# THE
# AMERICAN EXPRESS OPEN INDEPENDENT RETAIL INDEX

## LOS ANGELES
## SUPPLEMENT

**OCTOBER 2011**

CIVIC ECONOMICS
CREATIVITY · OPPORTUNITY · PROSPERITY

AMERICAN EXPRESS OPEN

## 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***.

## LOS ANGELES AND THE INDEX

Los Angeles County, in which Los Angeles is situated, has a population of 9,818,605, the largest among the 15 study communities; its growth rate of 3.2% trails the average for the group; given the built-out nature of the county, though, this is unsurprising. Both per capita retail spending and per capita income are a bit below the study average.

Los Angeles ranks 4th in the Retail Shopping Index and 8th in Eating and Drinking, for a Combined Ranking of 7th.

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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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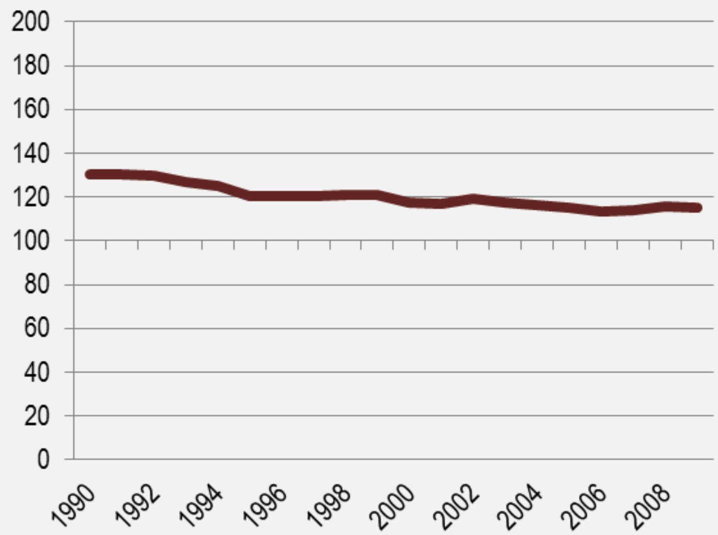
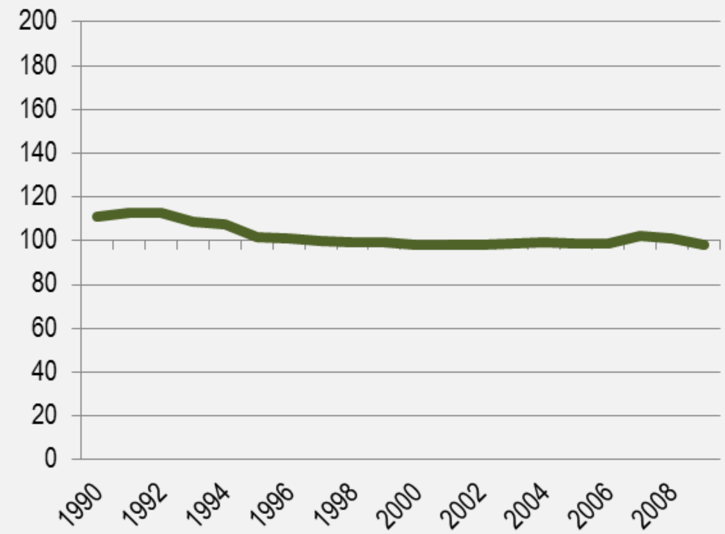
## LOS ANGELES (LOS ANGELES COUNTY)

### RETAIL SHOPPING INDEX




### EATING & DRINKING INDEX




| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1990 Index: | 130 | Rank: | 6 | 1990 Index: | 111 | Rank: | 8 |
| 2000 Index: | 117 | Rank: | 4 | 2000 Index: | 98 | Rank: | 9 |
| 2009 Index: | 115 | Rank: | 4 | 2009 Index: | 98 | Rank: | 8 |

**Combined Ranking, 2009: #7**

*Source: NETS, Civic Economics, US Census*

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## OPEN INDEX RANKINGS BY CATEGORY, 2009

### SHOPPING RANKINGS

| City | Points | Rank |
|---|---|---|
| New York | 155 | 1 |
| Miami | 125 | 2 |
| Boston | 116 | 3 |
| Los Angeles | 115 | 4 |
| San Francisco | 114 | 5 |
| Washington | 112 | 6 |
| Philadelphia | 105 | 7 |
| Detroit | 100 | 8 |
| Atlanta | 95 | 9 |
| Seattle | 91 | 10 |
| Dallas | 89 | 11 |
| San Diego | 89 | 12 |
| Minneapolis | 88 | 13 |
| Chicago | 82 | 14 |
| Phoenix | 75 | 15 |

### EATING AND DRINKING RANKINGS

| City | Points | Rank |
|---|---|---|
| San Francisco | 136 | 1 |
| New York | 132 | 2 |
| Washington | 126 | 3 |
| Philadelphia | 119 | 4 |
| Boston | 118 | 5 |
| Chicago | 109 | 6 |
| Seattle | 108 | 7 |
| Los Angeles | 98 | 8 |
| Miami | 98 | 9 |
| Atlanta | 97 | 10 |
| Minneapolis | 95 | 11 |
| San Diego | 95 | 12 |
| Detroit | 84 | 13 |
| Phoenix | 84 | 14 |
| Dallas | 82 | 15 |

### COMBINED RANKINGS

| City | Points | Rank |
|---|---|---|
| New York | 287 | 1 |
| San Francisco | 250 | 2 |
| Washington | 238 | 3 |
| Boston | 233 | 4 |
| Philadelphia | 224 | 5 |
| Miami | 223 | 6 |
| Los Angeles | 213 | 7 |
| Seattle | 199 | 8 |
| Atlanta | 192 | 9 |
| Chicago | 191 | 10 |
| Detroit | 185 | 11 |
| San Diego | 184 | 12 |
| Minneapolis | 184 | 13 |
| Dallas | 171 | 14 |
| Phoenix | 159 | 15 |

*Source: NETS, Civic Economics, US Census*

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## INDEPENDENT BUSINESS IN LOS ANGELES

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

Collectively, Los Angeles independents provide more than 415,000 jobs in the county as of 2009, with 279,000 in the Retail Shopping category and 136,000 in Eating & Drinking.

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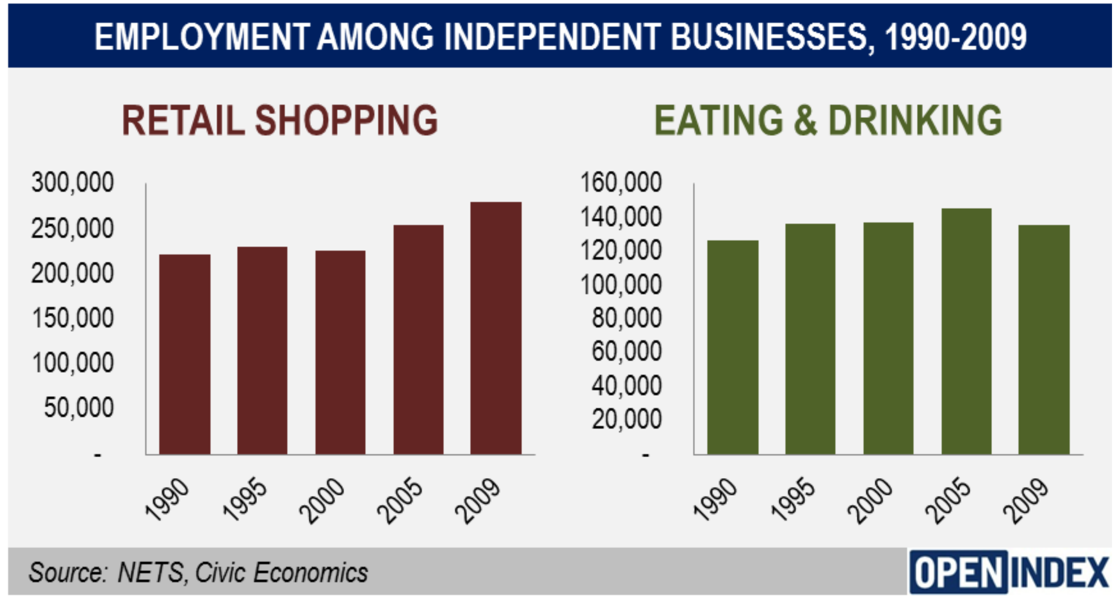


## LOCAL INDEPENDENT BUSINESS HOT SPOTS

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.

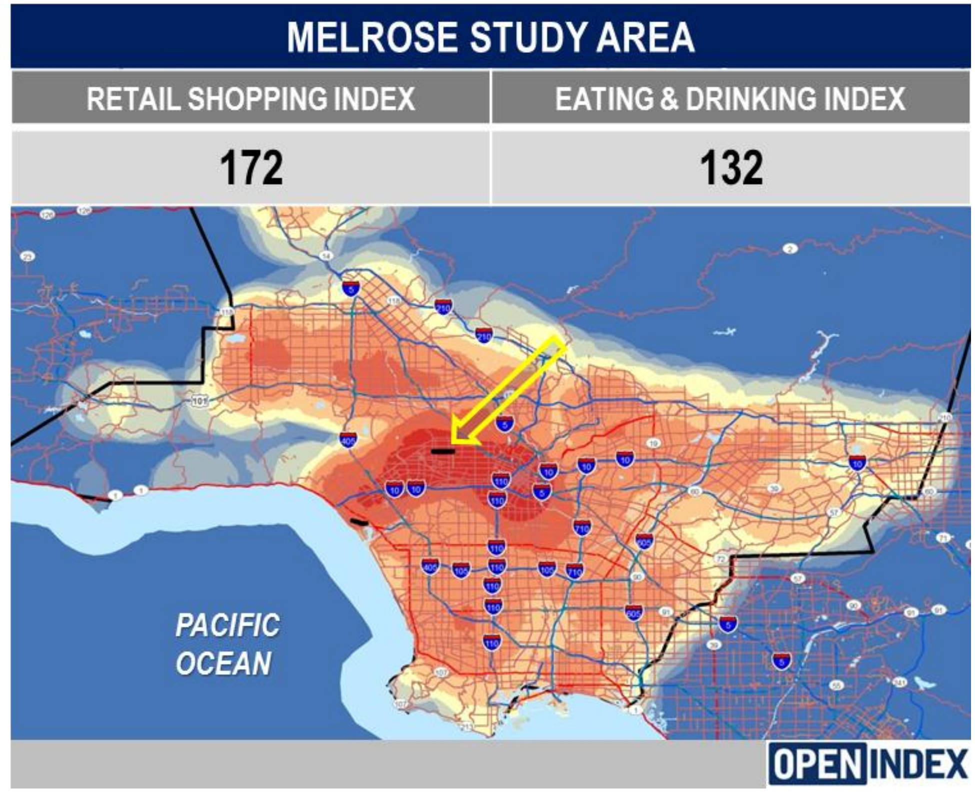
A note on data: Within the 60 million data points from which Civic Economics built the Index, there are undoubtedly errors and omissions. At progressively smaller geographic levels, such as the neighborhoods discussed below, those may become apparent. However, despite the occasional misplaced business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

When Americans think of shopping and dining in Los Angeles, the images that come to mind will be as diverse as the city. Generations of film portrayals have given each of us a different image of the region and visitors can hardly scratch the surface of its diversity. For this analysis, we chose two very different corridors: Melrose Avenue in West Hollywood, familiar to many to most Americans from television, and Abbot Kinney in Venice, just off the famous beachfront.

## MELROSE

The portion of Melrose Avenue considered here (in small box on Map A, at right) is a 1.5 mile stretch in West Hollywood lined with small shops, restaurants, and bars for the entire length. Long recognized as a center of Los Angeles fashion, the area has over the years birthed a number of businesses and trends that became L.A. trademarks.

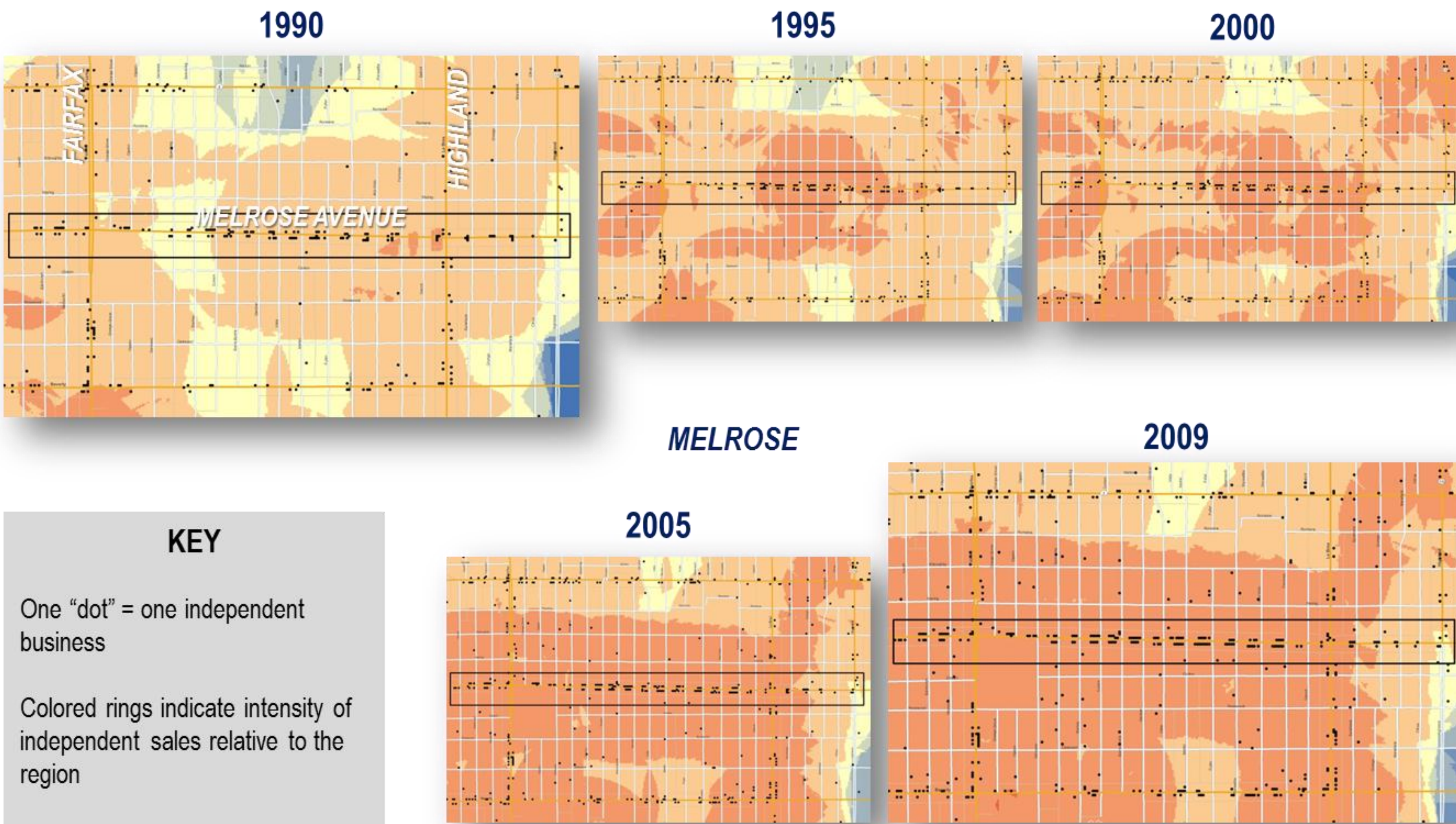
A




Map B on the following page depicts the evolution of Melrose Avenue independent businesses, focused on the stretch between Highland and just west of Fairfax. While the corridor hosted a nearly continuous string of local businesses well before 1990, the number of local businesses continued to grow throughout the study period, filling in storefronts, upper floors, and courtyards to serve the growing customer base. Just as important is the spread of independent businesses along Fairfax and Highland and leaping out to Santa Monica and Beverly Boulevards, driven by the establishment of the area as a local business hot spot.

Chart 5 (on page 9) compares the retail and food & beverage markets on Melrose Avenue. As expected, retail sales have grown continuously throughout the study period. Restaurant and bar sales declined somewhat in later years, likely displaced by retailers or relocated to nearby corridors with an entertainment focus.

## B 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*

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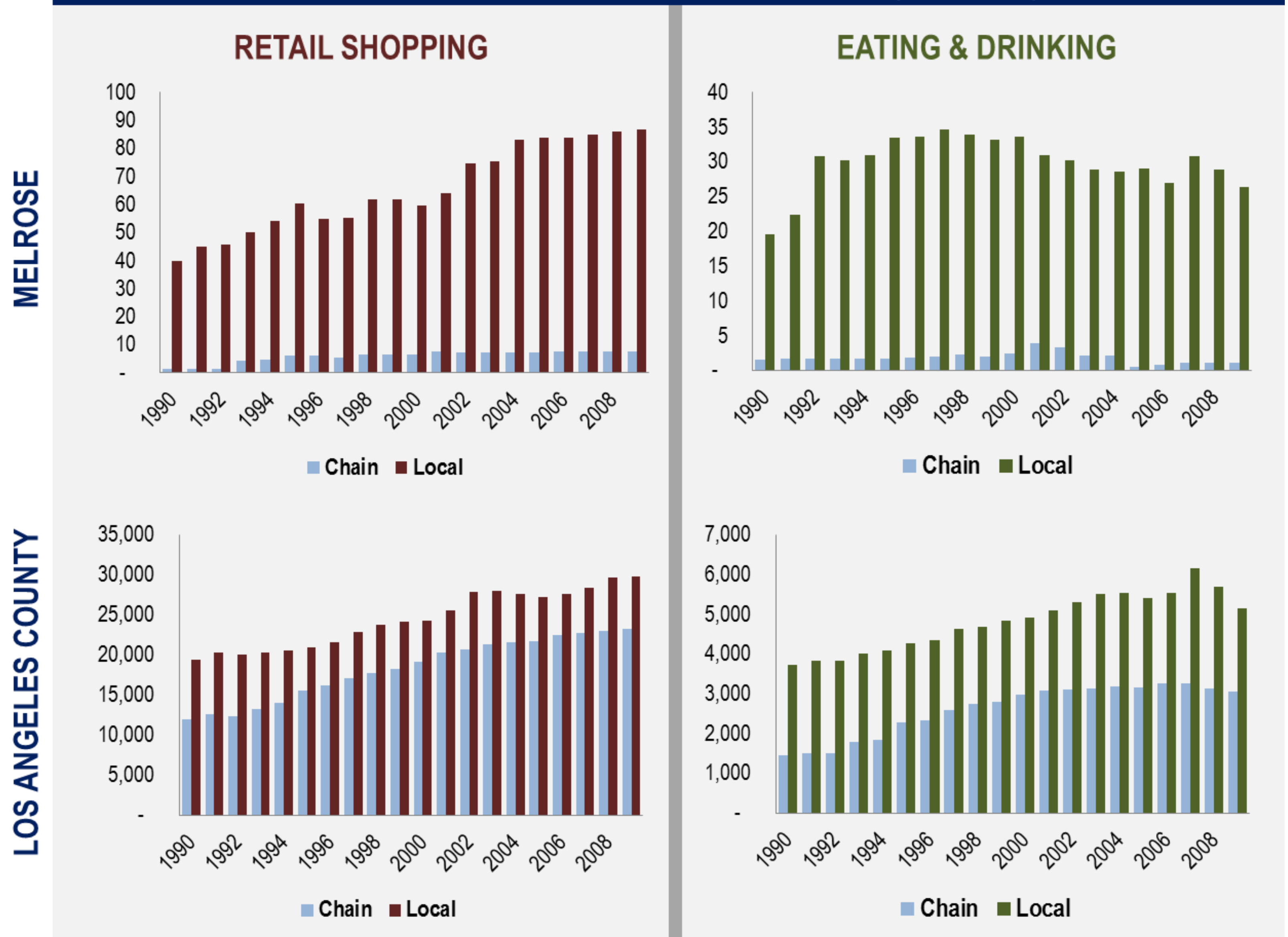
**5** NEIGHBORHOOD SALES VERSUS COUNTY ($ Millions)




Source: NETS, Civic Economics

CIVIC ECONOMICS

## The Economic Impacts of Melrose

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 home values (as estimated by Zillow based on actual sales) in the zip code most closely associated with the district.

The 90036 and 90046 Zip Codes encompass the principal Melrose Avenue business district and residential areas to the north and south. Through most of the study period, both areas tracked the general arc of the Los Angeles market. Both areas ended up showing greater gains than the broader market, particularly 90036, by a substantial margin.

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.

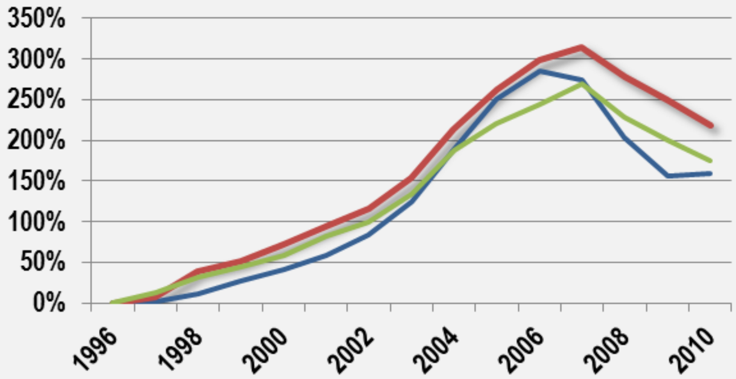
Independent businesses along Melrose Avenue employ more than 1,700 workers, a level of employment that has remained relatively consistent for over a decade.

Together, these measures depict a neighborhood-scale business district that has evolved to serve the needs of the whole city and to capture the imagination of the world. Well established by 1990 and fully occupied with businesses by 1995, the district has spawned a broader business renaissance along the nearby commercial corridors, turning the entire area into a retail destination.

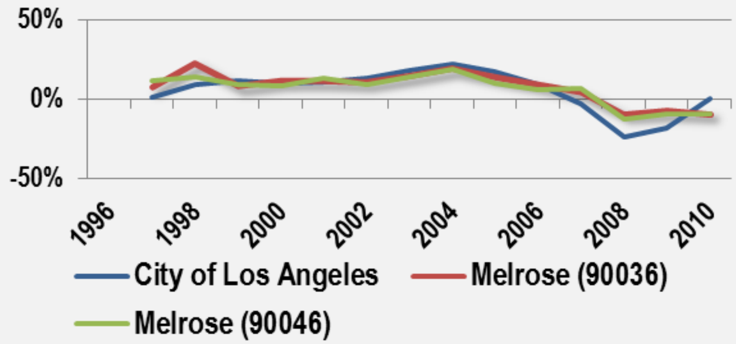
# 6 THE ECONOMIC IMPACTS OF AN INDEPENDENT BUSINESS DISTRICT

## ZILLOW HOME VALUE INDEX

### CUMULATIVE % CHANGE FROM 1996 VALUES

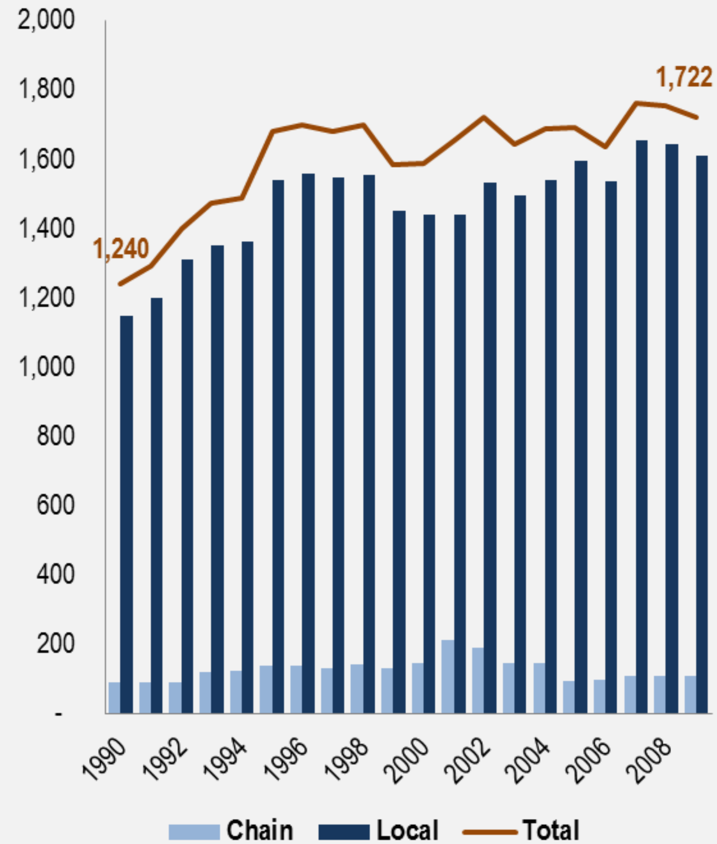



### ANNUAL % CHANGE




*Source: Zillow.com, Civic Economics*

## JOB CREATION IN THE NEIGHBORHOOD




*Source: NETS, Civic Economics*

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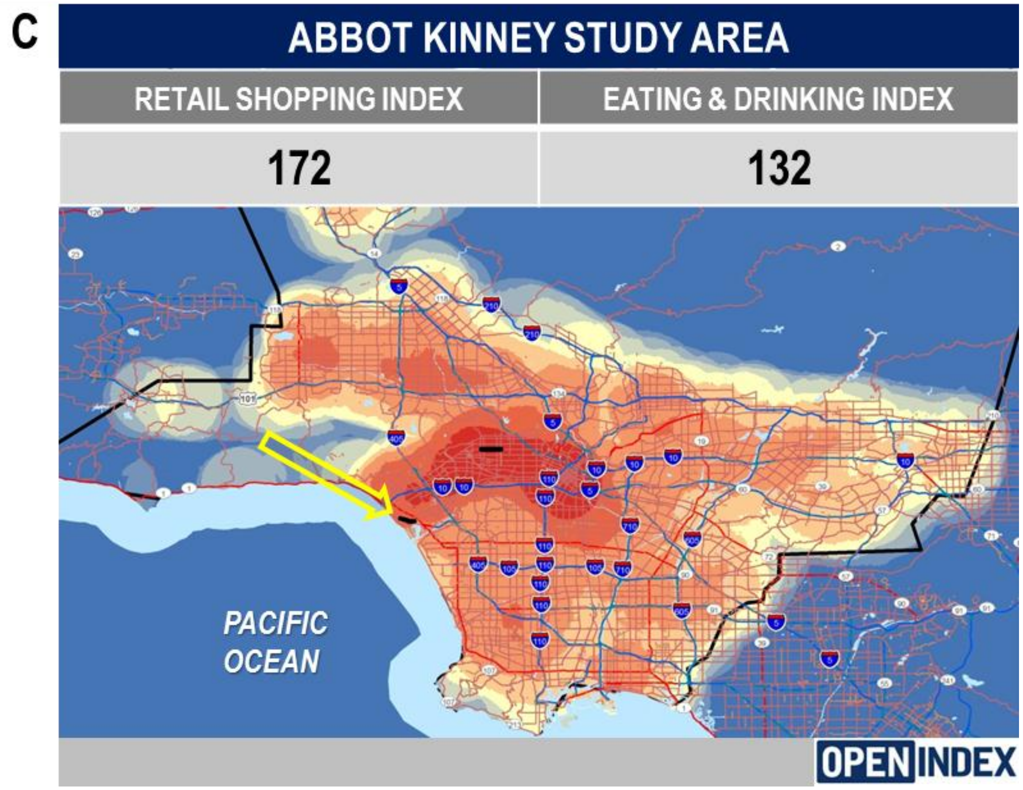
## ABBOT KINNEY BOULEVARD




Abbot Kinney (in small box on Map C, at right) is a short boulevard running east from the beachfront in Venice, a neighborhood in the City of Los Angeles. Virtually abandoned by businesses in the early 1990's, the corridor has rebounded to become a fashion and entertainment destination for the entire region.

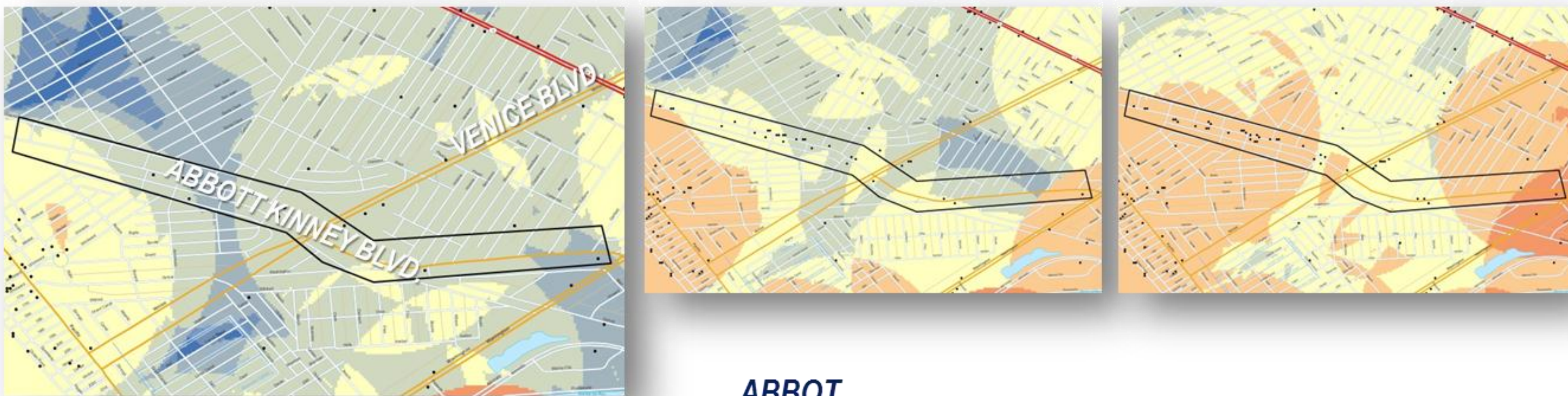
Map D on the following page depicts the evolution of the business district since 1990. Eerily empty in 1990, a time during which Venice's reputation deterred visitors and locals alike, the street has blossomed since 1995. The rebirth of the Boulevard has brought economic vitality well inland from the famous boardwalk.

Chart 7 (on page 14) compares the retail and food & beverage markets on Abbot Kinney with the broader Los Angeles County market. Even as revenues have maintained an uninterrupted and steep increase, few non-local businesses have cracked the Abbot Kinney market.

**D**

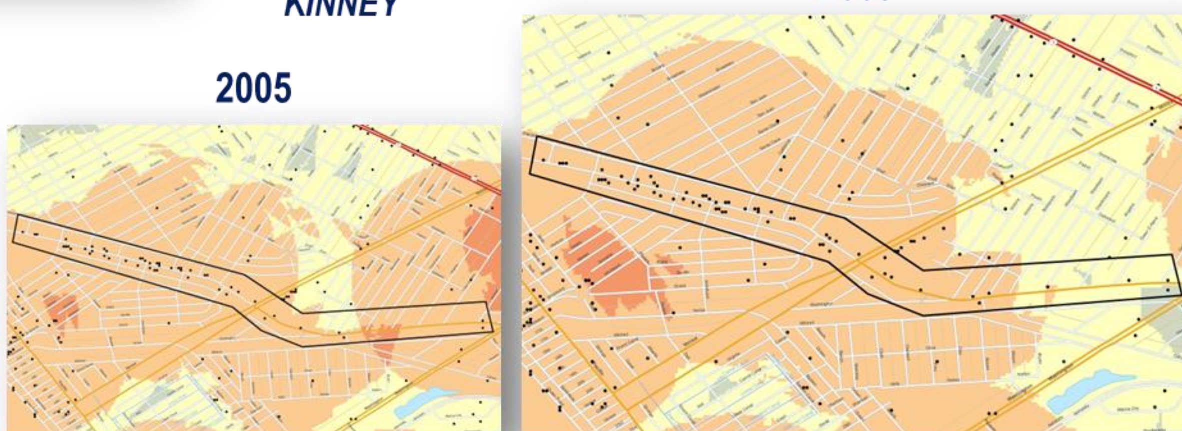
## EVOLUTION OF AN INDEPENDENT BUSINESS DISTRICT

1990 1995 2000




*ABBOT KINNEY*

2005 2009



### 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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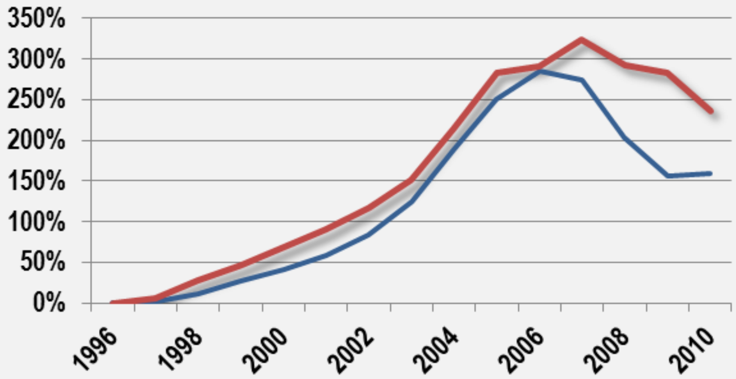
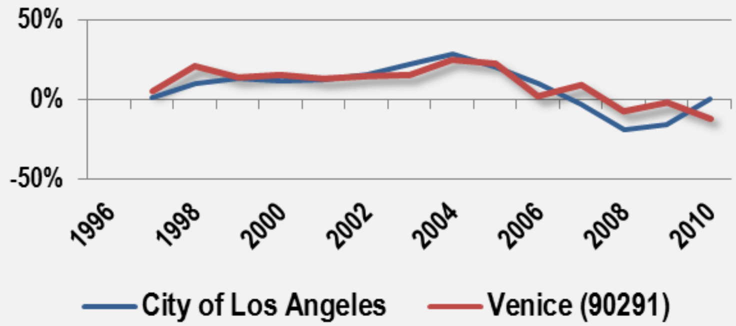
## 7 THE ECONOMIC IMPACTS OF AN INDEPENDENT BUSINESS DISTRICT

### ZILLOW HOME VALUE INDEX

CUMULATIVE % CHANGE FROM 1996 VALUES

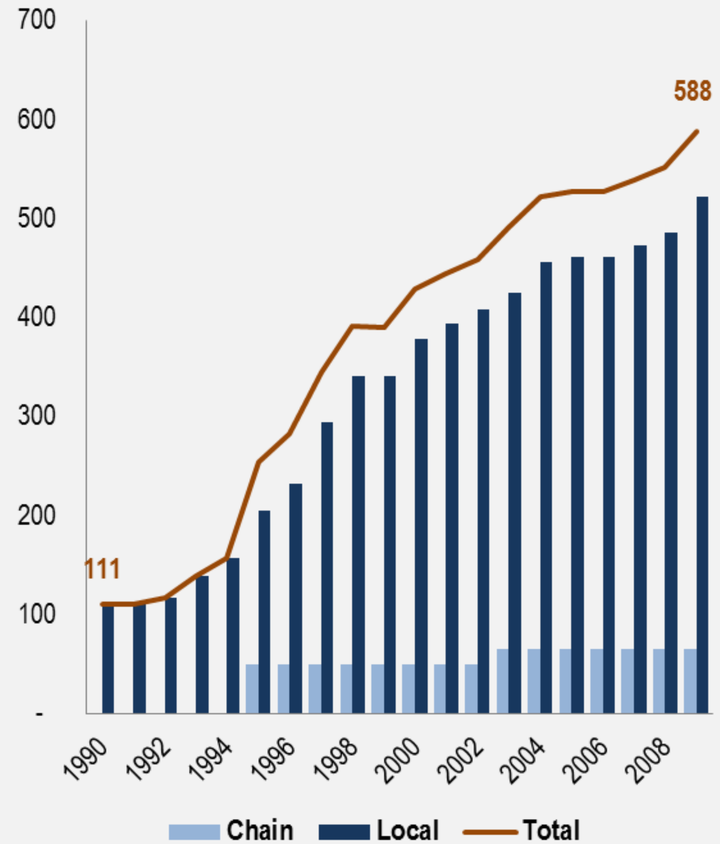



ANNUAL % CHANGE




Source: Zillow.com, Civic Economics

### JOB CREATION IN THE NEIGHBORHOOD




Source: NETS, Civic Economics

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## The Economic Impacts of Abbot Kinney

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 home value index (as estimated by Zillow) in the zip code most closely associated with the district.

The 90291 Zip Code encompasses all of Venice. Throughout the study period, even during the recent downturn, neighborhood sales prices have substantially outpaced the city median.

The second question is how many jobs are created by the presence of the district. The right side of Chart 8 below shows job creation at both independent and chain businesses.

Over the course of the study period, employment in the shops, restaurants, and bars of Abbot Kinney has soared from 100 to roughly 600 in 2009. This achievement stands out among the 27 business districts reviewed for the OPEN Index project because no area has come so far from such raw beginnings. When innovative businesses began reinvesting in the district in the mid-1990's, it was a leap of faith that customers could be lured back. The breakneck pace of their shared success is testimony to the resourcefulness of small business owners.

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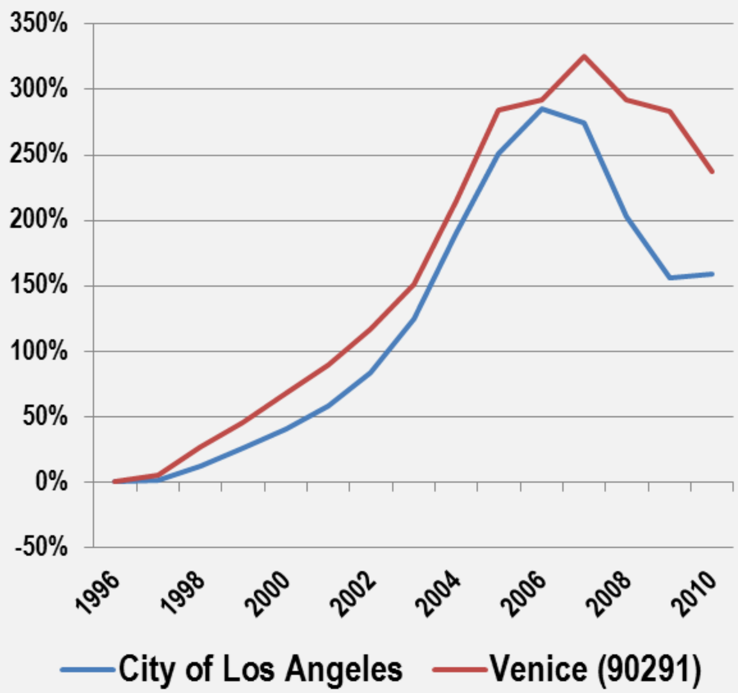
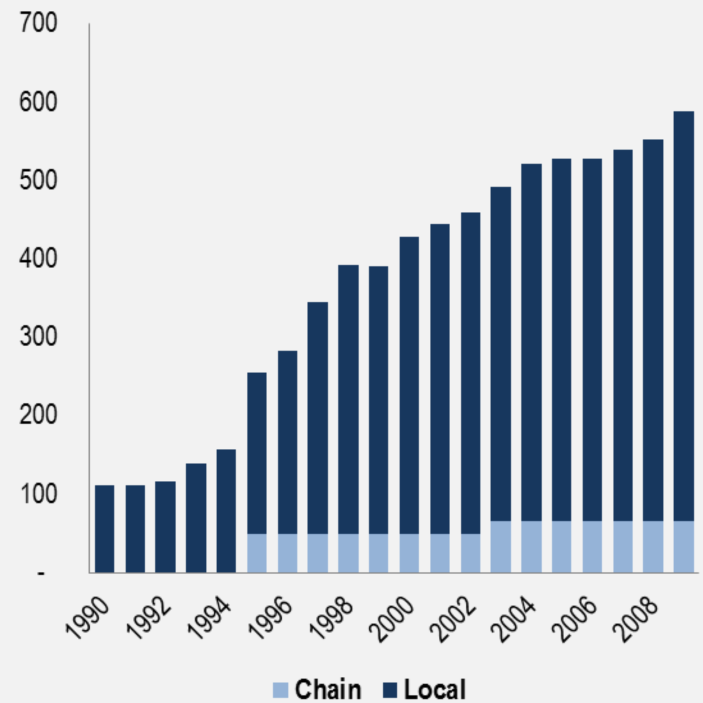
## THE ECONOMIC IMPACTS OF AN INDEPENDENT BUSINESS DISTRICT

### CUMULATIVE CHANGE IN ZILLOW HOME VALUE INDEX, 1996-2010




Source: Zillow.com, Civic Economics

### JOB CREATION IN THE NEIGHBORHOOD




Source: NETS, Civic Economics

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## CONCLUSION

Los Angeles County, the most populous in the nation, is a place of remarkable geographic diversity. Typically, the unique character of a neighborhood will influence the character of the business districts that serve it. The two districts discussed here, though, turn that around. The success of the Melrose and Abbot Kinney business districts has exerted a strong influence on their surroundings. Melrose has been a center of Los Angeles culture for decades now, and its draw has extended to all of the nearby commercial corridors, making West Hollywood and Mid-Wilshire a well-known destination throughout the region. More recently, the revitalization of the beachside community of Venice was led by intrepid entrepreneurs who recolonized a derelict stretch of Abbot Kinney Boulevard.

Similar stories are likely to be found throughout Los Angeles County, but the example of Melrose proves that the appeal of a district need not be trendy or transient.

## 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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