

# LET'S TALK BUSINESS

Ideas for Expanding Retail and Services in Your Community

Issue 65  
January 2002

## Capturing Commuter Expenditures

by  
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Small communities with large employers often have a significant day-time population made up of commuters. These in-commuters offer the retail and service businesses in a community an additional market opportunity to generate sales.

Research by Steve Deller and Martin Shields suggests that sales can be high in regions with high levels of in-commuting.<sup>1</sup> Further, research by Gary Green points to significant dollars spent by commuters in their daily travels to and from work.<sup>2</sup> In this issue of Let's Talk Business, we describe some of the spending characteristics of commuters to help business leaders better understand the potential of this market segment.

### Trends in Commuting

Commuting has experienced sharp growth in the past three decades. Travel miles per capita have grown significantly and travel distances to work appear to be increasing. The majority of this growth is from commuters driving to and from work alone. The traditional commuting pattern of suburb to city center has given way to suburb-to-suburb travel. The new 2000 census may also document a new trend, an increase in travel between rural and metropolitan areas.<sup>3</sup>

### Significance of Commuter Spending

Commuter expenditures will vary based on commuter characteristics and their travel time to places of employment. Recent research by Gary Green highlights the significance of commuter spending in one Wisconsin county.

During the summer of 2001, a sample of Kenosha County workers who were employed outside of the county were studied. In this study, expenditures directly related to commuting (including gasoline) were estimated. In addition, expenditures for retail and other items were also estimated.

The average weekly costs of commuting from this particular county was \$33. Gasoline was the largest component at \$25 followed by maintenance/repairs at \$4.

Interestingly, commuters spent a significantly higher amount each week on retail and other expenses. These expenditures total over \$75 per commuter per week or \$3,500 per year. They are presented below:

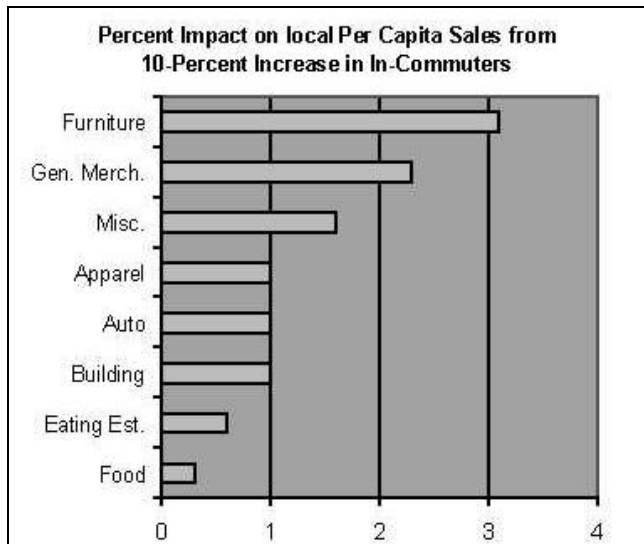
Groceries	\$17
Restaurants	\$18
Retail Purchases	\$34
Other	<u>\$7</u>
Total Retail/Services	\$76

These expenditures point to significant expenditure leakage from a commuter's home community. However, they represent an opportunity for the host communities where commuters are employed.



## Distribution of Commuter Expenditures

Research by Steve Deller and Martin Shields using county-level sales data for Wisconsin has found statistically significant relationships between the number of in-commuters and retail spending in eight out of ten general retail categories.<sup>2</sup> The only exceptions were drug stores and, surprisingly, gas stations (not presented in the chart). The percentage increase in local per capita sales (of host community resident population excluding commuters) due to a 10 percent increase in number of in-commuters varied from 0.3 percent (food) to 3.1 percent (furniture). The following chart illustrates which retail categories in a community benefit most from in-commuting according to this study.



While this chart will probably look different from community to community, it does indicate that commuters can have an impact on more than just convenience goods such as groceries and fast food. In fact, comparison shopping goods such as those sold in furniture and general merchandise stores can also be sold to commuters.

## Capturing Commuter Expenditures

The magnitude of spending that a community can capture from in-commuters depends on whether commuters are prone to spend their money near their place of work or near their residence. For many products and services, the factors that influence a commuter's decision on where to shop are based on convenience and minimizing drive-time. Factors include:

- Availability of specific retail and service businesses in the host community that may not be available in the commuter's home community;

- Agglomeration of comparison shopping stores that create a critical mass of retail activity;
- Location on key commuting routes and on the appropriate side of road during drive time;
- Clear visibility of the business;
- Traffic speed, traffic lights and dedicated turn-lanes that help the commuter access a site;
- Convenient hours during primary commuting hours (early morning, late afternoon);
- Drive-through windows (banks, dry cleaners, take-out food, pharmacies, etc.);
- Chain affiliation that has an appeal and is recognized by out-of-town commuters;
- Convenient parking that allows commuters to "shop with their wheels" and park in sight of the door; and,
- A critical mass of other businesses that make a stop more convenient for the commuter.

It is important to remember that not all commuters are the same. The demographics and lifestyles of in-commuters will dictate what they will buy. As with any consumer segment, business operators must always pay attention to their building's appearance, management, personnel, and overall service.

Finally, expansion or development of retail and services for commuters does not necessarily require highway strip development on the edge of town. In fact, in-fill locations closer to the center of the host community or even walking distance to places of employment offer commuters the opportunity to make their purchases before (or after) they embark on their commute and during their lunch breaks.

### Sources:

1. Martin Shields and Steven C. Deller, "Commuting's Effect on Local Retail Market Performance." *Review of Regional Studies* 28(2), 1998, : 71-79.
2. Green, Gary P., "Kenosha County Commuter Study", Department of Rural Sociology, University of Wisconsin-Madison, 2001.
3. Pisarski, Alan E. "Commuting in Context." *Urban Land*. May 2001.

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