THE
AMERICAN EXPRESS OPEN INDEPENDENT RETAIL INDEX

DETROIT
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***.

DETROIT AND THE INDEX

Wayne County, in which Detroit is situated, has a population of 1,820,584, the 9th largest among the 15 study communities; its growth rate of -11.7% reflects ongoing suburbanization as well as changes in the regional economy. Per capita income and retail spending are at or near the bottom of the study communities, as well.

While Detroit ranks 11th in the Combined Index, its 2009 Retail Shopping Index score of 100 reflects the national average perfectly and earns a ranking of 8th in that category.

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COMPARISON OF STUDY COMMUNITIES

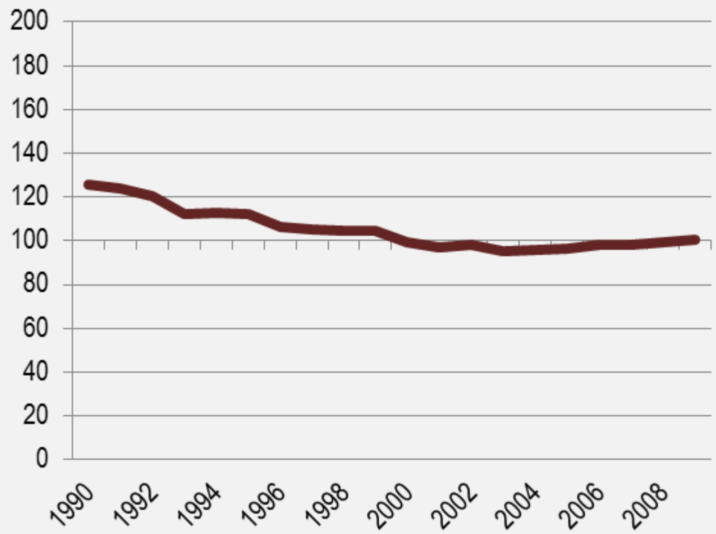
City	Study Area	Combined Ranking	Growth 2000-2010	Per Capita Income 2009	Retail per Capita 2007	Density (per Square Mile) 2010 *
NEW YORK	Five Boroughs	1	2.1%	$ 28,516	$ 9,375	26,980.6
SAN FRANCISCO	San Francisco County	2	3.7%	$ 44,373	$ 15,516	17,246.4
WASHINGTON	District of Columbia	3	5.2%	$ 40,846	$ 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

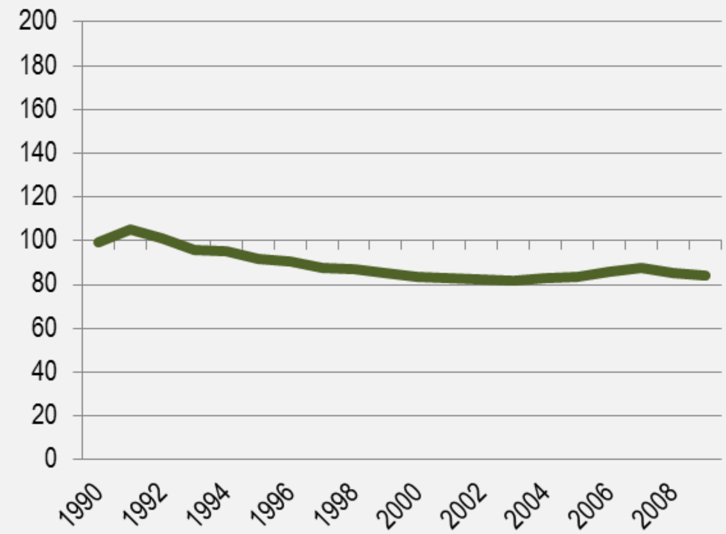
OPEN INDEX

2 DETROIT (WAYNE COUNTY)

RETAIL SHOPPING INDEX



EATING & DRINKING INDEX



1990 Index:	126	Rank:	8	1990 Index:	99	Rank:	13
2000 Index:	99	Rank:	8	2000 Index:	84	Rank:	15
2009 Index:	100	Rank:	8	2009 Index:	84	Rank:	14

Combined Ranking, 2009: #11

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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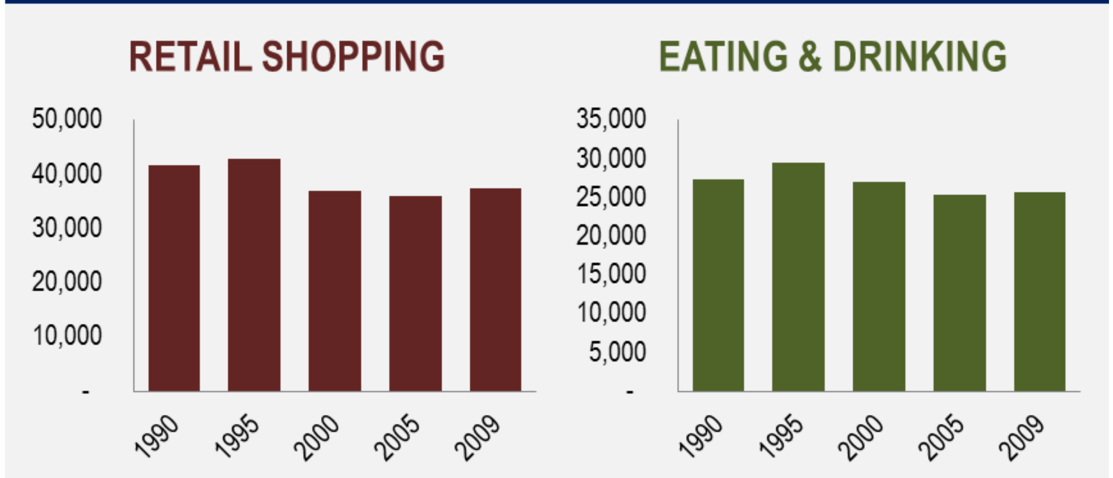
INDEPENDENT BUSINESS IN DETROIT

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

Collectively, Wayne County independents provide more than 63,000 jobs in the county as of 2009, with 37,000 coming in the Retail Shopping category and 26,000 in Eating & Drinking.

4 EMPLOYMENT AMONG INDEPENDENT BUSINESSES, 1990-2009



Source: NETS, Civic Economics

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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.

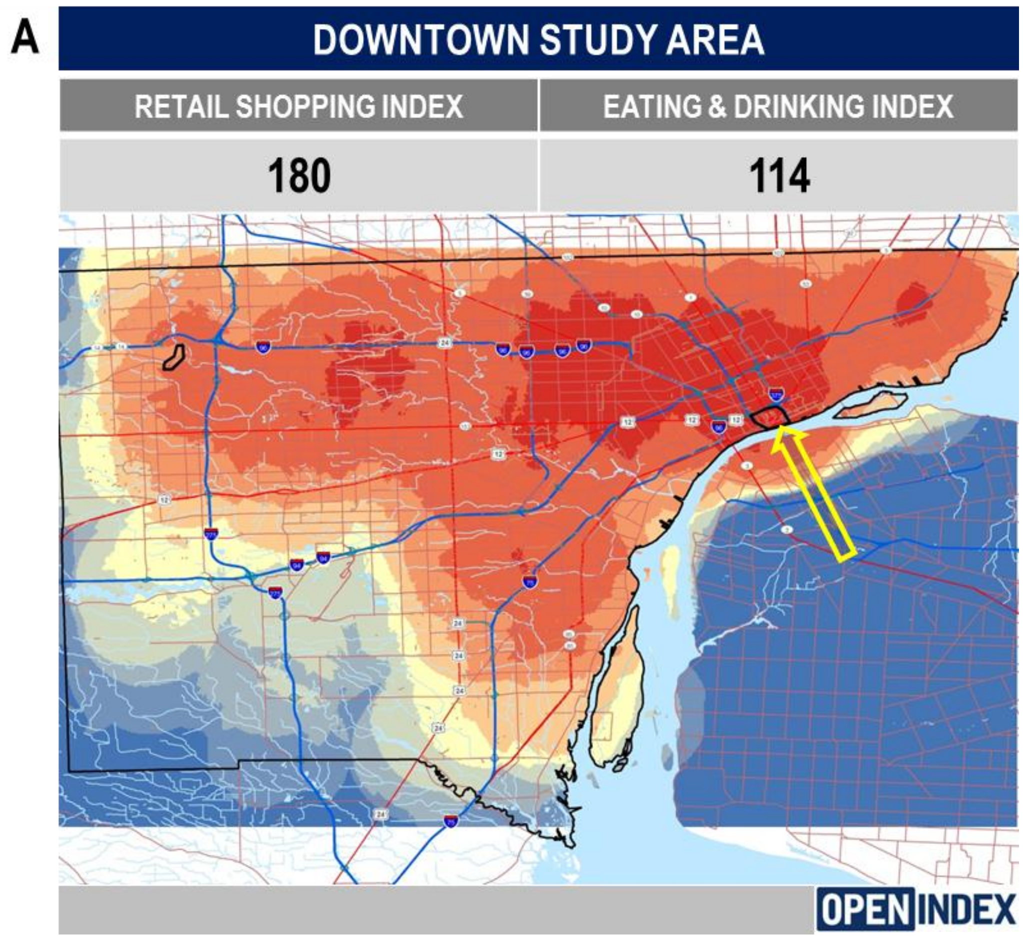
For each of the 15 study communities, Civic Economics tied the NETS database of independent retailers, restaurants, and bars to a map produced in Geographic Information System (GIS) software. From the broadest map of the county, we identified a number of hot spots of independent businesses, and zoomed 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 small 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 national, county, and neighborhood level.

The economy of Detroit and Southeast Michigan has faced tremendous challenges in recent years. Economic progress in the early years of the 2000's allowed the city and county to enjoy something of a resurgence in property values and development prospects. Unfortunately, the turn into recession in 2008 erased those gains. Despite the broader economic challenges, Detroit and Wayne County show some bright spots for entrepreneurial activity.

Downtown Detroit presents the unusual case of a central business district with little chain retail, which has allowed independents to find opportunity in downtown and all the way through Midtown to the cultural district. Plymouth, meanwhile, has maintained a healthy, identifiable downtown district in the suburbs.

DOWNTOWN DETROIT



Downtown Detroit (in small box on Map A at right) is Southeast Michigan's hub for government, finance, and entertainment. Tightly defined by the Detroit River to the south and freeways on all sides, Downtown and its skyline are readily identified by people the world over. But Downtown Detroit, like the city itself, is unique. It presents the unusual sight of a central business district with very few chain stores.

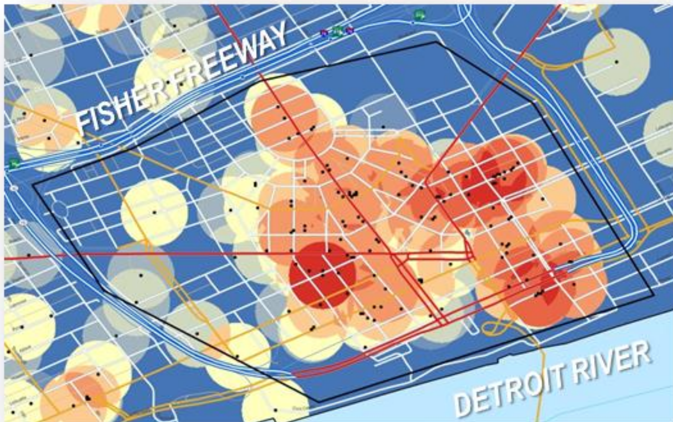
Map B on the following page depicts the evolution of the independent business community in downtown Detroit since 1990. It shows stability more than anything else, not necessarily of particular businesses but of the scale and distribution of locally-owned retailers, restaurants, and bars.

For a central business district to beat the countywide Index score of 100 by eighty percent is unusual for a big city.

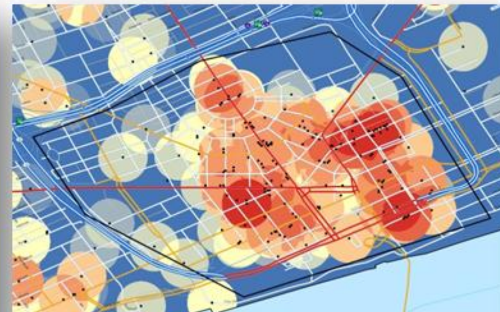
Chart 5 (on page 9) compares the retail and food & beverage markets in Downtown Detroit with those of Wayne County. While residents of the region are clearly partial to chain store shopping, Downtown Detroit customers overwhelmingly spend their money with local businesses.

B EVOLUTION OF AN INDEPENDENT BUSINESS DISTRICT

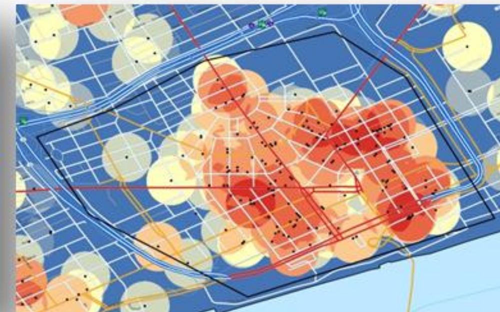
1990



1995



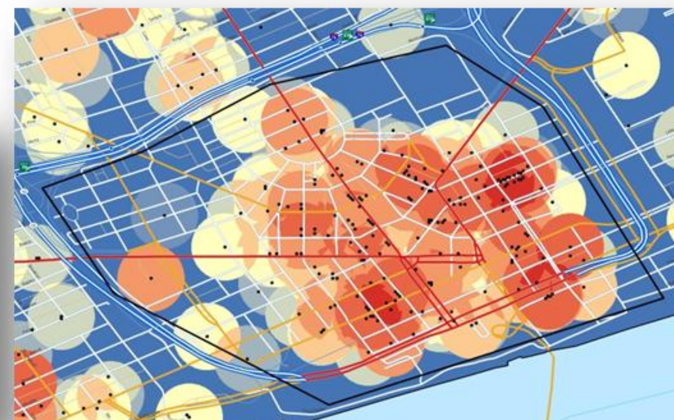
2000



DOWNTOWN DETROIT

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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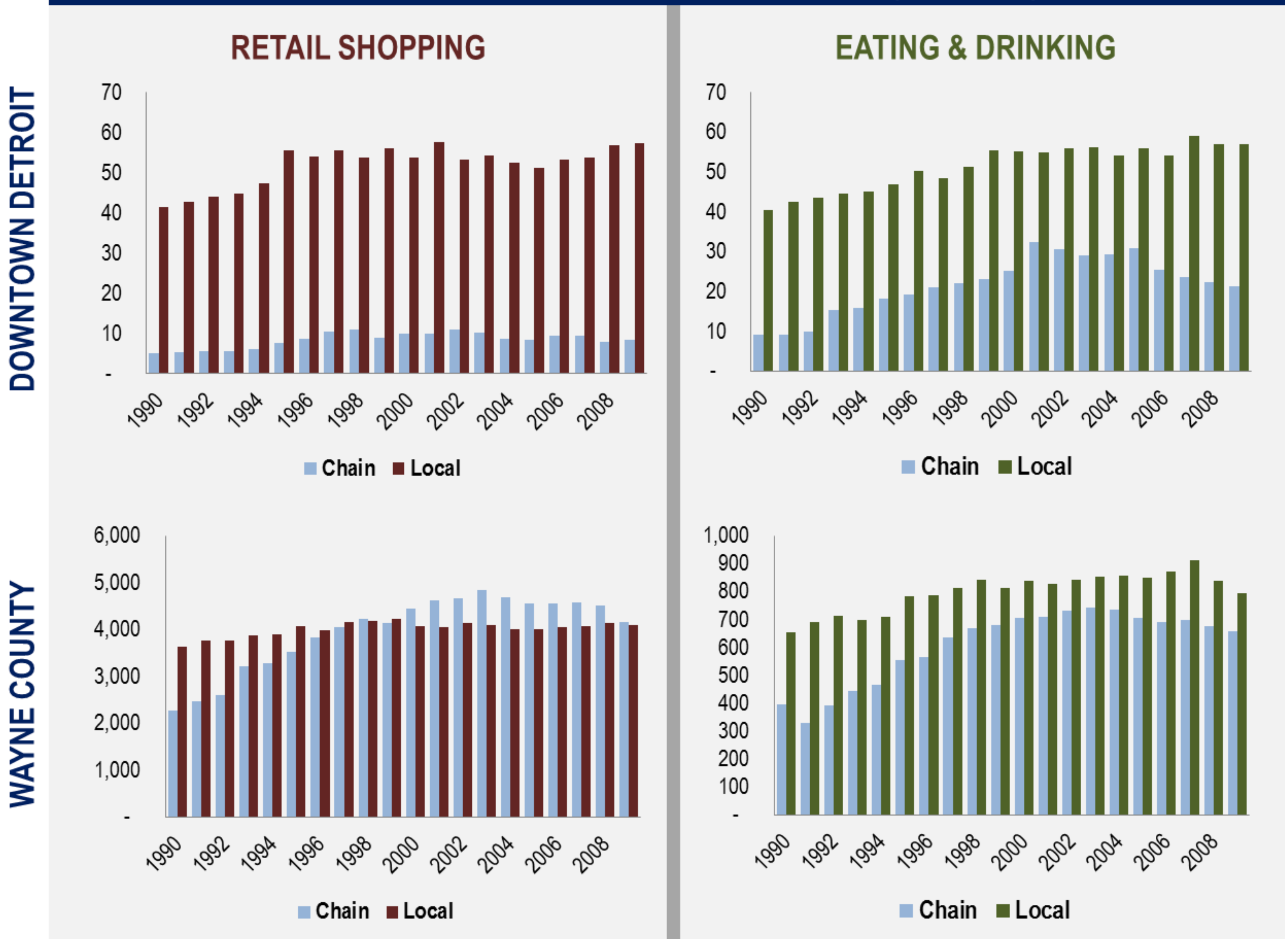
5 NEIGHBORHOOD SALES VERSUS COUNTY ($ Millions)



Source: NETS, Civic Economics

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CIVIC ECONOMICS

The Economic Impacts of Downtown Detroit

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.

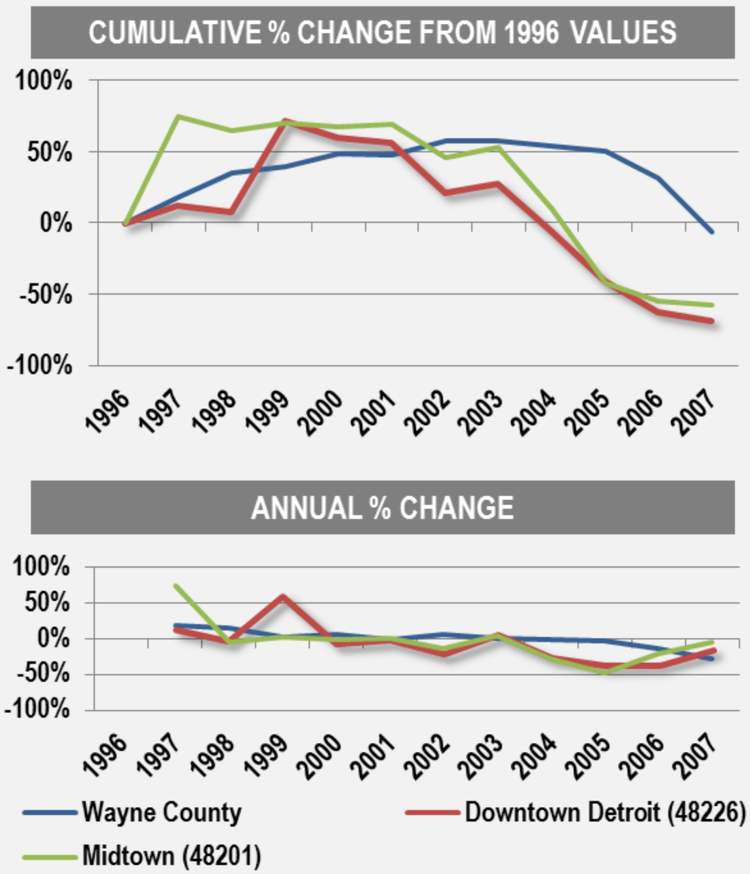
The 48226 Zip Code encompasses Downtown Detroit while 48201 encompasses the adjacent neighborhoods of Midtown, which include a broader array of residential choices. The spiky nature of these curves tells a troubling story about Detroit real estate, apart from the effects of the Downtown business community. While Wayne County's gentle curve echoes in a flattened way the housing boom and bust nationwide, the robust rise and precipitous fall of housing values in Downtown and Midtown tell a different story. During the relatively flush and optimistic times of a decade ago neighborhood housing values spiked as both residents and speculators bid up the limited market for Downtown and Midtown homes. That period came to an abrupt end in 2006.

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.

Employment at Downtown retailers, restaurants, and bars has held quite steady at over 3,000 jobs throughout the study period. It would be difficult to find such consistency elsewhere in the regional economy over the last twenty years.

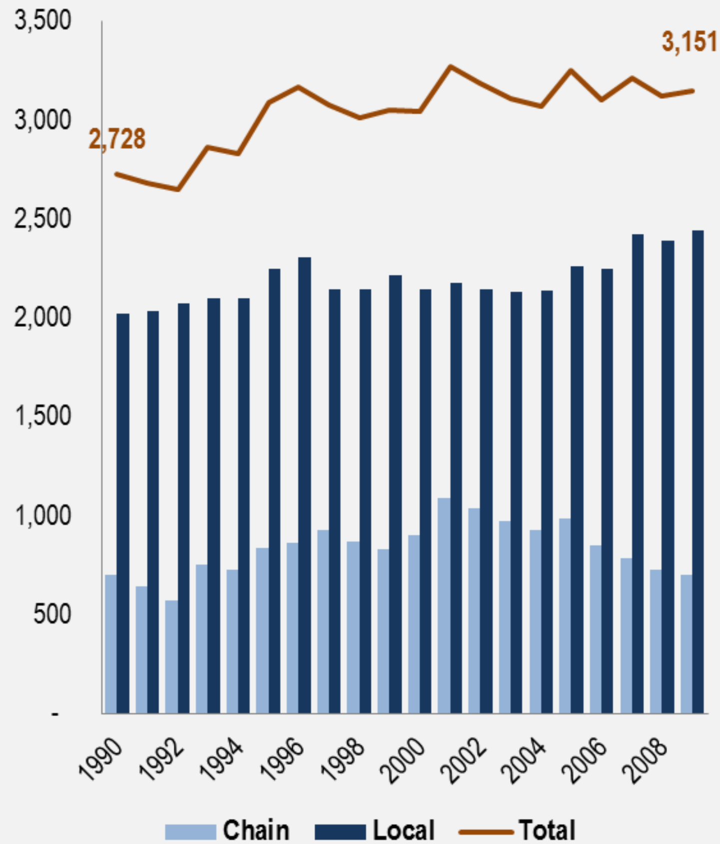
6 THE ECONOMIC IMPACTS OF AN INDEPENDENT BUSINESS DISTRICT

ZILLOW HOME VALUE INDEX



Source: Zillow.com, Civic Economics

JOB CREATION IN THE NEIGHBORHOOD



Source: NETS, Civic Economics

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PLYMOUTH, DOWNTOWN AND OLD VILLAGE

Plymouth (in small box on Map C at right) is an historic community in western Wayne County, about 25 miles from Downtown Detroit. The core of the old community consists of a traditional small city Downtown and the nearby Old Village which evolved around railroad depot for the community.

Plymouth is located a long way from the core independent business activity closer to Detroit. Plymouth demonstrates that thriving independent business districts can emerge anywhere that infrastructure is sufficient and customers can reach.

Map D on the following page depicts the evolution of these business districts since 1990. It shows a steady increase in independent businesses in the old Downtown and a recent decrease in the number of businesses in Old Village.

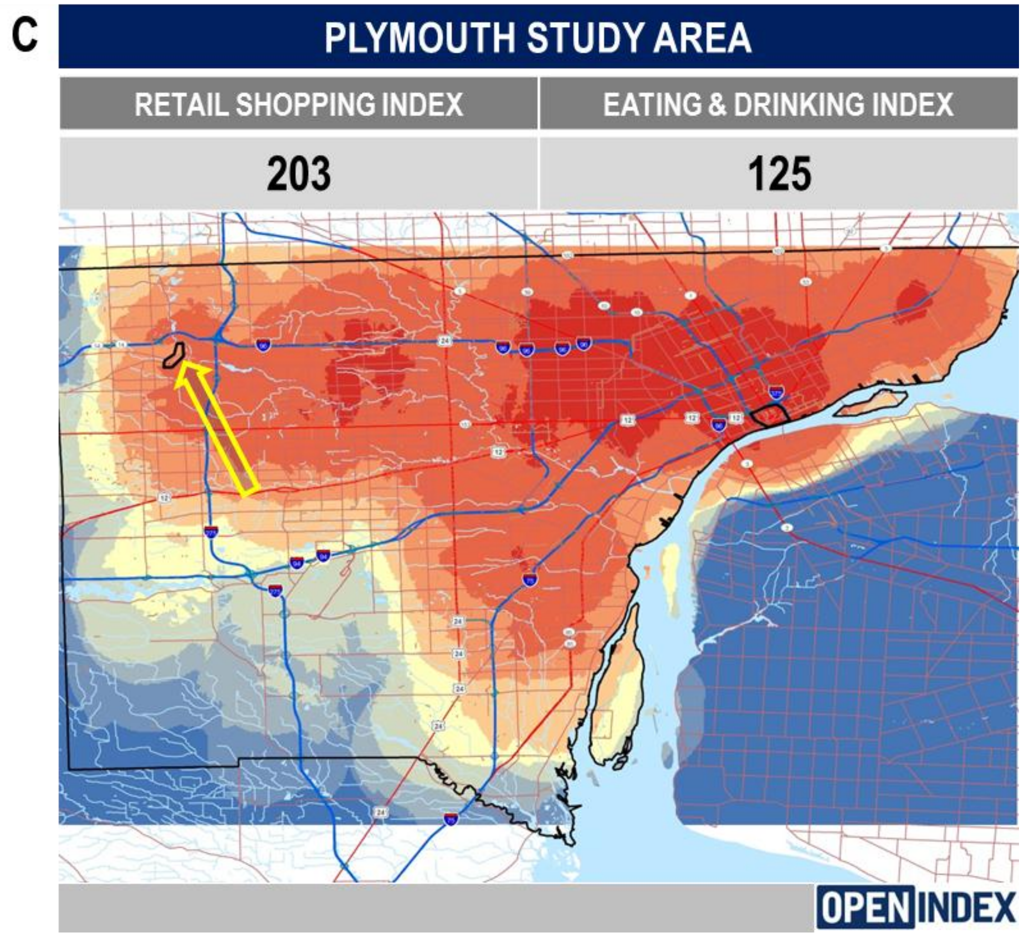
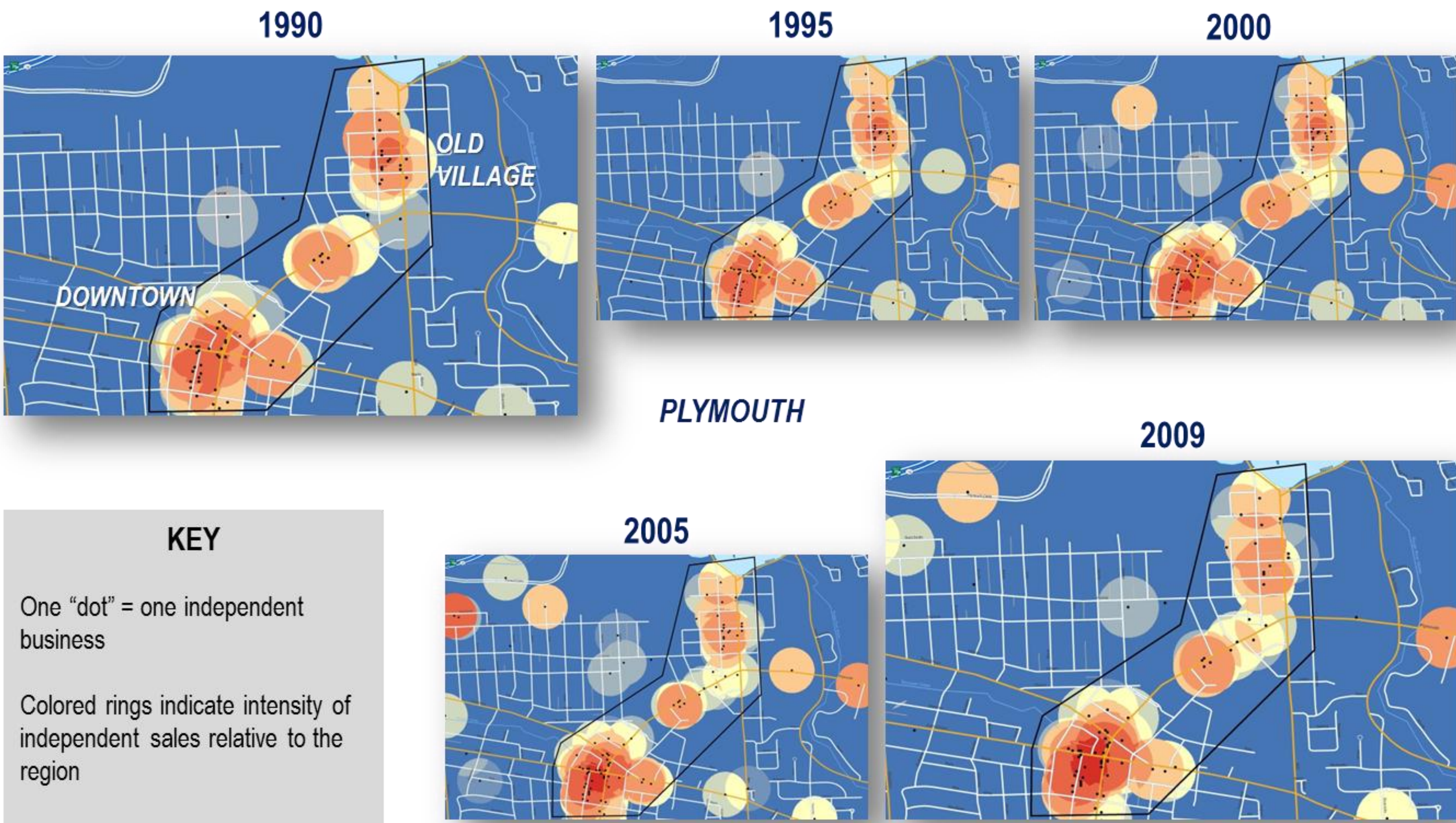


Chart 7 (on page 14) compares the retail and food & beverage markets in Plymouth with the broader Wayne County market. Most notably, the corridor is nearly devoid of non-local commercial businesses. In recent years, Eating & Drinking establishments have expanded faster than Retail Shopping, indicating an increasing role as an evening destination for the broader region.

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

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7 NEIGHBORHOOD SALES VERSUS COUNTY ($ Millions)

Source: NETS, Civic Economics

OPEN INDEX

The Economic Impacts of the Plymouth Business District

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 48170 Zip Code encompasses the town and most of Plymouth Township. While home values in Plymouth (as estimated by Zillow based on public records) today are actually a bit lower than in 1998, though area prices have begun to rebound somewhat from recession conditions. Plymouth homes did not enjoy the steady rise that impacted the Wayne County market until 2008, but neither have they fallen as steeply since.

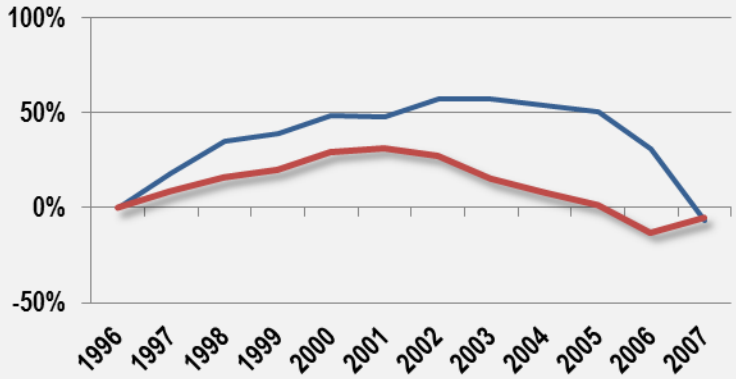
The second question is how many jobs are created by the presence of the district. The right side of Chart 8 below shows job creation at both independent and chain businesses.

Despite the shifting fortunes of retailers and restaurateurs, in Plymouth and Southeast Michigan at large, retail and restaurant employment in the core of Plymouth has remained quite steady at more than 600 jobs. As with Downtown Detroit, it would be hard to find such consistency elsewhere in the regional economy over 20 years.

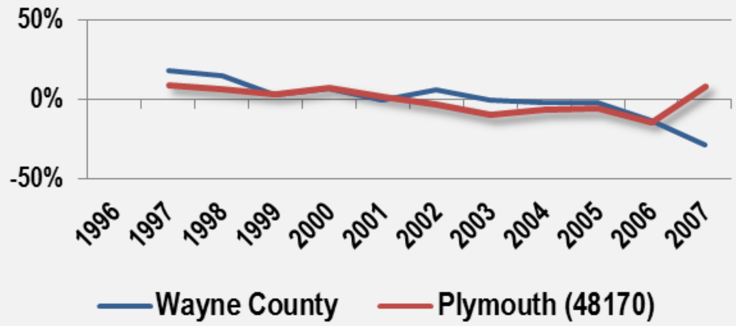
8 THE ECONOMIC IMPACTS OF AN INDEPENDENT BUSINESS DISTRICT

ZILLOW HOME VALUE INDEX

CUMULATIVE % CHANGE FROM 1996 VALUES

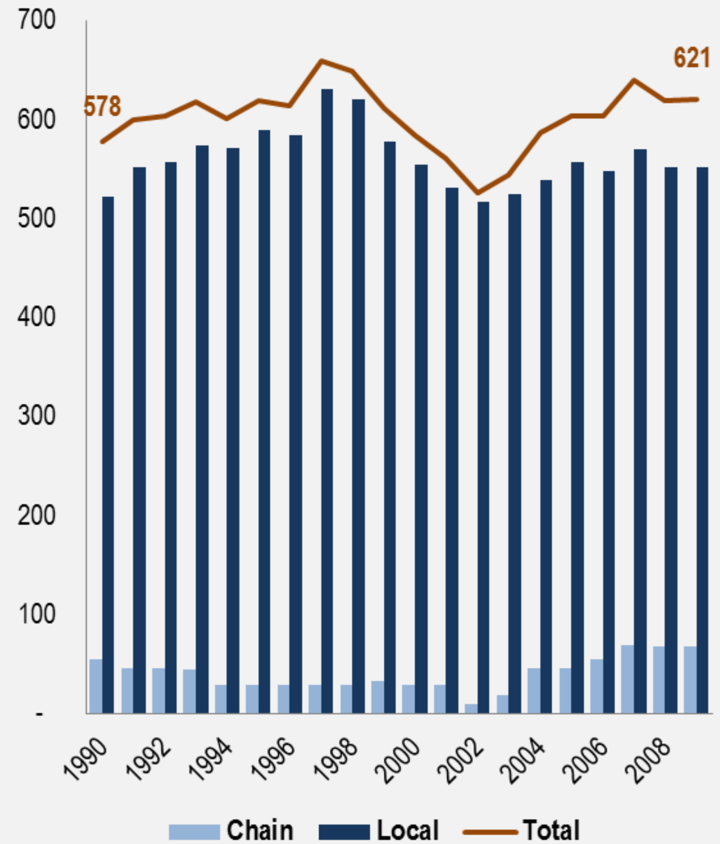


ANNUAL % CHANGE



Source: Zillow.com, Civic Economics

JOB CREATION IN THE NEIGHBORHOOD



Source: NETS, Civic Economics

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CONCLUSION

The Detroit economy has endured a rough ride in the two decades studied here, as the large-firm manufacturing underpinning the regional economy has undergone a transformation that drastically reduced jobs in the region. Nonetheless, there are bright spots in Wayne County, where entrepreneurs are finding opportunity in difficult times. While the big picture economic challenges facing the region cannot be repaired by small businesses serving the community, nurturing those small businesses can go a long way toward mitigating the damages. The independent retail and restaurant businesses of Downtown Detroit and Plymouth provide a stable source of employment.

Entrepreneurs invest in the communities they serve, buy and maintain homes, and give to local causes. Few cities present as compelling case for nurturing them as does Detroit.

CONTACTS

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

For Civic Economics:
Dan Houston, Partner
512.853.9044
dhouston@civiceconomics.com

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.*

For American Express OPEN:
Rosa Alfonso, Vice President of Public Affairs
212.640.1712
rosa.m.alfonso@aexp.com

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