

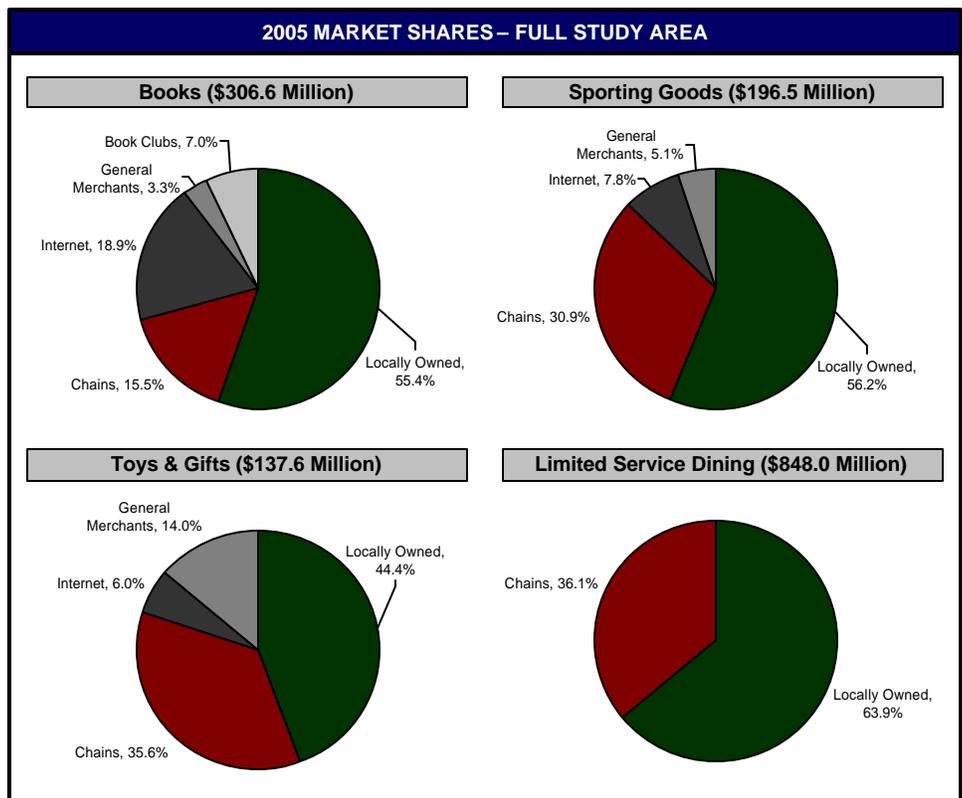
The SAN FRANCISCO RETAIL DIVERSITY STUDY

Civic Economics is pleased to present the San Francisco Locally Owned Merchants Alliance with this Executive Summary of the San Francisco Retail Diversity Study, completed in April 2007. The study, built upon the prior work of the firm in quantifying the enhanced economic impacts of locally owned businesses relative to their chain competitors, proceeded in three analytical steps. This study focused on four lines of goods and services in a study area that included the City of San Francisco as well as the adjacent communities of Colma, Daly City, and South San Francisco.

Across the board, for all impact measures and all lines of goods, locally owned firms generate substantially greater local economic activity than do their chain competitors. Thus, while San Francisco independents are currently doing well relative to the nation, modest increases in their market share will generate tremendous economic impacts. Conversely, continued expansion of chain store market shares will withdraw from the community those same economic benefits.

1 Estimate market share of independent businesses in each line of goods

The study began by analyzing the market shares held by independent retailers in the four lines of goods: books, sporting goods, toys and gifts, and limited service dining. We began with Claritas estimates for total local sales in each line in 2005. Then we estimated total sales for each major chain active in the market area, with additional estimates for general merchandise stores (Target and Costco) and online sales. The remainder was allocated to local independent merchants.



In each case, the market share of locally owned stores is substantially higher than estimates of national averages. The relative health and diversity of the independent business community in San Francisco provides a benchmark for other communities, whether urban, suburban, or rural. Such firms help maintain the unique local character of a community and, as will be demonstrated below, substantially enhance the economic vitality of any region. Indeed, the enviable vitality of the Bay Area economy clearly results, in some part, from this healthy independent retail sector.

2 Calculate economic impact of independent businesses

Building directly upon Civic Economics' previous studies of retail economic impacts, the next step was to calculate the economic impact of retail spending at locally owned and chain merchants in each line of goods. Retailers recirculate money locally by employing local labor, procuring goods and services locally, making charitable contributions, and, in the case of locally owned firms, retaining profits in the community.

The values of revenue recirculated locally for each line of goods was derived from the Andersonville Study of Retail Economics (AndersonvilleStudy.org). The analysis measures the impact of that money as it circulates in the local economy, using multipliers specific to the study area. Outcomes are expressed in the following values:

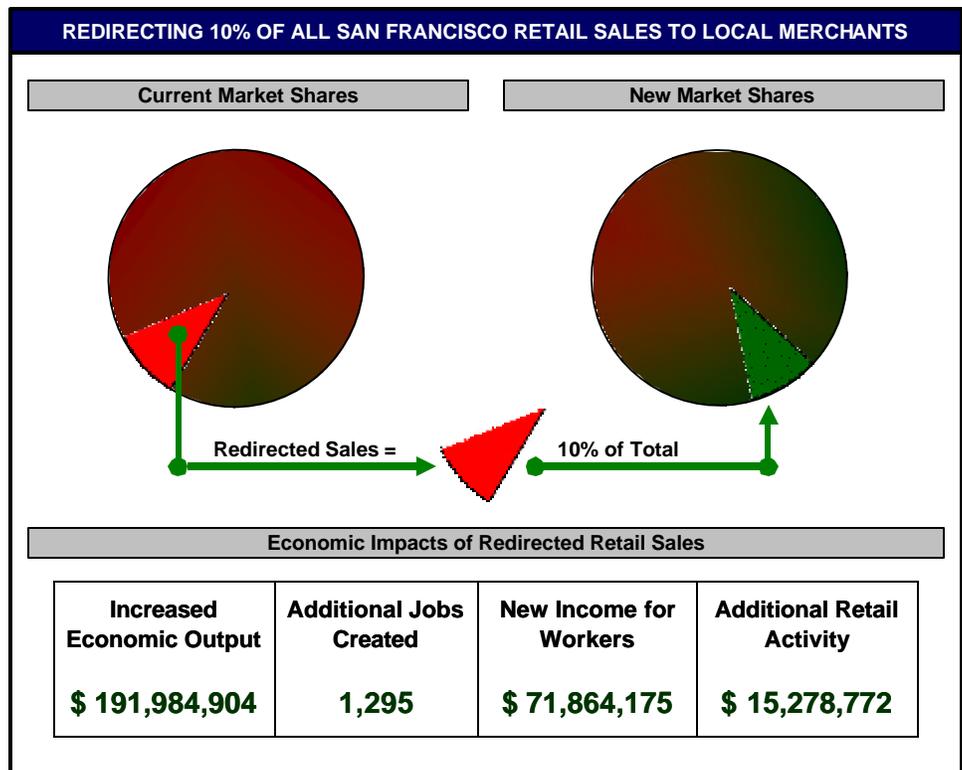
Economic Output is the total production or sales. *Employment* is the total number of full-time equivalents (FTEs) in a given industry. *Labor Income* is the amount of salaries and benefits paid to employees. *Retail Sales* is a subset of output and measures only the increases in retail activity.

Across every line of goods and for every one of these variables, locally owned merchants generate substantially greater local impact relative to revenue than their chain competitors. The findings are too voluminous to be summarized here; see the full study document beginning at page 15.

3 Forecast enhanced impacts associated with redirected consumer spending

Finally, the San Francisco Retail Diversity Study was designed to provide consumers and policy makers with guidance for future actions by forecasting the enhanced economic impacts the City of San Francisco might experience if market shares for local merchants increased by a mere 10% of the total.

As shown in the chart at right, this small change in consumer behavior would produce tremendous economic benefits for the San Francisco area economy. If these impacts were associated with any single project, public officials would go to great lengths to secure it. These benefits, though, may be realized through small and easily achieved changes in behavior and policy, beginning with a 10% shift in local public sector purchasing.



Learn More: Download the full study and contact stakeholders at: www.CivicEconomics.com/SF