

**City of Walterboro, South Carolina**  
**Comprehensive Retail Market Study**  
**Executive Summary**

**INTRODUCTION**

Walterboro offers a unique opportunity in today's retail market. Located midway between New York and Miami on Interstate 95, Walterboro, at first glance, appears to be just one of dozens of similarly situated communities. However, upon further examination, the local retail market has several substantial advantages over most of the others:

- 1) A critical mass of existing retail – Walterboro's Actual Retail Market is approximately \$345 Million (*Source: Walterboro Retail Business Licenses*) which is \$64,500 per capita, or well in excess of three times per capita gross income!! Obviously, the City has drawing power.
- 2) The town itself, not just the part appealing to Interstate travelers, is located *directly on the Interstate*, making access to downtown, off-Interstate shopping centers, restaurants, etc. much easier for both travelers and locals. For example, it is not like many of the other towns where you see an exit with a few motels, restaurants and gas stations but have to drive 10 miles or more to find anything else. Downtown is only two miles from each exit.
- 3) The City itself forms a loop allowing easy return to the Interstate with no back tracking. Once a traveler becomes aware of this, they are far more likely to repeat such "excursions" on future trips.
- 4) The City is in the process of a massive Beautification Project. This involves major work at exits 53 and 57. Starting a mile *BEFORE* the exits, heavy landscaping will attract the traveler to the town *BEFORE* they get past it. This will be irrigated and well-maintained. This is a fully-funded \$600,000 project that will be under construction by September 2009. Bids have been let to select a designer for a second project to loop the entire route through the city (about six miles) between the exits with matching landscaping. This project is estimated to be in the \$1,000,000 range.
- 5) Substantial improvements have been made in the core city including the establishment of a crew of six employees whose function is to ensure that sidewalks are blown of debris, litter is picked up, grass in all right-of-ways is maintained in an exemplary fashion and similar duties. As a result, the entire core city has a manicured look that is very obvious to outsiders.
- 6) The City has a rich tradition of history as do many other destination attractions, such as Charleston or Savannah. However, these are some considerable distance from the North/South Corridor and require a greater commitment of time from the traveler.

- 7) And last, there are several excellent development sites available in perfect proximity to the interstate exits. This will be discussed in detail in a separate section below.

Of course, the existing critical mass of retailers is the most important of the above. Walterboro is much larger than any community within an hour’s drive in any direction (excepting Summerville which is accessible from Walterboro within that time frame only through back roads). Therefore our retail analysis shows an array of opportunities for expansion and diversity for existing businesses and for new locations by outsider merchants.

**THE STUDY HIGHLIGHTS**

The City of Walterboro has obtained a comprehensive analysis of our Retail Market Potential, our existing market opportunities, and our major areas of both surplus sales to those outside our “expected” retail area and our “leakage” to other communities. This work was performed by BUXTON, a nationally recognized site selection and market analysis group with a major business segment focusing on retail.

As used in this report, Surplus sales are those made by consumers from outside the Greater Walterboro Marketplace at merchants located within the Walterboro Marketplace. Leakage is sales that, based on the profile of the consumers within the Greater Walterboro Marketplace did not occur within said Marketplace but instead were likely made at merchants outside the Greater Walterboro Marketplace. Put simply, in a perfect marketplace, sales within the market would be made sufficient to meet the demands of the marketplace and all of the ratios used in the data below would equal 100%.

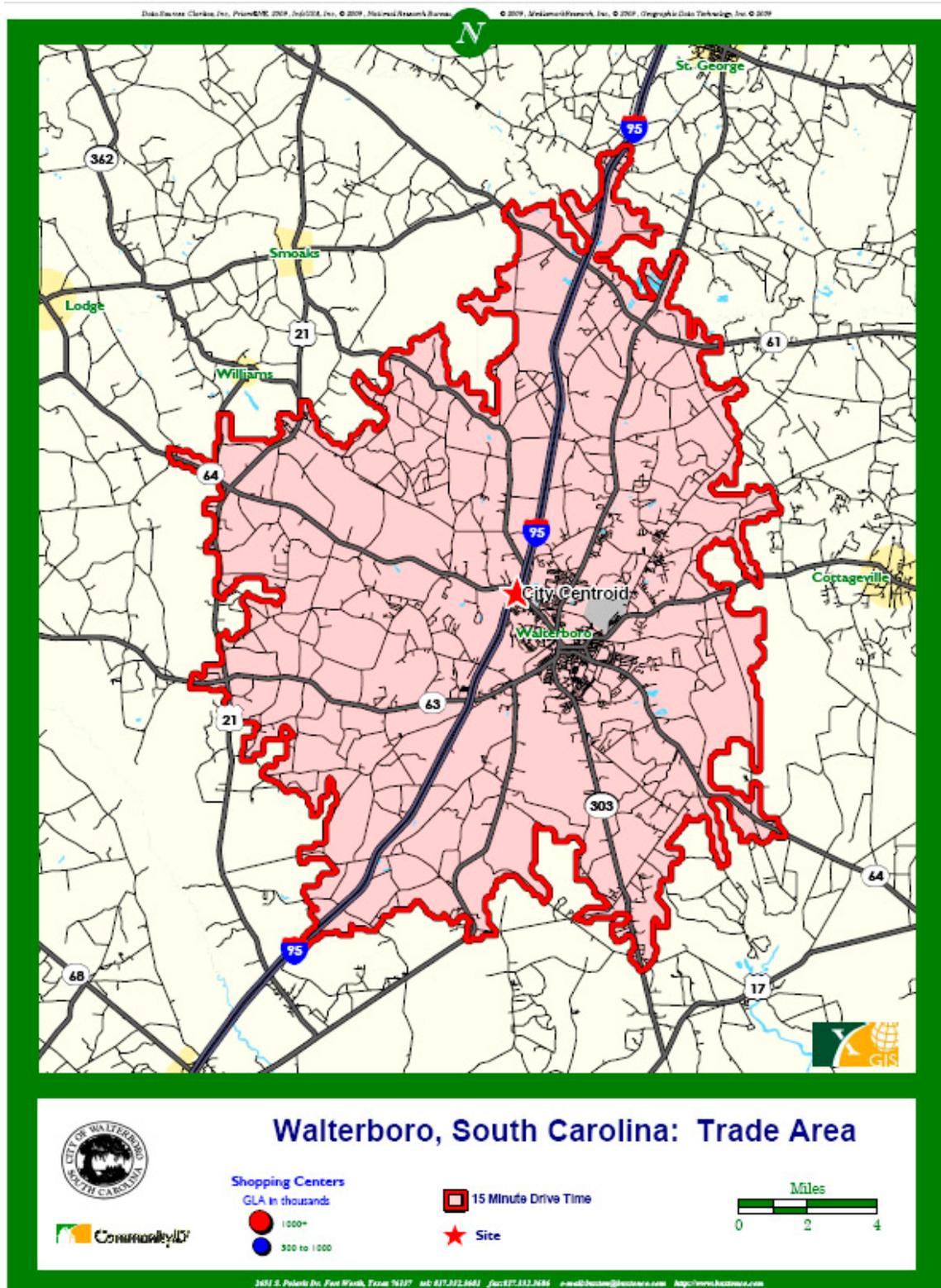
The following are illustrative examples from the study of how this works:

<u>Market Segment</u>	<u>Local Demand</u>	<u>Local Actual Sales</u>	<u>Surplus (Leakage)</u>	<u>Ratio</u>
Groceries and other Foods (for home consumption only - excludes restaurants)	\$37,945,519	\$71,779,406	\$33,833,887	189%
Alcoholic Drinks - sold for off-premises use	\$2,373,837	\$2,033,290	(\$340,547)	85%

**Source: Buxton Report**

As the above illustrates, sales of groceries far exceeds expectations. These sales *are being made*, so people outside the “Normal Walterboro Marketplace” are buying groceries here in large volumes, such that sales are almost twice that expected. At the same time, Alcoholic Beverage “package” sales are below estimates, meaning the local consumers are either buying far less than would be expected based on the demographics of the consumers here (more on that later) or they are going somewhere else to buy these items.

This data is based on a 15-minute drive analysis performed by Buxton using Exit 57 (Wal-Mart, etc.) as the City Center for purposes of this study. This point was chosen because it best reflects the destination of those outside the immediate area coming to Walterboro to shop.



Right up front, it needs to be pointed out that the effects, if any, of I-95 were ignored by Buxton in determining our “Normal Market” so oddities that appear in our statistics can be explained only by the local market except for items such as gasoline which obviously show up as anomalies because of the interstate. To illustrate this, following are categories where actual sales were greatly influenced by Interstate Traffic:

<u>Market Segment</u>	<u>Local Demand</u>	<u>Local Sales</u>	<u>Surplus (Leakage)</u>	<u>Ratio</u>
Automotive Fuels	\$22,700,199	\$102,778,941	\$80,078,742	452%
Cigarettes and Tobacco Products	\$5,874,103	\$15,025,093	\$9,150,990	255%

**Source: Buxton Report**

Obviously, these are things people buy when they travel great distances. Notably, the studies show ONLY these categories heavily influenced by Interstate Traffic, meaning travelers are stopping for gas, buying cheap cigarettes (by national standards) and doing little other spending locally, except perhaps spending the night (this study did not include motel traffic). Even restaurant sales were not high enough to indicate more than a casual business from Interstate traffic as we will see later. While some national restaurants target Interstate Traffic, others do not. Few restaurant advertising campaigns are built around the traveler. Chains such as Waffle House and Cracker Barrel that specifically target travelers are exceptions rather than the rule.

We will now focus on the areas that the study shows the greatest growth potential for local merchants to expand, get into or for outsiders to move in and provide these services.

<b>Market Segments Substantially Underrepresented</b>	<b>Local Demand</b>	<b>Local Sales</b>	<b>Surplus/ (Leakage)</b>	<b>Ratio</b>
Flooring and Floor Covering	\$1,914,765	\$765,736	(\$1,149,029)	39%
Hardware Tools, Plumbing & Electrical Supplies	\$17,200,235	\$9,543,600	(\$7,656,635)	55%
Lumber & Building Materials	\$13,472,383	\$7,345,732	(\$6,126,651)	54%
Paint and Sundries	\$1,968,419	\$425,323	(\$1,543,096)	21%
<b>Total Hardware related segments</b>	<b>\$34,555,802</b>	<b>\$18,080,391</b>	<b>(\$16,475,411)</b>	<b>52%</b>

Cars, Trucks and Other Powered Transportation	\$41,372,635	\$30,698,547	(\$10,674,088)	74%
Clothing, Shoes, Jewelry and Related Items	\$10,731,624	\$6,693,782	(\$4,037,842)	62%
Computer Hardware, Software & Supplies	\$5,247,375	\$893,554	(\$4,353,821)	17%
Sporting Goods	\$3,403,740	\$2,363,611	(\$1,040,129)	69%
Sewing, Knitting & Needlework	\$370,806	\$272,333	(\$98,473)	73%

**Source: Buxton Report**

In addition, several market segments that at first glance appear adequately served show substantial opportunity for further growth because of the unusual attributes of the Greater Walterboro Marketplace. These attributes include:

- 1) As shown in the first table above, Walterboro draws almost twice the grocery traffic as would be expected, other things being equal. The Interstate traffic can only account for a very small percentage of this.
- 2) Walterboro is, except for the effects of the Interstate, an isolated market. People come from much greater distances than the 15 minute drive time the Buxton Study used to define our primary market, especially from some directions. Detailed drive times performed on the markets for nearby communities bear this out. For example, a detailed study performed using the Buxton tools on one such community showed only food, gasoline and paper products were bought in anywhere near the quantities expected for that community's marketplace. That analysis, in summary format, is shown below just to show the extremes of the leakages.

**Sample Analysis of a Nearby Community**



- 3) Pharmacy Sales also support the fact the Walterboro Market is outsized, being almost as large, percentage-wise as the grocery market.

Now let's look at the pharmacy market (Drugs, Health Aids and Beauty Aids):

<u>Market Segment</u>	<u>Local Demand</u>	<u>Local Sales</u>	<u>Surplus (Leakage)</u>	<u>Ratio</u>
Drugs, Health Aids and Beauty Aids	\$22,008,411	\$35,482,392	\$13,473,981	161%

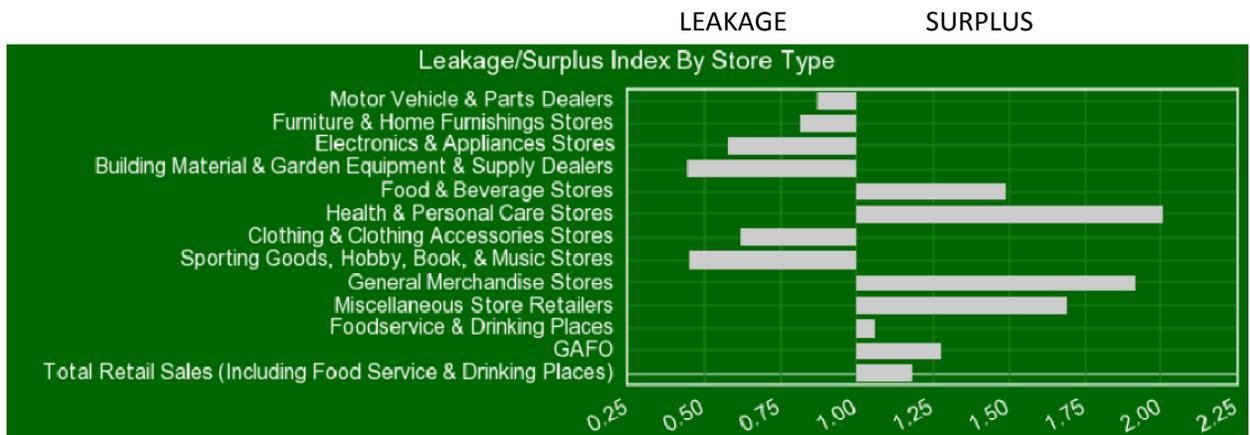
*Source: Buxton Report*

This Market segment appears to most closely reflect the market potential for Walterboro, as:

- 1) It is not nearly as high as Groceries, which generally are purchased to the same extent in a geographic area
- 2) It is still far higher than "expected" at 161% of local demand.
- 3) None of the major sellers of pharmacy goods are in line-of-sight proximity to the Interstate, with the exception of Wal-Mart.

Thus, a strong case can be made that Walterboro's Total Market Potential in virtually all areas is closer to 150% of the 15 minute drive analysis than it is to the actual demand generated by that analysis. Using that approach, total hardware-related demand would grow from the \$34,555,802 shown in the chart above to approximately \$51,800,000 leaving an unmet demand of \$33,800,000 instead of the \$16,475,411 shown above! This greatly enhances the opportunity to attract a large "box" retailer in this area. Home Depot was, in fact, identified by Buxton as a match for the Walterboro Market.

**A summary of Walterboro's fifteen minute drive analysis from the Buxton study is as follows:**



As this table shows:

- 1) Waltherboro has a capacity to draw customers far greater than its local demand.
- 2) Several major categories are NOT dependent upon the Interstate. Thus, the I-95 traffic is just gravy.
- 3) There are still major underserved markets, such as building materials/garden equipment/supply, sporting goods and clothing.

***Further, there is room for considerable full-service and fast-food restaurant business.*** This is because the level of local demand is barely exceeded by actual sales. Also, there is very little variety at the interstate exits, especially at Exit 57. A distance traveler getting off at Exit 57 to buy gas or to go to Wal-Mart is highly unlikely to stop again at Exit 53 to eat. As the use of GPS devices that can tell you exactly what eating establishments are at an exit increases, this will become more obvious. People will search the Interstate for one exit that gives them everything they want miles before they get there. [While we do not want to get into the middle of an internal exit war, we need to ensure that BOTH exits have major needs of travelers met. The ideal scenario is to draw a large part of this traffic through downtown using the loop to ensure BOTH exits and downtown benefit as much as possible.]

A more detailed analysis prepared by Buxton follows this report, in front of the site data also attached to this report. That report more clearly tracks specific markets with expansion potential.

## **SITE SELECTION**

There are several available retail buildings that match well with some of the retailers identified by Buxton (list attached as the final part of the attached Buxton Study). Many retailers, however, prefer raw land sites to build their own store to their specifications. There are several sites that have excellent potential for development along the two exits, as well as sites along the major corridors of Jefferies Blvd, Robertson Blvd, Sniders Highway and Bells Highway. Generally, a "Big Box Store" operator requires at least 15 acres and prefers 20 or more. There are close to a dozen such sites along the areas referred to above. Our next step is to identify as many of these sites as possible, get complete site information as to availability, terms and prices, water, sewer and electricity availability and other relevant data.

## **IN CONCLUSION**

In summary, there are an almost unlimited number of opportunities for both small and large companies for both expansion and new businesses. The primary purposes of this report are to 1) give the local business community an opportunity to explore opportunities for expansion or even begin a new business and 2) to make developers and others aware of the opportunities that Waltherboro offers.

# City of Walterboro

## Leakage/Surplus Analysis – Detailed Version

Source: Buxton

