believed to be unavailable for a period (1998) that is nine years past the 1990 census income measurement. Estimates at the county level are considerably more likely to be reliable due to the availability of considerably more predictive data and the lessened influence of individual variables. However, a variety of different economic and demographic factors affect smaller markets, making the econometric components of step down models less accurate at the trade area or neighborhood level. Review of proprietary data at the planning district level showed income and expenditure estimates that REDC believed were possibly overestimated in some markets and underestimated in others.[1]

Rather than using proprietary estimates for income and consumer expenditures, REDC utilized national data by income level to estimate household incomes at the planning district level. Then spending levels for these income groups from the Bureau of Labor Statistic's Consumer Expenditure Survey were used to estimate consumption for each planning district.

Our estimate of household expenditures started with the number of households in each planning district for eight income groups: Less than $5,000, $5,000 to $14,999, $15,000 to $24,999, $25,000 to $34,999, $35,000 to $49,999, $50,000 to $74,999, $75,000 to $99,999, and $100,000 and above. Households per income group were 1990 census data from NDS' Infomark Express database. A three step process was then used to estimate the number of households in each income group for 1998. First, the number of households in each group was multiplied by a ratio of 1990 to 1996 change in number of households developed from national data.[2,3] The national data used was for areas inside central cities with a population of less than one million persons, the geography most closely resembling the Memphis study area. The second step extended the 1990 - 1996 compound annual rate of change to a 1998 estimate of households. The final

---

[1] The number of households per planning district was determined to be reasonable, however. 1997 NDS demographic data was used rather than 1998 due to reported problems with 1998 estimates attributable to a change in demographic modeling techniques.

[2] Money Income in the United States: 1996. Current Population Reports: Consumer Income, P60-197. Table 2: Selected Characteristics - Households by Total Money Income in 1996. Bureau of the Census, 1997.

[3] Money Income of Households, Families, and Persons in the United States: 1988 and 1989. Consumer Income, P60-172. Table 2: Selected Characteristics of Households - Households, by Total Money Income in 1989. Bureau of the Census, 1991.

step re-allocated to each income group the difference between Step 2 households and total households per planning district from NDS.

Next, aggregate income was estimated for each income group by multiplying 1998 households from the above calculation by the midpoint income for each income group. Midpoint incomes were used as a proxy for mean incomes which were not available for 1996 or 1998. Even though midpoints will distort aggregate income calculations depending on the particular income distribution curve for a planning district, sensitivity analysis revealed this distortion had only a minimal impact on the final calculation of consumer expenditures at the planning district level.

Consumer expenditure patterns were then applied to aggregate income to arrive at retail expenditures for each planning district. Consumer expenditures were based on spending as a percentage of total income for each income group from the Bureau of Labor Statistics' 1995 Consumer Expenditure Survey (CES). Household retail spending as a percent of total income was used for each of the eight income groups. Retail expenditures, as well as total spending, vary considerably over income ranges. Lower income households spend much higher proportions ( but usually not higher absolute spending) of their income on food, clothing and other retail items than do upper income households where larger proportions of income go to savings, taxes, insurance, pensions, education, and other non retail expenditures. Based on data from the Consumer Expenditure Survey, REDC estimated retail spending levels for the eight income groups. Households with incomes less than $15,000 were estimated to spend $8,000 on retail, representing a minimum spending level to provide for a household. Households in the $15,000 to $24,999 income group were estimated to spend 69.7% on retail, with the percentage of spending allocated to retail purchases declining through the income ranges to 28% for households with incomes exceeding $100,000. REDC estimates were based on percentages from the 1995 Consumer Expenditure Survey which were converted to 1998 dollars based on the CPI-U, with interpolation estimates to adjust for differences in income groupings used by CES and NDS.

Calculating household retail expenditures by individual income groups produced significantly different results for some planning districts. For the total study area, income group calculations resulted in an eight percent increase in estimated retail expenditures versus simple calculation based on mean incomes and mean retail spending as a percent of total income. Individual planning districts had variances of from +35.2% (Downtown / Medical Center) to -5.0% (University). Positive variances, i.e., retail expenditures greater than those found with the simple calculation, were associated with planning districts having lower incomes.

Numerous demographic variables in addition to income are determinants of household spending, including household composition, age distribution, home ownership, education, and ethnicity. However, household income was determined to be the best indicator for estimating expenditures in this study. These non-income variables are presented in tables at the beginning of each planning district section, and are discussed in cases where they may have a strong impact on household spending.

Total household retail expenditures were allocated to each of the 42 retail categories[4] based on local historical sales data. Retail expenditures in each planning district were allocated to SIC categories[5] based on the 1992 Census of Retail Trade's geographic area series for Shelby County. Industry allocations for each SIC level were then adjusted for the proportion of sales made by households, based on national data.[6] This step removed business to business sales from the allocation process.

*Consumer Expenditures - Household Services*

The methodology used for retail trade was not suitable for household services due to data limitations. The Consumer Expenditure Survey includes spending for services, however the CES classification system differs significantly from the SIC system, preventing an accurate allocation of expenditures to service industries. Also, less detailed data is provided for services under the CES classification. Rather than using the CES approach, average 1998 expenditures per household were calculated by adjusting Memphis MSA sales from the 1992 Census of Service Industries by the CPI-U change, and dividing by estimated 1992 MSA households.

The above simplified approach affords somewhat less accurate spending estimates for specific service industries (3 and 4 digit SIC level used in our study). Analysis of total household service industry spending for each of the nine income groups, using CES data, reveals minimal variance from composite data (less than ±5% in most cases), however, greater variance is found in the major industry groupings, i.e., Personal Services, Automobile Maintenance & Repair, and Amusement & Recreation. The greatest variances were found in Personal Services and Amusement & Recreation where spending as a percentage of income is much lower than average in households with incomes less than $20,000. However, in most planning districts, higher spending percentages by higher income households should counterbalance most of these variances without compromising the validity of the sales potential analysis. As with retail trade, numerous non-income variables are critical factors in household spending for services. Family life

---

[4] Three retail industries were not included in our study. Manufactured Homes (SIC 527) and Fuel Dealers (SIC 598) have very few businesses in Shelby County, while sales of Non-Store Retailers (SIC 596) frequently reflect national rather than local markets. New & Used Car Dealers and Miscellaneous Auto Dealers were included even though these industries tend to be highly clustered in Shelby County, and also represent infrequent purchases. They were included primarily for descriptive purposes as they constitute over 19% of household retail spending in Shelby County.

[5] The SIC system has been replaced with NAICS (North American Industrial Classification System), however, published economic census data is not yet available under NAICS. For the most part, retail categories will remain intact, however, the 1997 NAICS Manual should be consulted for cross references.

[6] <u>1992 Census of Retail Trade. Subject Series: Miscellaneous Subjects</u>. Table 33. Class of Customer by Kind of Business for the United States: 1992. Bureau of the Census, 1994.

cycle, the presence and age of children, and employment status of the wife (including part-time vs. full time work) have been shown to be strong determinants of service industry spending, along with home ownership, ethnicity and other factors.[7]

*Retail and Service Industry Sales*

Sales estimates are from the Business Facts Database compiled by National Decision Systems, Inc. (NDS) and are based on a combination of credit reporting data, S.E.C. filings and sales estimates based on the number of employees at a specific location. Estimates based on employment data is one of the few methods available to determine sales of smaller private businesses. NDS uses the American Business Information (ABI) database for business locations and employment. ABI employs a variety of data collection techniques and is believed to be 95% accurate.[8] NDS sales estimates will not be accurate for all individual businesses, however, when sales are aggregated at the industry and market levels individual differences are minimized yielding sufficiently reliable data.

National Decision Systems provided business data to REDC for each of the nine market areas based on the census tracts contained within each planning district. REDC then sorted the database by Standard Industrial Classification (SIC) codes to match the 69 industry groups included in the study.

REDC reviewed each business in the NDS database to eliminate observable errors in sales estimates or industry classification. Questionable SIC classifications or sales estimates were verified with local business directories or other sources where possible. Average store sales from public company sources were substituted for NDS estimates for a few locations of national chains. Data from non-selling locations (corporate headquarters, distribution facilities, etc.) were eliminated from the analysis. Adjustments were made in a few cases where the reviewers knew that a particular business no longer existed or that a new business had entered the market. The NDS database used in this study was from June, 1998.

An alternate approach was used for selected service industries where the NDS estimation techniques appeared to give erroneous sales data in selected industries. This was the case in industries characterized by a small number of employees (generally less than five) per location such as beauty shops, photography studios and repair shops. Aggregate industry employment by market was used to estimate sales in these industries using the Bureau of Labor Statistics' 1992 Survey of Service Industries. Sales per employee, at the appropriate industry level, from the 1992 Survey were adjusted to 1998 levels by use of the Consumer Price Index (CPI-U), then applied to industry level employment data abstracted from the NDS database to estimate industry sales.

---

[7] Soberon-Ferrer, Horacio, and Dardis, R. Determinants of Household Expenditures. Journal of Consumer Research, 17, March 1991.

[8] According to ABI sales literature. Independent assessment is not available.