Memphis Retail Potential Study
South Memphis

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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 South Memphis 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

Map 1

Retail Study Markets

Regional Economic Development Center
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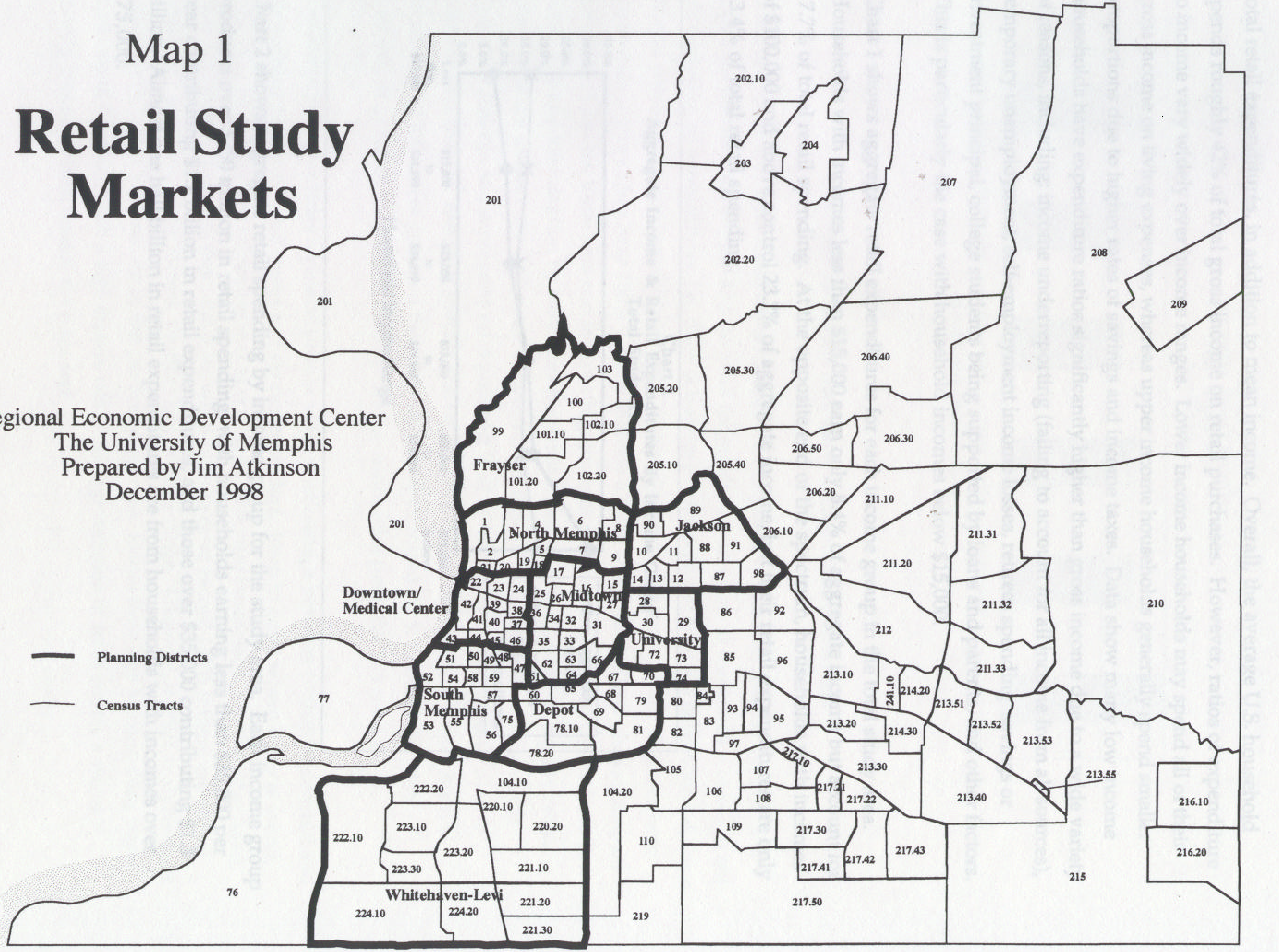
December 1998



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.

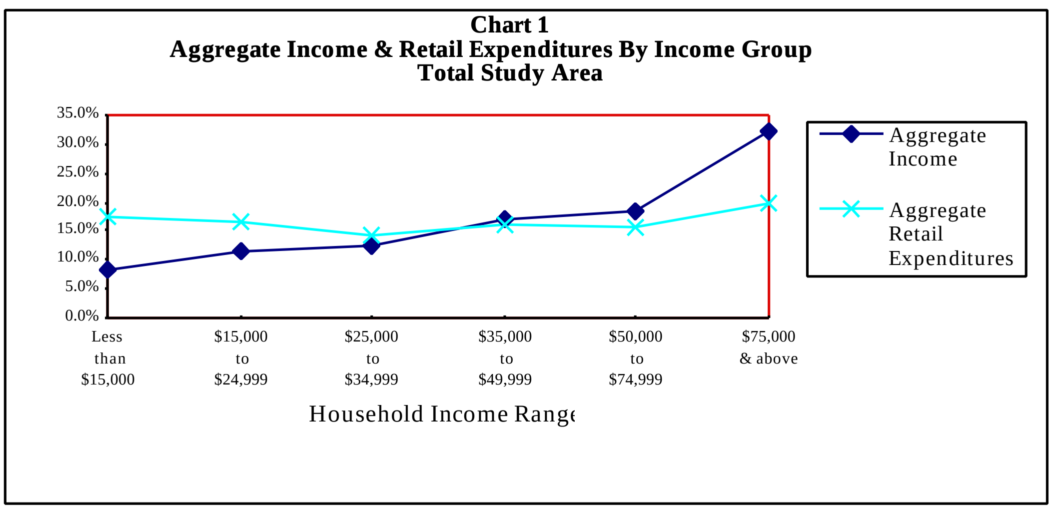
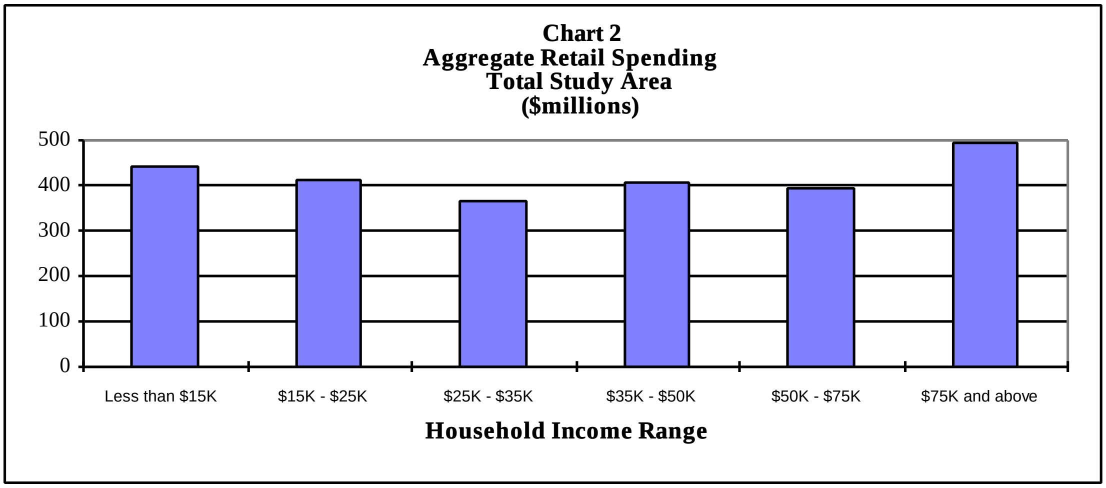


Chart 2 shows aggregate retail spending by income group for the study area. Each income group produces over $350 million in retail spending, with households earning less than $35,000 per year contributing $1.2 billion in retail expenditures, and those over $35,000 contributing $1.3 billion. Almost one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

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

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 South Memphis

South Memphis is comprised of several inner city neighborhoods developed primarily in the early part of the century, with most residential development completed by the 1970's. Two-thirds of the existing housing units were built between 1940 and 1970. Most areas north of Parkway have been part of Memphis since the 1800's, whereas to the south, suburban neighborhoods were annexed between 1900 and the 1950's. South Memphis has a large manufacturing and distribution base, especially in its southern portion below Mallory Avenue, and in the northwestern quadrant.

Crump Boulevard and the L&N Railroad form the northern boundary of the South Memphis Planning District, Bellevue and I-240 are on the east, and the Nonconnah Creek and I-55 form the southern boundary. McKellar Lake is the western boundary with Martin Luther King/Riverside Park occupying land between the lake and I-55. The planning district is essentially circumscribed by Interstates 55 and 240 on the east, west and south. The causeway to Presidents Island is in the northwest tip of South Memphis.

South Memphis has experienced substantial population declines in recent decades. The current population estimate of 37,554 represents a 34% decline since 1980. Households have declined 32% from 20,524 in 1970 to under 14,000 in 1998. Some slight rebound in housing construction has occurred. Between 1990 and 1996 permits were issued for 197 single family houses and 212 multi-family units. However, over 2,000 housing units have been demolished since 1980, close to 15% of the total housing stock.

South Memphis suffers from low incomes with a median household income of $16,157. Middle income households are represented in the planning district, however. South Memphis has the same percentage of households as Shelby County in the $15,000 to $35,000 income range, and almost 14% have incomes over $35,000. A low percentage of married couple households (27% versus 48% in Shelby County) may contribute to lower household incomes. Additionally, the age structure of the population exerts a downward pressure on income as smaller percentages of the South Memphis population are in the 35 to 64 age cohort where earnings are highest. Additional demographic information on South Memphis is provided in Tables 1, 2, and 3 that follow.

Characteristics of Areas Within South Memphis

Population and income are not evenly distributed over South Memphis. The largest

Table 1
Population and Household Trends of South Memphis
1980, 1990, and 1997 Estimate

	1980	1990	1997 Estimate	% Change 1980-90	% Change 1990-97
Total Population	56,770	45,541	37,554	(19.8%)	(17.5%)
Households	17,735	15,390	13,982	(13.2%)	(9.1%)

Source: National Decision Systems, 1997

Table 2
Income Characteristics of South Memphis and Shelby County
1998 Estimates

	South Memphis	Shelby County	South Memphis Over/(Under) Shelby County
Median Household Income	$16,157	$37,362	(56.8%)
Mean Household Income	$23,594	$51,704	(54.4%)
Households by Income:			
Under $15,000	57.8%	22.9%	34.9
$15,000 to $34,999	28.6%	28.6%	0.0
$35,000 to $74,999	10.8%	32.3%	(21.5)
$75,000 or More	2.8%	16.1%	(13.3)

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

Table 3
Demographic Characteristics of South Memphis and Shelby County
1997 Estimates

	South Memphis	Shelby County	South Memphis Over/(Under) Shelby County
Persons by Age:			
0-9	19.7%	16.8%	2.9
10-17	12.6%	10.9%	1.7
18-34	22.1%	25.5%	(3.5)
35-64	31.0%	36.2%	(5.2)
65 and Over	14.7%	10.6%	4.1
Median Age	31.7	33.0	(1.3)
Persons by Race:			
White	0.6%	54.9%	(54.2)
Black	99.3%	43.5%	55.8
Other	0.1%	1.6%	(1.5)
Female Headed Households w/ Children (1990)	64.9%	33.2%	31.7
% Owner Occupied Housing Units (1990)	47.7%	59.6%	(11.8)
% Households w/ No Vehicle (1990)	41.5%	13.9%	27.6

Source: National Decision Systems, 1997

concentration of households and poverty is in the northeast quadrant of the planning district, north of Person Avenue and east of Third street. These neighborhoods have 51% of the district's households and an estimated 1998 median income of $13,943. Home ownership is low (37%) and 35% of households live in multi-unit (3 or more apartments) buildings. Fifty-one percent of households did not own an automobile in 1990.

LeMoyne Gardens public housing project is located in Census Tract 48 which, with a 1990 median household income of $5,142, was the second poorest census tract in Shelby County.[2] Currently LeMoyne Gardens is undergoing massive reconstruction, converting older public housing units into a smaller number of completely renovated units. LeMoyne-Owen College is also located in Census Tract 48, however, it has only a very small residential population.

Population density decreases significantly west of Third Street where fewer than 900 households are found in an area almost the size of the northeast quadrant. Fewer multi-unit dwellings and greater acreage in industrial and public use account for the smaller population. Except for the French Fort neighborhood (discussed below), this area is similar to the northeast quadrant with respect to income levels and population decline.

It must be noted that South Memphis has middle and upper middle income neighborhoods. Census Tract 52, the French Fort neighborhood near DeSoto Park, has a median household income of $56,000. While relatively small at 248 households, this community is growing and has a concentration of households with incomes over $150,000. In 1990 Tract 52 had the second highest median household income west of the Walnut Grove Planning District. [3]

Neighborhoods south of Parkway and west of the IC railroad (Census Tracts 53 and 55) have only slightly higher incomes ($14,984) than neighborhoods north of Parkway, and declines in the number of households are only slightly less than found to the north. However, 55% of the 3,400 householders in this area are homeowners, and less than 18% live in multi-unit apartments. Vehicle ownership is higher than in the northeast quadrant, but still over 36% of households do not own a vehicle. Areas south of Mallory Avenue are predominately industrial with less than 300 households.

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[2] Median household income is currently estimated by NDS to be $8,300, and it remains next to last in income. Census Tract 22 in downtown is the poorest.

[3] Census Tract 43, immediately north of Tract 52 in the Downtown planning district, has the highest median income west of the Walnut Grove area. Tract 43 includes Founders Pointe and South Bluffs developments and neighboring apartment buildings.

The southeastern portion of the South Memphis Planning District has a sizable middle class population. Median household income is $25,000, and 79% of households are above the poverty level. This area lies south of Person Avenue and east of the IC Railroad, and includes Census Tracts 56 and 75. Pine Hills Golf Course occupies the southeasternmost portion of this neighborhood. Housing is 80% single family detached units that were primarily developed after World War II. Seventy percent of these housing units were built after 1950. The home ownership rate is high and vehicle ownership is close to the county average. Households have increased by 3% since 1980, however total population declined by 27%, most likely reflecting adult children leaving home.

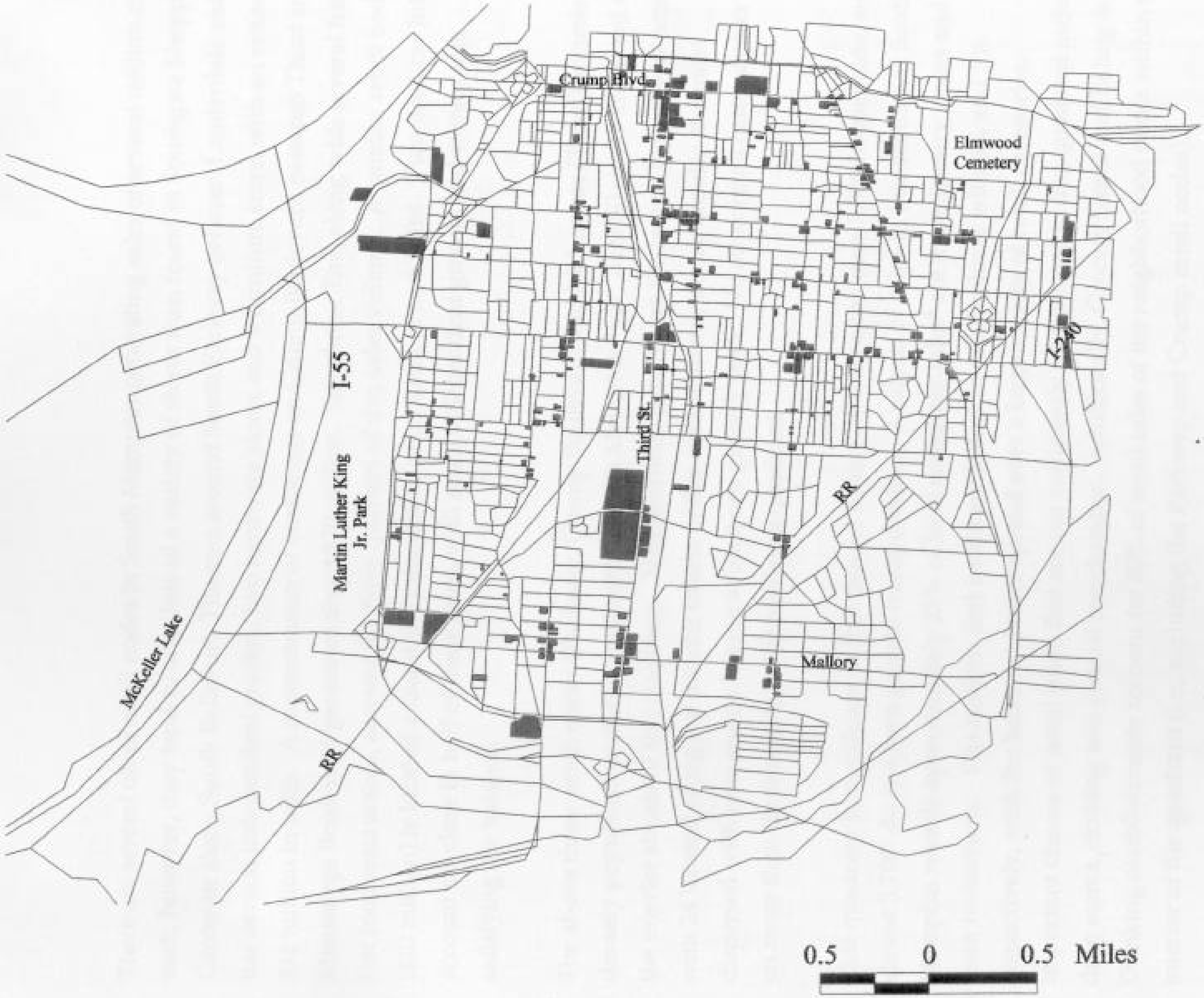
Retail Profile of South Memphis

South Memphis has a substantial retail base with 238 businesses generating $179 million in annual sales. Food stores are the largest retail category with an estimated $72 million in 1998 sales. South Memphis retail is represented by a mix of neighborhood stores, strip developments and a large shopping center (Southgate) which was developed in the 1950's. Retail centers are found along most major streets with South Third Street having the largest share and this is attributable to Southgate Shopping Center. Over 45 stores are units of national chains with representation in all major categories of retail trade. Chain store sales are approximately $75 million with market shares varying significantly by retail category.

Southgate Shopping Center and surrounding stores form the largest retail trade area in South Memphis. This area, essentially including the 1800 and 1900 blocks of S. Third Street, accounts for over one quarter ($49 million) of retail sales in South Memphis. Kroger and Piggly Wiggly contribute the largest share ($29 million) of sales, with Walgreens, Autozone and four franchise restaurants being the other major retailers.

South Bellevue between the Southern Railroad and Trigg Avenue forms another retail center with a diversity of stores. Piggly Wiggly and Walgreens account for over one half of the $24 million in retail sales found in this area, with a variety of franchise restaurants, discount stores and others rounding out the retail mix. South Bellevue is the dividing line between the South Memphis and Midtown planning districts with these sales split between the two districts. Eight million in sales are along the west side of Bellevue and are included in the retail sales total for South Memphis.

Retail Parcels in the South Memphis Planning District



Legend

Retail Parcels

Roads

N

Source: Shelby County Tax Assessor, 1996

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The University of Memphis
Prepared by: Shannon Dixon
February, 1998

There are several other retail nodes in South Memphis generating sales of several million dollars each, however, they tend to offer less of a variety of stores than found in Southgate Shopping Center or along South Bellevue. The area around South Parkway between Lauderdale and I-240 has several independent grocers, two hardware stores and a furniture store, with an estimated $18 million in sales. A concentration of businesses on Crump Boulevard between Third and Mississippi Boulevard generates about $20 million. Steepleton Tire, along with several franchise fast food restaurants, account for three quarters of this sales volume. A smaller retail node ($10 million) is located around the intersection of McLemore and Third. Two used car lots account for close to half of these sales, with small independent grocers and restaurants satisfying the balance.

The above three retail nodes (Parkway, Crump Boulevard and McLemore/Third) encircle the densely populated northeast quadrant of South Memphis,[4] yet, over 50 stores are found within the interior streets of this quadrant. Neighborhood grocers are the largest category of retail with 24 located along the interior streets of this area. Grocery stores are also the most dispersed with nine streets having at least one grocery store. No other retail category has stores on more than three streets in the northeast quadrant.

This quadrant is significant in that this 3.5 square mile area has over 7,000 households, and almost 3,700 do not own private transportation. Analysis of sales in this section of South Memphis reveals approximately 25% of local consumer sales[5] are from grocery stores and 20% from restaurants. Gas stations and hardware follow in sales volume with 6% and 5% respectively, with the balance of sales spread over a large variety of retail categories. Important classes of retail trade that are not sufficiently represented in this quadrant include drug stores, clothing and general merchandise. Additionally, Grocery Stores and Eating & Drinking establishments account for 80% of retail sales of the neighborhood stores within the interior of the quadrant (i.e., excluding the Parkway and Crump retail nodes).

Retail Trade Analysis

Retail trade capture rates and potential retail sales for South Memphis are shown in Table 4. Capture analysis demonstrates that South Memphis likely serves a larger market for only a few

[4] The South Bellevue retail node is close to this area, however, it is located east of I-55 and may be less accessible for residents without a car.
[5] Excludes automotive categories ($19.6 million) where several large businesses evidently serve a much wider market than South Memphis.

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	$ 1,951,577	$ 2,500,000	128.1%	$ 0
523	Paint, Glass & Wallpaper Stores	228,563	2,700,000	1181.3%	0
525	Hardware Stores	1,459,288	10,000,000	685.3%	0
526	Retail Nurseries & Garden Supply Stores	316,472	0	0.0%	316,472
	Total Bldg. Matls. & Garden Supply	3,955,900	15,200,000	384.2%	316,472
53	**General Merchandise Stores**				
531	Department Stores (Excl. Leased Depts.)	20,183,882	700,000	3.5%	19,483,882
533,9	Variety & Discount General Mdse. Stores	5,942,641	2,300,000	38.7%	3,642,641
	Total General Merchandise	26,126,523	3,000,000	11.5%	23,126,523
54	**Food Stores**				
541	Grocery, Supermarket & Convienence Stores	31,084,585	69,996,300	225.2%	0
542	Meat & Seafood Markets	298,890	1,400,000	468.4%	0
543	Fruit & Vegetable Markets	386,799	0	0.0%	386,799
546	Retail Bakeries	263,727	0	0.0%	263,727
544,5,9	Other Food Stores	193,400	700,000	361.9%	0
	Total Food Stores	32,227,401	72,096,300	223.7%	650,526
55 ex. 554	**Automotive Dealers**				
551,2	New & Used Car Dealers	35,691,011	7,500,000	21.0%	28,191,011
553	Auto & Home Supply Stores	2,707,594	20,400,000	753.4%	0
555,6,7,9	Miscellaneous Automotive Dealers	1,265,888	0	0.0%	1,265,888
	Total Automotive	39,664,493	27,900,000	70.3%	29,456,899
554	**Gasoline Service Stations**	15,806,019	9,500,000	60.1%	6,306,019

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	1,652,687	2,100,000	127.1%	0
562,3	Women's Clothing & Specialty	4,360,281	900,000	20.6%	3,460,281
565	Family Clothing Stores	2,074,650	0	0.0%	2,074,650
566	Shoe Stores	2,127,395	1,100,000	51.7%	1,027,395
564	Children & Infants	228,563	0	0.0%	228,563
569	Other Apparel & Accessory	228,563	200,000	87.5%	28,563
	Total Apparel	10,672,140	4,300,000	40.3%	6,819,453
57	**Furniture & Home Furnishings**				
5712	Furniture Stores	3,516,356	2,700,000	76.8%	816,356
5713,4,9	Homefurnishing Stores	2,197,722	200,000	9.1%	1,997,722
572	Household Appliances	492,290	0	0.0%	492,290
5731	Electronics (Radio & TV)	1,898,832	0	0.0%	1,898,832
5734	Computer & Software Stores	562,617	500,000	88.9%	62,617
5735	Records & Tapes	632,944	1,900,000	300.2%	0
5736	Musical Instruments	175,818	0	0.0%	175,818
	Total Furniture & Home Furnishings	9,476,579	5,300,000	55.9%	5,443,635
58	**Eating & Drinking Places**				
5812	Eating Places	16,227,982	23,400,000	144.2%	0
5813	Drinking Places	457,126	1,600,000	350.0%	0
	Total Eating & Drinking Establishments	16,685,108	25,000,000	149.8%	0
591	**Drug & Proprietary Stores**	8,562,326	5,300,000	61.9%	3,262,326

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	$ 1,828,505	$ 3,300,000	180.5%	$ 0
593	Used Merchandise & Antiques	773,598	1,300,000	168.0%	0
5941	Sporting Goods	843,925	0	0.0%	843,925
5942	Book Stores	1,072,489	100,000	9.3%	972,489
5944	Jewelry Stores	1,318,633	0	0.0%	1,318,633
5945	Hobby, Toy & Game Shops	879,089	0	0.0%	879,089
5947	Gift, Novelty & Souvenir Shops	597,780	1,000,000	167.3%	0
5949	Sewing, Needlework & Piece Goods	334,054	100,000	29.9%	234,054
5992	Florists	527,453	300,000	56.9%	227,453
5995	Optical Goods	351,636	300,000	85.3%	51,636
5943,46,93,94,99	Other Miscellaneous Retail	1,705,433	5,000,000	293.2%	0
	Total Miscellaneous Retail	10,232,595	11,400,000	111.4%	4,527,279
	Total Retail	$ 173,409,085	$ 178,996,300	103.2%	$ 79,909,132

* 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),

retail categories, most notably building materials and food stores. Gaps exists in many other major retail categories. Following is a discussion of retail potential by major retail categories.

Building Materials & Garden Supply

Two large suppliers, Hyman Builders Supply and Young Distribution, plus three paint stores account for two-thirds of building material sales in South Memphis which results in a 384% capture rate. Additionally, four to five general purpose hardware stores are capable of serving the household market. However, a gap of over $300,000 is found in Retail Nurseries and Garden Supply.

General Merchandise Stores

A very large gap of over $23 million exists in the General Merchandise category. General Merchandise includes department stores, variety stores and miscellaneous general merchandisers. Typically, large department stores and discount merchandisers such as Walmart, Target or Service Merchandise are located in regional malls or shopping centers with interstate access. These large stores account for the majority of sales in the General Merchandise category.

Smaller general merchandise or variety stores often locate in neighborhood or community shopping centers. Two Family Dollar Stores and three smaller variety stores are located in South Memphis, leaving a gap of close to $3 million in budget priced General Merchandise stores. The closest large discounters to South Memphis are the Target on Elvis Presley Boulevard and Sam's Club on Getwell, each over six miles from much of South Memphis. The $3 million gap in the Variety and Discount category, coupled with the much larger gap in discount merchandisers, should be of sufficient size to support additional stores serving South Memphis residents.

Food Stores

South Memphis has Kroger and Piggly Wiggly supermarkets located near Southgate Shopping Center, along with over 75 small grocery stores, specialty and convenience food stores. With the exception of the large supermarkets and three Mapco Express stores, the remaining 70 stores appear to be independent operations. Also convenient to South Memphis is a second Piggly Wiggly located on the east side of South Bellevue in the Midtown Planning District. A capture rate of 224% coupled with widespread distribution, at least with respect to the smaller stores, indicates no significant food store gaps are likely present. Gaps are found in Fruit & Vegetable Markets and Bakeries, however other grocers are likely filling this demand. Adjustments for income levels and household size do reduce the capture rate for food stores, but not sufficiently to warrant additional food store entries.

Automotive Dealers

Our analysis shows only a 21% capture rate for New & Used Car Dealers, with nine used car dealers having combined sales of over $7 million. However, the fact that car ownership in South Memphis is significantly lower than Shelby County as a whole, coupled with the tendency of new car dealerships in Memphis to locate in clusters, indicates there is probably not a strong demand for additional car dealers.

Auto Supply Stores have a very high capture rate due to a concentration of major tire suppliers, with combined sales approaching $15 million. Several auto parts stores, including Autozone, are of sufficient size to adequately serve the general automotive parts market. A high concentration of auto mechanics shops in South Memphis also contributes to the strength of auto parts sales.

Miscellaneous automotive which includes boat, motorcycle and RV dealers does show a gap. However, it may not be sufficient to support businesses in this category, especially given that high levels of discretionary income are required to support such businesses, and it is not necessary that these businesses be located close to their customers.

Gasoline Service Stations

Gas stations have a capture rate of 60%, however, the existing stations may be adequately serving the market. Relatively low automobile ownership and the opportunity to purchase gasoline in route to work tend to reduce the demand for gas stations in South Memphis.

Apparel & Accessory Stores

Significant apparel sales are leaving South Memphis as evidenced by only a 40% capture of household expenditures. A gap of almost $7 million is found primarily in women's, family and children's clothing. A total of ten apparel stores in South Memphis are satisfying the market in Men's Clothing and about one half the shoe market with two stores in each of these categories. Stores in Other Apparel & Accessory Stores include two wig shops. Gaps of $3.5 million in Women's Clothing & Specialty, $2.1 million in Family Clothing Stores, and $1 million in Shoe Stores are of sufficient size to support additional businesses.

Furniture & Home Furnishings

Several retail gaps are revealed in home furnishings and electronics. Four furniture stores are most likely meeting the demand for furniture, and possibly major appliances. Home Furnishings, which includes floor coverings, window treatments, cookware, etc., has a $2 million gap, but lower rates of home ownership may decrease retail potential in certain merchandise lines of home furnishings. Electronics, (including radio, TV and computers) also has a $2 million gap with Radio Shack being the only store selling electronics. These levels of unmet demand may be of sufficient size to support at least one store each in home furnishings and consumer electronics. Musical Instruments has a gap of $176,000 but this may not be large enough to support a store.

Eating & Drinking Places

Thirty-eight restaurants and fast food establishments, and nine lounges are capturing all the expected volume for eating and drinking places.

Drug & Proprietary Stores

South Memphis has a Walgreens and Super D Express, along with two independent pharmacies. However, another Walgreens and Super D Express are located on South Bellvue in Midtown, and may be filling the $3.3 million gap in this category.

Miscellaneous Retail

Several categories of miscellaneous retail show gaps of sufficient size to possibly warrant store entries. These include Sporting Goods, Book Stores, Jewelry Stores and Hobby, Toy and Game Shops. However, actual sales potential for Jewelry may be closer to one half million when adjustments are made for the spending patterns of households with incomes under $20,000. Other categories have limited retail sales potential and some existing stores.

Service Industry Analysis

Analysis of the supply and demand of household services in South Memphis reveals some specific concentrations in Personal Services, Auto Repair, and Miscellaneous Repair, however, substantial gaps were found in these categories and especially in recreation-oriented businesses. Table 5 shows capture rates and sales potential, which are discussed below.

Table 5
Service Industry Capture Analysis
South Memphis 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	$ 1,863,621	$ 1,118,000	60.0%	$ 745,621
7215	Coin-Op Laundries	152,289	453,000	297.5%	0
722	Photographic Studios	135,905	0	0.0%	135,905
7231,41	Beauty & Barber Shops	2,185,972	4,379,000	200.3%	0
7251	Shoe Repair Shops	75,212	391,000	519.9%	0
7261	Funeral Homes	1,065,242	618,000	58.0%	447,242
7291	Tax Return Preparation	193,471	287,000	148.3%	0
	Total Personal Services	5,671,712	7,246,000	127.8%	1,328,767
753	**Automotive Repair & Services**				
7532	Auto Body Repair	2,777,397	3,864,000	139.1%	0
7533	Exhaust Systems Repair	312,901	178,000	56.9%	134,901
7534	Tire Retreading & Repair	408,878	0	0.0%	408,878
7536	Auto Glass Replacement	469,135	0	0.0%	469,135
7537	Transmission Repair	476,027	0	0.0%	476,027
7538	General Auto Repair	2,704,005	2,459,000	90.9%	245,005
7539	Auto Repair n.e.c.	495,188	11,515,000	2325.4%	0
7542	Car Washes	497,919	168,000	33.7%	329,919
	Total Automotive Repair	8,141,451	18,184,000	223.4%	2,063,866
76	**Miscellaneous Repair Services**				
7622	Radio & TV Repair	581,195	172,000	29.6%	409,195
7623	Refrigeration & Air Conditioning Repair	307,786	1,872,000	608.2%	0
763	Watch, Clock & Jewelry Repair	34,593	142,000	410.5%	0
764	Reupholstery & Furniture Repair	190,394	307,000	161.2%	0
7342	Pest Control Services	1,033,943	0	0.0%	1,033,943
	Total Miscellaneous Repair Services	2,147,910	2,493,000	116.1%	1,443,138

Table 5
Service Industry Capture Analysis
South Memphis 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	488,035	0	0.0%	488,035
7841	Video Tape Rental	740,940	0	0.0%	740,940
7911	Dance Studios	78,117	0	0.0%	78,117
7933	Bowling Centers	258,063	0	0.0%	258,063
7991	Physical Fitness Centers	389,847	0	0.0%	389,847
7993	Coin-Op Amusements	235,738	0	0.0%	235,738
7999	Amusements, n.e.c.	1,362,277	1,064,000	78.1%	298,277
	Total Amusement & Recreation	3,553,017	1,064,000	29.9%	2,489,017
	Total Household Services	$ 19,514,090	$ 28,987,000	148.5%	$ 7,324,788

* 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 ind and Engineering, Accounting & Management Services.ustries are not included in the above analysis: Lodging, Business Services, Healthcare, Legal Services, Education, Social Services

Personal Services

A $745,000 gap was found in Dry Cleaners, however, sales potential may be overstated as the high usage of coin-op laundries suggests that a higher proportion of households do not rely on outside laundry services. There are eight dry cleaners in South Memphis but potential could exist in certain locations. There may be opportunity for a photographic studio as evidenced by the $136,000 sales potential. Four funeral homes leave a gap of over $400,000, indicating a possible opportunity.

Automotive Repair & Services

Two very large repair operations serving the trucking industry account for the high capture rate in Auto Repair, n.e.c., and Automotive Repair as a total category. Sales potential is shown for auto mechanical shops (including general repair, transmission and exhaust systems). However, alternate demand calculation, considering estimated spending per vehicle and the number of vehicles in South Memphis, reveals that potential for new businesses may not exist due to lower rates of auto ownership.

Miscellaneous Repair Services

Gaps were found in Radio & TV Repair ($409,000) and Pest Control ($1 million). Sales potential in each of these industries should be of sufficient size to support new business development.

Amusement & Recreation

Recreation facilities in South Memphis include Pine Hills Golf Course and Bellevue Tennis Center which are operated by the Memphis Parks Commission. Neither facility is located near the larger population centers of South Memphis and each likely serves patrons from other markets. South Memphis has only one commercial entertainment establishment, a pool hall on Mississippi Boulevard. Consequently an untapped market of $2.5 million exists for movie theaters, video rental, physical fitness, and several other venues.

Summary

Capture analysis reveals a total retail sales potential of $79.9 million. Review of each retail category with consideration of competition, geographic patterns of retail location, income and automobile and home ownership, indicates retail development opportunities are closer to $35 million. Automobile related industries account for most ($36 million) of the difference between the calculated sales potential and development opportunities.

General Merchandise shows the largest retail potential at $23 million. This volume may not be sufficient to support a major discount chain, i.e., Walmart or Kmart,[6] but there is clearly room for additional stores in the budget price and variety categories that can offer a wide assortment of merchandise lines. A 25,000 square foot store could be supported by reaching 20% of this general merchandise market.

Retail potential approaching $7 million was found in several apparel categories. Assuming a 30% capture of potential sales, two to five additional apparel businesses could be supported by the South Memphis market. Fifty percent capture could potentially support six to nine additional businesses.

Capturing one half of the gap in consumer electronics could support at least an average size (2,255 square foot)[7] TV and stereo store. Combining such a store with radio and TV repair ($400,000 sales potential) could prove beneficial.

Miscellaneous Retail may offer potential for three or four small stores. Other service industry opportunities identified include recreation oriented businesses, pest control and others.

The northeast quadrant of South Memphis may present opportunities for neighborhood businesses in several important categories of retail. As mentioned above, this high density area has over 7,000 households, and many have limited means of transportation for shopping. Residents of this area spend an estimated $83 million annually for retail items. For a comparative perspective, 1997 retail sales for Fayette County were $83.5 million.

Retail trade analysis[8] for this quadrant indicates that grocery and restaurant establishments are meeting consumer demand. However, sizable gaps were found in Apparel ($5 million), Drug Stores ($2 million for prescription and over-the-counter drugs), Amusement & Recreation ($1 million), and probably between $3 million and $8 million in General Merchandise. Retail potential may also exist in Furniture & Home Furnishings, Miscellaneous Retail, and Radio & TV Repair. Market analysis, to include shopping patterns and merchandise preferences, is

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[6] However, if significant retail potential is present in adjacent markets there may be opportunity for a large general merchandise store to serve a larger customer base.

[7] Median square footage from Dollars and Cents of Downtown/Intown Shopping Centers. Urban Land Institute, 1995.

[8] The same methodology used at the planning district level was used to determine retail potential in the northeast quadrant of South Memphis.

needed for this area. However, at our level of analysis, it appears that sufficient demand exists to support a minimum of five or more stores.

The Mississippi/McLemore area has been identified by Memphis and Shelby County governments as one of four priority areas for commercial redevelopment.[9] The Mississippi/McLemore intersection lies in the heart of the northeast quadrant of South Memphis.

Neighborhoods with stable or growing population are necessary to generate the economic strength to support business development opportunities. Declines in the number of households, as witnessed over the past decades in South Memphis, only erode the demand for goods and services and diminish the chance of business success. Community problems relating to housing, crime, education and jobs must be resolved to ensure economic revitalization in South Memphis.

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[9] Per Dexter Muller, Director, Memphis and Shelby County Office Of Planning & Development.

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

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[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 descriptivepurposes 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] 1992 Census of Retail Trade. Subject Series: Miscellaneous Subjects. 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.

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[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.