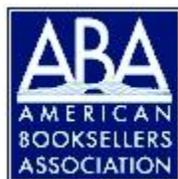




A Measure of
Independent Retail
Vitality in Every American
Metropolitan Area

www.IndieCityIndex.com

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January 18, 2011

As part of the American Booksellers Association's ongoing efforts to focus attention on independent, locally-owned retail businesses, we commissioned a new study from the economic analysis and consultancy firm Civic Economics to serve as the first national measure of independent retail vitality nationwide.

Our goal was to build on Civic Economics' groundbreaking work in documenting the substantially greater economic impact locally-owned businesses have on their communities, research that has played an essential role in raising national awareness regarding the importance of locally-owned businesses.

In the Indie City Index, Civic Economics has created the first detailed study of independent retail vitality nationwide. The index ranks each MSA on the share of retail sales captured by independent retail businesses, provides category rankings based on such criteria as population and region, and offers an initial look at some of the most telling variables identified in the study. The report's analysis offers a new and eye-opening map of independent retail performance.

During our Advocates for Independent Retail Summit (AIR) being held in January 2011, and the months that follow, ABA hopes that this new insight on the critical role independent businesses play will help stimulate, amplify, and enrich the discussion about the indispensable contributions they make to strengthening and growing the American economy.

OREN TEICHER
CHIEF EXECUTIVE OFFICER
AMERICAN BOOKSELLERS ASSOCIATION

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INTRODUCTION

In early 2010, the American Booksellers Association (ABA) and Civic Economics began considering research initiatives that would add materially to our understanding of the economics of local and regional retail. The ABA was in the early stages of planning for the Advocates for Independent Retail (AIR) Summit, and saw an opportunity to provide participants and the broader public with the kind of new information that could only emerge from a substantial research project. The goal of the project was three-fold:

1. Advance our understanding of the economics of local and regional retail.
2. Provide a national framework for that understanding.
3. Establish a baseline from which future research would proceed.

After considering a number of alternatives, the Indie City Index was selected. The Index provides, for the first time, a comparison of the health of independent retail in every American metropolitan area. In addition, in preparing the Index, we have amassed a treasure trove of data for future research. These documents as well as future research products will be made available for distribution online at IndieCityIndex.com.

Prior Retail Economics Research

Beginning in 2002, Civic Economics conducted a series of studies that have brought into the mainstream the notion that local independent businesses provide dramatically greater returns to their communities than do their chain competitors. These studies are summarized (and, in electronic versions of this document, linked) below:

- In [Austin in 2002](#), we demonstrated that independent book and music retailers returned three times the share of revenue to the local economy as would a city-subsidized Border across the street (45% of revenue compared to 13%).
- In the Andersonville district of [Chicago in 2004](#), we applied the Austin methodology to a broader study set and found independents there returned 68% of revenue to the local economy compared to just 43% for selected chain competitors. Moreover, on a per square foot basis, the impact of independents reached \$179 compared to \$105 for their chain competitors.
- In [San Francisco in 2007](#), we estimated the market share held by independent businesses in books, sporting goods, toys, and fast food, then applied the Chicago findings to estimate that a 10% shift in market shares from chains to independents would produce \$192 million in annual economic impact, create 1,295 jobs, and lead to an additional \$15 million in retail activity.
- In [Phoenix in 2007](#), we applied the Austin methodology to demonstrate that a local, independent distributor of office supplies returned 33.4% of its revenue to the local economy compared to 11.6% for a national competitor with a Phoenix area distribution center. For a national competitor with no local facility, local impacts were so small as to be immeasurable.



- In [Grand Rapids in 2008](#), we had the opportunity to replicate earlier studies in a broader and deeper way in a city more representative of national trends. There we found that a 10% shift in market share from chains to locals would produce \$140 million in new economic activity and create more than 1600 new jobs paying over \$50 million in wages. All this would occur in a metropolitan area of under 600,000 population.
- Most recently, in [New Orleans in 2009](#), we determined that a 179,000 square foot Target store would produce \$50 million in taxable revenue, of which only \$8 million would recirculate within the New Orleans economy while requiring no less than 7 acres of parking. By contrast, 179,000 square feet of Magazine Street merchants, or four blocks of a typical urban commercial district with little to no off-street parking, would produce \$105 million in taxable revenue while recirculating \$33.6 million in the local economy.

Given the consistency of the findings to date, there remains little room for debate about the enhanced economic impact provided by independent retailers, restaurateurs, service providers, and wholesalers. Indeed, the idea has entered the mainstream of economic and community development as evidenced by the breadth of the "shop local" movement, the approving coverage it has received in media outlets from small towns to the New York Times and the Economist, and the recent multi-million dollar commitment made by American Express OPEN, sponsor of Small Business Saturday.

Using the Indie City Index

In our experience, few informed community leaders would dispute the enhanced economic development value of local business. For that reason, Civic Economics and the ABA now hope to move the discussion from the underlying economic impacts to ways in which communities can harness the power of independent retail to build local economies. The Indie City Index shows where independent retail powerhouses are to be found, providing a baseline for that discussion and a rich trove of data for future research. While we have, in this study, attempted to draw insights from the scores and trends within them, we believe that more eyes and minds on the numbers will reveal more information over time.

We should acknowledge that the Index is as perfect or as flawed as the underlying data. While great expense and labor went into the study, we can only assume that enhanced data would yield some changes in the final rankings. For now, though, we believe the Index provides the best possible baseline and foundation for understanding.

It is also useful to remember that the Index is based on entire MSAs rather than core cities. Most metros include substantial suburban clusters of national retailers that are incorporated into the local Index and rightfully so, because metropolitan economies are integrated and interdependent. Leakage in one portion of the community drains economic vitality from the entire region.



METHODOLOGY IN BRIEF

The development of the Indie City Index proved to be a laborious and data-intensive task. The goal was to identify those markets with the strongest independent retail sectors, but no single dataset exists that would allow us to directly quantify independent retail sales. As a result, we chose to come at the question from the other side, looking at sales of major chain stores in each market. The idea is that by identifying a substantial portion of retail sales in each market attributable to the major chains, we would develop a gauge of chain store saturation. The flip side of that gauge, then, provides a strong indication of the relative market share of local, independent retailers.

We began by establishing a manageable scope to the study. The study would include all retail sectors except groceries and automotive, and focus on the largest retailers in the nation (those with over \$1 billion in estimated annual sales). Sectors and retailers are listed in the Data Appendix.

The Index began with two primary datasets. From OneSource we procured access to a proprietary business location list designed primarily for marketing purposes. The Business Browser attempts to include every business location in America, including business name and parent company, and an estimate of revenues at that location. For this study, we pulled over 120,000 retail locations operated by corporations as large as Wal-Mart Stores and as small as Marc Ecko. While this dataset required a degree of culling and cleaning, it provided a strong basis for the study.

From Nielsen Claritas we procured access to a proprietary database estimating retail sales by sector in each Metropolitan Statistical Area (MSA or Metro) in the United States. The MSA serves as the Census Bureau's method of designating urbanized and suburbanized counties across the nation. It includes agglomerations in excess of 50,000 population grouped into 363 Metropolitan Areas named for the principal cities within.

Between the OneSource and Claritas databases, then, we had a reasonable measure of chain store saturation in every MSA expressed as the proportion of total retail sales garnered by these major chains. From that proportion, then, we established the Indie City Index for each MSA, scoring higher those MSAs with a less intense saturation of major chain retailers. With this approach, the Index represents the relative health of the independent retail sector as indicated by the share of retail sales available to the independents.

An Index of 100 represents the national average. Index scores above 100 represent healthier independent retail markets while scores below 100 represent the more chain-dominated markets.

A more detailed discussion of the Indie City Index methodology is provided in the Data Appendix.



THE INDIE CITY INDEX

The Indie City Index assigns a score to each of the 363 Metropolitan Areas of the nation. Higher scores indicate relatively healthier independent retail sectors as indicated by the relatively lower concentration of major chain stores.

Index scores are presented in three groups: top and bottom overall by index score; top ten by population group; and top ten by region. That is followed by a list of communities that outperform their peers in both population and regional categories.

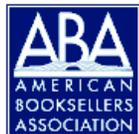
Full listings of the Index by rank order, alphabetical order, region, and population group can be found in the Data Appendix.

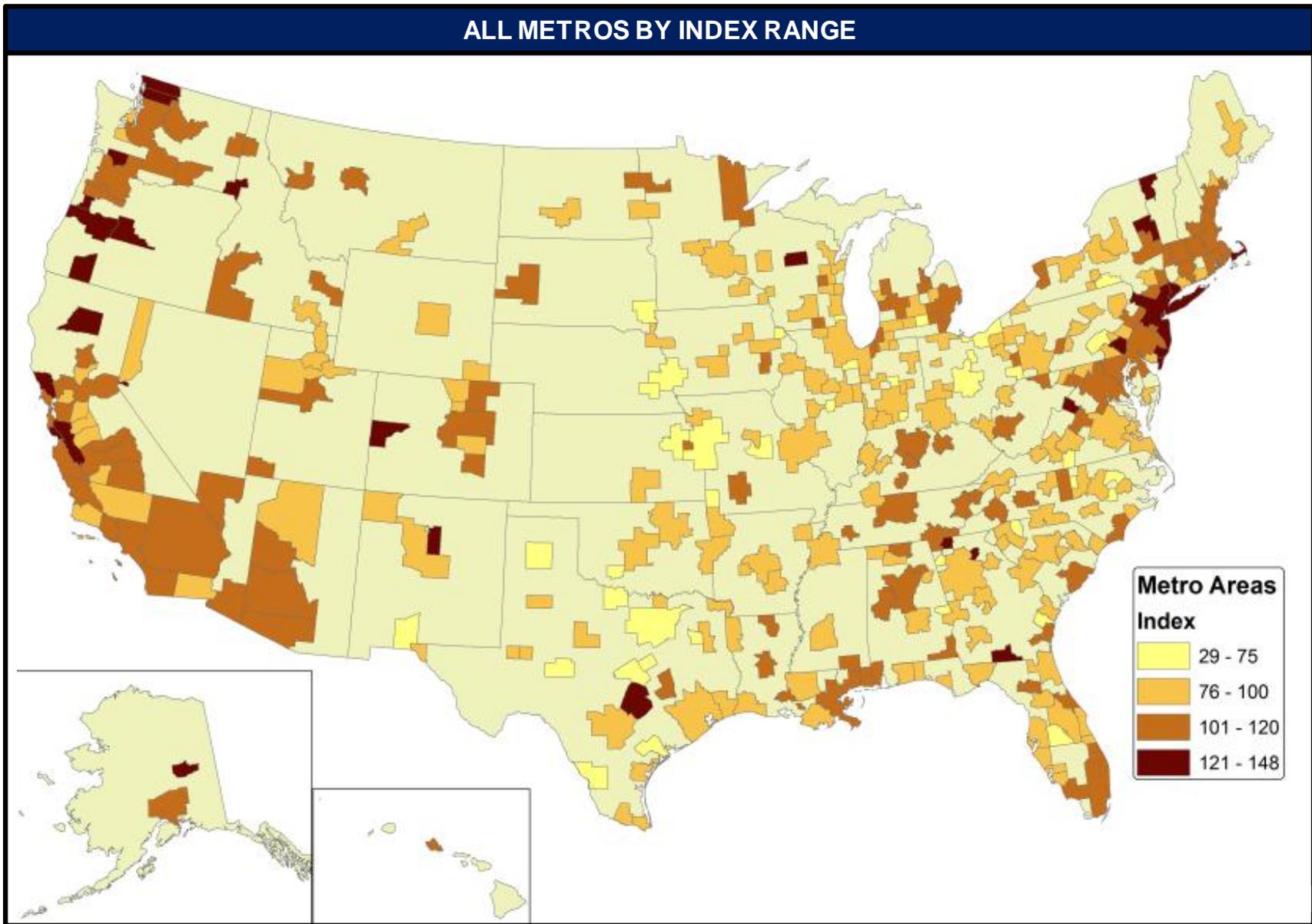
National Data

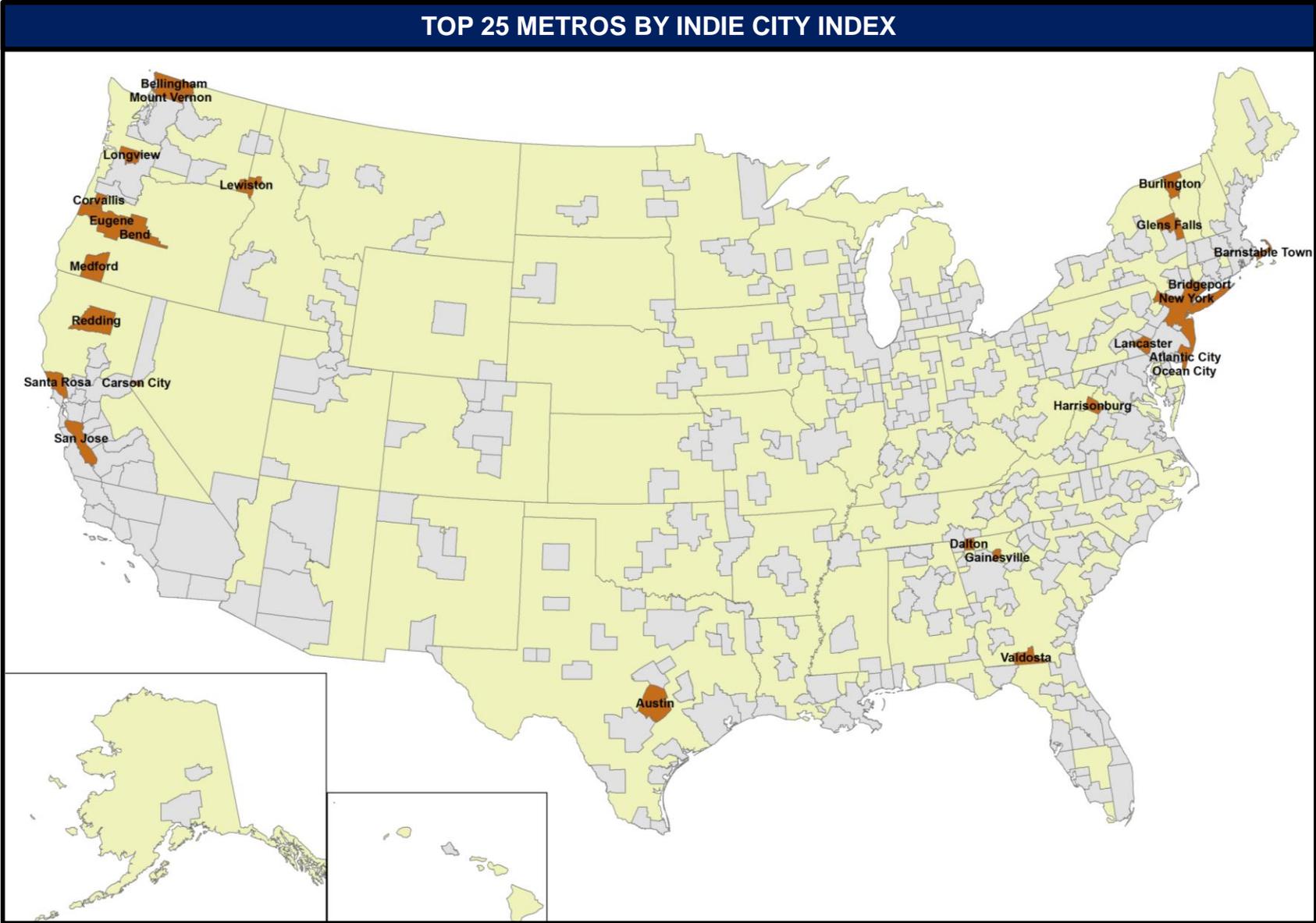
The presentation of this data begins with the big picture, two maps showing national findings. The first shows scores by Index range for all MSAs. The second highlights the location and rank of the Top 25. Clear concentrations are found along the Northwest Coast and in the urbanized New England and Mid-Atlantic states. Noteworthy outliers include Austin, Texas (#7) and three smaller MSAs in Georgia: Dalton (#8), Gainesville (#10), and Valdosta (#24).

In addition, we have provided a listing of the Top 25 and Bottom 25 MSAs based on Index scores.

This data, ranking MSAs by Index score, represents simply the first cut at the data. At a glance, the observer will note not only the geographic concentration described above, but the preponderance of smaller metropolitan areas at the top of the list. The sections that follow will review variations among regions and by population class.







Source: Civic Economics



Top and Bottom Metros by Index

TOP 25, ALL U.S. METROPOLITAN AREAS			BOTTOM 25, ALL U.S. METROPOLITAN AREAS		
National Index: 100			National Index: 100		
Rank	MSA	Index	Rank	MSA	Index
1	Ocean City, NJ	147.7	339	Jackson, MI	64.5
2	Bellingham, WA	139.5	340	Binghamton, NY	63.4
3	Medford, OR	138.7	341	Laredo, TX	62.7
4	Carson City, NV	137.1	342	Kokomo, IN	62.6
5	San Jose-Sunnyvale-Santa Clara, CA	137.0	343	Lawton, OK	62.3
6	Barnstable Town, MA	135.6	344	Sioux Falls, SD	61.8
7	Austin-Round Rock, TX	134.2	345	Mansfield, OH	61.2
8	Dalton, GA	129.9	346	Lakeland, FL	59.3
9	Harrisonburg, VA	129.4	347	Palm Coast, FL	59.1
10	Gainesville, GA	129.3	348	Rocky Mount, NC	58.4
11	Glens Falls, NY	129.3	349	Tyler, TX	58.4
12	New York-Northern New Jersey-Long Island, NY-NJ-	128.7	350	Columbus, OH	58.2
13	Lewiston, ID-WA	128.4	351	Sandusky, OH	58.2
14	Santa Rosa-Petaluma, CA	128.3	352	Amarillo, TX	57.1
15	Bridgeport-Stamford-Norwalk, CT	127.5	353	Hinesville-Fort Stewart, GA	56.7
16	Eugene-Springfield, OR	126.4	354	Decatur, IL	55.7
17	Mount Vernon-Anacortes, WA	126.3	355	Joplin, MO	53.0
18	Redding, CA	125.1	356	Cleveland-Elyria-Mentor, OH	52.6
19	Longview, WA	125.0	357	Wichita Falls, TX	52.3
20	Corvallis, OR	124.1	358	Racine, WI	51.3
21	Bend, OR	124.0	359	Burlington, NC	48.4
22	Atlantic City, NJ	123.9	360	San Angelo, TX	46.7
23	Burlington-South Burlington, VT	123.6	361	Auburn-Opelika, AL	44.6
24	Valdosta, GA	122.7	362	Topeka, KS	44.2
25	Lancaster, PA	122.4	363	Kankakee-Bradley, IL	28.6



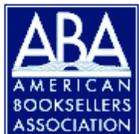
Population Groupings

The next set of charts provides some context to the big picture presentation.

Broken out by population groupings, we see that larger MSAs generally score higher than smaller MSAs. Indeed, the only population class that averages an Index above 100 is the very largest cities, with populations in excess of three million. Despite the averages, the top of the national rankings is dominated by some of the smallest MSAs, with populations below 250,000.

Of the 17 largest American metropolitan areas, twelve achieve Index scores above 100. In the smallest MSAs, Index scores display a rather broad range, with a number of very high scores at the top and dozens of relatively low scores at the bottom.

For each population class, we provide a listing of the Top 10 MSAs (all 17 of the largest MSAs are listed in rank order).



Top Metros by Population Category

POPULATION CATEGORIES RANKED BY INDEX	
Metro Population Range	Index
Greater than 3,000,000	108.0
1,000,000 to 3,000,000	98.2
500,000 to 1,000,000	97.3
250,000 to 500,000	83.9
50,000 to 250,000	96.0
Non-metropolitan counties	87.0

ALL METROS, POPULATION GREATER THAN 3 MILLION		
Population Category Index: 108.0		
Rank	MSA	Index
12	New York-Northern New Jersey-Long Island, NY-NJ-	128.7
36	Los Angeles-Long Beach-Santa Ana, CA	118.3
62	Riverside-San Bernardino-Ontario, CA	112.3
68	Phoenix-Mesa-Scottsdale, AZ	111.0
80	San Diego-Carlsbad-San Marcos, CA	109.5
83	Miami-Fort Lauderdale-Pompano Beach, FL	108.9
90	Seattle-Tacoma-Bellevue, WA	107.6
96	San Francisco-Oakland-Fremont, CA	106.5
103	Boston-Cambridge-Quincy, MA-NH	105.6
109	Detroit-Warren-Livonia, MI	105.3
113	Washington-Arlington-Alexandria, DC-VA-MD-WV	104.6
135	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	100.5
158	Atlanta-Sandy Springs-Marietta, GA	98.3
162	Houston-Sugar Land-Baytown, TX	97.9
180	Chicago-Naperville-Joliet, IL-IN-WI	95.7
283	Minneapolis-St. Paul-Bloomington, MN-WI	82.1
328	Dallas-Fort Worth-Arlington, TX	71.0



TOP 10, POPULATION 1 TO 3 MILLION		
Population Category Index: 98.2		
Rank	MSA	Index
5	San Jose-Sunnyvale-Santa Clara, CA	137.0
7	Austin-Round Rock, TX	134.2
43	Tucson, AZ	116.3
50	New Orleans-Metairie-Kenner, LA	114.6
52	Nashville-Davidson-Murfreesboro-Franklin, TN	114.1
78	Portland-Vancouver-Beaverton, OR-WA	109.7
79	Louisville/Jefferson County, KY-IN	109.6
93	Denver-Aurora, CO	106.6
102	Las Vegas-Paradise, NV	105.7
108	Providence-New Bedford-Fall River, RI-MA	105.4

TOP 10, POPULATION 500,000 TO 1 MILLION		
Population Category Index: 97.3		
Rank	MSA	Index
15	Bridgeport-Stamford-Norwalk, CT	127.5
25	Lancaster, PA	122.4
37	Poughkeepsie-Newburgh-Middletown, NY	117.6
55	Portland-South Portland-Biddeford, ME	113.1
56	Oxnard-Thousand Oaks-Ventura, CA	113.0
60	Honolulu, HI	112.5
64	Boise City-Nampa, ID	112.2
77	Charleston-North Charleston, SC	109.8
84	Albany-Schenectady-Troy, NY	108.9
85	Springfield, MA	108.7

TOP 10, POPULATION 250,000-500,000		
Population Category Index: 83.9		
Rank	MSA	Index
14	Santa Rosa-Petaluma, CA	128.3
16	Eugene-Springfield, OR	126.4
22	Atlantic City, NJ	123.9
27	Santa Cruz-Watsonville, CA	121.8
32	San Luis Obispo-Paso Robles, CA	119.9
38	Greeley, CO	117.6
40	Holland-Grand Haven, MI	117.1
42	Naples-Marco Island, FL	116.5
49	Huntsville, AL	114.7
53	Asheville, NC	113.8

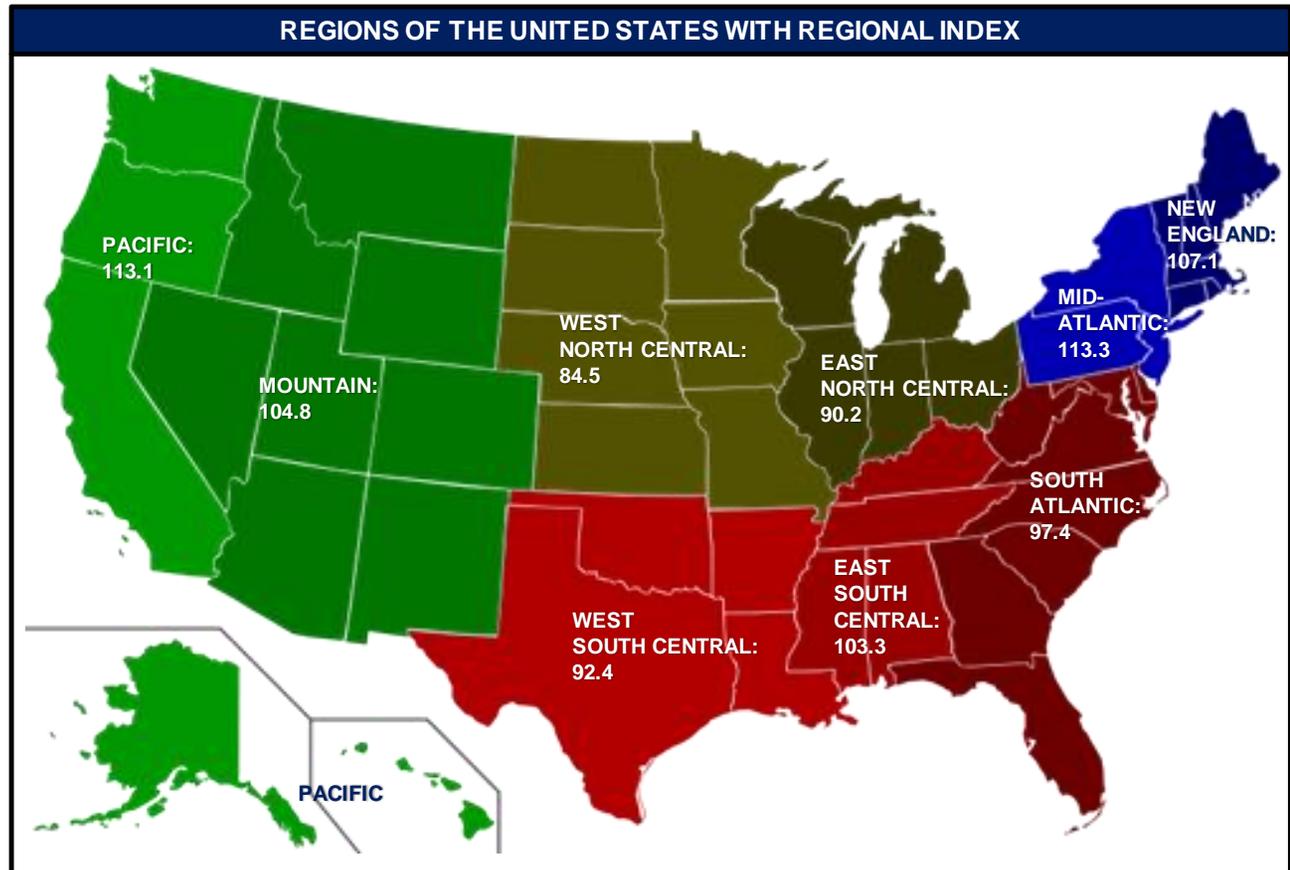
TOP 10, POPULATION 50,000-250,000		
Population Category Index: 96.0		
Rank	MSA	Index
1	Ocean City, NJ	147.7
2	Bellingham, WA	139.5
3	Medford, OR	138.7
4	Carson City, NV	137.1
6	Barnstable Town, MA	135.6
8	Dalton, GA	129.9
9	Harrisonburg, VA	129.4
10	Gainesville, GA	129.3
11	Glens Falls, NY	129.3
13	Lewiston, ID-WA	128.4



Regional Variation

We close with a look at how scores vary among regions. As would be expected from a look at the Top 25 map, the highest regional scores are in the Northwest and Northeast. However, surprisingly high Index scores are achieved by the Mountain and East South Central regions. Following the map, we provide a Top 10 list for each region.

Regional Rankings and Indices Mapped



Source: Civic Economics, United States Census Bureau

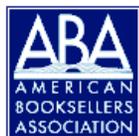


Top Metros by Region

REGIONS RANKED BY INDEX		
National Average Index: 100		
Rank	Region	Index
1	Mid-Atlantic	113.3
2	Pacific	113.1
3	New England	107.1
4	Mountain	104.8
5	East South Central	103.3
6	South Atlantic	97.4
7	West South Central	92.4
8	East North Central	90.2
9	West North Central	84.5

TOP TEN, MID-ATLANTIC		
Regional Rank: #1; Region Index: 113.3		
Rank	MSA	Index
1	Ocean City, NJ	147.7
11	Glens Falls, NY	129.3
12	New York-Northern New Jersey-Long Island, NY-NJ-	128.7
22	Atlantic City, NJ	123.9
25	Lancaster, PA	122.4
37	Poughkeepsie-Newburgh-Middletown, NY	117.6
75	Trenton-Ewing, NJ	109.9
84	Albany-Schenectady-Troy, NY	108.9
121	Allentown-Bethlehem-Easton, PA-NJ	103.0
125	Johnstown, PA	102.4

TOP TEN, PACIFIC		
Regional Rank: #2; Region Index: 113.1		
Rank	MSA	Index
2	Bellingham, WA	139.5
3	Medford, OR	138.7
5	San Jose-Sunnyvale-Santa Clara, CA	137.0
14	Santa Rosa-Petaluma, CA	128.3
16	Eugene-Springfield, OR	126.4
17	Mount Vernon-Anacortes, WA	126.3
18	Redding, CA	125.1
19	Longview, WA	125.0
20	Corvallis, OR	124.1
21	Bend, OR	124.0



TOP TEN, NEW ENGLAND

Regional Rank: #3; Region Index: 107.1

Rank	MSA	Index
6	Barnstable Town, MA	135.6
15	Bridgeport-Stamford-Norwalk, CT	127.5
23	Burlington-South Burlington, VT	123.6
55	Portland-South Portland-Biddeford, ME	113.1
85	Springfield, MA	108.7
87	Pittsfield, MA	108.5
103	Boston-Cambridge-Quincy, MA-NH	105.6
106	Worcester, MA	105.5
108	Providence-New Bedford-Fall River, RI-MA	105.4
118	Hartford-West Hartford-East Hartford, CT	104.0

TOP TEN, MOUNTAIN

Regional Rank: #4; Region Index: 104.8

Rank	MSA	Index
4	Carson City, NV	137.1
13	Lewiston, ID-WA	128.4
28	Grand Junction, CO	121.0
29	Santa Fe, NM	120.8
38	Greeley, CO	117.6
43	Tucson, AZ	116.3
44	Yuma, AZ	116.0
45	Idaho Falls, ID	115.7
46	Pueblo, CO	115.5
59	Great Falls, MT	112.6

TOP TEN, EAST SOUTH CENTRAL

Regional Rank: #5; Region Index: 103.3

Rank	MSA	Index
35	Gulfport-Biloxi, MS	118.6
49	Huntsville, AL	114.7
51	Pascagoula, MS	114.3
52	Nashville-Davidson-Murfreesboro-Franklin, TN	114.1
54	Tuscaloosa, AL	113.5
79	Louisville/Jefferson County, KY-IN	109.6
82	Morristown, TN	109.0
88	Mobile, AL	108.0
97	Lexington-Fayette, KY	106.1
99	Chattanooga, TN-GA	105.9

TOP TEN, SOUTH ATLANTIC

Regional Rank: #6; Region Index: 97.4

Rank	MSA	Index
8	Dalton, GA	129.9
9	Harrisonburg, VA	129.4
10	Gainesville, GA	129.3
24	Valdosta, GA	122.7
39	Dover, DE	117.2
42	Naples-Marco Island, FL	116.5
53	Asheville, NC	113.8
66	Winchester, VA-WV	111.5
77	Charleston-North Charleston, SC	109.8
83	Miami-Fort Lauderdale-Pompano Beach, FL	108.9



TOP TEN, WEST SOUTH CENTRAL		
Regional Rank: #7; Region Index: 92.4		
Rank	MSA	Index
7	Austin-Round Rock, TX	134.2
50	New Orleans-Metairie-Kenner, LA	114.6
104	Lafayette, LA	105.6
111	College Station-Bryan, TX	105.0
116	Alexandria, LA	104.3
119	Anchorage, AK	103.4
133	Monroe, LA	101.4
144	Oklahoma City, OK	99.6
156	Baton Rouge, LA	98.6
161	McAllen-Edinburg-Mission, TX	97.9

TOP TEN, EAST NORTH CENTRAL		
Regional Rank: #8; Region Index: 90.2		
Rank	MSA	Index
26	Wausau, WI	121.9
31	Michigan City-La Porte, IN	119.9
34	Oshkosh-Neenah, WI	119.4
40	Holland-Grand Haven, MI	117.1
41	Janesville, WI	116.9
48	Bay City, MI	114.8
57	Ann Arbor, MI	112.8
81	Monroe, MI	109.3
105	Saginaw-Saginaw Township North, MI	105.5
109	Detroit-Warren-Livonia, MI	105.3

WEST NORTH CENTRAL		
Regional Rank: #9; Region Index: 84.5		
Rank	MSA	Index
47	Rapid City, SD	115.1
73	Lawrence, KS	110.2
74	Grand Forks, ND-MN	110.2
76	Iowa City, IA	109.9
120	Springfield, MO	103.2
141	Duluth, MN-WI	100.2
146	Wichita, KS	99.4
169	Cedar Rapids, IA	97.2
193	Bismarck, ND	94.1
199	St. Cloud, MN	93.3



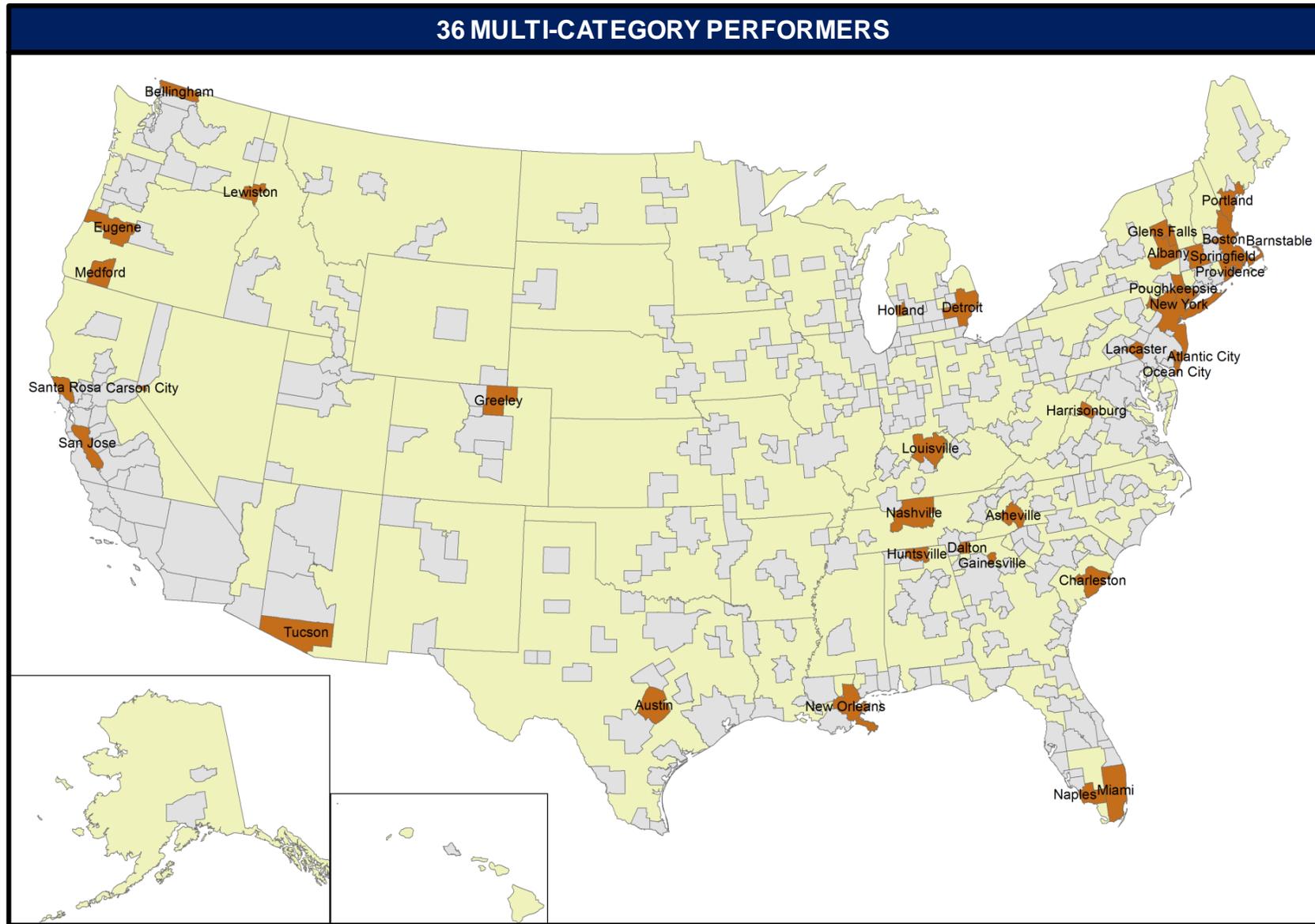
Performance across categories

The simple Top 25 by Index scores above is useful and instructive, highlighting the concentration of high Indexes in small and coastal communities. However, that list is of limited utility in identifying MSAs that rise above their peers. For that, Civic Economics has identified the 36 communities that rank in the top ten for both population class and region. Points were awarded based on the MSA rank within regional and population groups. These 36 MSAs are truly top performers.

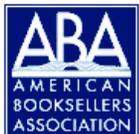
TOP MULTI-CATEGORY PERFORMERS							
MSAs ranked in the Top 10 for both Region and Population (Ranks added for Pts.)							
Rank	MSA	Index	Pts.	Rank	MSA	Index	Pts.
1	Ocean City, NJ	147.7	2	17	Tucson, AZ ★	116.3	9
2	Bellingham, WA ★	139.5	3		Nashville-Davidson-Murfreesboro-Franklin, TN	114.1	9
	Austin-Round Rock, TX ★	134.2	3		Gainesville, GA	129.3	11
5	Bridgeport-Stamford-Norwalk, CT	127.5	3	21	Glens Falls, NY	129.3	11
	San Jose-Sunnyvale-Santa Clara, CA	137.0	4		Greeley, CO	117.6	11
7	New York-Northern New Jersey-Long Island, NY-NJ ★	128.7	4	26	Holland-Grand Haven, MI ★	117.1	11
	Medford, OR ★	138.7	5		Huntsville, AL	114.7	11
10	Carson City, NV	137.1	5	27	Lewiston, ID-WA ★	128.4	12
	Santa Rosa-Petaluma, CA ★	128.3	5		Louisville/Jefferson County, KY-IN	109.6	13
12	Barnstable Town, MA ★	135.6	6	28	Naples-Marco Island, FL	116.5	14
	New Orleans-Metairie-Kenner, LA ★	114.6	6		29	Springfield, MA	108.7
16	Dalton, GA	129.9	7	30	Miami-Fort Lauderdale-Pompano Beach, FL	108.9	16
	Eugene-Springfield, OR	126.4	7		Boston-Cambridge-Quincy, MA-NH ★	105.6	16
17	Atlantic City, NJ	123.9	7	32	Asheville, NC ★	113.8	17
	Lancaster, PA ★	122.4	7		Charleston-North Charleston, SC ★	109.8	17
35	Portland-South Portland-Biddeford, ME ★	113.1	8	36	Albany-Schenectady-Troy, NY ★	108.9	17
	Harrisonburg, VA	129.4	9		Providence-New Bedford-Fall River, RI-MA	105.4	19
	Poughkeepsie-Newburgh-Middletown, NY	117.6	9		Detroit-Warren-Livonia, MI	105.3	20

★ Indicates MSA served by one or more organizations affiliated with AMIBA (American Independent Business Alliance) or BALLE (Business Alliance for Local Living Economies)





Source: Civic Economics



THE INDEX IN CONTEXT

The Value and Decline of Consumer Choice

Local independent businesses enhance the identity of a community. They create a sense of place that a series of endlessly replicated chain stores cannot match. Business districts populated with independents develop a character that attracts visitors from far beyond their neighborhoods, bringing dollars into a community as surely as do factories and banks. One of the great draws of these businesses is a choice of goods far exceeding the increasingly narrow choices provided by national chains.

National chains operate on vast scales, which require a selection of products that appeal to the widest range of consumers. Local merchants, serving a more focused market, seek to identify and satisfy the tastes and preferences of their neighbors. In doing so, independents help to define and promote a local culture that chains ignore. For local residents and visitors alike, these independent merchants offer a range of choice unimaginable to the purchasing offices of major chain stores.

Thus, a high ranking on the Indie City Index represents more than just an interesting place and greater local economic activity; it represents enhanced consumer choice. The chain retailers included in this study represent almost half of all sales at brick and mortar stores. Put another way, this relative handful of merchants, fewer than occupy a modest mall, sells nearly as much "stuff" as all the other retailers in the nation combined.

The proliferation of these national retailers is largely responsible for the "Anywhere, USA" effect one feels in a new city. Wherever you may be, large sections of that community are indistinguishable from large sections of any other city, large or small. Economies of scale, mass media, and other factors have led to a homogenization of consumer choice, squeezing local businesses out and decreasing consumer choice.

The trends are alarming to those who care about consumer choice and community character, and statistics from the Economic Census highlight the impact. According to figures compiled from the Economic Census, from 1992 through 2007 retail sales at bricks and mortar stores, in the retail categories covered in our analysis, have increased almost 58 percent (when correcting for inflation) while the number of establishments creating those sales has actually increased only one percent. Sales per store increased from \$1.6 million in 1992 (in 2007 dollars) to almost \$2.5 million in 2007, an increase of 56 percent.

Local, independent bookstores provide perhaps the clearest example of the impact of declining consumer choice. Prominent "Local Interest" and "Local Authors" displays, as well as readings and signings of books that may attract little notice beyond the regional market, contribute significantly to the success of the store. Many independent booksellers eschew the wide and shallow approach of big box retail in favor of a



deep specialization, offering an incredible and carefully curated selection of books for a specific audience. What merits a shelf or two at the big box fills an entire store for the specialized independent, and that extravagance of choice is hard to regain once lost.

This consumer choice, while little noticed, is clearly appreciated by shoppers whether they are aware of it or not. In two prior studies, Civic Economics has compared sales per square foot between locals and chains. In Andersonville, local merchants outperformed their chain competitors on this important measure by 40 percent. In New Orleans, locals achieved sales per square foot more than twice that of the average Target store.

The Indie City Index, viewed in this light, is more than a list of cool cities, more than a list of communities that benefit from the economic impact of independents. It is a list of cities in which the consumer truly is king.

Drawing Correlations

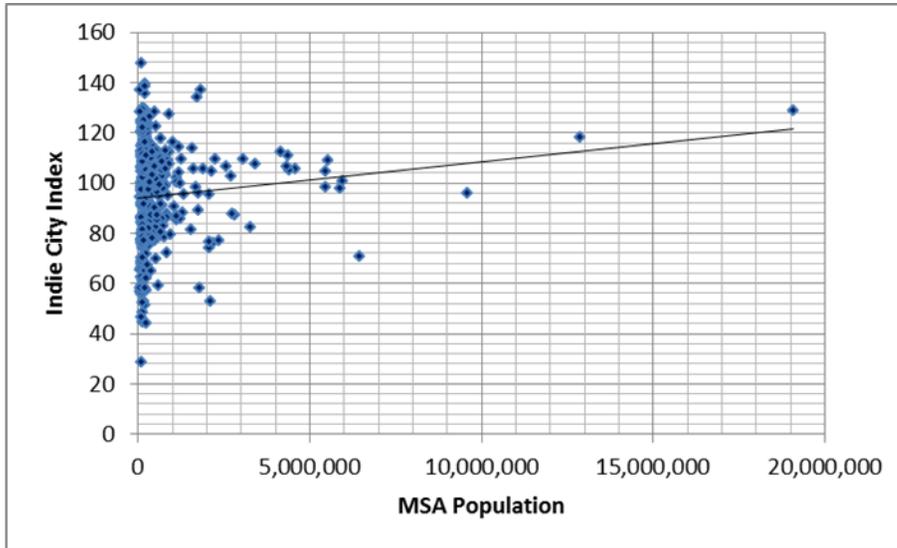
Regional and population group rankings tell us much, but Civic Economics collected additional data that might shed light on the characteristics of communities at the top and bottom of the Index. A number of variables are aligned with the Index, and we have highlighted a few below.

It should be noted, though, that none of these datasets provide the secret to success. Even those most closely correlated with the Index include dozens of communities that, for myriad reasons, belie the trends. To illustrate these connections, we present the data in scatter plot charts. Each point on the charts below represents an MSA. The Y-Axis is always the Indie City Index score; the X-Axis represents the variable being studied. Each chart includes a trendline that represents broadly the connection between the Index and the variable.

Even a glance at the charts reveals that these trends are not destiny. While further research into the Index datasets may provide additional insights, the immediate takeaway is that no variable appears to prevent a given community from building a strong independent retail sector and enjoying the economic benefits the independents bring.

In the coming months, additional correlations and compatible datasets may come to our attention, so the variables provided below should be viewed as an initial pass at the challenge. The Data Appendix includes charts for these variables broken out by population groups, as well.

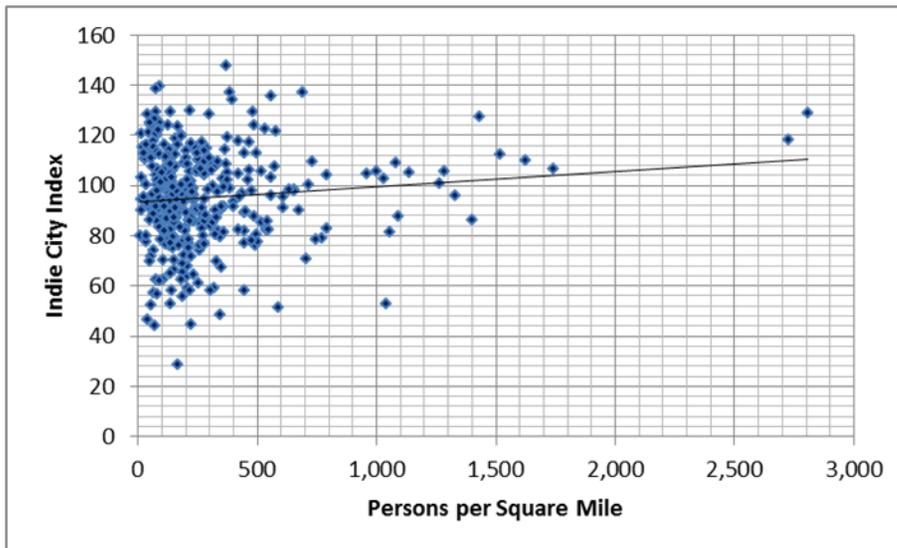




In the most general way, Index scores rise slightly with population. However, tremendous variation is seen within population groups. Among MSAs with populations between 1-3 Million, for example, increased population is associated with a slight decline in Index scores.

Density, as might be expected, is also associated with increasing Index scores. This is particularly true among the 17 largest cities, where large coastal cities provide particularly hospitable environments for independents with small footprints or niche markets.

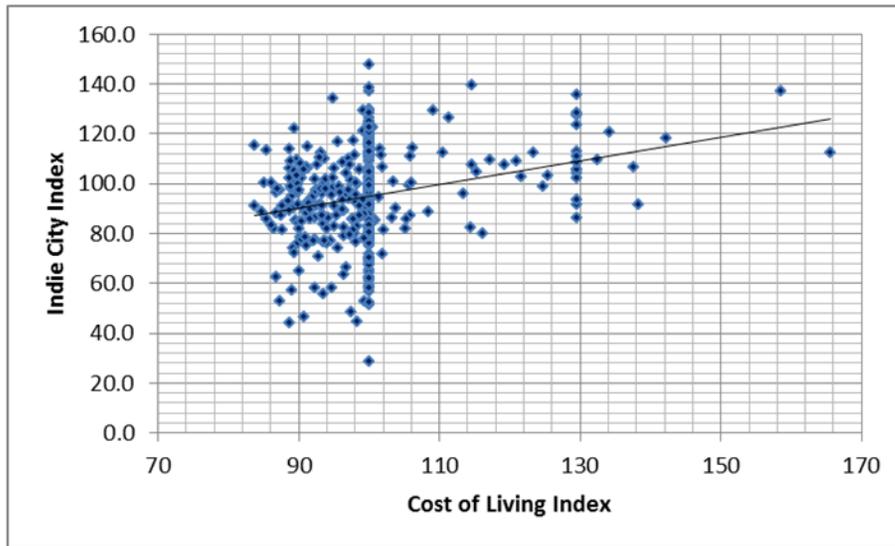
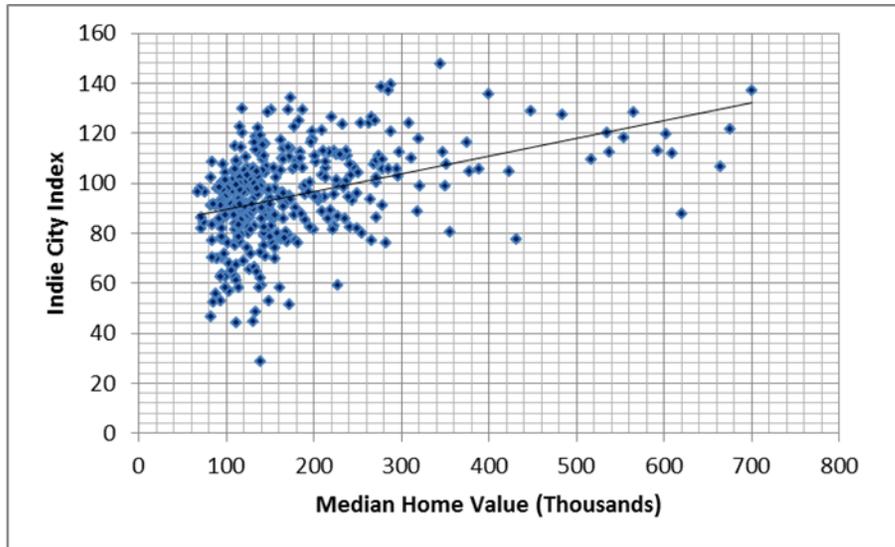
Among the smallest MSAs, higher density is actually associated with a very slight decrease in Index scores. These small markets merit further study in the years to come.



Source: American Community Survey, Nielsen Marketplace, Civic Economics



ATTRACTIVENESS MEASURES, ALL MSAs



Source: American Community Survey, Kiplinger's, Civic Economics

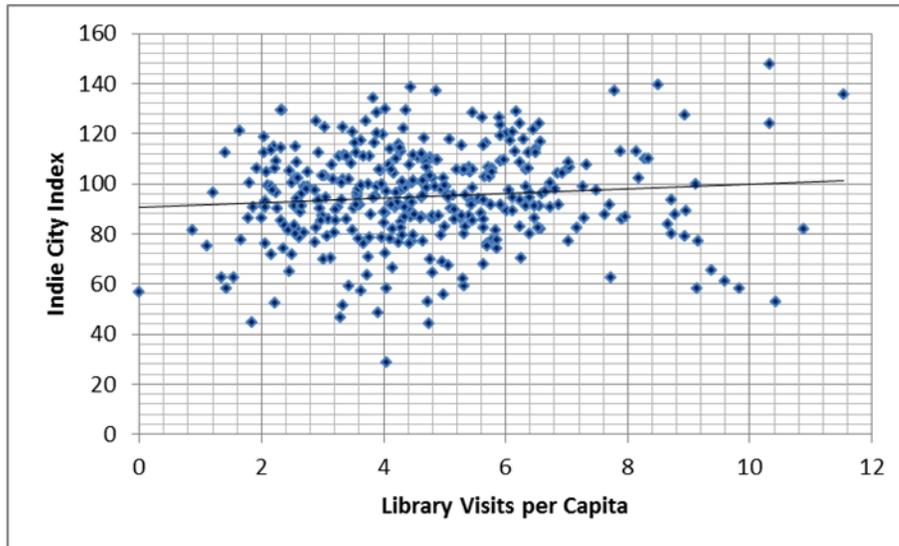
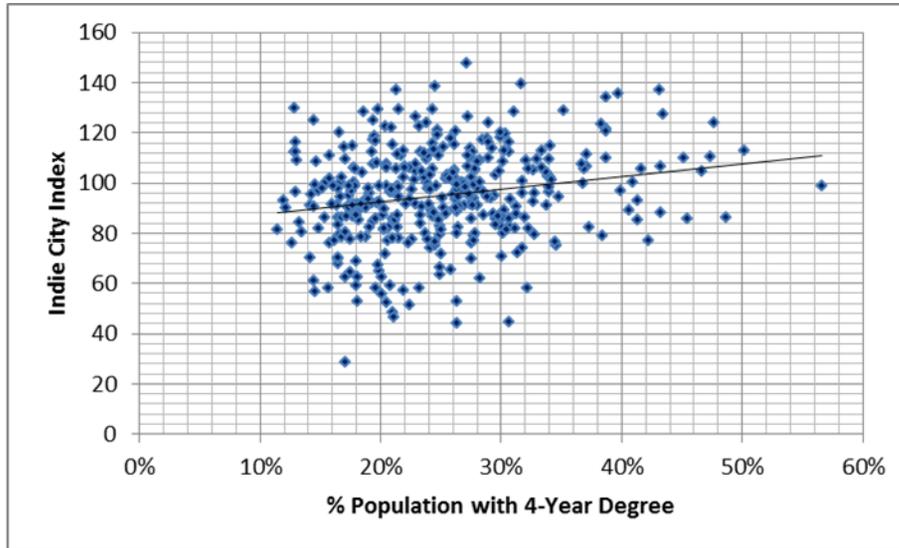
In a purely economic sense, the attractiveness of a community can be measured by the willingness of residents to pay for the privilege of living there. Consumers vote with their wallets by, among other things, paying more for housing and by accepting higher overall cost of living.

These two measures provide the strongest correlation with the Indie City Index. Generally speaking, it might be said that high Index communities are also highly desirable communities. These are places where mobile residents choose to make their homes and where entrepreneurial merchants see a strong customer base.

However, these charts also illustrate that one need not absorb greater costs in order to enjoy the retail choice provided by a healthy independent retail sector. High scores are found in relatively inexpensive communities from coast to coast.

Within MSAs, too, we expect to find wide variations in affordability and Index scores.





Source: American Community Survey, Institute of Museum and Library Sciences, Civic Economics

Finally, we find notable correlations among various measures of education and the Index.

The proportion of the population that has attained a four-year college degree presents the third strongest trend among the variables presented here, a trend which is also matched by the concentration of Master’s degrees. Data for Doctoral degrees was similar, though High School Diploma attainment rates showed no correlation.

Surprisingly, the most basic measure of educational attainment, the High School diploma, is not well correlated at all. Indeed, among cities with population above 500,000, higher diploma rates are associated with declining Index scores.

Library visits per capita present another mild correlation. The connection is positive in all population classes except the 1-3 million group, in which increased visits to the library are associated with a rather steep decline in Index scores. Given the widely scattered outcomes on this measure, we are inclined to attribute that outcome more to sample size (35 MSAs) than to any connection between the two activities.



Independent Business Organizations

Across the nation in the last decade, local organizations have arisen to promote independent retailers, restaurants, and service providers. While many are highly localized and modestly capitalized, a good number tend to be affiliated with one of two groups: the American Independent Business Alliance (AMIBA) and the Business Alliance for Local Living Economies (BALLE). Local first efforts in other communities have also taken root via less formalized initiatives such as IndieBound (e.g. IndieBound Naperville), the 3/50 Project (e.g. Hoboken, N.J.), and Independent We Stand.

To see if such organizations and initiatives are making a difference, Civic Economics matched membership lists for BALLE and AMIBA against our list of 106 MSAs that lead in the Indie City Index rankings for national, population, and regional groups. We then estimated participation in one of the unaffiliated groups. While approximately only one-third of all MSAs have an active and engaged local first movement or IBA, we project that over half of the Top 25 and the Top 50 MSAs by Index are served by such efforts. Moreover, over half of the 36 MSAs that make our Top Multi-Category Performers list are so served. That so many of leading Indie Cities boast an independent business alliance or local first effort is striking, and testament to the impact this movement is making.

While there is wide variation among these organizations in resources and organizational strengths, Civic Economics is familiar with many of the established IBAs. We can say from experience that the well-organized and funded chapters in communities where we have worked deserve a degree of credit for the health of the local business community in top performing regions. At the same time, we should emphasize that similarly effective organizations exist in communities up and down the Indie City Index. In many of these communities, a BALLE or AMIBA chapter is providing the spark of recognition that independent business is good for the community and for the economy. The same is true with communities working with IndieBound, the 3/50 Project, and others. In future years, an updated Index will provide the opportunity to track progress in those markets served by affiliated organizations.

Localizing the Index

From the time Civic Economics and the ABA conceived of the Indie City Index, we understood that the value of the Index would be greatly enhanced by conducting more detailed analysis within Metropolitan Areas. A view the geographic distribution of chain stores and independent merchants within any number of MSAs would allow us to see the differences in markets among regions and by city size. For example, in most markets we would expect to find greater agglomerations of chain stores in suburban locations, built where land is cheap and access by car is easy. However, the availability of such site varies significantly from place to place depending on geography, competing uses, and zoning and development regulations. Even in more heavily urbanized areas, the opportunity to develop larger format stores varies substantially from place to place. Perhaps more interestingly in the context of the national movement of independent retailers, it is



quite likely that some communities simply express, through consumer behavior, a preference for the local.

The opportunity to see these dynamics within a number of MSAs might shine a great deal of light on the variations among them as well as within them. The original plan was to invite community or governmental organizations from a sampling of MSAs to underwrite the cost of this additional analysis one MSA at a time. As it happens, assembling the Index data presented in this report required all the resources of Civic Economics, so the development of localized analyses has been postponed until after the release of this document.

Localized Index analysis, measuring the health of the independent retail sector within MSAs by county, municipality, or sub-market area, will provide local policymakers with a detailed understanding of the dynamics of the regional marketplace. The analysis would illustrate the lay of the land as it is understood by consumers in search of goods and services and bring into stark relief the concentrations of various kinds of retail across the region. We believe such analysis would illustrate the economic and community benefits of independent businesses as well as the policy choices that help them thrive.

Going forward, Civic Economics and the ABA are asking that interested community or government organizations around the nation contact us to discuss the possibility of developing a local analysis. In assembling the Index, we have built a costly and labor-intensive dataset readily adaptable to smaller scale study. The result of the ABA's substantial investment in the Index is that we can develop localized analyses in a cost effective and timely manner. For more information, please contact Civic Economics.

Putting the Index to Work

The Indie City Index represents a snapshot of the relative health of the independent retail sector in metropolitan areas across the nation, but it does not mean communities cannot enhance what they have. Extensive research has demonstrated that independent retail gives an edge to communities that nurture it, and there are steps that can be taken to build your own local advantage.

Use the Indie City Index to educate policymakers and residents about the value of independent retail. The Index, by placing your community in the context of its peers, provides a tool for both educating and prodding officials to support local business. Whether your community appears among the leaders or in the lower ranks, the Index can be leveraged to engage community pride and the competitive spirit.

Policymakers must be made to understand the economic and fiscal benefits of independent local business and see to it that independents have the opportunity to compete on a level playing field. Our studies have shown that independents generally achieve higher sales per square foot, the most elemental measure of success in the retail industry and, importantly, the driver of property and sales tax revenues to local and state governments. Tax breaks, zoning exemptions, and infrastructure financing for chain retailers place local firms at a disadvantage and amount to an intentional draining of economic vitality and public revenues.



Residents, too, need ongoing education to remember the benefits of independent retail. Local businesses improve consumer choice in the community, and local business owners contribute to a healthy community in ways a transient chain manager cannot. The local premium quantified by Civic Economics and others is real, and leads to higher property values where you live, extra money in the collection plate where you worship, better facilities where you and your children play.

These prescriptions apply not just in the urban core or other pockets of your metropolitan area that already value independents and independence. Metropolitan areas by design represent integrated economies, so suburban residents and public officials should not be left out of the conversation. Indeed, in most metropolitan areas, the most conventional sprawling suburbs likely present the strongest opportunities for enhancing independent retail in your region.

All this educating and advocating require time and money. For that reason, every American community can benefit from having a local organization focused on the promotion of independent retail and service provision. There is strong evidence that communities with well-organized “shop local” movements are moving the needle, and their place in the Index, through those efforts.

If one or more of these programs exist in your region, join the movement. If not, consider banding together with community and business leaders to develop a program through existing or wholly new organizations. There is no shortage of resources to aid in this daunting project. As described above, AMIBA and BALLE provide organizations with substantial support. The Institute for Local-Self Reliance offers an extensive toolbox of best practices and research into policy solutions from around the nation.

Looking forward, Civic Economics anticipates building substantially on the data developed in this study. Localized analyses will provide a better understanding of the regional distribution of independent and chain retail. Additional correlations will provide a better understanding of the characteristics of communities with strong or weak independent retail sectors. And a comprehensive update of the Index in future years will provide a measure of progress around the nation.

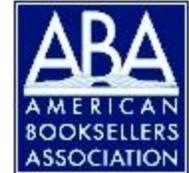
Thank you for your interest in the Indie City Index.





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ABOUT CIVIC ECONOMICS

Civic Economics is an economic analysis and strategic planning consultancy with offices in Austin and Chicago. Since its founding in 2002, the firm has developed a diverse practice, covering a wide range of subjects from coast to coast. The firm has won prestigious national and regional awards for its work.



Civic Economics has developed a notable practice niche in the economics of retail and service provision. In a series of studies dating to 2002, we have quantified the economic and community development benefits of a healthy independent retail sector, providing the intellectual underpinnings for a growing "shop local" movement. Our retail work has been the subject of countless media reports in publications and appears in more than 20 book length works on community and economic development, sociology, and urban design.

To learn more, please visit us online at www.CivicEconomics.com.





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