

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

**A STUDY OF MARKET TRENDS
IN MAJOR AMERICAN CITIES**

OCTOBER 2011

Table of Contents

INTRODUCTION 2

ESSENTIAL FINDINGS 2

 In the Nation 2

 In Cities and Neighborhoods 2

BACKGROUND TO THE STUDY 3

 Small Business Saturday 3

 Previous Civic Economics Studies 3

 The Genesis of the OPEN Index 3

METHODOLOGY 4

 Dataset 4

 Indexing 5

THE OPEN INDEX NATIONALLY: DISCUSSION AND CHARTS 6

THE OPEN INDEX AMONG STUDY CITIES: DISCUSSION AND CHARTS 12

A LOOK AT THE LOCALIZED ANALYSES 22

 Locations of Successful Districts 24

 Evolution of Successful Districts 26

 Sales Trends 28

 Economic Benefits of Independent Business Districts 29

CONCLUDING THOUGHTS 32

CONTACTS 33

The American Express OPEN Independent Retail Index

INTRODUCTION

Civic Economics is pleased to present the American Express OPEN Independent Retail Index, a study of market trends in Retail Shopping and Eating & Drinking nationwide and in 15 major American cities.

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 Index provides localized analysis of those trends in fifteen major cities, identifies local independent hot spots, and reviews trends in those neighborhoods to identify both the source and the impact of those successes.

ESSENTIAL FINDINGS

In the Nation

- Among Retail Shopping establishments at the national level, the market share captured by locally-owned independent businesses declined from 59% in 1990 to 48% in 2009. For Eating & Drinking, independent market share declined from 71% to 64% over the same period.

In Cities

- In Cook County, Illinois (Chicago), independents lost 13% of the market in Retail Shopping. Other cities with striking losses in independent retail market share include Minneapolis, San Francisco, and Washington. Boston independent retailers lost the least market share, at 5%, followed closely by Atlanta and Miami at 6%.
- Independent restaurants and bars lost smaller market shares across the board. In San Francisco, independent Eating & Drinking establishments actually registered a small gain in market share during the study period.

In Neighborhoods

- Among 27 independent dominated business districts studied, the average district employed over 1,800 workers in urban, close in, or suburban neighborhoods.
- Residential neighborhoods served by a successful independent business district gained, on average, 50% more in home values than their citywide markets over the most recent 14 year period.

The American Express OPEN Independent Retail Index

BACKGROUND TO THE STUDY

Small Business Saturday

In 2010, American Express OPEN introduced Small Business Saturday, providing a counterpart to the well-known Black Friday and Cyber Monday shopping events that occur over Thanksgiving weekend. OPEN supported Small Business Saturday with discounts, advertising, social media, and charitable giving, and produced strong results and widespread consciousness of the benefits of supporting small business. For 2011, OPEN has expanded those commitments and commissioned this study to (1) add to our understanding of the context and impact of independent business and (2) establish a baseline for measuring success in the future.

Previous Civic Economics Studies

Since 2002, Civic Economics has conducted a series of studies of the impact of independent retailers, restaurateurs, and wholesalers on their local economies. Studies in Austin, Chicago, San Francisco, Phoenix, Grand Rapids, and New Orleans have consistently affirmed that independent storefront businesses generate greater local economic activity, based on both revenue and shop size, than do their chain competitors. In 2010, Civic Economics worked with the American Booksellers Association to produce the Indie City Index, which ranked every American metropolitan area based on the share of the retail market captured by independents in 2009. These studies and others are available for download at www.CivicEconomics.com.

These studies have provided the analytical underpinning for a national movement to support independents, and many of the organizations involved in those efforts at the local and national level have also endorsed Small Business Saturday.

The Genesis of the American Express OPEN Independent Retail Index

American Express OPEN began discussing with Civic Economics the prospect of producing a study in conjunction with the 2011 Small Business Saturday event to help further raise awareness about the importance of supporting independent, locally-owned businesses. OPEN asked us to craft a study design that adds to the national understanding of the market forces impacting independents, identifies locations and sectors in which independents have achieved unusual success, and identifies the impact of those successes.

The Index is designed to meet those requirements by measuring independent market share in retail and restaurant sectors over a 20-year period, both at the national level and at the local level in 15 major American cities. At the local level, the Index drills down to identify specific areas of each city that have nurtured particularly successful independent business communities, then seeks out the

The American Express OPEN Independent Retail Index

impacts of these communities. Those localized studies are summarized here and provided in separate City Supplement documents available at SmallBusinessSaturday.com.

METHODOLOGY

To construct the Index, Civic Economics designed a methodology that allows a thorough review of Retail Shopping and Eating & Drinking activity over a 20-year period. The study is built upon the most comprehensive business dataset available, the National Establishment Time-Series Database. NETS is built from the extensive business dataset compiled by Dun & Bradstreet (D&B), a rolling list of businesses, including location, revenue, and employment, and related businesses. The Edmond Lowe Foundation and Walls & Associates have constructed an extraordinary resource by compiling annual D&B snapshots into a longitudinal database stretching back to 1990.

Dataset

For this study, Civic Economics procured from Walls & Associates a highly targeted subset of NETS, comprised of 1.4 million establishments (an establishment is a single storefront location) in most retail and food and beverage sectors. Each of those businesses operated at least one year in at least one of the counties used to produce a representative sample of the American retail marketplace. The sample was comprised of 145 counties. Fifteen cities were identified in advance as the focus of this study, including a total of 19 counties. The remaining counties were randomly selected within six groups defined by population and metropolitan area status. To produce a representative national sample for benchmarking purposes, Civic Economics weighted county data twice: once within the population groups and again among the population groups. The size of the sample, nearly 20% of the national population, and provides a valid basis for analysis. The stratified weighting within the sample allowed the development of a representative national benchmark.

For the 1.4 million establishments in the dataset, Civic Economics undertook a labor-intensive review process to label each as either local or nonlocal. Locally-owned businesses with multiple outlets confined to a metropolitan area or with few branches elsewhere in the state were labeled local, as were cooperative retailers, authorized retailers, and many charitable businesses. D&B also includes non-employer

STUDY AREAS	
City	Study Area
Atlanta	Fulton County
Boston	Suffolk County
Chicago	Cook County
Dallas	Dallas County
Detroit	Wayne County
Los Angeles	Los Angeles County
Miami	Miami-Dade County
Minneapolis	Hennepin County
New York	Five Boroughs
Philadelphia	Philadelphia County
Phoenix	Maricopa County
San Diego	San Diego County
San Francisco	San Francisco County
Seattle	King County
Washington	District of Columbia

OPEN INDEX

The American Express OPEN Independent Retail Index

establishments, in which only proprietors work, a class of business not included in standard Census data.

Roughly 90% of all businesses in the database were identified as independents.

Civic Economics further refined the data by identifying anomalous or clearly erroneous data points. Any large dataset will contain errors, and NETS is no different. Our extensive review of the data convinces us that errors are random and generally typographical, so in aggregate the data will reflect reality. For this study, though, Civic Economics isolated portions of the dataset by geographic boundaries, lines of goods, and ownership status. Within those smaller sets, we identified erroneous sales, employment, or location data wherever possible and incorporated corrections based on surrounding data points. With that in mind, the most useful way to view this document, particularly at the local level, is to understand trends and comparisons over time. Precise sales and employment figures are rarely given at this detailed level.

Indexing

The analyses described above allowed Civic Economics to quantify the market share captured by independents for each year and each subsector in the study. For retail shopping overall, that market share declined from 59% in 1990 to 48% in 2009. For eating and drinking, that market share declined from 71% to 64% over the same period. Because this study is concerned more with trends than raw data, Civic Economics converted all market shares to an Index score based on 2009 outcomes. Therefore, an Index score of 100 for Retail Shopping represents a 48% market share while 100 for Eating & Drinking represents a 64% market share. Charts 1 and 3 below demonstrate the simplicity of the conversion. Since 1990 the trend, as expected, is that independent businesses have lost market share to national retailers. Therefore when examining the Index it is expected that, on average, Index scores will be higher for 1990 and trend slowly downward toward 2009.

The American Express OPEN Independent Retail Index

THE OPEN INDEX NATIONALLY: DISCUSSION AND CHARTS

Charts 1 through 4 below present Index scores by sector for Retail Shopping and Eating & Drinking and subsectors within each defined by lines of goods or level of service.

Retail Shopping Items of Note

- In several retail subsectors, encouraging trends emerge. Grocery shopping, for example, has shown relatively stable Indexes over the study period, including a modest uptick in the last decade. Clothing stores have also staged a healthy rebound in recent years.
- Furniture stores and the sector that includes sporting goods, books, music, and hobby shops have sustained high index scores throughout the study period.
- Building materials stores show the steepest and most consistent decline over the years, which is no surprise to followers of the industry. The study period corresponds with the massive expansion of large format home centers as well as the acquisition by national firms of countless local suppliers. However, it is noteworthy that, even in the face of such trends, independents have retained nearly half of the market.
- The General Merchandise sector, which includes large discount stores and department stores, shows low and still-dropping Index scores. The sector is dominated by a handful of major national players.

Eating & Drinking Items of Note

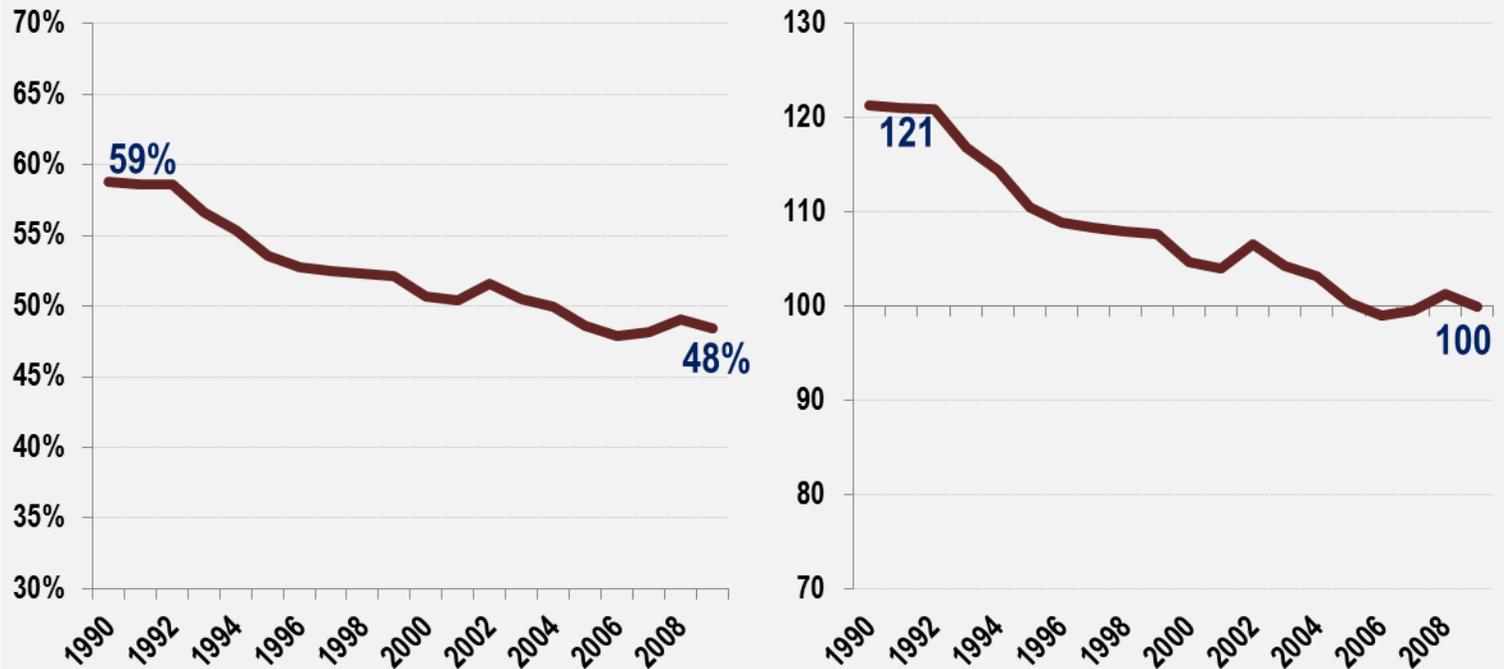
- Full service dining establishments and bars have held onto their market shares while the decline in independent share was driven by fast food restaurants. Over the last decade, even as chain restaurants have moved upmarket, full service independents have retained strong support among dining consumers.
- Among all sectors, the drinking places category produces the highest Index scores. It includes bars and taverns of all kinds, a sector that seems remarkably immune to chain competition.

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NATIONWIDE INDEPENDENT MARKET SHARE AND INDEXING, 1990-2009

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For retail shopping establishments in our sample, the total market share held by independents decreased from 59% in 1990 to 48% in 2009. The 2009 share establishes the Index value of 100 for all subsequent retail shopping analyses.

Source: NETS, Civic Economics, US Census

OPEN INDEX

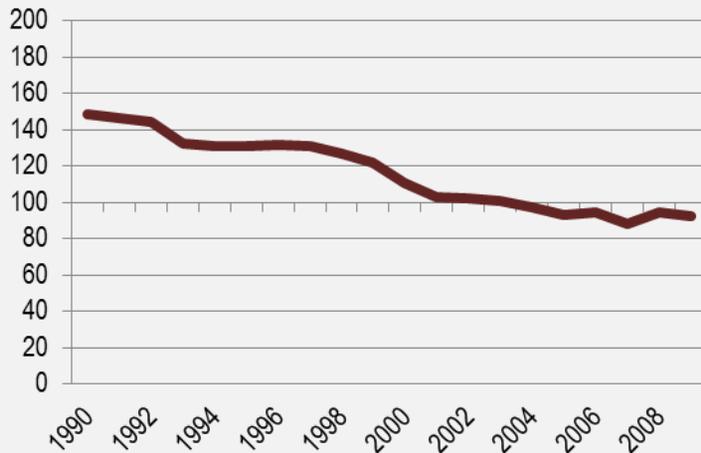
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INDEX SCORES, SELECTED LINES OF GOODS, 1990-2009

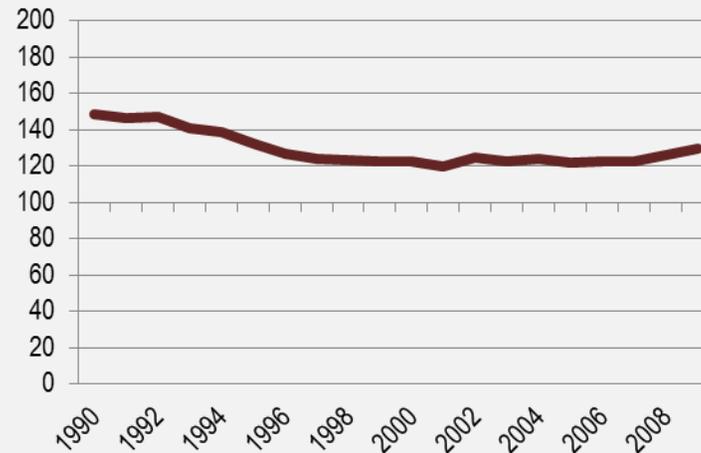
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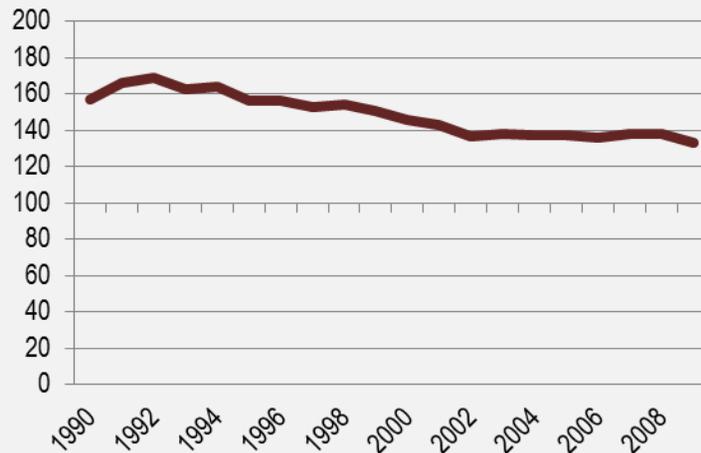
Building Materials etc.



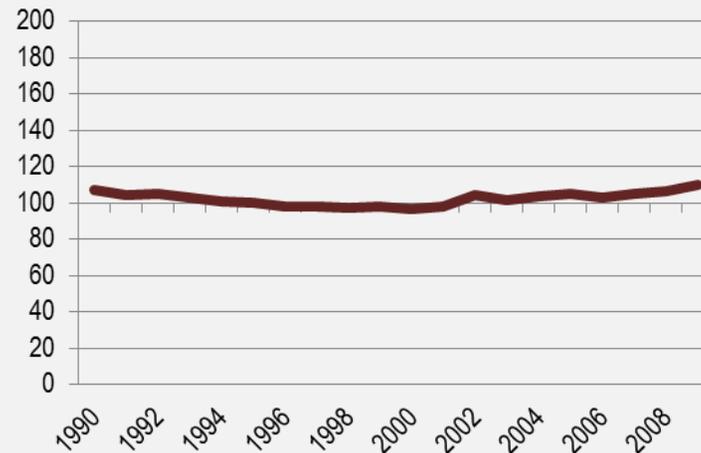
Clothing and Accessories



Electronics & Appliances



Groceries



Source: NETS, Civic Economics, US Census

OPEN INDEX

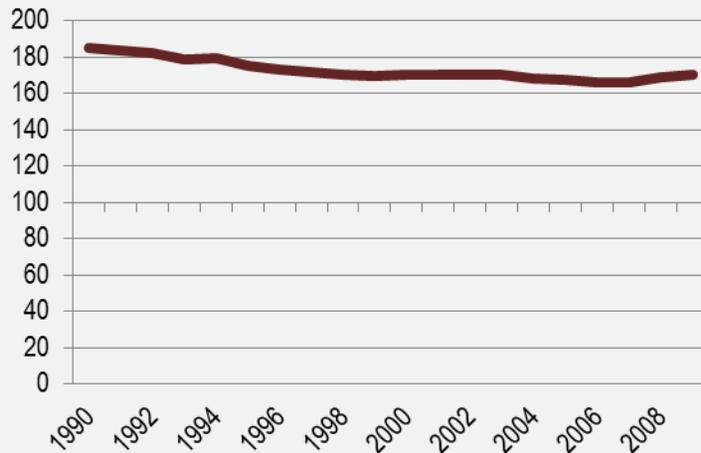
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INDEX SCORES, SELECTED LINES OF GOODS, 1990-2009

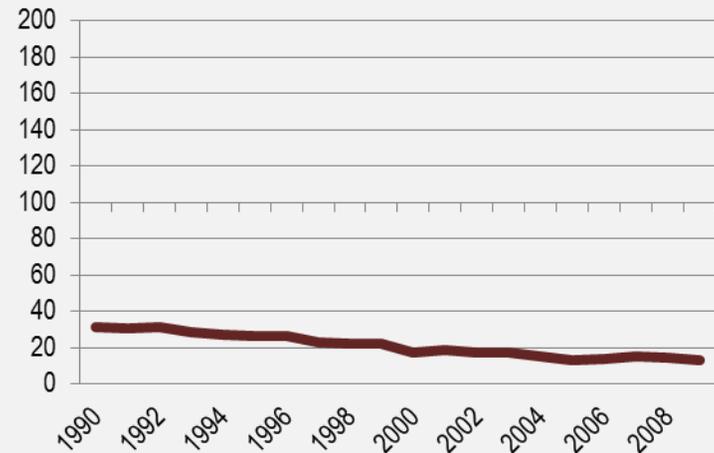
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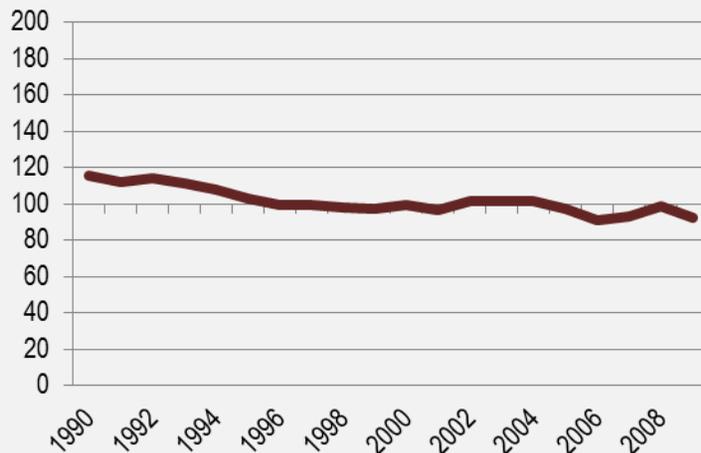
Furniture



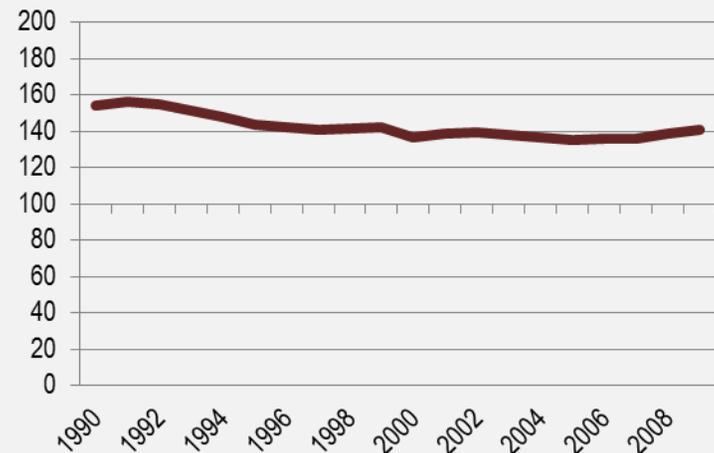
General Merchandise



Health and Personal Care



Sports, Books, etc.

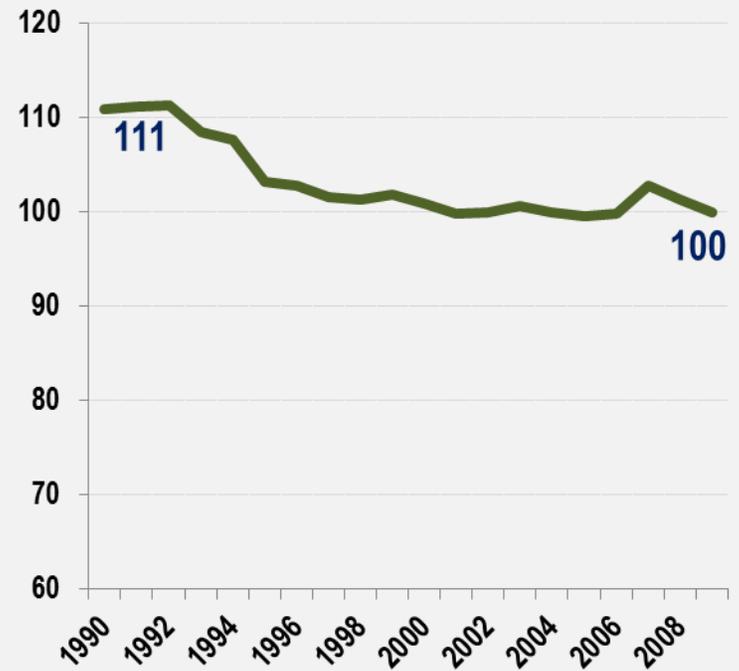
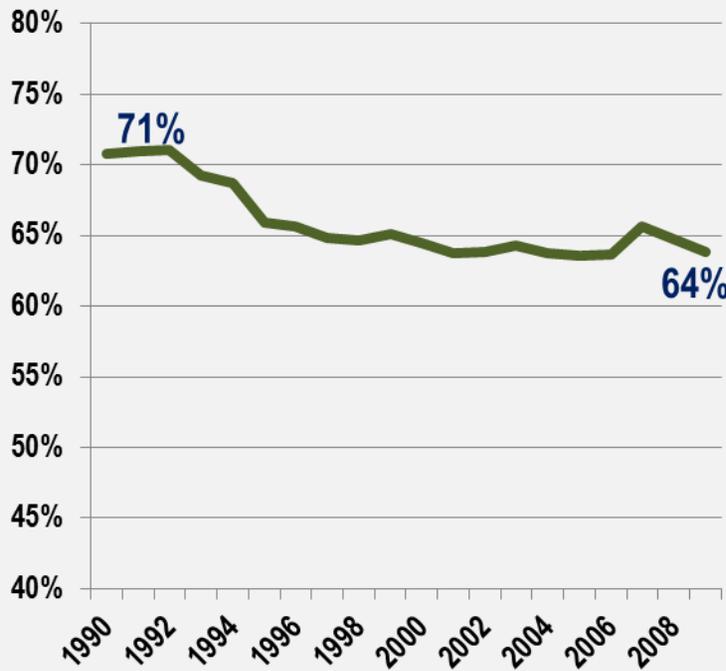


Source: NETS, Civic Economics, US Census

OPEN INDEX

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NATIONWIDE INDEPENDENT MARKET SHARE AND INDEXING, 1990-2009



For eating & drinking establishments in our sample, the total market share held by independents decreased from 59% in 1990 to 48% in 2009. The 2009 share establishes the Index value of 100 for all subsequent eating & drinking analyses.

Source: NETS, Civic Economics, US Census

OPEN INDEX

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INDEX SCORES, SELECTED TYPES, 1990-2009

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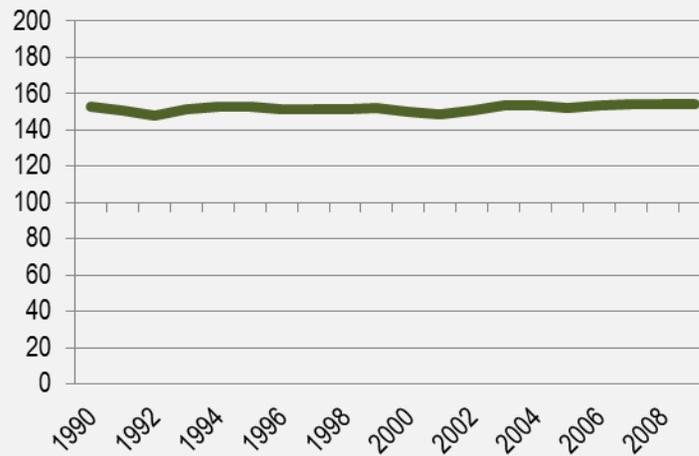
Full Service Restaurants



Fast Food



Drinking Places



Source: NETS, Civic Economics, US Census

OPEN INDEX

The American Express OPEN Independent Retail Index

THE OPEN INDEX AMONG STUDY CITIES: DISCUSSION AND CHARTS

The charts above set the benchmark for evaluating the performance of the independent business community in the 15 cities selected for further study. Chart 5 below shows the ranking of all study communities for Retail Shopping, Eating & Drinking, and a Combined Ranking based on total index points.

5

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

OPEN INDEX

The American Express OPEN Independent Retail Index

Chart 6 below provides some context to the rankings by showing study cities in rank order with other variables. Population density at the highest level is strongly correlated with high Index scores, though that connection disappears beyond the densest cities. Interestingly, per capita income and retail spending are not strong predictors, demonstrating that cities of all kinds can successfully nurture a vibrant local business community.

Charts 7 and 8 (on the following pages) show how the 15 study cities compare by Index score in the full Retail Shopping and Eating & Drinking sectors. Further discussion of each city is provided in separate City Supplement documents.

6

COMPARISON OF STUDY COMMUNITIES

City	Study Area	Combined Ranking	Population Growth, 2000-2010	Per Capita Income, 2009	Retail Spending per Capita, 2007	Density, (Persons per Square Mile) 2010 *
NEW YORK	Five Boroughs	1	⇒ 2.1%	\$ 28,516	\$ 9,375	26,981
SAN FRANCISCO	San Francisco County	2	⇒ 3.7%	\$ 44,373	\$ 15,516	17,246
WASHINGTON	District of Columbia	3	⇒ 5.2%	\$ 40,846	\$ 6,555	9,800
BOSTON	Suffolk County	4	⇒ 4.7%	\$ 53,751	\$ 10,381	12,338
PHILADELPHIA	Philadelphia County	5	⇒ 0.6%	\$ 20,882	\$ 7,299	11,296
MIAMI	Miami-Dade County	6	↑ 10.8%	\$ 22,619	\$ 14,074	1,283
LOS ANGELES	Los Angeles County	7	⇒ 3.1%	\$ 26,983	\$ 12,336	2,418
SEATTLE	King County	8	↑ 11.2%	\$ 37,797	\$ 20,002	908
ATLANTA	Fulton County	9	↑ 12.8%	\$ 36,412	\$ 13,363	1,741
CHICAGO	Cook County	10	↓ -3.4%	\$ 29,021	\$ 11,571	5,493
DETROIT	Wayne County	11	↓ -11.7%	\$ 21,691	\$ 8,720	2,694
SAN DIEGO	San Diego County	12	↑ 10.0%	\$ 30,705	\$ 13,009	737
MINNEAPOLIS	Hennepin County	13	⇒ 3.2%	\$ 35,687	\$ 19,646	2,070
DALLAS	Dallas County	14	⇒ 6.7%	\$ 25,703	\$ 13,929	2,692
PHOENIX	Maricopa County	15	↑ 24.2%	\$ 27,185	\$ 15,153	415
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

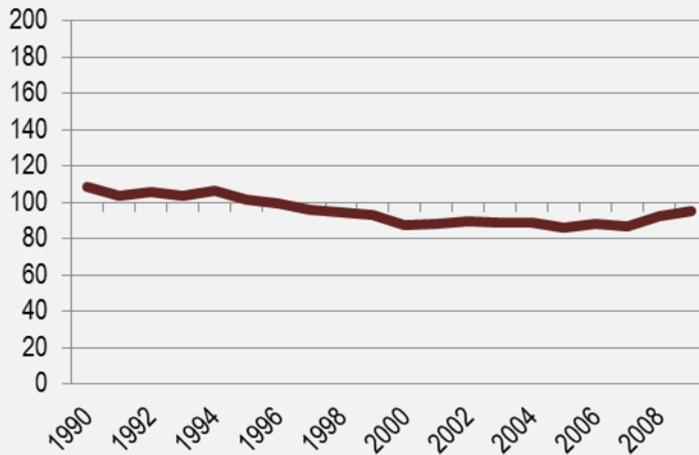
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INDEX SCORES, STUDY COMMUNITIES, 1990-2009

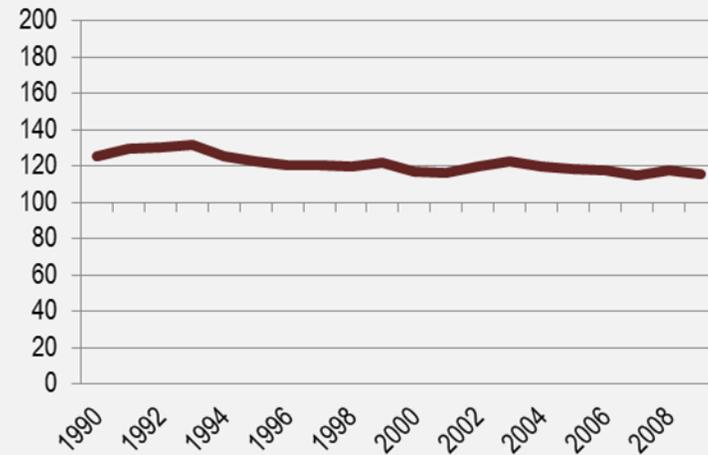
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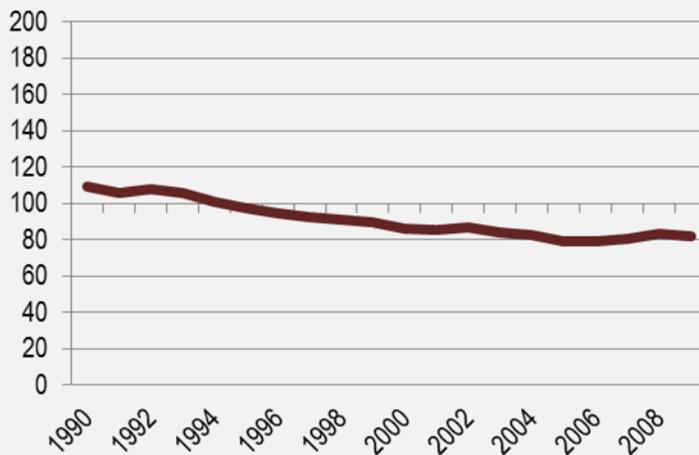
Atlanta – Fulton County, GA



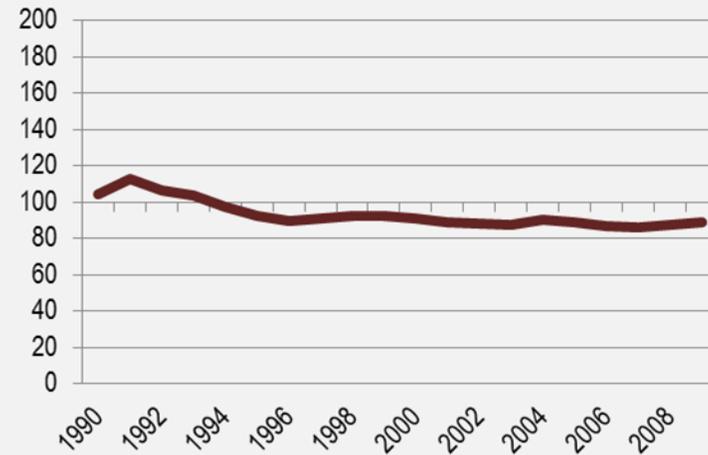
Boston – Suffolk County, MA



Chicago – Cook County, IL



Dallas County, TX



Source: NETS, Civic Economics, US Census

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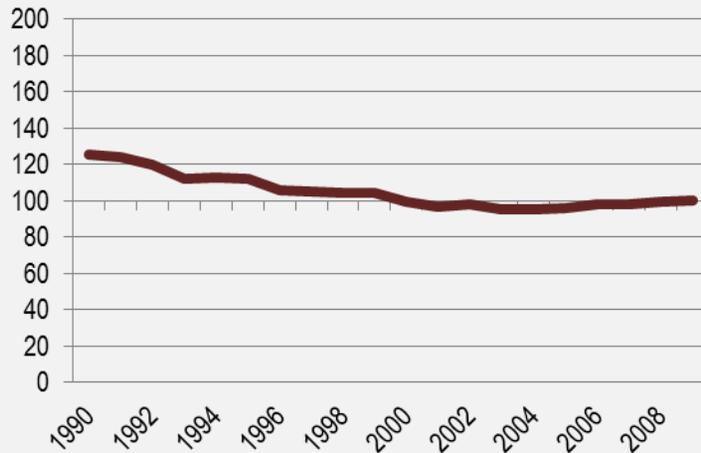
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INDEX SCORES, STUDY COMMUNITIES, 1990-2009

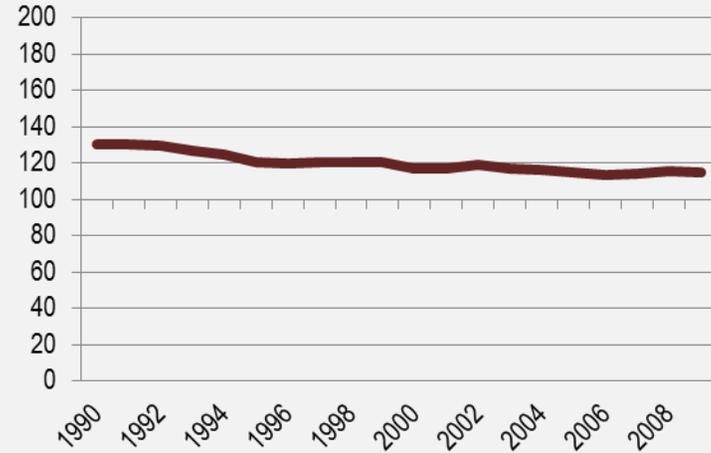
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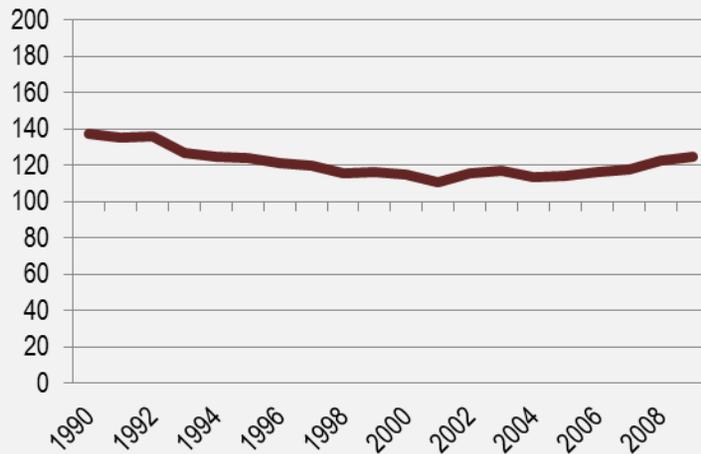
Detroit – Wayne County, MI



Los Angeles County, CA



Miami-Dade County, FL



Minneapolis – Hennepin County



Source: NETS, Civic Economics, US Census

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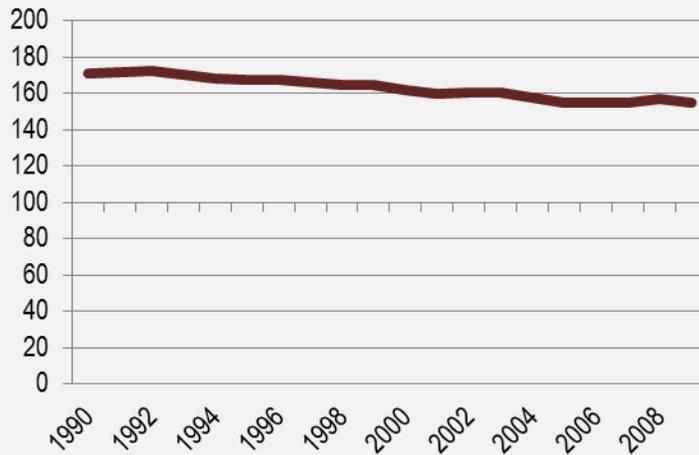
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INDEX SCORES, STUDY COMMUNITIES, 1990-2009

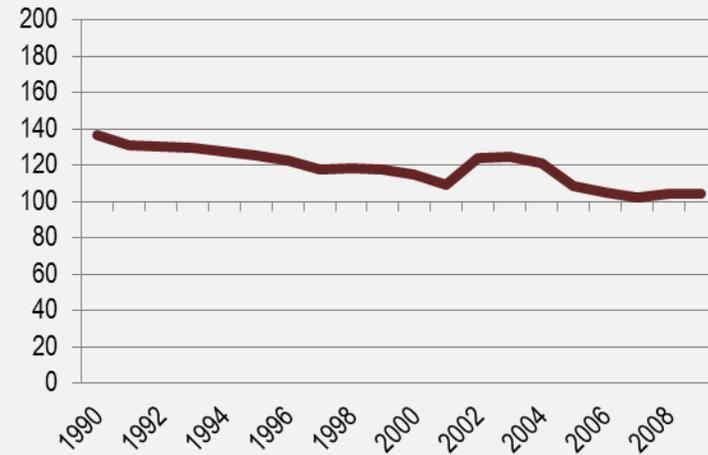
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New York City, NY



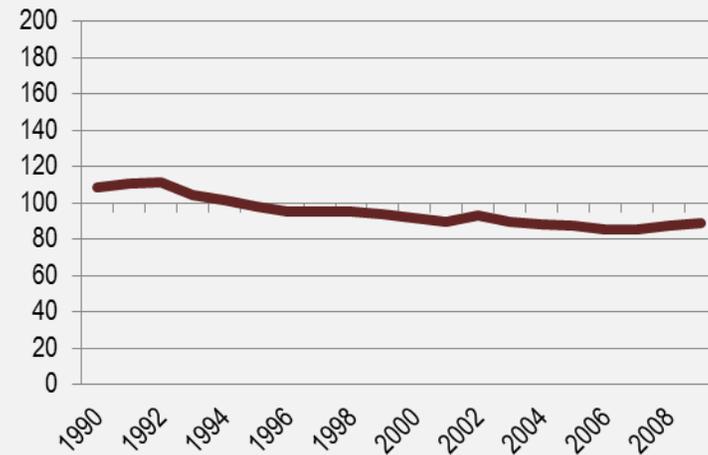
Philadelphia County, PA



Phoenix – Maricopa County, AZ



San Diego County, CA



Source: NETS, Civic Economics, US Census

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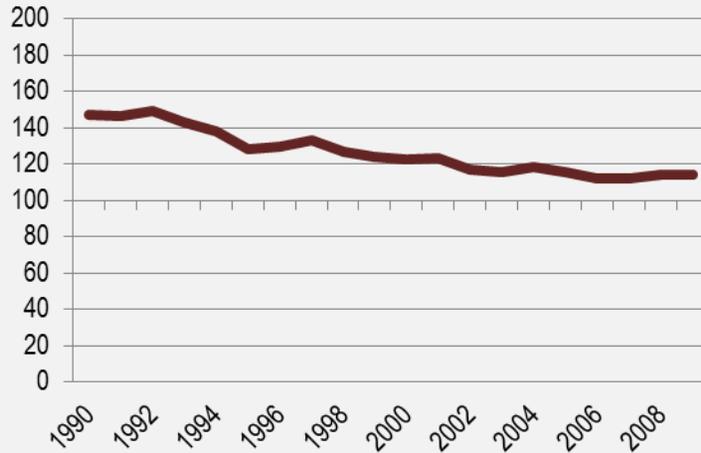
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INDEX SCORES, STUDY COMMUNITIES, 1990-2009

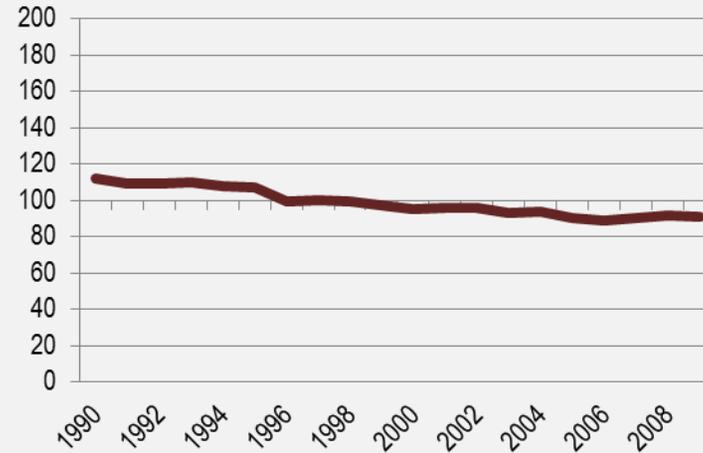
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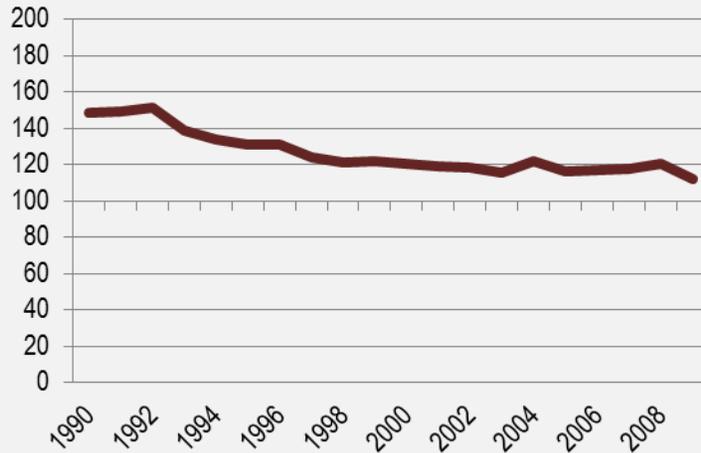
San Francisco County, CA



Seattle – King County, WA



Washington, DC



Source: NETS, Civic Economics, US Census

OPEN INDEX

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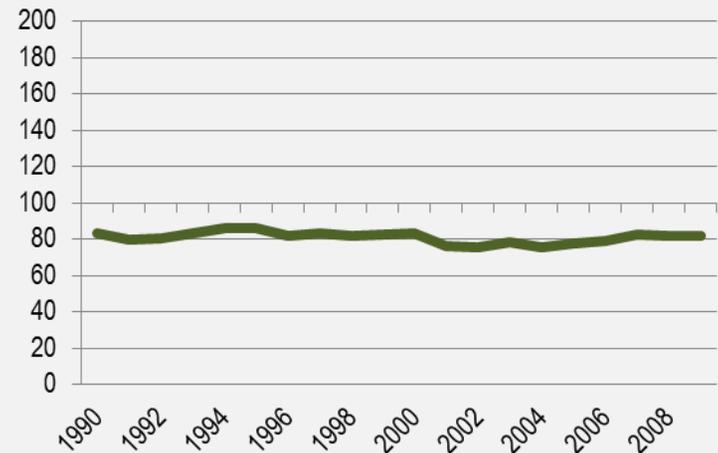
Boston – Suffolk County, MA



Chicago – Cook County, IL



Dallas County, TX



Source: NETS, Civic Economics, US Census

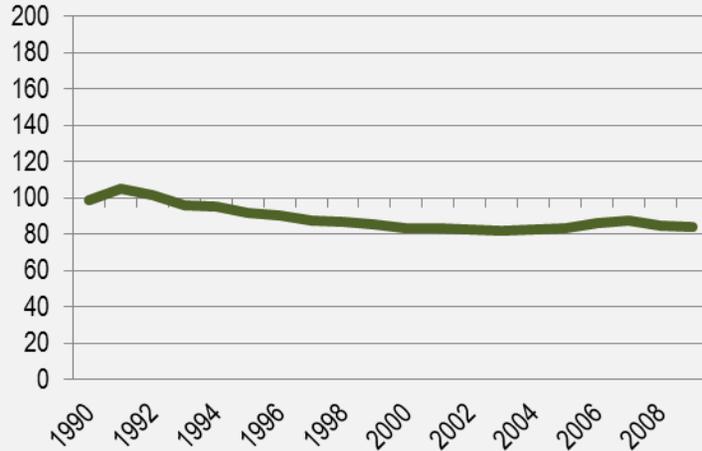
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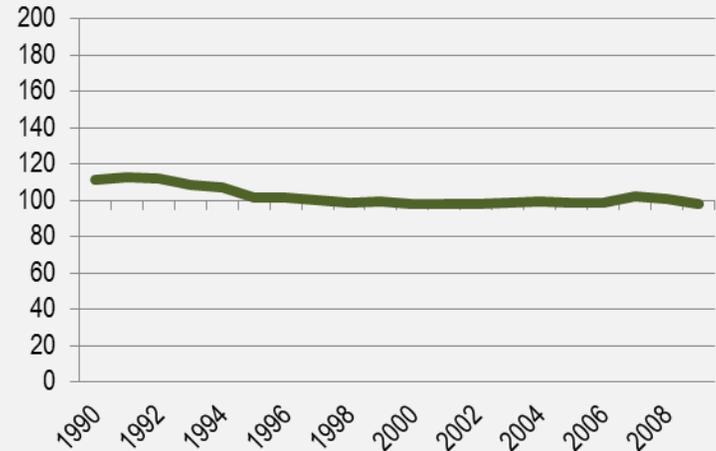
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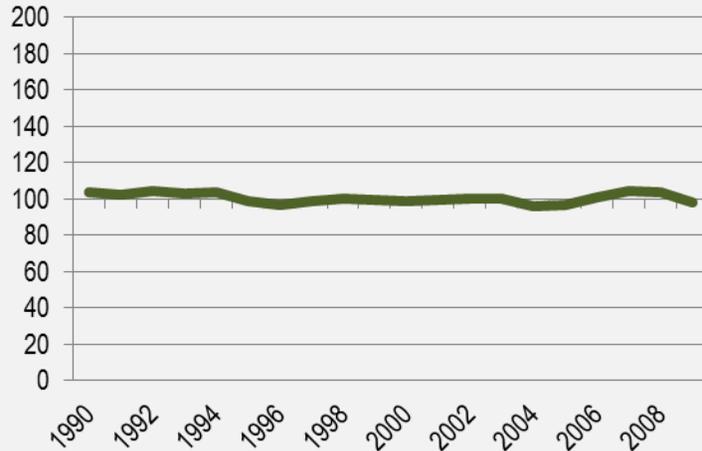
Detroit – Wayne County, MI



Los Angeles County, CA



Miami-Dade County, FL



Minneapolis – Hennepin County



Source: NETS, Civic Economics, US Census

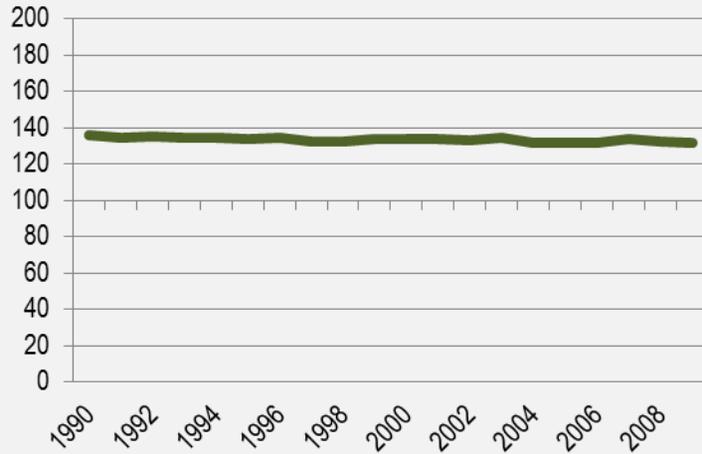
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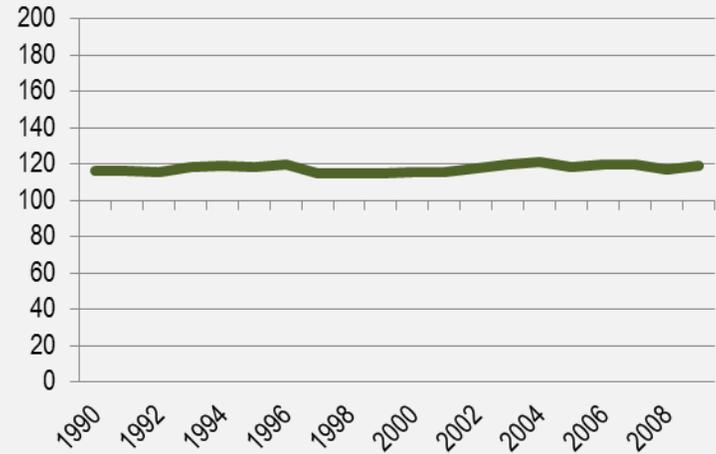
INDEX SCORES, STUDY COMMUNITIES, 1990-2009

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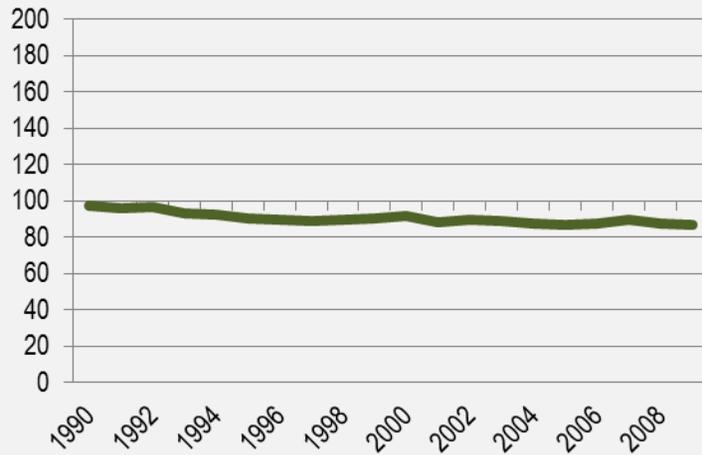
New York City, NY



Philadelphia County, PA



Phoenix – Maricopa County, AZ



San Diego County, CA



Source: NETS, Civic Economics, US Census

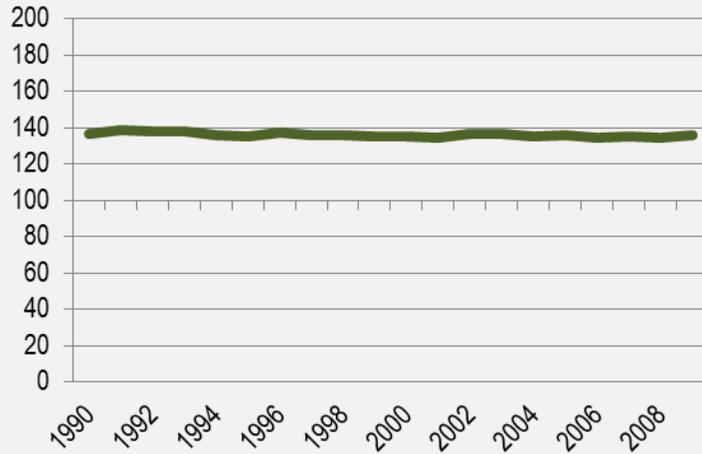
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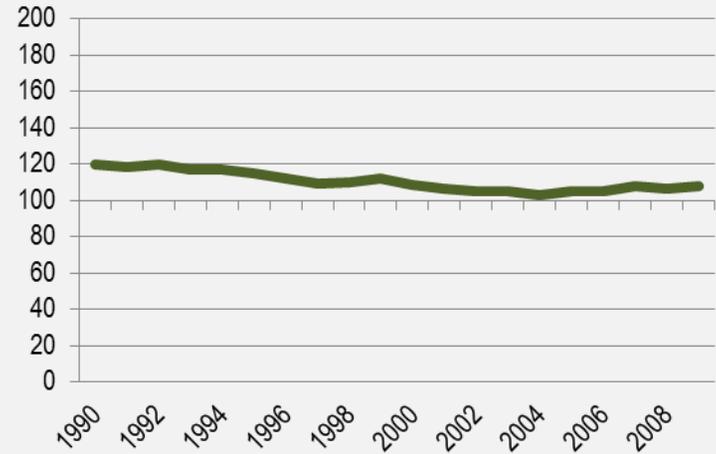
INDEX SCORES, STUDY COMMUNITIES, 1990-2009

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San Francisco County, CA



Seattle – King County, WA



Washington, DC



Source: NETS, Civic Economics, US Census

OPEN INDEX

The American Express OPEN Independent Retail Index

A LOOK AT THE LOCALIZED ANALYSES

The Index has established national benchmarks for independent market shares in Retail Shopping, Eating & Drinking, and a number of specialized segments within each. In addition, we have looked more deeply at the Indexes for each of 15 major American cities, using urban core counties as the study area.

Civic Economics selected neighborhoods for closer analysis in a systematic way. We began with a map of the full study county, with coloration to indicate the concentration of independent business activity in 2009, in both Retail Shopping and Eating & Drinking. In each county, we scanned the map for discrete areas of intensity, identifying business districts or corridors with strong independent revenues relative to the rest of the county. Upon identifying these areas, we consulted aerial images and business listings in Google Earth to see that we had, indeed, found an identifiable district that would be generally recognized by residents of the city as a hub of independent merchants. In each county, we sought one to three such locations and made those selections without regard for other data points such as wealth, home values, or demographic factors. Where multiple districts appeared suitable, we exercised some discretion to ensure a diverse sample of communities.

Ultimately, we identified 27 such districts for detailed study. In each case, we mapped the mix of business in five-year increments and calculated annual sales and employment at both independents and chains. Chart 9 on the following page shows the neighborhood business districts, in alphabetical order by core city, studied along with 2009 Index scores for each.

Not only does each of these neighborhoods have something to tell us about the city in which it emerged, collectively these business districts and the entrepreneurs who have built them have something to tell us about the state of independent business in America.

Having studied independent business districts in various contexts over the years, Civic Economics would offer some observations about this set of 27. Among them are places of wealth and poverty, but most are decidedly middle class. Hipsters and fashionistas are well represented, of course, but so are tourists in shorts and parents with strollers. Some are shopping meccas while others feature restaurants, but most achieve a balance between daytime and evening activity. Most, in fact, serve a diverse cross-section of the community in which they are found. Indeed, the only consistent, unifying trait of these districts is the strength of the independent business community.

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9

INDEPENDENT BUSINESS DISTRICTS SELECTED FOR STUDY

2009 OPEN Index Scores				2009 OPEN Index Scores			
Neighborhood	City	Retail Shopping	Eating & Drinking	Neighborhood	City	Retail Shopping	Eating & Drinking
Virginia Highland	Atlanta	171	153	Little Italy, Manhattan	New York City	206	157
Allston	Boston	161	140	Greenpoint, Brooklyn	New York City	197	147
North End	Boston	159	157	Jackson Heights, Queens	New York City	173	127
Wicker Park - Bucktown	Chicago	120	141	Northern Liberties	Philadelphia	184	152
Andersonville	Chicago	198	158	Italian Market	Philadelphia	188	157
Lower Greenville	Dallas	155	142	Scottsdale	Phoenix	201	129
Plymouth	Detroit	203	125	Uptown	Phoenix	197	46
Downtown Detroit	Detroit	180	114	Pacific Beach	San Diego	125	137
Melrose	Los Angeles	190	151	Hillcrest & North Park	San Diego	111	136
Abbot Kinney Boulevard	Los Angeles	193	135	The Haight	San Francisco	192	150
Design District	Miami	203	157	The Castro	San Francisco	111	155
Downtown Coral Gables	Miami	135	110	Ballard	Seattle	172	132
Uptown & Lyn-Lake	Minneapolis	136	146	Adams Morgan	Washington	148	143
				Georgetown	Washington	120	133

Composite Retail Shopping Index: 160
Composite Independent Market Share: 77%

Composite Eating & Drinking Index: 137
Composite Independent Market Share: 87%

Source: NETS, Civic Economics

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Locations of Successful Districts

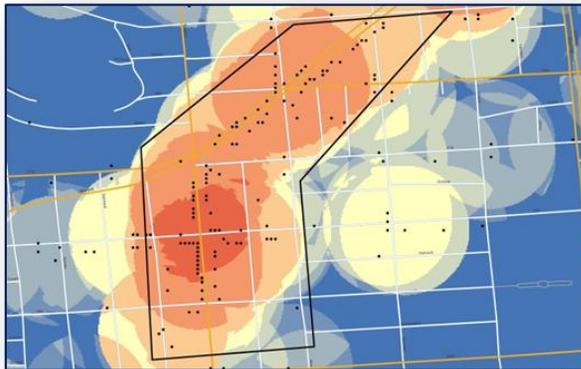
The business districts fall into three broad geographic classes: Urban, Close In, and Suburban as illustrated in Map A, below. The broad range of successful districts studied demonstrates that local business owners can build a destination anywhere they find affordable, accessible space and a customer base to be served. While some districts selected for study blur the lines between these broad classes, all represent the ability of small business owners to adapt their environment to changing conditions.

Those in truly urban settings are typically imbedded in high density areas served by mass transit. The ones selected for study did not emerge overnight. Rather, neighborhood storefronts that date back to the origins of the community have evolved in how they serve the area. Many American cities have found in recent decades that they have a surfeit of commercial space in urban neighborhoods, dating to times of denser population and limited mobility. With the emergence of supermarkets and shopping malls, activity often declined in established pedestrian districts. Those blessed with the right mix of entrepreneurs, infrastructure, and

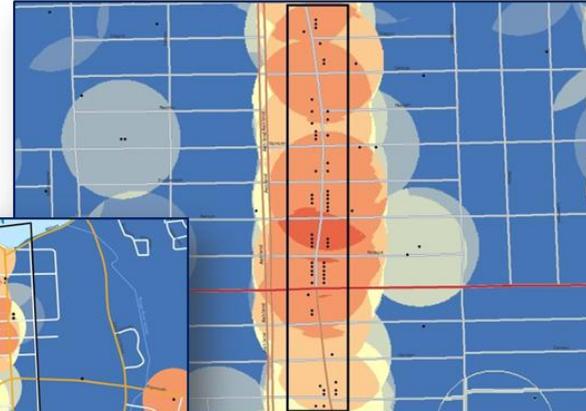
A

EXAMPLES OF GEOGRAPHIC TYPES

URBAN – THE CASTRO



CLOSE IN – LOWER GREENVILLE



SUBURBAN – PLYMOUTH



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customers emerge to draw business from a wider area, sometimes becoming regional or even national destinations.

The Castro, for example, emerged decades ago as a center of alternative lifestyles in San Francisco. In the time since, the neighborhood has maintained that character and diversified substantially. Northern Liberties, in Center City Philadelphia, represents a more recently emerged urban district. Since the mid-1990's, the neighborhood has been transformed completely into a prosperous and popular choice for urban living as well as shopping and eating.

Many of these districts are best characterized as Close In. These typically evolved out of commercial strips developed in the years preceding and following World War II, when developers erected low rise buildings close to the curb to serve the residents and commuters in what was then suburbia. Even small American cities include corridors like these, which provide a powerful draw to small businesses looking for low rents, automobile access, and a degree of character not found in new suburban shopping centers. As with urban areas, the right mix of entrepreneurs, infrastructure, and customers can trigger tremendous growth in sales and employment along formerly sleepy or even derelict strips.

Lower Greenville in Dallas, Andersonville in Chicago, and Virginia-Highland in Atlanta, among others, represent transformations of this sort. In every case, that evolution has been associated with higher home values and improved job opportunities in central locations.

Suburban business districts can take a variety of forms. In many cases, these arise in the downtown area of what was once a geographically separate town. As suburban development approaches or engulfs these communities, the old downtown with its rigid grid and older homes can be cut off from the new world around it. However, the infrastructure of mixed-use, often historic structures remains. Where local officials preserve connections and support new business, these areas can flourish, providing a taste of city life amidst the subdivisions, malls, and power centers.

Downtown Plymouth, Michigan, shown above, finds itself at the edge of suburbia yet maintains an attractive and distinct identity that serves the needs of locals while drawing visitors from surrounding communities. The powerful economic engine of Downtown Scottsdale, for another example, grew out of the pioneering galleries of Old Town to become a shopping and dining destination for the region and its legions of tourists.

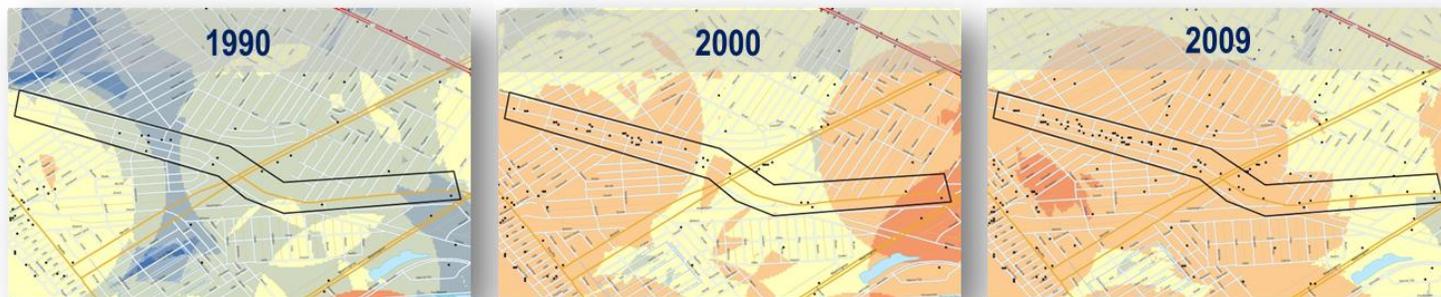
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Evolution of Successful Districts

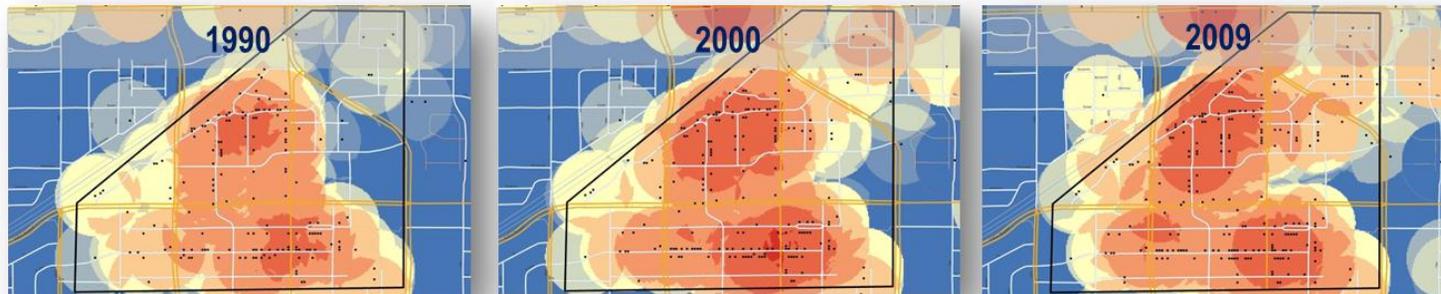
The evolution of the independent business community is as varied as the 27 neighborhoods studied here. In many cases, the district was well established at the beginning of our study period in 1990. In others, the evolution began after that date, allowing a time-lapse view of the emergence of a distinctive place. Map B below page depicts two good examples.

B

EXAMPLES OF BUSINESS DISTRICT EVOLUTION



ABBOT KINNEY BOULEVARD, LOS ANGELES



DOWNTOWN SCOTTSDALE, PHOENIX

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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In 1990, the Venice neighborhood in the City of Los Angeles had a reputation that deterred all but the most adventurous visitors. Few independent businesses operated beyond the famous seafront. The emergence of a thriving business district along Abbot Kinney Boulevard began in the mid-1990's, as businesses with an offbeat clientele began populating the western reaches. By 2009, Abbot Kinney had become a regional destination both day and night, and homes in proximity to the business district appreciated much faster than even the red-hot Los Angeles market. Even since the housing price reversal of 2008, the Venice area has lost far less value than the rest of the city (down 22% from 2007 highs compared to 33% for the city), while continuing to add businesses and jobs.

Downtown Scottsdale, Arizona, adjacent to the City of Phoenix in Maricopa County, was already a thriving business district in 1990. Old Town, in particular, was well established. Even then, the shops and restaurants of the district employed 1,500 people and found many of its customers among the well-heeled travelers of the world. The unique mix of independent and unusual stores has not lost its drawing power. Today, though Maricopa County earns the lowest OPEN Index score among our study communities, Scottsdale's Retail Shopping Index of 201 makes it among the strongest independent business districts in America.

In some neighborhoods, evolution was more complex than simply growth to a plateau. In Atlanta's Virginia-Highland and Minneapolis' Uptown, for example, early success in building a retail-driven district led to an increase in restaurant and bar activity that, in these cases at least, appears to have displaced retail as storefronts became harder to secure. In other districts, early success was established by independent businesses, who were then joined by a variety of chain stores and restaurants. In all of these cases, though, independent growth continued alongside the newly arrived chain stores.

In the individual city reports released with the Index, more detailed five-year maps and annual sales and employment charts show the power of momentum in successful districts. Sales typically continue to grow until neighborhood storefronts are saturated, limiting opportunities for expansion and leading to a sales plateau. Among the 27 neighborhoods in the study, only a few suffered sustained sales declines before the recent recession began in 2008, those that did typically saw a shift from Retail to Eating & Drinking or vice versa. In the challenging market since then, many have even continued expanding the number of businesses, sales, and employment.

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Sales Trends

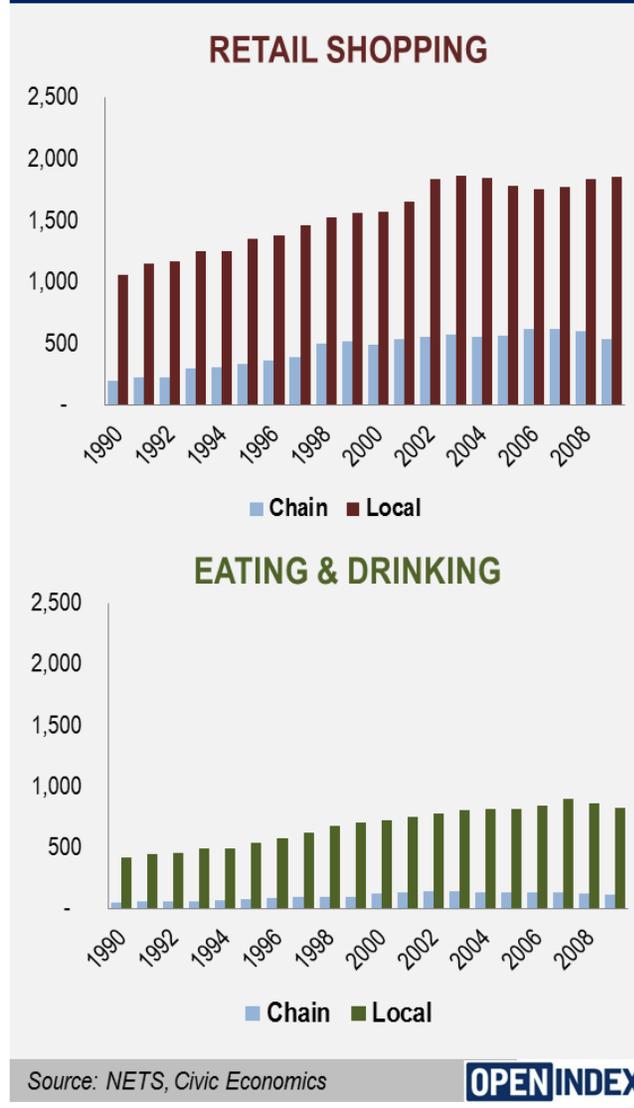
For each of the 27 neighborhoods selected for study, Civic Economics analyzed business on an annual basis, charting sales trends in Retail Shopping and Eating & Drinking for both chains and locals (Chart 10).

Over the study period, sales at independent retail businesses in study districts increased by 266%, which compares favorably to neighboring chain gains of 176%. For restaurants and bars these gains were 224% for independents and 198% for chains.

One complicating factor in these trends is the well-established market dominance of large-format supermarkets, most of which are a part of one national chain or another. These stores typically generate revenue of \$20-40 million, which certainly impacts the appearance of market share bar charts used in this study. As many of these neighborhoods grew in prominence, national supermarket chains chose to locate in them, strongly impacting the Index score for a neighborhood. Chart 11

10

STUDY DISTRICTS SALES TRENDS (\$ Millions)



11 THE INFLUENCE OF SUPERMARKETS (\$ Millions)

HILLCREST - NORTH PARK



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compares those charts with and without nationally based supermarkets in one San Diego business corridor. While independent sales remain the same, chain sales fall dramatically when chain supermarkets are excluded from the analysis.

Economic Benefits of Independent Business Districts

To measure the economic benefits provided by a thriving independent business district, Civic Economics studied two questions in each local business district analyzed. Chart 12 on page 32 presents the average outcomes of these two measures among all study districts.

The first is whether the presence of the district produces healthy neighborhoods around it. We used changes in home values as a proxy to determine the relative health of a neighborhood over time, since that one variable reflects the desirability of the neighborhood relative to the broader market.

For each district, we identified one or two adjacent Zip Codes to encompass both the business district and nearby residences, then used Zillow.com to download data on the median sales price of residential properties in those neighborhoods. In a few cases, gaps in the data required us to use Zillow's proprietary estimate of median home values, which interpolates periods of insufficient data. In all cases, though, we were looking not at total value; the relative wealth of the neighborhood is irrelevant in this exercise. Instead we looked at the change in value over time, alongside the growth of the independent business district.

With surprising consistency, we found that growth in a nearby independent business district was tightly associated with increased home values in excess of the gains shown in the broader market (either city or county). Among the 27 business districts studied, adjacent neighborhoods outgained their broader markets by 50% over the 14 years for which data was available.

At least two of the neighborhoods studied experienced steep and sudden value increases of a sort that might well cause hardship and dislocation for existing residents of limited means. However, the general principle is that property values reflect the value home buyers place on the amenities available in a given home.

The neighborhoods represented in this sample are richly varied across a number of variables. None are the wealthiest in the region; many are more funky than chic; some are daytime destinations, others nighttime, but most offer a balance of shopping, dining, and drinking establishments. The one constant across these neighborhoods, and the sole reason we selected them for study, is the presence of an indie-driven business district.

The second question is how many jobs are created by the retail shops, restaurants, and bars of the district. Though a few study districts are quite small, others are clearly employment drivers for the entire city or region in which they are found.

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Study neighborhoods also consistently added jobs as sales increased. The shops, restaurants, and bars of the average study district increased employment from 1,100 to over 1,800.

In our experience, when most people look at these districts they may see a collection of small storefronts that do not, individually, employ large numbers of people. However, considering these clusters of storefronts collectively reveals a concentrated source of employment opportunities.

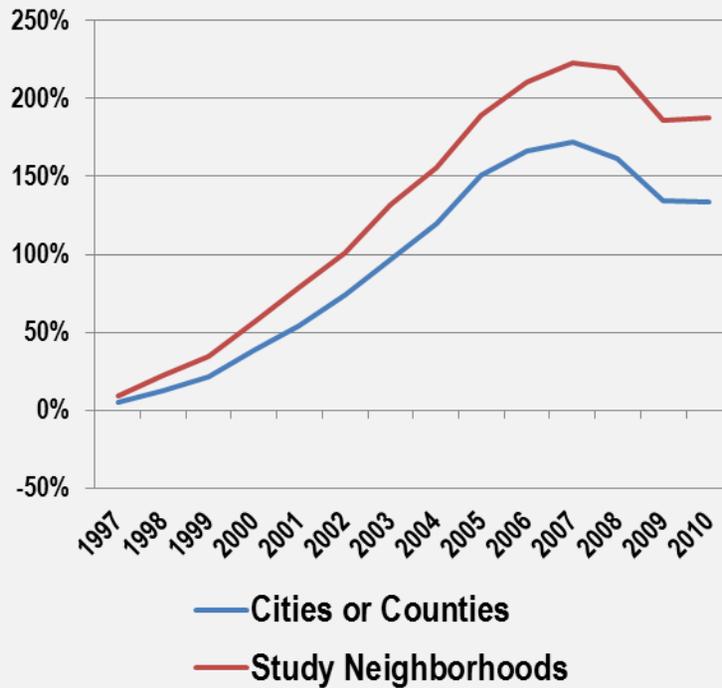
In addition, these jobs are created not at the periphery of the city but in established neighborhoods. They are generally well served by transit, built on a human scale, and a short, safe walk from residential blocks. These activities occur where the infrastructure already exists.

Thriving independent business districts create tangible benefits in every city studied. They bring jobs to the people, revitalize entire neighborhoods, and generate tax revenue where it is often most needed. Moreover, these districts require minimal investment and support from the public sector.

12

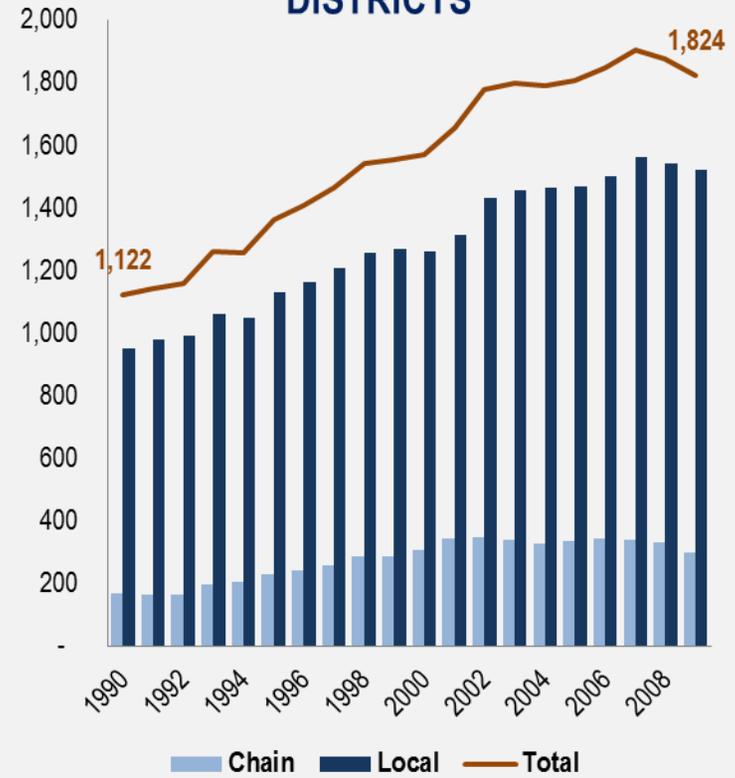
THE ECONOMIC IMPACTS OF 27 INDEPENDENT BUSINESS DISTRICTS

AVERAGE CHANGE IN HOME VALUES, 1996-2010



Source: Zillow.com median home sale price (Zillow estimate in Boston, Detroit, New York, Philadelphia), Civic Economics

AVERAGE EMPLOYMENT IN STUDY DISTRICTS



Source: NETS, Civic Economics

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CONCLUDING THOUGHTS

The American Express OPEN Independent Retail Index provides the first national, longitudinal study of market share trends for independent businesses. While those shares have declined over the last twenty years, they have held up better than we suspect most Americans realize. Mom and Pop are hardly a thing of the past. They still draw nearly half of all Retail Shopping business and 64% of Eating & Drinking business.

The Index has documented the rich variety of independent-dominated business districts in cities across America.

These business districts aren't just places to shop or eat. They are community amenities that the market values highly. Just living near one provides increases in property value well beyond the broader market. They are community employment centers, too, bringing jobs into established neighborhoods where people live and transit works.

In the ten years since its establishment, Civic Economics has had the opportunity to work with independent businesses and their associations from coast to coast. That experience has given us great faith in the creativity and adaptability of small business proprietors to contribute mightily to local economies by reinvesting profits in the community, employing and purchasing goods and services from their neighbors, and donating to locally-focused charities. The American Express OPEN Independent Retail Index reinforces that faith by showing concrete examples of success in cities of all types.

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CONTACTS

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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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