

***THE
AMERICAN EXPRESS OPEN
INDEPENDENT RETAIL INDEX***

***PHILADELPHIA
SUPPLEMENT***

OCTOBER 2011

INTRODUCTION

Civic Economics is pleased to present this community supplement to the American Express OPEN Independent Retail Index, a study of market trends in independent retailing and food and beverage service in 15 major American cities. This document is a supplement to the main study report.

The Index is the first longitudinal market share study, charting the success of independent, local proprietors over a 20-year period, from 1990 to 2009. The data source for sales and employment at retail stores, restaurants, and bars is the NETS Database, built from Dun & Bradstreet business data for every year since 1990. The Index itself is a way of scoring communities based on the vitality of the independent business community in Retail Shopping and Eating & Drinking. *The higher the index, the higher the market share captured by independents.* An index of 100 reflects the average market share in that sector in 2009.

The Index additionally provides localized analysis of those trends in fifteen major cities, studies one or more independent business hot spots in each, and reviews trends in those neighborhoods to identify the impact of those successes. We have provided a supplemental document for each of the study communities.

For more information about the Index and the methodology, please review the primary study document. All study documents are available online at SmallBusinessSaturday.com.

PHILADELPHIA AND THE OPEN INDEX

Philadelphia County, in which the City of Philadelphia is situated, has a population of 1,526,006, the 10th largest among the 15 study communities. Population has been stable over the last decade. Philadelphia is both poorer (15th) and denser (12th) than the study group.

Philadelphia ranks 7th and 4th in the Retail Shopping and Eating & Drinking indexes respectively, with a combined ranking of 5th. The retail sales increase in 2002-2004 likely reflects changed Dun & Bradstreet estimation methods during that period rather than a real revenue increase.

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COMPARISON OF STUDY COMMUNITIES							
City	Study Area	Combined Ranking	Growth 2000-2010	Per Capita Income 2009	Retail per Capita 2007	Density (per Square Mile) 2010 *	
NEW YORK	Five Boroughs	1	→ 2.1%	\$ 28,516	\$ 9,375	26,980.6	
SAN FRANCISCO	San Francisco County	2	→ 3.7%	\$ 44,373	\$ 15,516	17,246.4	
WASHINGTON	District of Columbia	3	→ 5.2%	\$ 40,846	\$ 6,555	9,800.0	
BOSTON	Suffolk County	4	→ 4.7%	\$ 53,751	\$ 10,381	12,338.1	
PHILADELPHIA	Philadelphia County	5	→ 0.6%	\$ 20,882	\$ 7,299	11,296.2	
MIAMI	Miami-Dade County	6	↑ 10.8%	\$ 22,619	\$ 14,074	1,282.8	
LOS ANGELES	Los Angeles County	7	→ 3.1%	\$ 26,983	\$ 12,336	2,417.9	
SEATTLE	King County	8	↑ 11.2%	\$ 37,797	\$ 20,002	908.4	
ATLANTA	Fulton County	9	↑ 12.8%	\$ 36,412	\$ 13,363	1,741.3	
CHICAGO	Cook County	10	↓ -3.4%	\$ 29,021	\$ 11,571	5,493.1	
DETROIT	Wayne County	11	↓ -11.7%	\$ 21,691	\$ 8,720	2,694.4	
SAN DIEGO	San Diego County	12	↑ 10.0%	\$ 30,705	\$ 13,009	737.0	
MINNEAPOLIS	Hennepin County	13	→ 3.2%	\$ 35,687	\$ 19,646	2,070.4	
DALLAS	Dallas County	14	→ 6.7%	\$ 25,703	\$ 13,929	2,692.3	
PHOENIX	Maricopa County	15	↑ 24.2%	\$ 27,185	\$ 15,153	414.8	
	Study Community Average		5.5%	\$ 32,145	\$ 12,729	6,540.9	
	U.S. Average		9.7%	\$ 27,041	\$ 12,990	87.3	

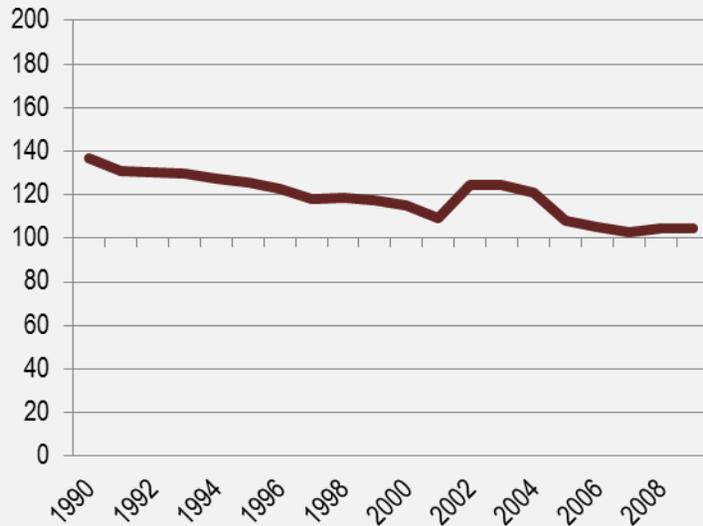
Source: US Census

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PHILADELPHIA (PHILADELPHIA COUNTY)

RETAIL SHOPPING INDEX



EATING & DRINKING INDEX



1990 Index: 137 Rank: 5
2000 Index: 115 Rank: 6
2009 Index: 105 Rank: 7

1990 Index: 116 Rank: 7
2000 Index: 116 Rank: 5
2009 Index: 119 Rank: 4

Combined Ranking, 2009: #5

Source: NETS, Civic Economics, US Census

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OPEN INDEX RANKINGS BY CATEGORY, 2009

SHOPPING RANKINGS			EATING AND DRINKING RANKINGS			COMBINED RANKINGS		
City	Points	Rank	City	Points	Rank	City	Points	Rank
New York	155	1	San Francisco	136	1	New York	287	1
Miami	125	2	New York	132	2	San Francisco	250	2
Boston	116	3	Washington	126	3	Washington	238	3
Los Angeles	115	4	Philadelphia	119	4	Boston	233	4
San Francisco	114	5	Boston	118	5	Philadelphia	224	5
Washington	112	6	Chicago	109	6	Miami	223	6
Philadelphia	105	7	Seattle	108	7	Los Angeles	213	7
Detroit	100	8	Los Angeles	98	8	Seattle	199	8
Atlanta	95	9	Miami	98	9	Atlanta	192	9
Seattle	91	10	Atlanta	97	10	Chicago	191	10
Dallas	89	11	Minneapolis	95	11	Detroit	185	11
San Diego	89	12	San Diego	95	12	San Diego	184	12
Minneapolis	88	13	Detroit	84	13	Minneapolis	184	13
Chicago	82	14	Phoenix	84	14	Dallas	171	14
Phoenix	75	15	Dallas	82	15	Phoenix	159	15

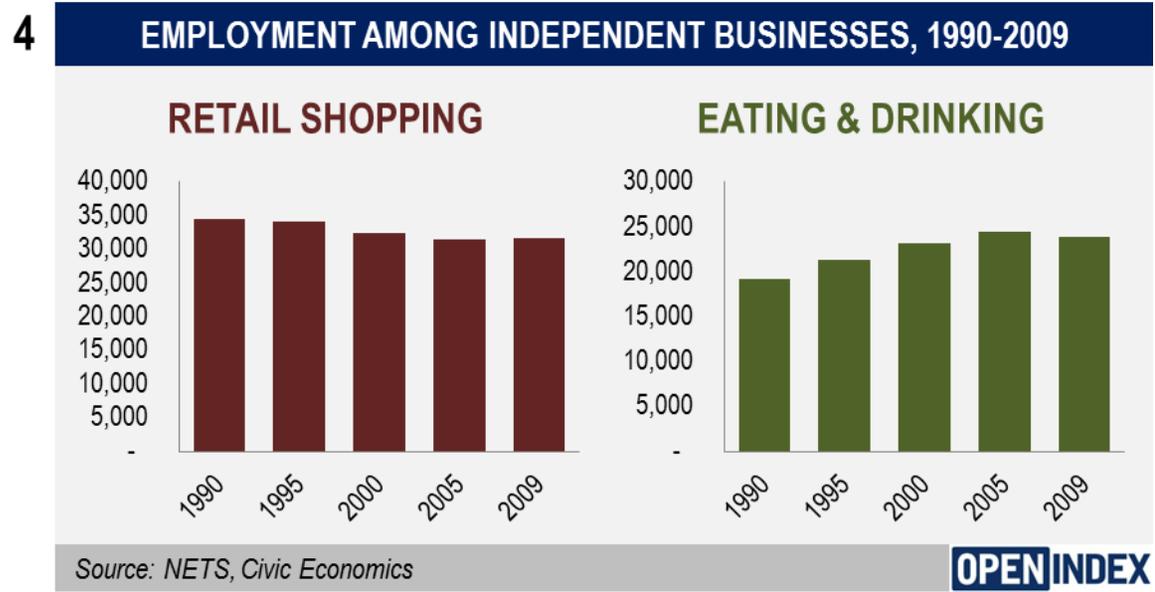
Source: NETS, Civic Economics, US Census

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INDEPENDENT BUSINESS IN PHILADELPHIA

Chart 4, at right, shows the change in employment in Philadelphia County Retail Shopping and Eating & Drinking Establishments over the study period.

Collectively, Philadelphia independents provide more than 55,000 jobs in the county, with 31,000 coming in the Retail Shopping sector and 24,000 in Eating & Drinking.



LOCAL INDEPENDENT BUSINESS HOT SPOTS

The Index set out to quantify the health of independent businesses in major American cities over time and in comparison with one another. However, this study would be incomplete without a look within those major cities at the independent business districts that help to define the character of the community and contribute mightily to the vitality of nearby neighborhoods.

For each of the 15 study communities, Civic Economics tied the NETS database of independent retailers, restaurants, and bars to a map produced in Geographic Information System (GIS) software. From the broadest map of the county, we identified a number of hot spots of independent businesses, and zoomed in on them to find each city's most indie-driven business districts.

A note on data: Within the 60 million data points from which Civic Economics built the Index, there are undoubtedly errors and omissions. At progressively smaller geographic levels, such as the neighborhoods discussed below, those may become apparent. However, despite the occasional misplaced business on a map, we believe the data provides a unique and reliable view of the trends at the nation, county, and neighborhood level.

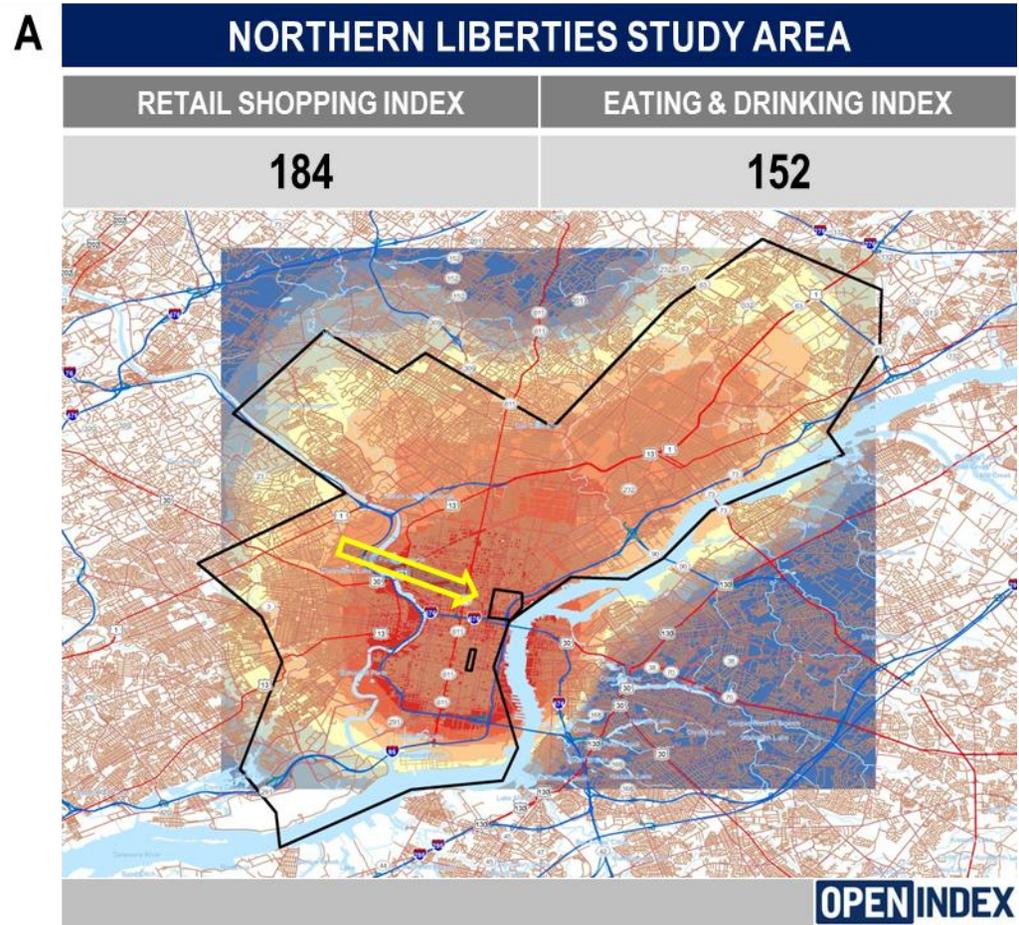
By many measures Philadelphia is one of America's leading cities, and its 5th place ranking in the Index is no different. However, at the end of the 20th century the city had a lower per capita income than any other city in this study. Retail sales per capita similarly lagged the study group despite the strong tourist and convention business in the city. More than most, Philadelphia was a city in need of new business activity and new tax revenues. We have highlighted here two neighborhoods that played a strong role in bringing activity back to the urban core of Philadelphia: Northern Liberties and the Italian Market district.

NORTHERN LIBERTIES

Northern Liberties (in small box on Map A, at right) is a large residential and commercial area just to the north of Center City Philadelphia. During the recent nationwide real estate boom, the neighborhood saw a substantial influx of new residents and businesses attracted to its historic building stock and proximity to downtown.

Map B on the following page depicts the evolution of the independent business community in the neighborhood since 1990. From a smattering of small businesses in 1990 and a modest cluster along Spring Garden in 2000, the area saw a blossoming of independent business in the last decade.

Chart 5 (on page 9) compares the retail and food & beverage markets in Northern Liberties. The growth in the small business community is revealed to have been driven by the Eating & Drinking sector, though increases in Retail Shopping also occurred during the study period.



B

EVOLUTION OF AN INDEPENDENT BUSINESS DISTRICT

1990



1995



2000



**NORTHERN
LIBERTIES**

2009



2005



KEY

One "dot" = one independent business

Colored rings indicate intensity of independent sales relative to the region

Source: NETS, Civic Economics

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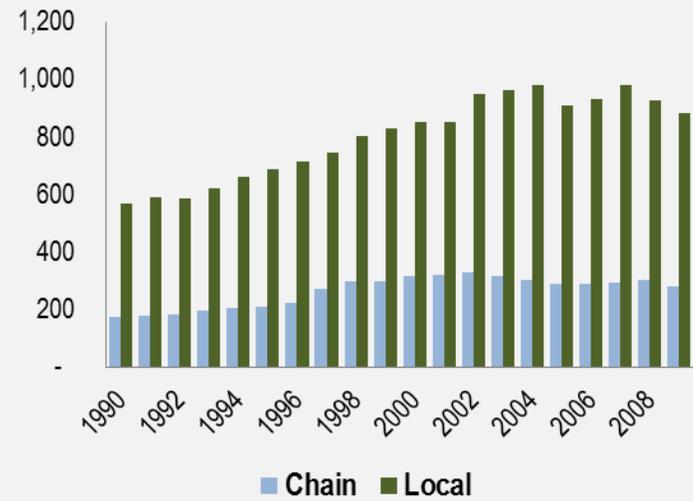
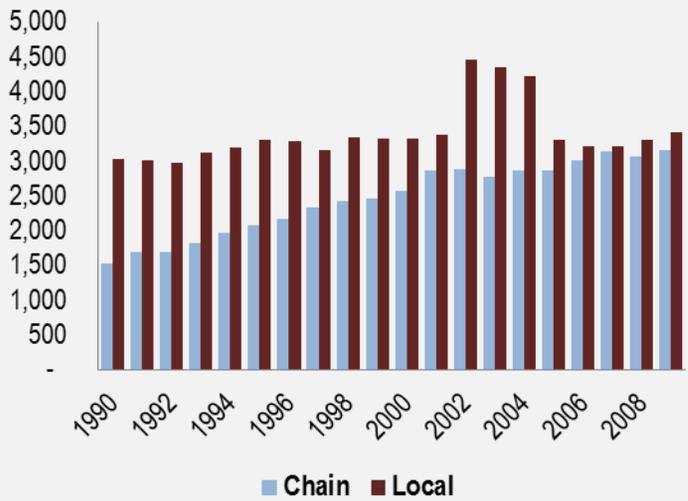
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NEIGHBORHOOD SALES VERSUS COUNTY (\$ Millions)

NORTHERN LIBERTIES



PHILADELPHIA COUNTY



Source: NETS, Civic Economics

OPEN INDEX

The Economic Impacts of Northern Liberties

To measure the economic benefits provided by a thriving independent business district, Civic Economics studied two questions in each local business district analyzed.

The first is whether the presence of the district produces strong neighborhoods around it. The left side of Chart 6 below provides one answer to that question, tracking the median sales price in the zip code most closely associated with the district.

The 19123 Zip Code encompasses the area generally considered Northern Liberties as well as residential and commercial areas to the west. Rapid increases in residential property values began in 2002, with the cumulative increase since 1996 eventually reaching a staggering 500% before snapping back to a still remarkable 400%. During the same period, the City of Philadelphia experienced a very modest version of the national boom in housing prices. As of 2010, homes in the area outperformed the broader market by a full 250%.

The second question is how many jobs are created by the presence of the district. The right side of Chart 6 below shows job creation at both independent and chain businesses.

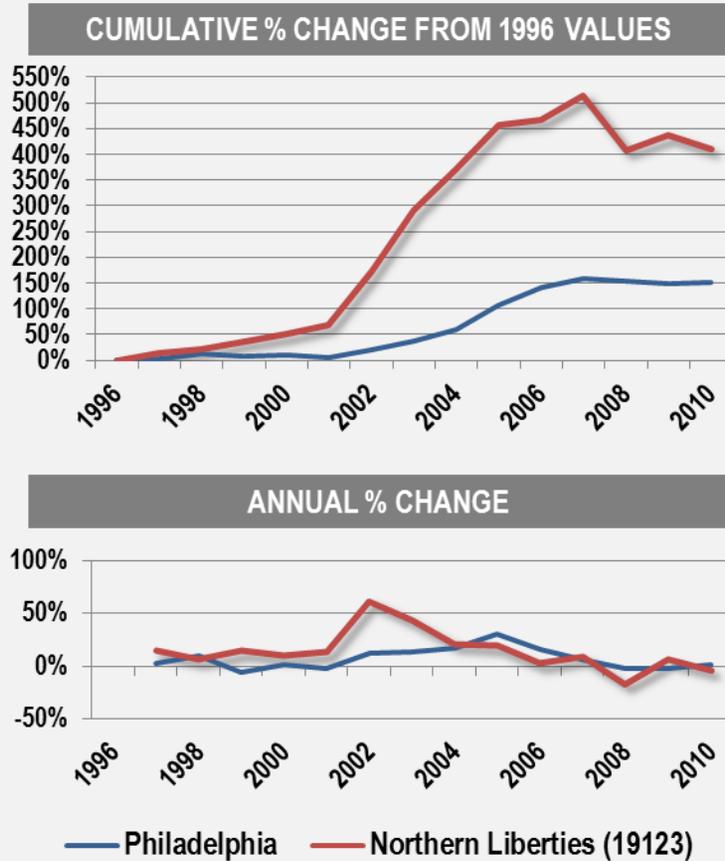
The mid-1990's saw a modest increase in retail, restaurant, and bar employment, reflecting the gradual creation of new business in Northern Liberties. Then, 1998 brought a sharp increase employment in Northern Liberties, marked by the creation of 500 new jobs in a startlingly short time.

Northern Liberties presents the strongest example in the study of an emerging business district leading the way to a residential revival. Revenues and employment among neighborhood businesses led by three years the rapid rise in home values. Of course, value increases like those seen in Northern Liberties are not without dislocation and difficulties for longtime residents. However, there can be little doubt that the availability of goods, services, and jobs provided by local entrepreneurs brought about a transformation in the neighborhood and spurred substantial revenue increases for the city government.

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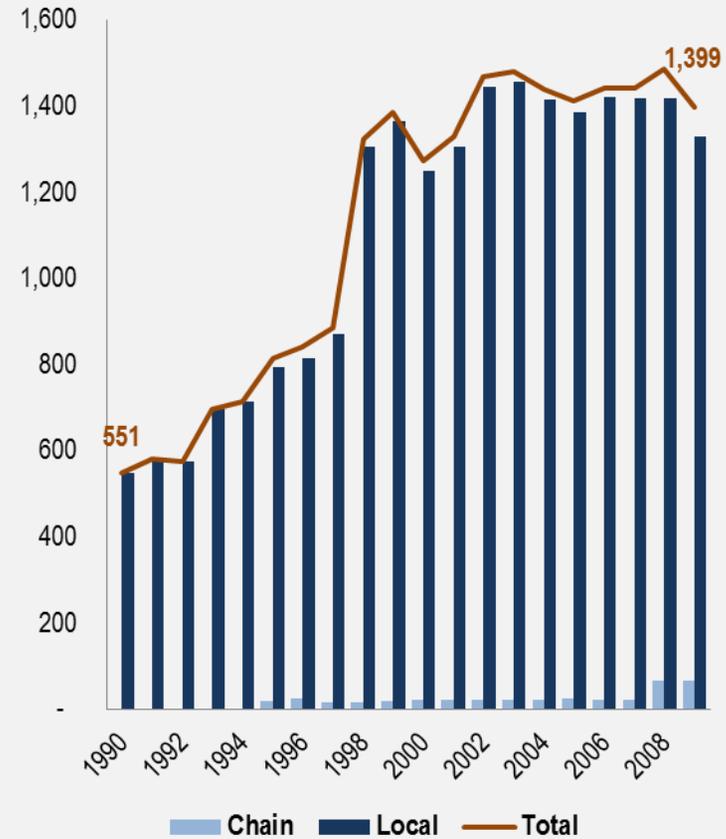
THE ECONOMIC IMPACTS OF AN INDEPENDENT BUSINESS DISTRICT

ZILLOW HOME VALUE INDEX



Source: Zillow.com, Civic Economics

JOB CREATION IN THE NEIGHBORHOOD



Source: NETS, Civic Economics

OPEN INDEX

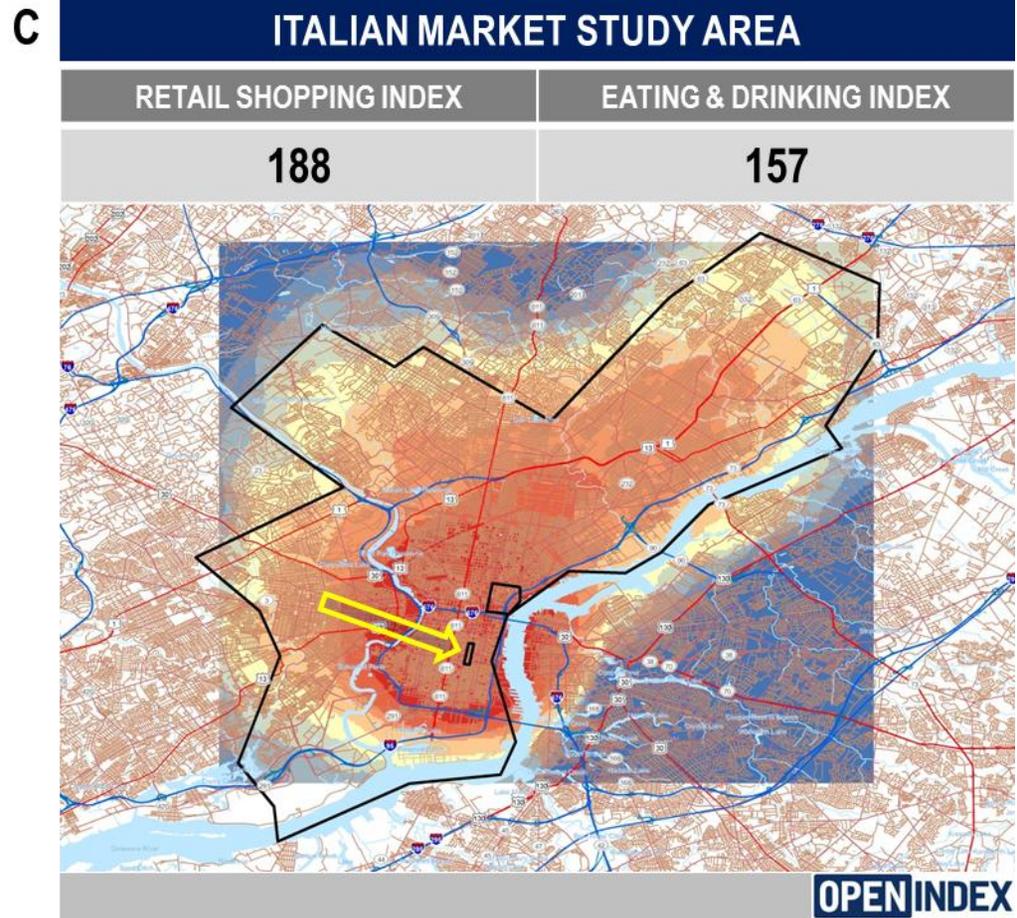
ITALIAN MARKET

The Italian Market (in small box on Map C, at right) is an historic market district just south of Center City Philadelphia. The area has served as a food processing and distribution center for more than a century.

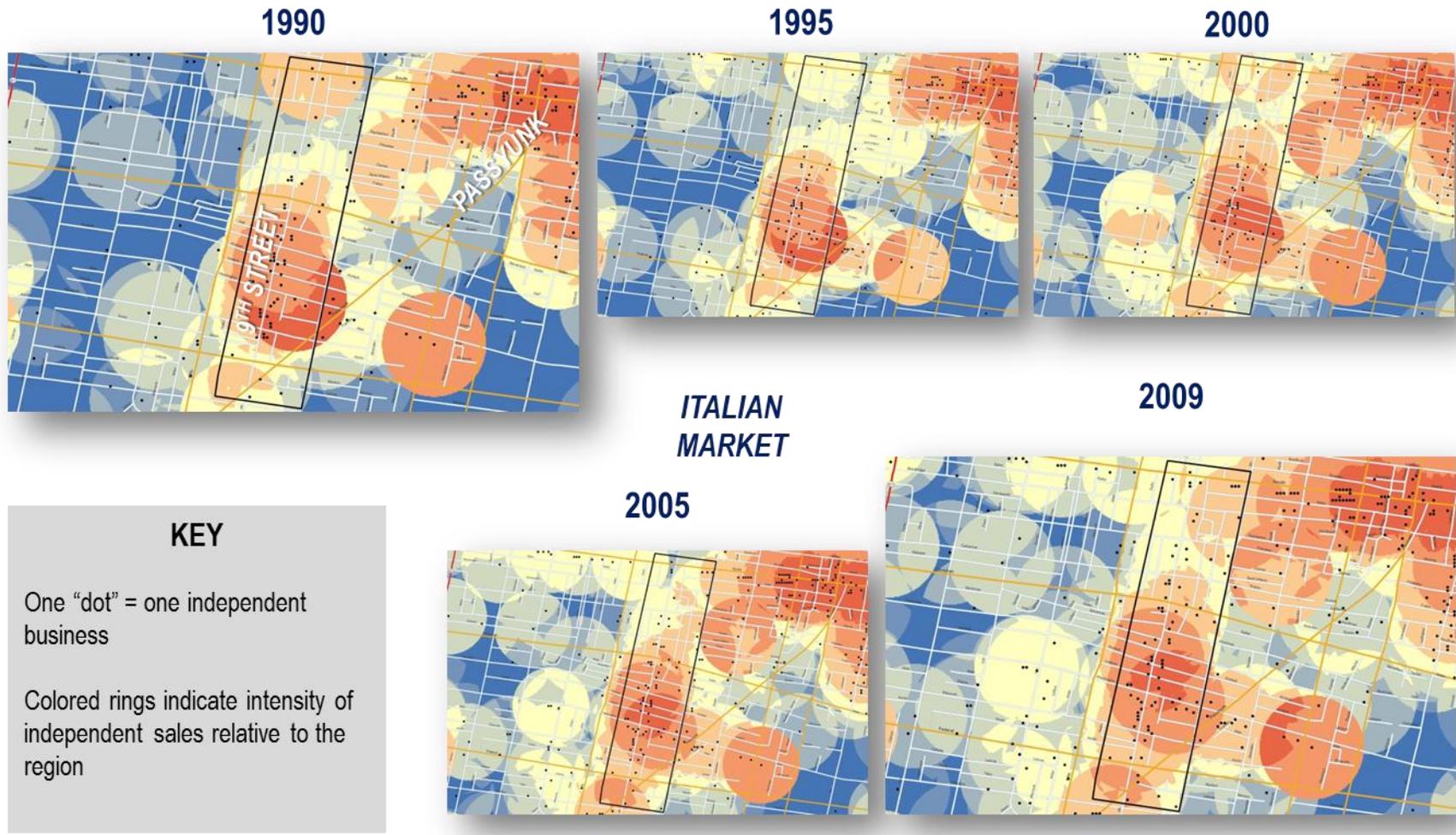
Map D on the following page depicts the evolution of the independent business community since 1990. The map makes clear that the Italian Market was a thriving business district well before the study period and continued to grow throughout.

Chart 7 (on page 14) compares the retail and food & beverage markets in the Italian Market with the broader Philadelphia County market. The area remains the near-exclusive domain of locally owned businesses; though nearby thoroughfares do host large chain drug stores and supermarkets.

Recent years have seen a modest shift in total revenues from Retail Shopping to Eating & Drinking. This likely reflects a simple shift in customer preferences toward consuming on premises what an earlier generation took home and demonstrates the limitless creativity of small business owners to adapt to changing conditions.



D EVOLUTION OF AN INDEPENDENT BUSINESS DISTRICT



KEY

One "dot" = one independent business

Colored rings indicate intensity of independent sales relative to the region

Source: NETS, Civic Economics

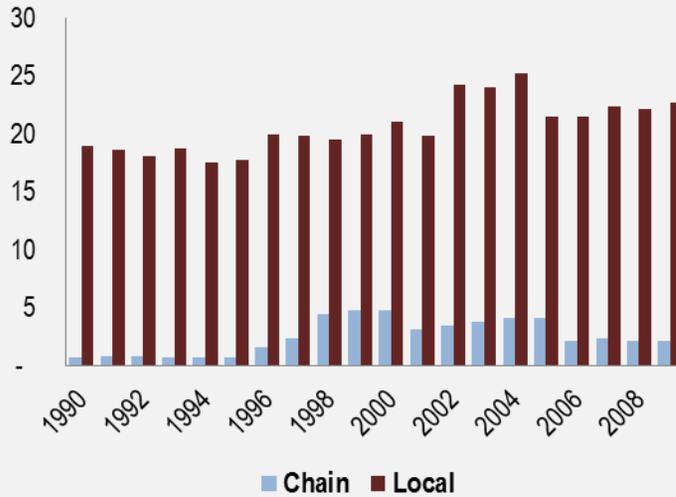
OPEN INDEX

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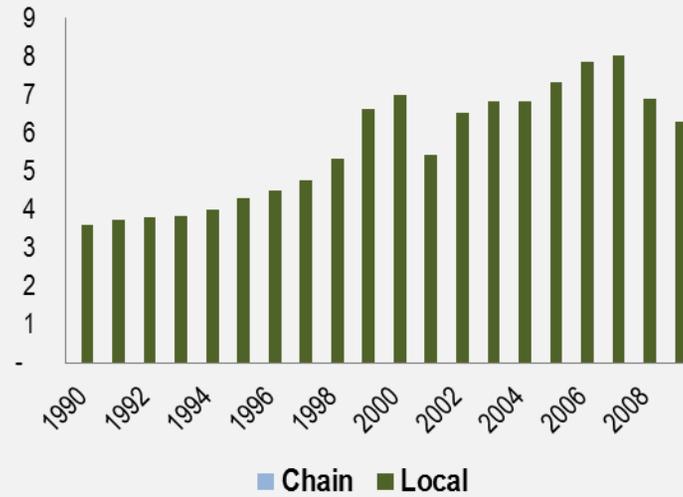
NEIGHBORHOOD SALES VERSUS COUNTY (\$ Millions)

ITALIAN MARKET

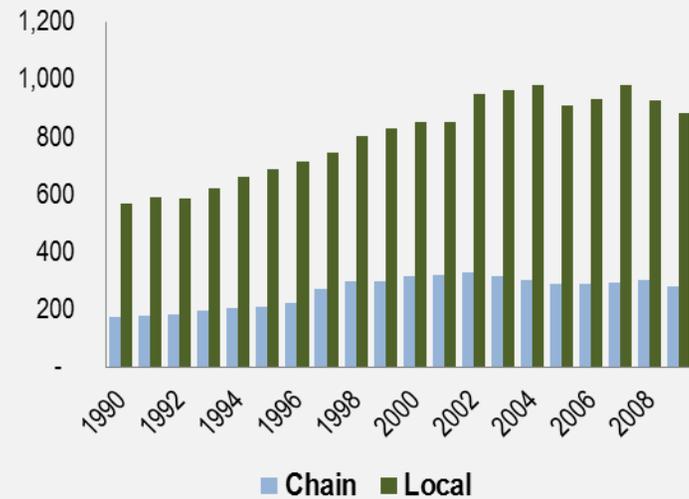
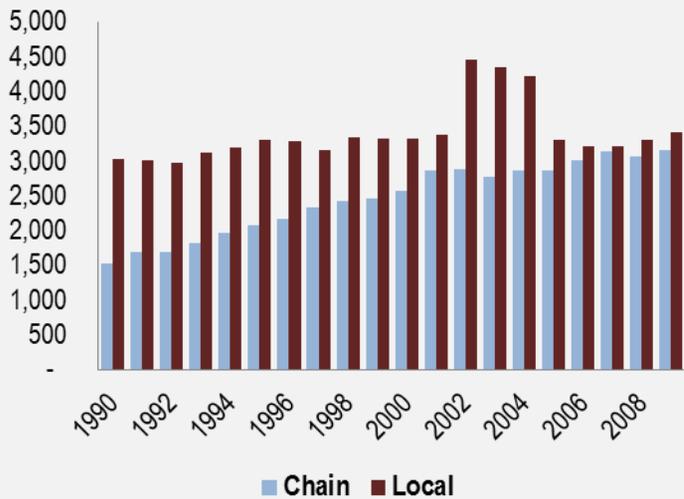
RETAIL SHOPPING



EATING & DRINKING



PHILADELPHIA COUNTY



Source: NETS, Civic Economics

OPEN INDEX

The Economic Impacts of the Italian Market

To measure the economic benefits provided by a thriving independent business district, Civic Economics studied two questions in each local business district analyzed.

The first is whether the presence of the district produces strong neighborhoods around it. The left side of Chart 8 below provides one answer to that question, tracking the median sales price in the zip code most closely associated with the district.

The 19147 Zip Code encompasses the comparatively small 9th Street corridor of the Italian Market as well as the broader Bella Vista neighborhood. Like Northern Liberties, the neighborhood experienced a tremendous run up in home values beginning in 2001, eventually seeing increases to 400% of 1990 values. Also mirroring Northern Liberties, values eased somewhat during the recent recession. Even so, values outperformed the broader Philadelphia market by 200%.

The second question is how many jobs are created by the presence of the district. The right side of Chart 7 below shows job creation at both independent and chain businesses.

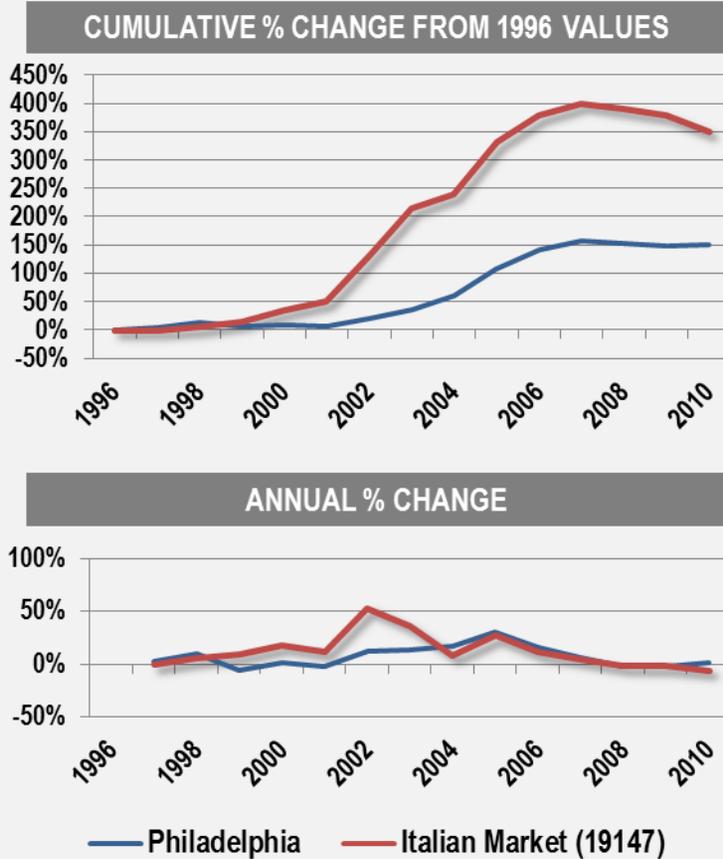
While the Italian Market predates the study period by decades, area independent businesses have produced increased employment opportunities. These businesses have consistently provided more than 400 jobs near to the core of the city.

When Philadelphians looked to move into the city in the last decade, the Italian Market, with its thriving business community and well-loved goods and services provided an attractive anchor. As with Northern Liberties, property value changes on the scale seen here are not without great challenges. Nonetheless, they indicate an urban transformation that is essential to the health of the City of Philadelphia.

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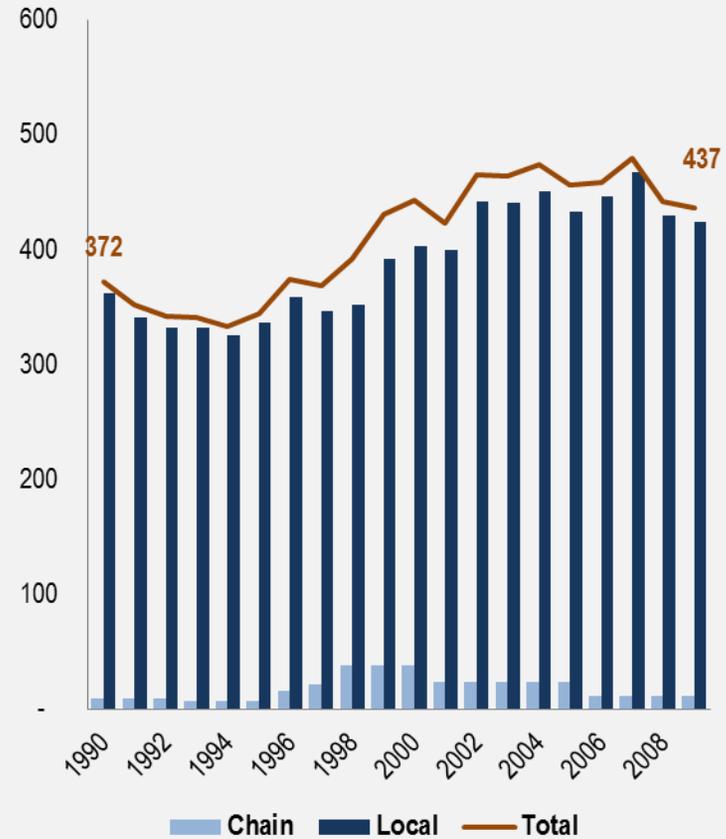
THE ECONOMIC IMPACTS OF AN INDEPENDENT BUSINESS DISTRICT

ZILLOW HOME VALUE INDEX



Source: Zillow.com, Civic Economics

JOB CREATION IN THE NEIGHBORHOOD



Source: NETS, Civic Economics

OPEN INDEX

CONCLUSION

Philadelphia, historically one of America's leading cities, stands out in the American Express OPEN Independent Retail Index. While poorer than other communities in the study, the city achieves a top five ranking in the Index, proving that Philadelphians understand the value of local business in supporting the local economy and culture. The neighborhoods studied here, Northern Liberties and Italian Market, present the compelling case of a strong business community leading the charge toward neighborhood transformation. Every major American city can learn something from the success of the city and its entrepreneurs in bringing new life to the urban core.

CONTACTS

To learn more about the OPEN Index and to download study documents, please visit SmallBusinessSaturday.com.

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Civic Economics is an economic analysis and strategic planning consultancy with offices in Austin and Chicago. Founded in 2002 by Matt Cunningham and Dan Houston, the firm has earned a national reputation for innovative approaches to economic development challenges. Learn more at www.CivicEconomics.com.

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