2019 DOWNTOWN VALDESE RETAIL MARKET PLACE SNAPSHOT

Prepared by the NC Main Street & Rural Planning Center Staff

The purpose of the snapshot is to give Valdese baseline information for a better understanding of its current market. The NC Main Street & Rural Planning Center Staff studied the retail marketplace data within specific radii of downtown Valdese. In addition we reviewed the demographics and tapestry segmentations. These segments are based on socioeconomic and demographic compositions within the U.S. The retail leakage and surplus analysis (or Gap Analysis) examines the quantitative aspects of the community's retail opportunities. This is a first step in understanding the market potential. By reviewing the demand (retail potential) and supply (retail sales) we can:

♦ Understand how well the retail needs of local residents are being met

♦ Uncover unmet demand and possible opportunities

♦ Understand the strengths and weaknesses of the local retail sector

♦ Measure the difference between actual and potential retail sales

When consumers spend their dollars outside these specific radii of downtown Valdese this is known as "Retail Leakage" referred to as **Leakage** throughout the report. Leakage indicates an **unmet demand in the trade area**. This suggests the possibility the community can support additional retail for that business type. Residents within the specified primary trade areas are purchasing products outside of the trade areas indicating opportunity to capture those dollars within the downtown district from either a specific trade area with the most leakage or multiple areas within a reasonable distance of downtown. (Leakage is shown as a **positive value in green** when reviewing the ESRI data.)

Retail Surplus means the community's trade area is **capturing the local market plus attracting non-local shoppers**. Surplus doesn't necessarily imply that the community can't support additional businesses, but rather the community has possibly developed strong clusters of retail including eating and drinking establishments that have broad geographical appeal. (Surplus is shown as a **negative value in red** when reviewing the ESRI data.)

We also consider the Leakage/Surplus Factor. When the number is positive (green) at **50 or above** there is a possibility of being able to support a business or business expansion in a particular retail segment. Likewise numbers **below negative 50 (in red)** could indicate that while there is surplus it is not so great as to hinder additional retail in that segment.

Before drawing conclusions about potential business expansion or recruitment opportunities qualitative considerations from additional sources should be more closely studied such as additional information from ESRI data or sources the county or regional economic development office may have. Downtown rental rates, demographics, etc. should also be considered. This report is based on the data only within the ESRI on-line business analysis and should serve as a starting point for your Economic Vitality committee.

We highly encourage you to review this report with the raw ESRI data at hand and to follow-up with consumer surveys. The NC Main Street and Rural Planning Center can share examples of consumer surveys and assist with this process as needed.

Photos from NC Main Street Center files.

Downtown Valdese Trade Areas

Site Map

100 Main St W, Valdese, NC, 28690
Ring: 0.5, 3, 10 Miles

Latitude: 35.74346
Longitude: -81.56267
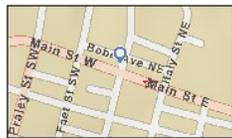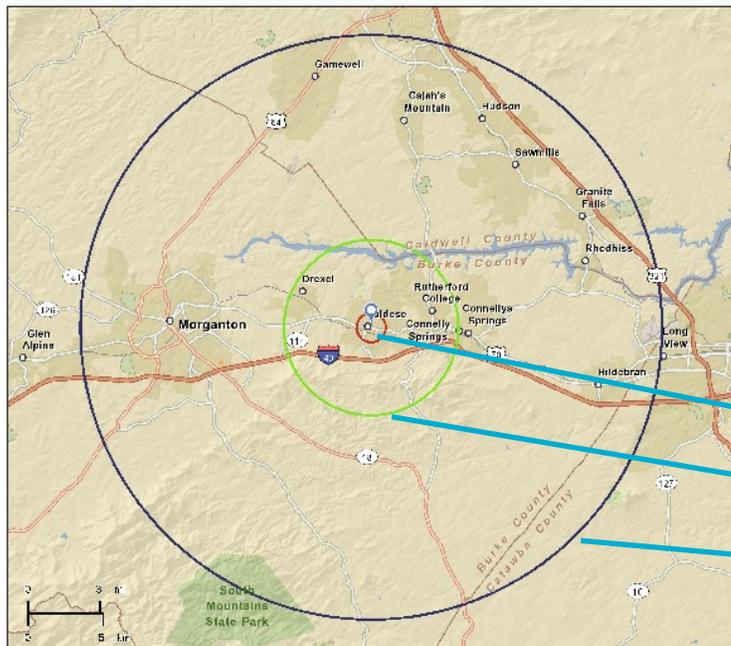
When the Retail Market Study was done in 2013 we used 0.5 mile radius, which is downtown Valdese, a three and 10 mile radius. In 2019 we decided to compare the same radii to compare the data. We also decided to take a look at a 5 minute, a 10 minute and a 15 minute drive time from downtown Valdese and found that the three mile radius and the 10 minute drive times are fairly comparable in numbers. Page three explains the retail surplus/ leakage for the 0.5 mile-10 mile radius and the changes.

0.5 mile radius

3 mile radius

10 mile radius

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15 minute drive time

5 minute drive time

10 minute drive time

What's changed since 2012? In 2012 the **demand for the 0.5 mile radius was $10,847** for Total Retail Trade and Food & Drink and in 2017 that number **increased to nearly $21,993,484**. This means downtown Valdese is capturing nearly twice the retail potential (demand) amount.

What has **significantly changed since 2012 is within the 10 mile radius**. In **2012 the retail leakage was over $154 million** and in 2017 **retail surplus of over $90.5 million**. That same area is now capturing more sales than demand. The surplus is not excessive indicating a potential market in which to continue to build upon. Interestingly *Furniture and Home Furnishings* surplus went from $40+ million in 2012 to over $97.7 million in 2017 while leakage in *Electronics & Appliances* went from just over $12 million in 2012 to a little over $15.4 million in 2017. Another interesting category is *Building Materials, Garden Equip. & Supply Stores*. In **2012 there was retail surplus** in the 10 mile radius of over $5 million, in **2017 there is retail leakage**, more sales going out of the area, of over $16 million. The challenge with the 10 mile radius and the 15 minute drive times is competition from neighboring cities and access to I-40, highway 321 and to some extent highway 64 as these roads lead to other shopping destinations.

The **three mile radius and 10 minute drive time should be the target market area for downtown retailers**. These are the most realistic areas from which to cultivate downtown shoppers. Comparing the three mile and 10 minute radius makes more sense and to a point confirms that the three mile radius is probably the most realistic target market for downtown Valdese. Retail leakage within the **three mile** radius **in 2012** was **over $57 million** and **in 2017** that retail leakage was **reduced to $23.5 million** nearly cut in half from 2012. Meaning actual sales are getting closer to the demand. On page 4 Table B shows current retail leakage for a three mile radius and Table C a 10 minute drive time with retail leakage of over $23.6 million. The tables below are the **total** Industry Summary for the three mile radius from 2012 and 2017 as well as compares the three mile radius to the 10 minute drive time. On page 4, there is a 2012 and 2017 retail leakage table as well as the 2017 10 minute drive time radius for specific retail categories. We did not include the data from the other radii deciding to focus on the area with the most potential. The complete data sets are available upon request to the Valdese Main Street Director/Tourism Director.

Industry Summary 2012 3 Mile Radius	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/ Surplus Factor	Number of Business
Total Retail Trade & Food & Drink	44-45,722	$107,187,423	$50,105,647	$57,081,776	36.3	81
Total Retail Trade	44-45	$97,628,204	$38,741,571	$58,886,633	43.2	69
Total Food & Drink	722	$9,559,219	$11,364,076	-$1,804,857	-8.6	12

Industry Summary 2017 3 Mile Radius	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/ Surplus Factor	Number of Business
Total Retail Trade & Food & Drink	44-45,722	$145,943,674	$122,399,852	$23,543,822	8.8	84
Total Retail Trade	44-45	$133,219,627	$112,095,331	$21,124,296	8.6	63
Total Food & Drink	722	$12.724,047	$10,304520	$2,419,527	10.5	21

Industry Summary 2017 10 minute drive time radius	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/ Surplus Factor	Number of Business
Total Retail Trade & Food & Drink	44-45,722	$174,962,479	$151,311,922	$23,650,557	7.2	108
Total Retail Trade	44-45	$159,628,439	$135,984,121	$23,644,318	8.0	77
Total Food & Drink	722	$15,334,040	$15,327,801	$6,239	0.0	26

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Table A **2012** Industry Summary Retail Leakage **3** mile radius of downtown Valdese		DOWNTOWN POTENTIAL			
NAICS #	Business Type	Leakage	Est. Capture 10%	Sales/SF	S/F Needed
4422	Home Furnishing	$666,489	$66,649	$300	222
443	Electronics & Appliance Stores	$356,089	$35,608	$300	119
444	Bld. Materials, Garden Equip. & Supply	$2,574,059	$257,406	$300	858
4451	Grocery Stores	$3,572,113	$357,212	$300	1191
4481	Clothing Stores	$3,302,973	330,297	$300	1101
4482	Shoe Stores	$764,691	$76,469	$300	255
4483	Jewelry, Luggage & Leather Goods	$610,789	$61,078	$300	204
446—4461	Health & Personal Care Stores	$3,113,948	$311,395	$300	1038
451	Sporting Goods, Hobby, Book & Music	$1,827,948	$182,795	$300	609
452	General Merchandise Stores	$16,718,226	$1,671,823	$300	5573
453	Miscellaneous: florist, office supply, gift	$1,787,955	$178,796	$300	1038
	TOTAL	**$35,295,284**	**$3,529,528**	**$300**	**11,765**

Table B **2017** Industry Summary Retail Leakage **3** mile radius of downtown		DOWNTOWN POTENTIAL			
NAICS #	Business Type	Leakage	Est. Capture 10%	Sales/SF	S/F Needed
4422	Home Furnishing	$1,133,630	$113,363	$300	378
443	Electronics & Appliance Stores	$2,825,932	$282,593	$300	942
444	Bld. Materials, Garden Equip. & Supply	$8,531,309	$853,131	$300	2844
4451	Grocery Stores	$8,063,664	$806,366	$300	2688
4481	Clothing Stores	$3,662,320	4366,232	$300	1221
4482	Shoe Stores	$880,281	$88,028	$300	293
4483	Jewelry, Luggage & Leather Goods	$800,356	$80,035	$300	267
451	Sporting Goods, Hobby, Book & Music	$1,255,754	$125,575	$300	419
452	General Merchandise Stores	$15,519,224	$1,551,922	$300	5173
453	Miscellaneous: florist, office supply, gift	$4,153,856	$415,386	$300	1385
722	Food Services & Drinking Places	$2,419,527	$241,953	$300	807
	TOTAL	**$49,245,853**	**$4,924,585**	**$300**	**16,415**

Table C **2017** Industry Summary Retail Leakage **10** minute drive time from downtown		DOWNTOWN POTENTIAL			
NAICS #	Business Type	Leakage	Est. Capture 10%	Sales/SF	S/F Needed
4422	Home Furnishing	$1,450,034	$145,003	$300	483
443	Electronics & Appliance Stores	$3,409,327	$340,933	$300	1136
444	Bld. Materials, Garden Equip. & Supply	$10,013,816	$1,001,382	$300	3338
445	Food & Beverage Stores	$4,445,303	$444,530	$300	1482
4481	Clothing Stores	$4,419,214	$441,921	$300	1473
4482	Shoe Stores	$1,062,581	$106,258	$300	358
4483	Jewelry, Luggage & Leather Goods	$1,021,112	$102,111	$300	340
451	Sporting Goods, Hobby, Book & Music	$1,931,980	$386,396	$300	1288
452	General Merchandise Stores	$18,126,876	$3,625,375	$300	12,085
453	Miscellaneous: florist, office supply, gift	$4,529,537	$905,907	$300	3020
	TOTAL	**$50,409,780**	**$7,499,817**	**$300**	**24,999**
	SOURCE: ESRI and Infogroup				

Valdese Demographic and Income Summary Profile

The following summarizes the demographics and income from the 10 minute drive time as this appears to be the area for the most market potential for downtown Valdese. The data from ESRI On-Line Business Analysis is from the U.S. Census Bureau and gathered in 2018.

10 minute drive time from Downtown 2018				
Population	14,604	White Alone	13,106	89.7%
Households	6,162	Black Alone	340	2.3%
Families	4,029	Hispanic Origin (Any race)	493	3.4%
Avg. Household Size	2.34	American Indian	41	0.3%
Owner Occupied Housing Units	4,110	Asian Alone	603	4.1%
Renter Occupied Housing Units	2,051	Pacific Islander Alone	15	0.1%
Median Age	46.2	Some other Race Alone	255	1.7%
Median HH Income	$43,273	Two or More Races	243	1.7%
Average HH Income	$58,428			
Median Disposable Income	$35,856			

Tapestry Segmentations Identified by ESRI On-Line Business Analyst

Tapestries provide detailed descriptions of America's neighborhoods. These segments tie directly into the demographics and income profiles of the people within a specific radius or drive time from downtown. The information is generally useful as it helps to identify a retail mix that could elevate the shopping experience. The U.S. residential areas are divided into 67 distinctive segments based on their socioeconomic and demographic composition, then further classifies the segments into LifeMode and Urbanization Groups. Each radius has numerous LifeMode groups for a total of 100%. The report identifies neighborhood segments in the area, and describes the socioeconomic quality of the immediate neighborhood. A deep dive into each Tapestry Segment's LifeMode and Urbanization Group may reveal a new retail or retail expansion opportunity that could be a good fit for downtown. Segmentation **should be studied in relationship to potential retail opportunity** along **with the Demographic and Income Profile. Take caution and remember that many other segments are within these drive times. Page 6 will only focus on profiling the top three segments within the 10 minute drive time.**

Top tapestry segments within 10 minutes of downtown Valdese			
1. Heartland Communities	55.5%	4. Southern Satellites	5.4%
2. Midlife Constants	29.9%	5. Rural Bypasses	1.9%
3. Rooted Rural	7.4%	Subtotal	100%

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Heartland Communities, LifeMode Group: GenXurban

- **Average HH Size: 2.39**
- **Median Age: 42**
- **Median HH Income: $42,400 Median Net Worth: $70,900**
- **Median home value of $95,700**
- **63% own their home; 37% rent**

Who are we? Well settled and close-knit, *Heartland Communities* are semirural and semiretired. These older householders are primarily homeowners, and many have paid off their mortgages. Their children have moved away, but they have no plans to leave their homes. Their hearts are with the country; they embrace the slower pace of life here but actively participate in outdoor activities and community events. Traditional and patriotic; these residents support their local businesses, always buy American, and favor domestic driving vacations over foreign plane trips.

Our Neighborhood:

- Rural communities or small towns are concentrated in the Midwest, from older Rustbelt cities to the Great Plains.
- Majority are married couples, more with no children, and a slightly higher proportion of singles that reflects the aging of the population.
- Residents own modest single-family homes, built before 1970.
- They own one or two vehicles; commutes are short.

Socioeconomic Traits:

- Retirees in this market depress the average labor force participation rate to less than 60%, but the unemployment rate is comparable to the US.
- More workers are white collar than blue collar, more skilled than unskilled.
- The rural economy of this market provides employment in the manufacturing, construction, utilities, healthcare, and agriculture industries.
- These are budget savvy consumers; they stick to brands they grew up with and know the price of goods they purchase. Buying American is important.
- Daily life is busy, but routine. Working on the weekends is not uncommon.
- Residents trust TV and newspapers more than any other media.
- Skeptical about their financial future, they stick to community banks and low-risk investments.

Market Profile: (consumer preferences are estimated from data by GfK MRI)

- Traditional in their ways, residents of *Heartland Communities* choose to bank and pay their bills in person and purchase insurance from an agent.
- Most have high-speed Internet access at home or on their cell phone but aren't ready to go paperless.
- Many residents have paid off their home mortgages but still hold auto loans and student loans. Interest checking accounts are common.
- To support their local community, residents participate in public activities.
- Home remodeling is not a priority, but homeowners do tackle necessary maintenance work on their cherished homes and they have invested in riding lawn mowers to maintain their larger yards.
- They enjoy country music and watch CMT.
- Motorcycling, hunting, and fishing are popular; walking is the main form of exercise.
- To get around these semirural communities, residents prefer domestic trucks or SUVs.

Midlife Constants, LifeMode Group: GenXurban

♦ **Average HH Size: 2.31**
♦ **Median Age: 47**
♦ **Median HH Income: $53,200 Median Net Worth: $138,300**
♦ **Median home value of $154,100**
♦ **73% own their home; 27% rent**

Who are we? Seniors or approaching retirement, with below average labor force participation and above average net worth. Located predominantly in metropolitan areas, they live outside the central cities, in smaller communities. Their lifestyle is more county than urban. They are generous, but not spendthrifts.

Our Neighborhood:

♦ Older homes (most built before 1980) found in the suburban periphery
  of smaller metropolitan markets.
♦ Primarily married couples, with a growing share of singles.
♦ Settled in neighborhoods with slow rates of change and residents that have lived in the same house for years.
♦ Single-family homes, less than half still mortgaged, with a median home value of $154,100.

Socioeconomic Traits:

♦ Education: 63% highs school diploma or some college.
♦ Unemployment lower in this market at 4.7% but so is the labor force participation rate.
♦ Almost 42% of household receiving Social Security; 275 also receive retirement income.
♦ Traditional, not trendy; opt for convenience and comfort, not cutting-edge. Technology has its uses, but the bells and whistles are a bother.
♦ Attentive to price, but not at the expense of quality, they prefer to buy American and natural products.
♦ Radio and newspapers are the media of choice (after television).

Market Profile: (consumer preferences are estimated from data by GfK MRI)

♦ Prefer practical vehicles like SUVs and trucks (domestic).
♦ Sociable, church-going residents belonging to fraternal orders, veterans' clubs and charitable organizations and do volunteer work and fund-raising.
♦ Contribute to arts/cultural, educational, health and social services organizations.
♦ DIY homebodies that spend on home improvement and gardening.
♦ Media preferences: country or movie channels.
♦ Leisure activities include movies at home, reading, fishing, and golf.

Rooted Rural, LifeMode Group: Rusted Outposts

♦ **Average HH Size: 2.48**
♦ **Median Age: 45**
♦ **Median HH Income: 42,300 Median Net Worth: $92,500**
♦ **Median home value: $112,800**
♦ **80% own their home; 20% rent**

Who are we? Rooted Rural is heavily concentrated in the Appalachian mountain range as well as in Texas and Arkansas. Employment in the forestry industry is common, and rooted Rural residents live in many of the heavily forested regions of the country. Nearly 9 of 10 residents are non-Hispanic whites. This group enjoys time spent outdoors, hunting, fishing, or working in their gardens. Indoors, they enjoy watching television with a spouse and spending time with their pets. When shopping, they look for American-made and generic products. These communities are heavily influenced by religious faith, traditional gender roles, and family history.

Our Neighborhood:
♦ Dominated by married couples, few with children at home.
♦ 80% of homes are owner occupied; primarily single family (73%) or mobile homes (24%)
♦ Nearly one in five housing units are vacant, with a high proportion for seasonal use.
♦ Home values are very low-almost half of owned homes are valued under $100,000.

Socioeconomic Traits:
♦ Thrifty shoppers that use coupons frequently and buy generic goods.
♦ Far-right political values on religion and marriage.
♦ Do-it-yourself mentality; grow their own produce and work on their cars and ATVs.
♦ Pay bills in person and avoid using the Internet for financial transactions.
♦ Often find computers and cell phones too complicated and confusing.
♦ Clothes a necessity, not a fashion statement; only buy new clothes when old clothes wear out.
♦ Unemployment below the US at 5.2%; labor force participation slightly higher than the US at 67%

Market Profile (consumer preferences are estimated from data by GfK MRI):
♦ They own a riding lawn mower, as well as a garden tiller, and have vegetable gardens.
♦ More than half of the households have a high-speed Internet connection.
♦ They use a satellite dish to watch CMT, the History Channel, and GSN (Game Show Network)
♦ Pets are popular—dogs, cats, and birds.
♦ Leisure activities include hunting and fishing.
♦ They listen to faith-based radio, country, and gospel music.
♦ Many are on Medicare and frequent Walgreens pharmacy.

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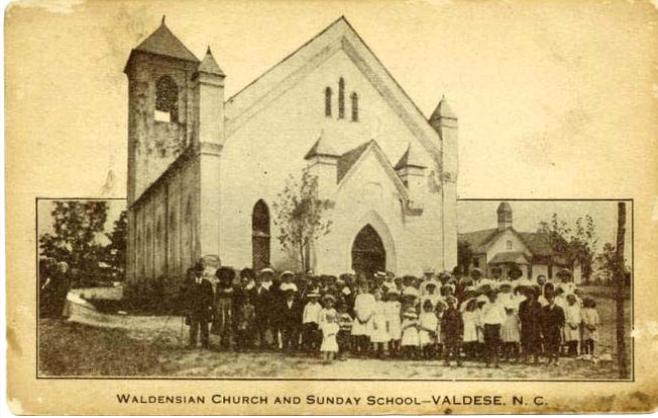
The challenge with any data is interpreting it to use as a tool for retail recruitment of expansion. A goal is to use the Retail Market Place Snapshot along with the raw data to have a better understanding of the existing market. Creating a balanced retail mix while striving not to get too far ahead of the retail market demand could be lofty, but barring no catastrophic financial shifts as in 2008 and prior to that with the loss of textiles and other manufacturing in North Carolina downtown Valdese should be able to continue creating shopping and dinning experiences.

There is slight retail leakage within the target market drive time of 10 minutes or the three mile radius of downtown. In comparison to the 2012 data downtown Valdese has managed to nearly double the sales within the 0.5 mile radius and sell more goods than there is demand for and within the three mile radius cut retail leakage by over one half. These are positive changes since 2012.

The tapestry segmentations for Valdese within the 10 minute drive time are worthy of study. They can play a role in determining potential retail markets. Buying American is important to this sector, quality is important, they will support their community and buy locally given the opportunity to do so. We encourage the Valdese Main Street Advisory Committee to consider these tapestries along with the retail marketplace data leakage/surplus factors when an opportunity arises to expand or recruit a downtown business.

This Retail Marketplace report is basic. The ESRI data is boiled down to this short snapshot. We encourage Valdese Main Street to share and review this with the Town of Valdese, and the county-wide Economic Development Authority to create longer term downtown economic development strategy(ies) for downtown. We **highly recommend conducting a consumer** survey within the next six months as that will also help determine potential retail/event/programming needs. **If possible**, work with the staff of the NC Main Street & Rural Planning Center to **facilitate a Retail Survey** to get a snapshot of the needs of the existing retailers as well determine the average rent per square foot along with annual sales per square foot. Combined with this study, the ESRI Data and any other county/city wide data the Valdese Main Street Advisory Board should be able to determine potential retail trends for downtown.

On a final note: according to Forbes—Five Retail Trends That Will Redefine Retail in 2019:

1. More and more, consumers are shopping with their emotions instead of their wallets.

2. People want products shipped faster. No longer do people want to wait 5.5 days for free shipping.

3. The Rise of Experiential Retail: consumers have been slowly but surely moving away from strictly shopping for products, instead seeking a more engaging experience. Remodeling a store isn't' enough. Creating engrossing experiences is what consumers are seeking.

4. Rise of Subscription E-Commerce. This trend goes hand in hand with consumers search for experiences as they are more willing to shell out cash for a service that delivers a tangible benefit along with a personalized offering.

5. Multi-Channel is the New Normal: Brick-and-mortar stores still play a key role in the sales process, but it has transitioned from the primary point of sales to being part of a broader retail strategy. Instead of a single touchpoint for consumers, the trend in retail over the past few years has been to widen the net that brands use to catch leads and convert them. *https://www.forbes.com/sites/jiawertz/2018/11/28/5-trends-that-will-redefine-retail-in-2019/*

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