Project Component # 3: Market Area Identification

This component is concerned with the identification of the market area. The market area is defined as a specific geographic region which will be the source of the large majority (85-95 percent) of your customers. Your team will select a retail establishment which sells or could sell your product and determine the market area for that business. You may continue Component #3 using the product from #2, or select a different product [please check with the instructor as some parts of components 1 and 2 must be redone if the product is changed]. In addition to a map(s) of the market area, your team should prepare a short report explaining how the area was determined.

I. Identify type of market
   A. Convenience goods and selected services, shopping goods and selected services

II. Determine travel time for market type
    Shopping goods and services constitute major or less frequent purchases. The primary market area for this type of product is generally defined as the area which is accessible within roughly 15 minutes travel time. On the other hand, convenience goods and services for which quick, easy and frequent shopping trips are expected usually have a market area which is accessible within roughly six minutes travel time. Shopping goods establishments in a “neighborhood business district” will assume a convenience goods type market area.

III. Measure geographical market size and shape
    A. Preliminary time-distance contours (the shape is typically a circle)
       (mention all major access streets and a selection of minor streets)
    B. Adjustments (this discussion should describe how the shape of the market area changed from what is described in III. A.)
       1. Impact of streets, highways, walkways
       2. Impact of topography
       3. Impact of social and cultural “territories”
       4. Impact of competition

IV. Map market area
    A. Obtain appropriate base map including information from Section III
       1. Obtain a map to hand in
    B. Census tracts must be clearly marked on the map(s)
       1. For partial tracts, a second map may need to be attached to show the relative size of the tract that is included within your market boundary.

\(^1\) - MSA selection is limited to Salem, Corvallis or Eugene
Project Component #4: Estimating Overall Market Size

In the previous component a market area was specified. In this component you will estimate the total personal income of your market area, thus expressing the size of your market area in economic terms. The primary output of this component is a series of calculations culminating in a single figure. You team should prepare a short report which documents where you obtained the data and explains any assumptions, adjustments or decisions you have made during the computational process.

Total personal income in a market is made up of two factors: population and income. Therefore, to estimate total personal income you must first estimate what the population of your market area will be in your “target year” (the current year, 2006, is a good “target”). Next, you will go through a similar process for estimating average incomes for the people living in your market area, again adjusted to the target year. These two factors of average income and population are combined to produce your estimate of total personal income. Finally, total personal income will be reduced to a product amount.

ESTIMATING TOTAL PERSONAL INCOME AND DOLLARS
FOR YOUR PRODUCT TYPE

I. Estimate Population
   A. Obtain population projections and data from local sources, data services, and/or census reports.
   B. From available data, project population to your “target year” for each census tract, analysis zone or political jurisdiction included in your market area.
   C. Adjust and prorate population in each tract, zone, or jurisdiction to reflect market area shape.
   D. Final calculation and total of market area population. (Use Worksheet #1 for steps B-D)

II. Estimate Per Capita Income
   A. Obtain estimates of income from local sources, data services and/or census reports.
   B. If data do not already indicate per capita income, calculate from available data to estimate per capita income.
   C. Convert all per capita income figures to constant dollars (preferably current year dollars). (Worksheet #2)
   D. If target year data is unavailable, project per capita income to target year for each tract, zone, or jurisdiction in market area. (Worksheet #3).

III. Final Calculation of Total Personal-Income
   A. Multiply population by per capita income for each individual tract, zone, or jurisdiction in market area.
   B. Sum total personal income figures to estimate total personal income for entire market area. (Steps A-B also on Worksheet #3).

IV. Adjustment with Consumer Expenditure data
   A. Using results from the Consumer Expenditure Survey from www.bls.gov, select the share figure (from the Current Expenditure Share tables) from a demographic that matches your target market and estimate the amount of total personal income that is available for the purchase of your type of product or service
   B. From the dollar amount produced in IV. A., estimate the percentage and dollar amount that will go to your brand and discuss how this was estimated.