THE
AMERICAN EXPRESS OPEN INDEPENDENT RETAIL INDEX

PHOENIX
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***.

PHOENIX AND THE INDEX

Maricopa County, in which Phoenix is situated, has a population of 3,817,117, the 4th largest among the 15 study communities; its growth rate of 24.2% over the last decade leads the study communities and the national average by a tremendous margin. By the standards of the study group, Phoenix is a low density, medium income community.

Phoenix ranks at or near the bottom in Index scores, indicating chain store dominance of the market in both the Retail Shopping and Eating & Drinking categories.

1

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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2

PHOENIX (MARICOPA COUNTY)

1990 Index:	99	Rank:	15
2000 Index:	86	Rank:	15
2009 Index:	75	Rank:	15

1990 Index:	99	Rank:	13
2000 Index:	84	Rank:	15
2009 Index:	84	Rank:	14

Combined Ranking, 2009: #15

Source: NETS, Civic Economics, US Census

OPEN INDEX

3

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 PHOENIX

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

Collectively, Phoenix independents provide roughly 125,000 jobs in the county as of 2009, with 77,000 coming in the Retail Shopping category and 48,000 in Eating & Drinking.

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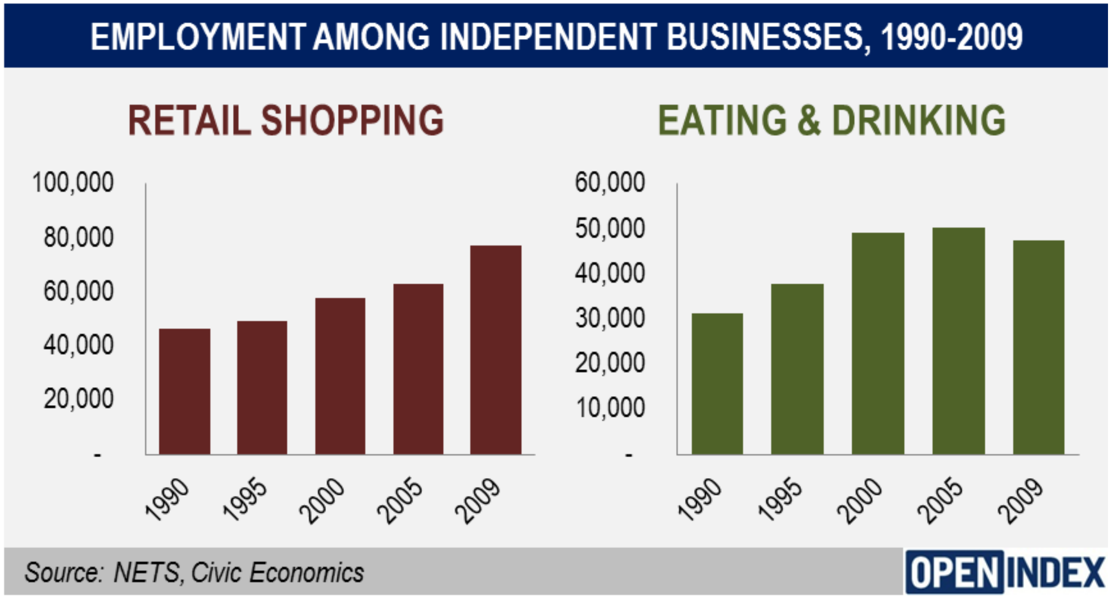


LOCAL INDEPENDENT BUSINESS HOT SPOTS

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.

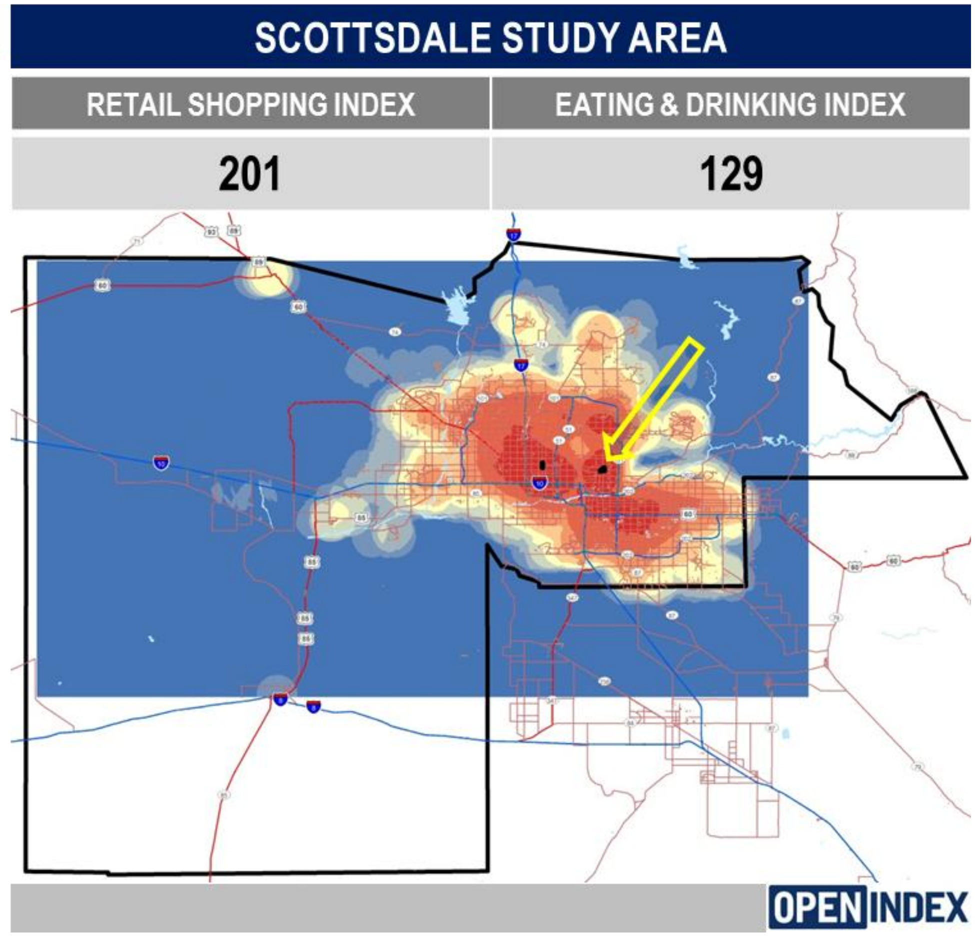
A note on data: Within the 60 million data points from which Civic Economics built the Index, there are undoubtedly errors and omissions. At progressively small geographic levels, such as the neighborhoods discussed below, those may become apparent. However, despite the occasional misplaced business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

Phoenix is an unusual city in many respects. The regional economy has been driven for decades by population growth, which produces construction, retail, and service jobs. That population growth is largely the result of emigration into the region, from other states as well as abroad. A full 20% of the local population is foreign born. Local dominance by non-local retailers and restaurant chains is likely one result of this ongoing and diverse influx of residents, who bring with them preferences and habits from home. The other likely reason for the large number of national retailers is that the boom period for Phoenix happened at a time when these types of retailers came to prominence in the United States. So consequently when retail was expanding to keep up with the population growth, national retailers were there to occupy the new shopping centers throughout the region.

However, we have focused on two neighborhoods that belie this image of the Valley of the Sun. Downtown Scottsdale, a global tourist draw for its luxury resorts, presents visitors and residents alike with a sizeable and concentrated selection of businesses offering uniquely Arizona approaches to art, fashion, and cuisine. Closer into the city, Uptown Phoenix presents a low-rise postwar commercial corridor that has been transformed in recent years into an urban and offbeat retail district.

DOWNTOWN SCOTTSDALE

A

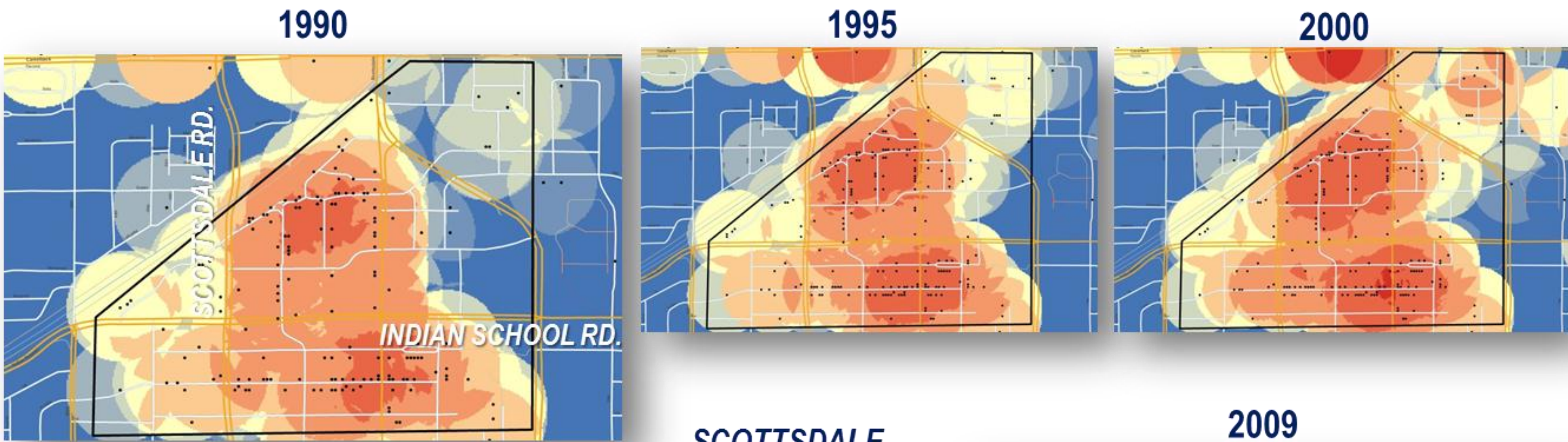


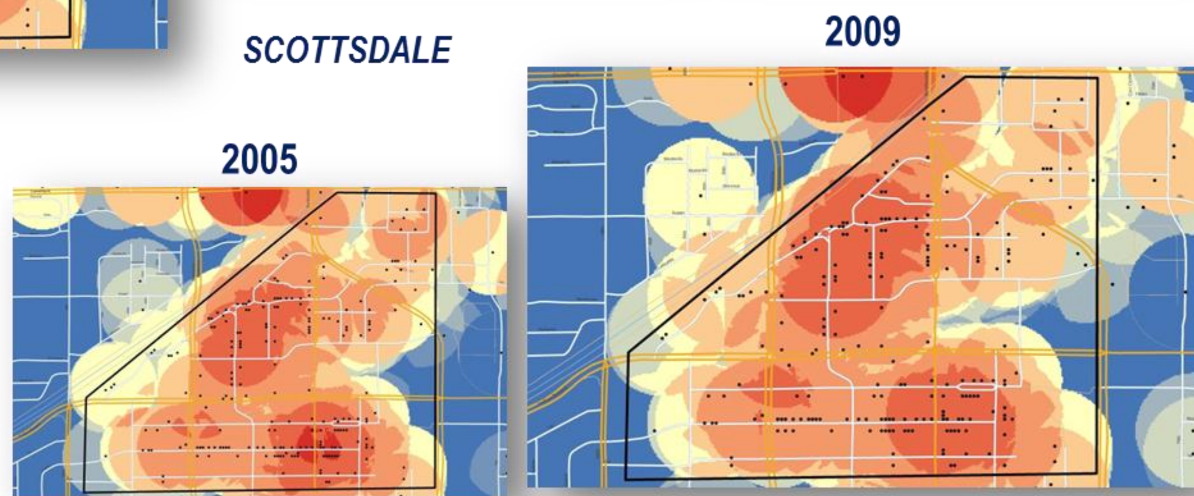
Scottsdale (in small box on Map A at right) is typically thought of as a suburb of Phoenix, but culturally it is a co-equal center of the Valley. Downtown Phoenix boasts towers and major league sports venues and regional malls offer a selection of national retailers not unlike those in any American city. But Downtown Scottsdale is dedicated to its own style, one built on Arizona's history and environment. The area attracts visitors and transplants from all over the world, and those newcomers are invited to dive into the Scottsdale style in the walkable clusters of shops, galleries, restaurants and bars.

Map B on the following page depicts the evolution of Downtown Scottsdale since 1990. From the nuclei of Old Town and the Convention Center, independent businesses have proliferated to fill a district approaching two square miles.

Chart 5 (on page 9) compares the retail and food & beverage markets in Downtown Scottsdale with the broader Maricopa County market. In Retail Shopping, independents control the market to the near exclusion of chain stores. And while chain restaurants have made modest progress in the area, locals dominate.

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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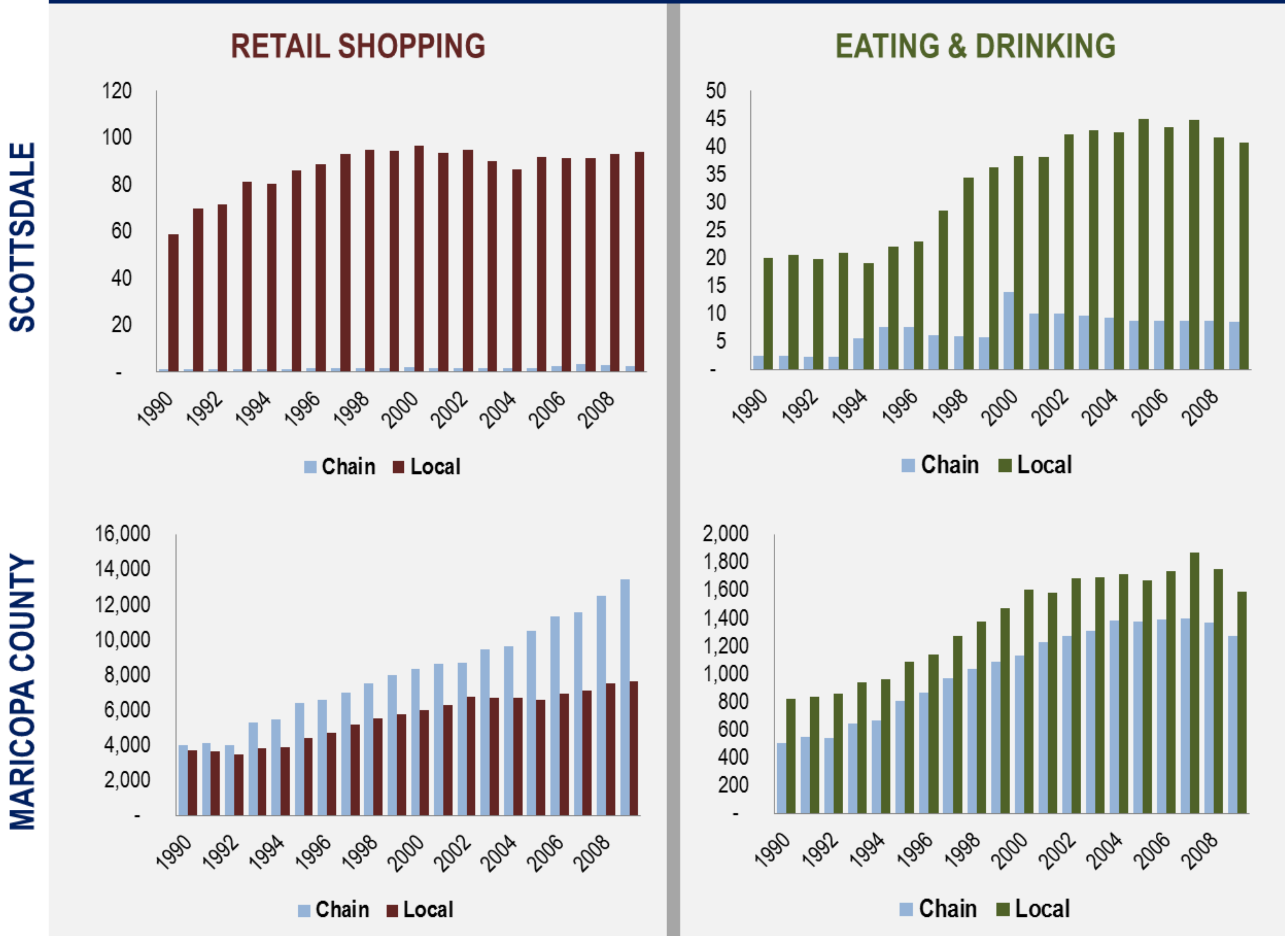
5 NEIGHBORHOOD SALES VERSUS COUNTY ($ Millions)



Source: NETS, Civic Economics

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The Economic Impacts of Scottsdale

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.

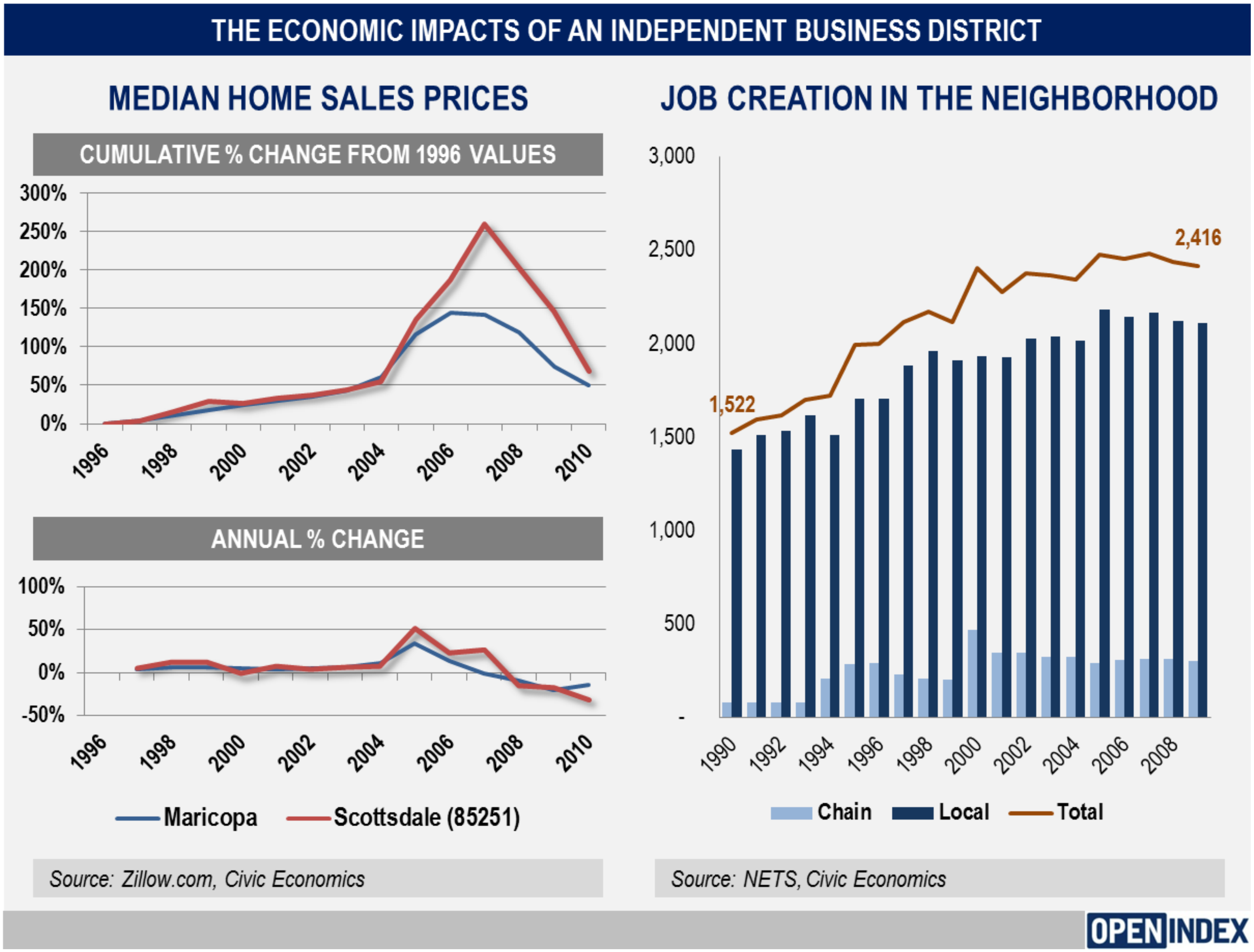
The 85251 Zip Code encompasses the entire business district and adjacent residential areas. Through 2004, Scottsdale and Maricopa County recorded similar and strong rates of property value increase. Thereafter, the neighborhood began the uphill portion of a roller coaster ride that has not stopped today. Through 2007, Scottsdale values skyrocketed, eventually reaching more than 250% of their starting values in 2009. Of course, everything changed in 2008. However, even as Scottsdale sales prices plummeted the businesses of Downtown Scottsdale continued to thrive.

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.

During the period of this study, Downtown retailers, restaurants, and bars added over jobs to reach more than 2,100 in this small district. In the case of Scottsdale, the employment benefits of independent businesses far exceed their own workers. Indeed, the entire enterprise of Scottsdale tourism relies on the attraction of Downtown.

Collectively, the small business owners of Scottsdale must be recognized as a leading engine of economic growth in the Valley.

6


THE ECONOMIC IMPACTS OF AN INDEPENDENT BUSINESS DISTRICT
MEDIAN HOME SALES PRICES
CUMULATIVE % CHANGE FROM 1996 VALUES
300%
250%
200%
150%
100%
50%
0%
1996
1998
2000
2002
2004
2006
2008
2010
ANNUAL % CHANGE
100%
50%
0%
-50%
1996
1998
2000
2002
2004
2006
2008
2010
Maricopa
Scottsdale (85251)
Source: Zillow.com, Civic Economics
JOB CREATION IN THE NEIGHBORHOOD
3,000
2,500
2,000
1,500
1,000
500
-
1,522
2,416
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
Chain
Local
Total
Source: NETS, Civic Economics
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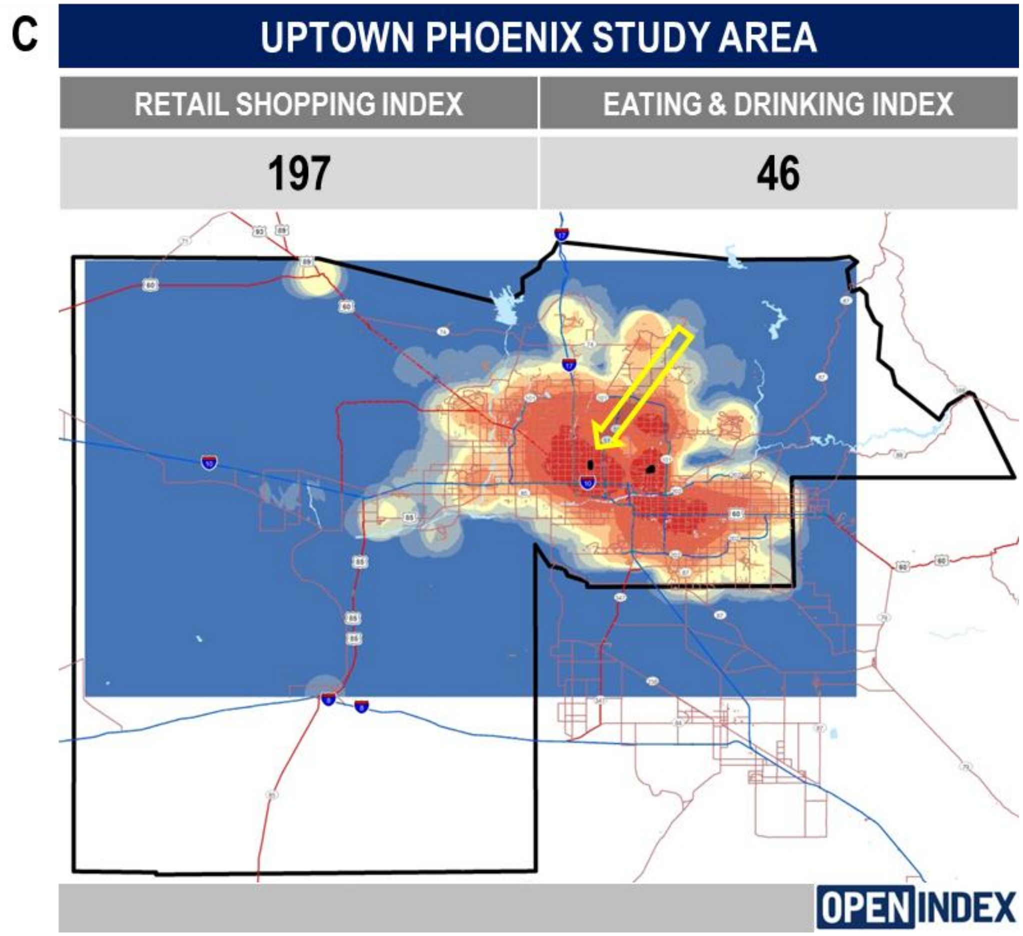
UPTOWN PHOENIX

Uptown Phoenix (in small box on Map C at right) is a business district centered at the corner of Camelback Road and Central Avenue. Originally built as a typical low-rise, post-war suburban shopping center, entrepreneurs have transformed the area into a cosmopolitan retail district featuring unique small businesses.

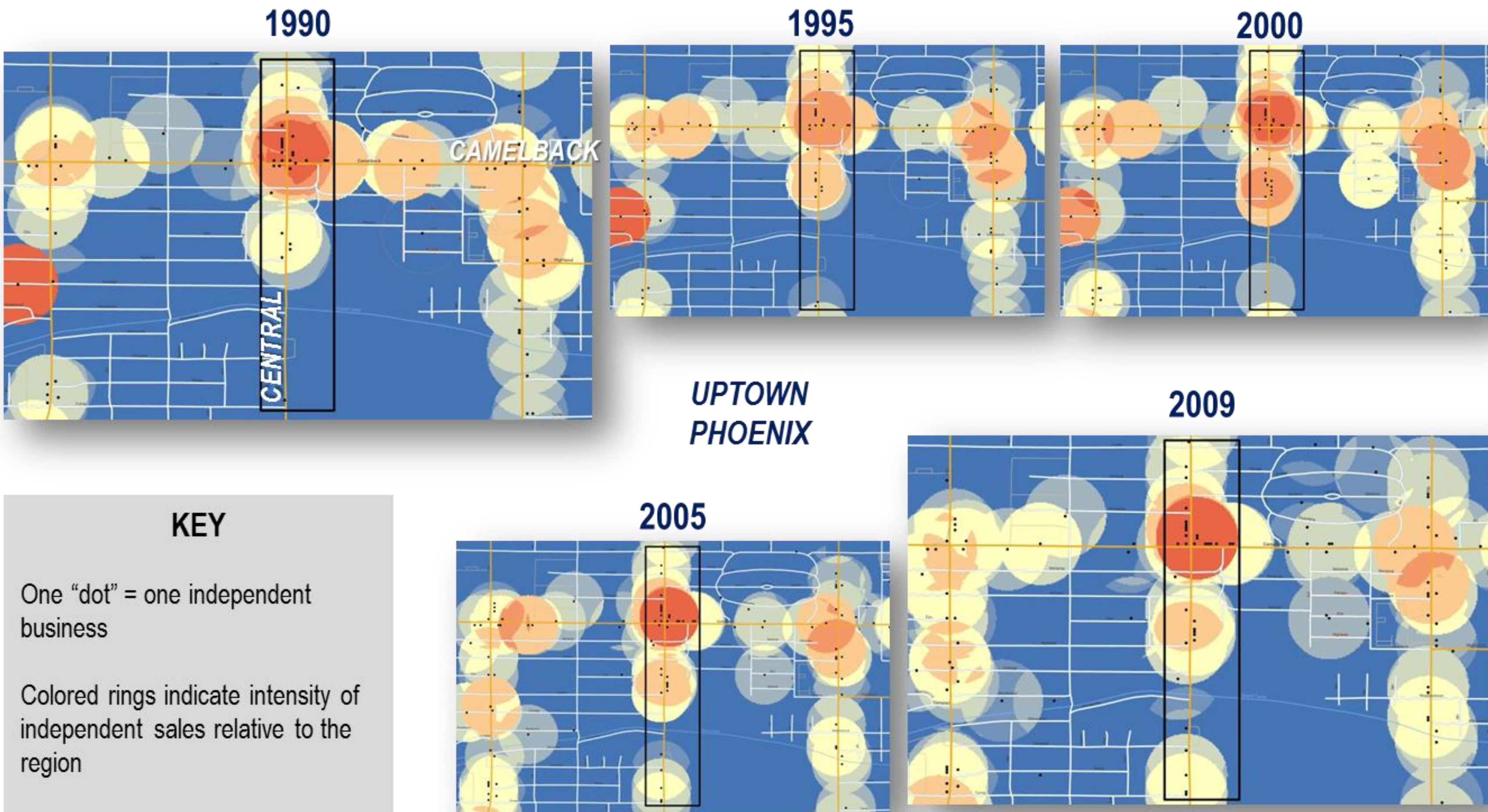


Map D on the following page depicts the evolution of the Uptown business district since 1990.

Chart 7 (on page 14) compares the retail and food & beverage market Uptown with the broader Maricopa County market.

While the number of independent retail businesses has increased only modestly since the mid 1990's, total sales have doubled. Through this evolution into a shopping magnet for the region, independent retailers have remained dominant even in the large format Uptown Plaza shopping center. The same cannot be said of restaurants, though. Led by a prominently situated full-service restaurant, a number of chain eateries have come to occupy most of the neighborhood Eating & Drinking market.

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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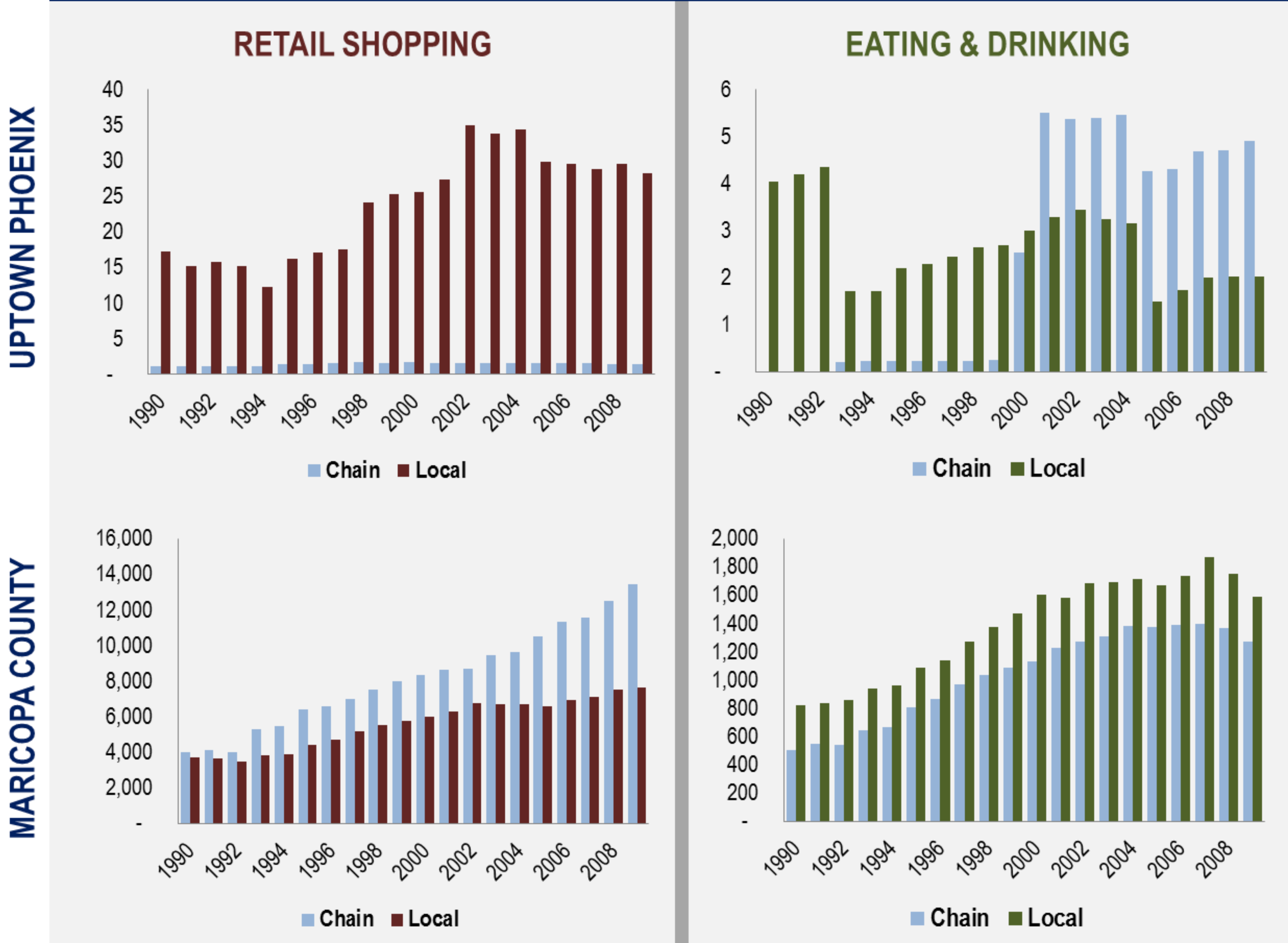
7 NEIGHBORHOOD SALES VERSUS COUNTY ($ Millions)



Source: NETS, Civic Economics

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The Economic Impacts of Uptown Phoenix

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.

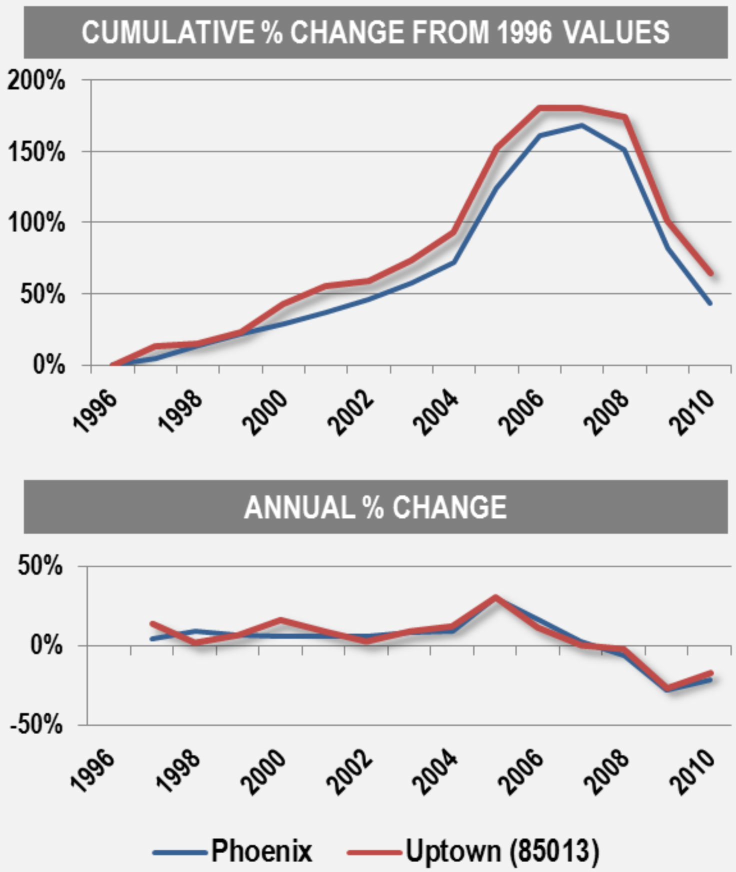
The 85013 Zip Code includes a portion of the Uptown business district and represents nearby residential areas west of Central Avenue. Since the mid-1990's, when the Uptown business district emerged in its present form, neighborhood property values have outperformed the county on a consistent basis. Even into 2010, with Phoenix real estate prices continuing their steep decline, Uptown homes have retained their modest advantage in sales prices relative to the starting point.

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.

Since 1994, Uptown businesses have added substantially to employment options in the neighborhood. About half of the growth since 2000 is attributable to the chain restaurants in the area.

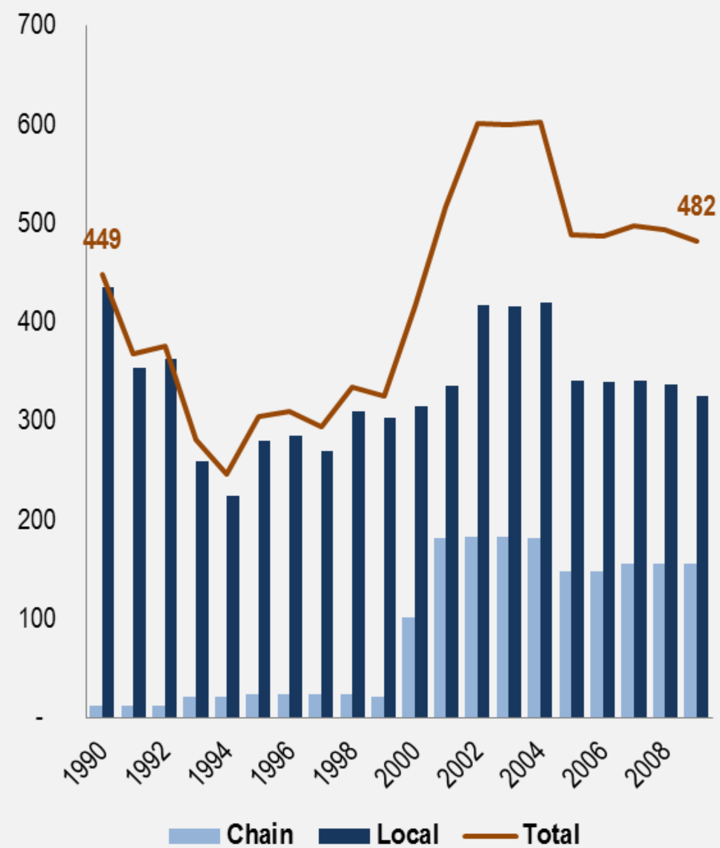
8 THE ECONOMIC IMPACTS OF AN INDEPENDENT BUSINESS DISTRICT

MEDIAN HOME SALES PRICES



Source: Zillow.com, Civic Economics

JOB CREATION IN THE NEIGHBORHOOD



Source: NETS, Civic Economics

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CONCLUSION

Phoenix stands out with the lowest Index scores among study communities. The city of transplants in a relatively new market is dominated by chains in both Retail Shopping and Eating & Drinking.

But Phoenix stands out as well for the vitality of an independent business community that thrives there. Uptown provides area residents with a surprisingly cosmopolitan array of shopping opportunities. Downtown Scottsdale goes far beyond the typical indie business district by offering its unique style to visitors and transplants from around the world. Together these neighborhoods offer an example to the region that can help lead the way out of the current real estate-driven downturn. Uptown, on a neighborhood level, and Scottsdale, on a regional level, are proven economic engines that the people of Maricopa would do well to expand upon.

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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