EDJ THE IEDC Economic Development Journal

734 15th Street, NW Suite 900 • Washington, DC 20005

Volume 6 / Number 1 / Winter 2007

Realizing the Inner City Retail Opportunity: Progress and New Directions

By Deirdre M. Coyle, Jr.

AN ANALYSIS OF RETAIL MARKETS IN AMERICA'S INNER CITIES

Inner city retail markets in the 100 largest U.S. cities continue to be underserved. A supply gap of approximately $40 billion exists, a level that has remained approximately the same for the past decade. Yet, total numbers disguise the fact that national retailers during that period have begun to recognize and explore opportunities in inner city markets. Several cities have made considerable progress attracting retail establishments, while others have stagnated or regressed. **Success has occurred where a close working relationship has developed among retailers, city officials and community leaders.** Retailers have learned to adapt suburban operating models to accommodate an ethnically diverse inner city customer base.

realizing the inner city

RETAIL OPPORTUNITY: PROGRESS AND NEW DIRECTIONS

By Deirdre M. Coyle, Jr.

The Initiative for a Competitive Inner City (ICIC) was founded in 1994 by Harvard Business School Professor Michael Porter, an expert in international competition. The motivating idea behind ICIC was the recognition that the market economy had bypassed inner city neighborhoods. Bringing inner cities back into the economic mainstream would create jobs and other economic opportunities for inner city residents. Jobs and opportunities for wealth creation, in turn, would be more effective in improving the long-term quality of life of inner city residents than well-intended but short-term government welfare programs.

ICIC's approach has been to identify business opportunities in inner cities, particularly how certain types of businesses benefit from the competitive advantages that an inner city location affords. Certainly, not all businesses benefit from an inner city address. On the other hand, businesses that are strengthened by the inner city's competitive advantages – proximity to downtowns, a large, available workforce, ability to connect with dominant regional industry clusters, and an untapped consumer market – will prosper. ICIC's work has focused on researching inner city business opportunities, and then bringing attention to these opportunities through consulting activities with cities and focused conferences.

ICIC's most recent effort, the subject of this article, is a study of the large, underserved inner city retail market. As will be shown, the inner city retail market offers significant profit potential for retail companies now operating in the highly competitive, over-saturated suburban markets. While inner city markets hold extraordinary opportunities for retailers and retail real estate developers, making inner city retail markets more vibrant benefits the community more directly than perhaps any other segment of the inner city economy. In a competitive retail environment, goods and services are readily available at reasonable prices. Retail establishments provide jobs and economic opportunities for inner city residents, and by their investment in the community's physical environment, serve as catalysts for additional development and property improvements.

Payless and Champs

Deirdre M. Coyle, Jr. is the Senior Vice President of the Initiative for a Competitive Inner City. She has worked with ICIC for the past eight years and is an authority on market-led inner city economic development and marketing the inner city as a place to do business.

DEFINITIONS AND RESEARCH APPROACH

ICIC defines the inner city as follows:

Inner cities are core urban areas with higher unemployment and poverty rates and lower median income levels than the surrounding

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Metropolitan Statistical Area (MSA). To be classified as inner city, a census tract must have a 20 percent or higher poverty rate or meet two of the following three criteria:

- poverty rate of 1.5 times or more than its MSA,
- median household income of .5 or less than its MSA, and
- unemployment rate of 1.5 or more than its MSA.

ICIC conducted the study in partnership with The Boston Consulting Group, an international business-consulting firm. It includes a thorough review of the published literature on retail markets. ICIC and BCG also conducted extensive field research that included numerous interviews with retail executives, retail real estate developers, elected city officials, and directors of Community Development Corporations and other civic organizations.

The study focused on inner cities of the 100 largest cities in the U.S. Statistical information was derived, predominantly, from three sources: U.S. Census Bureau, Bureau of Labor Statistics, and ICIC's proprietary State of the Inner City Economies (SICE) database. SICE includes data on the economic health, performance, and assets of inner cities in the 100 largest U.S. central cities. It is based on census tract analysis to delineate inner city boundaries. Data are obtained from public sources such as the U.S. Census and government business, employment and wage data. Data also come from private, market-relevant sources on real estate, start-ups, and financial characteristics of inner city companies. SICE measures indicators of business vitality, resident prosperity, business confidence, and business environment for inner cities in relation to their MSAs.

SICE findings indicate that inner cities in the 100 central cities are a substantial part of the U.S. economy:

- 8 percent of the U.S. population (22 million people), equal to the population of Texas;
- 8 percent of U.S. private employment (9 million);
- 850,000 establishments; and
- $120 billion in annual retail spending.

THE INNER CITY RETAIL MARKET

The study found that densely populated inner city communities offer significant growth opportunities for retail companies. Current spending capacity within low-income urban neighborhoods in the 100 largest U.S. cities exceeds $120 billion, and one third of that total is now directed to retail establishments located outside the inner city communities. Stated another way, a retail supply gap of more than $40 billion exists in the nation's inner cities.

Although they share characteristics such as high density and low household incomes, all inner cities are not identical. The balance of positive and negative attributes varies significantly from one to another. Yet evidence suggests that retail establishments can prosper in a wide variety of urban conditions. Retail establishments that understand their inner city market and work closely with community leaders and residents have prospered in a broad range of environments. Indeed, detailed knowledge of the market and close community involvement are common elements of all the successful inner city retail operations examined. Research also found that for cities, attracting retail establishments to their urban core produces multiple benefits for neighborhood residents. Among them are easy access to reasonably priced goods, jobs and other economic opportunities, and environmental improvements.

Research also shows that opportunities exist in inner city markets for goods and services that span the spectrum of retail categories. While a significant gap in retail supply has persisted for years, a growing number of national retailers have begun to explore inner city market opportunities with positive results. They have succeeded by, among other things, adapting their standard (suburban) operating models to the unique conditions of urban markets. Several national retailers report that their inner city stores are the highest-grossing units in the company's chain.

Retail development.

URBAN REALITY

Historically, low-income urban neighborhoods have had difficulty attracting national and large regional retail establishments. Retailers and retail real estate developers have viewed inner cities as fraught with physical, economic, and psychological barriers that are difficult to surmount. For example, the density of the urban built environment makes it difficult to assemble sites of sufficient size and accessibility. Strict urban building codes, aggressive community oversight, and high construction costs have also been major deterrents. Moreover, images of inner cities beset by crime, violence, and vandalism exert a powerful negative influence that deters investment. Finally, the low household incomes of urban residents raised questions about the size of the market opportunity.

The first dealership to open in Harlem in 40 years, Chevrolet-Saturn of Harlem saw the vibrant community as an important diverse customer base with tremendous sales potential.

Yet, over the past decade a shift has occurred in national retail markets. Traditional retail markets in suburban communities became saturated. Competition increased while profit margins declined. Entire malls failed. Some were converted to non-retail uses, while others were renovated (reformatted) to become a destination that included more than shopping opportunities. In many cases, old, walled-in malls surrounded by a sea of asphalt were opened up, with storefronts facing newly installed streets. More and more malls were redesigned to resemble center city retail villages of the past. Some rebuilt malls included municipal services such as city halls, libraries, and post offices. The implication of the design trends, retail developers contend, is a desire to recapture the diverse urban shopping experience that was lost in the homogeneous environment of earlier suburban malls.

In recent years, fierce competition in suburban areas caused retailers to seek new markets. Wal-Mart, among other large national retailers, began to explore emerging foreign markets. They also turned to long-overlooked inner city markets. And upon closer examination it became clear that shifting conditions in suburban and rural retail markets had combined to make inner cities more attractive, or at least, a less formidable site for expansion. In some respects, obstacles to development in suburban areas had become as difficult as those in inner cities.

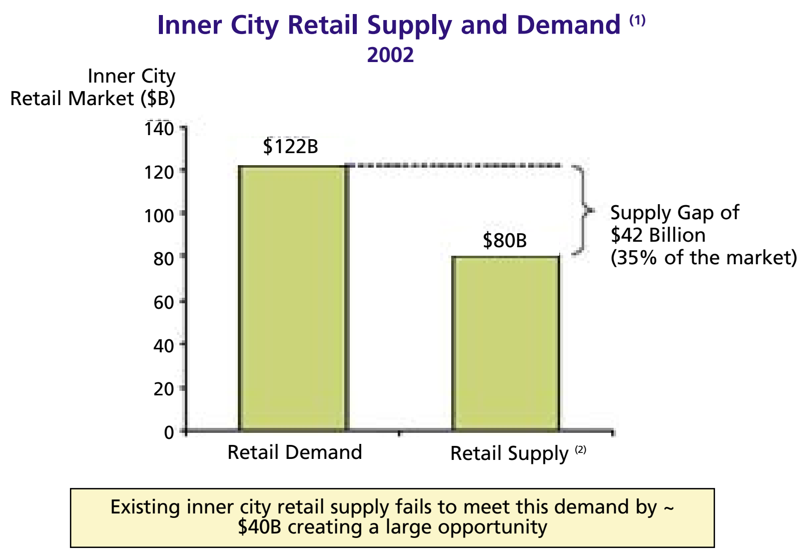
Multi-acre sites of undeveloped, inexpensive land at the base of highway exit ramps — long the target of suburban retail developers — are now difficult to find, especially in the closer-in suburbs. Shopping malls that were once on the fringe of metropolitan settlements are now surrounded by sprawling housing developments, making expansion difficult and costly. Building codes have tightened, impact fees have risen, and community opposition is more organized and aggressive. Added to this list is the fact that crime rates in suburban areas are increasing, sometimes exceeding the level in urban neighborhoods. The cumulative impact of the growing number of suburban negatives made inner city markets appear less daunting and potentially more profitable. Important questions remained: What is the size of the economic opportunity in inner city retail markets? Given the high barriers to entry and the operational challenges, is the inner city consumer spending capacity sufficient to support retailers' urban expansion strategy?

In 1997, ICIC and BCG conducted a comprehensive study of inner city retail markets in the 100 largest U.S. cities. It found that inner city households possess close to $85 billion in retail spending power, or approximately 7 percent of the total U.S. retail spending and far more than Mexico's entire retail market. Inner cities are large, contiguous, densely populated core urban areas. Resident incomes are low, but, because of population density, the spending capacity in a square mile in the inner city is often greater than in similarly sized areas in even the wealthiest suburbs. Moreover, the study revealed that in contrast to retail-saturated suburbia, inner cities were vastly underserved. According to the 1997 study, 35 percent of the consumer spending was directed toward retail establishments located outside the inner city.

A SECOND LOOK

In 2006, ICIC and BCG conducted a follow-up study of the same 100 inner city retail markets. In aggregate terms, it appeared little had changed during the intervening 10 years. The market remained large ($122 billion) and significantly underserved, with more than a $40 billion supply gap. But the aggregate numbers obscured the fact that considerable retail activity had occurred in selected cities. (See Figure 1.)

Figure 1



(1) Based on inner cities with more than 10,000 households, represents 99.7% of population of 100 largest ICs

(2) Calculated by aggregating average sales buckets for each inner city zip; assumed stores in top bucket were the larger of the national average size or $1 million

Note: 2002 market in constant 2006 dollars. Does not include unrecorded economy.

Source: Census; Bureau of Labor Statistics; Claritas; ICIC; BCG Analysis

Several cities with aggressive, entrepreneurial mayors developed strategies for attracting retail establishments and made considerable progress executing them. Community Development Corporations (CDCs) added their support to the process. They solicited grants that funded market studies. In many instances, they identified sites and, working closely with city government officials, helped assemble them. Several CDCs carried the process to the next step, serving as project developers.

Simultaneously, retail real estate developers, sensing the market opportunity, began to play a catalytic role. They entered into close working relationships with community organizations and city officials and together moved toward site identification, acquisition and, when required, remediation. The myriad financing options were investigated and accessed. Credit tenants in the form of national retailers were recruited and their presence leveraged to provide a level of comfort to lenders. National retailers, impressed with market data and the absence of competition, moved more confidently to open branches in select cities. The influx of large national and regional retail establishments to inner cities resulted in measurable consolidation. As community organizers had predicted, many small retailers were forced to close. Yet, the study showed that in the largest 50 cities while consolidation caused the total number of retail establishments in inner cities to decrease during the decade, the number of retail jobs actually increased. (See Figure 2.)

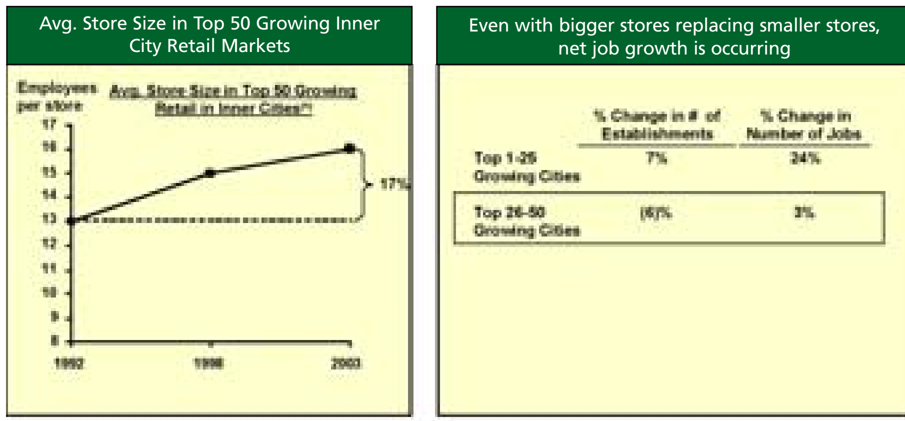
According to the study, inner cities in Boston; San Diego; Denver; Oakland; Columbus, Ohio; and Harlem have significantly increased both retail businesses and retail jobs. In cities at the other end of the spectrum – Buffalo, Louisville, Jacksonville, Detroit, Memphis, and St. Louis, among others – the retail gap has actually widened.

In Boston, for example, beginning in the late 1990s, 23 supermarkets either opened or expanded in the city bringing total retail grocery space to more than 900,000 square feet. The total number of large grocery stores reached 35, of which 19 are located in inner city communities.

The same pattern holds true with regard to retail job growth. While average growth in retail jobs for the 50 largest inner cities [50 largest cities hold 80 percent of

Figure 2

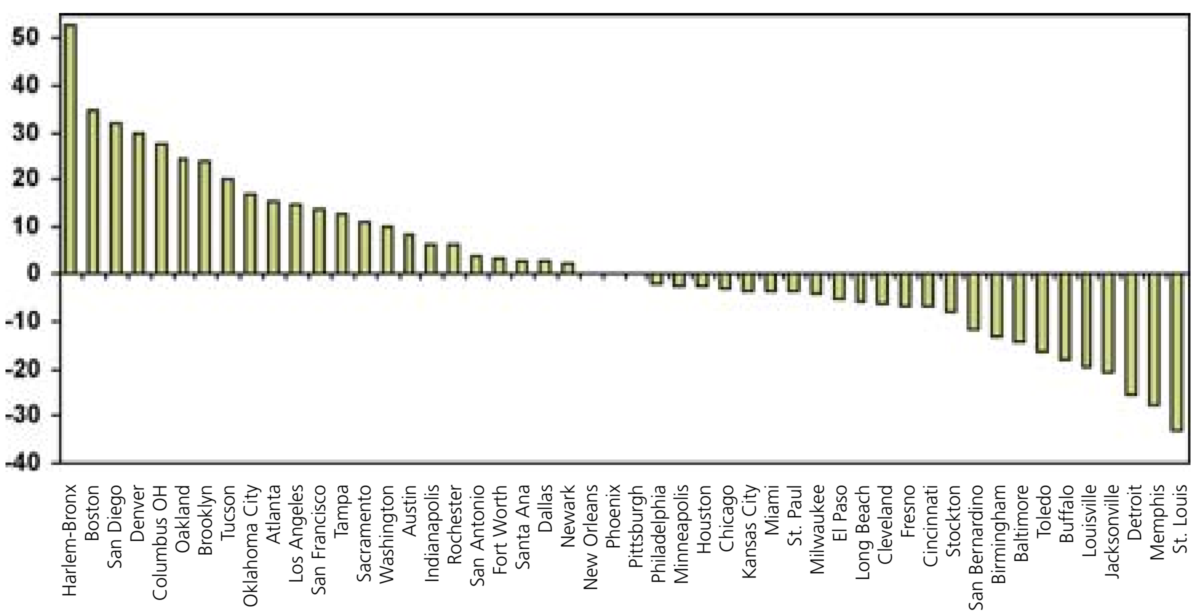
Bigger Stores Are Replacing Smaller Stores in Growing Inner City Markets



(1) Growth was defined as a change in total jobs in inner city retail

Source: Zip code Based Business Patterns, Economic Census, SICE, BCG Analysis

Figure 3 **Inner City Retail Job Growth: Top 50 Inner Cities 1992-2003** (1)



(1) Top 50 population cities represent ~ 80% of inner city retail market both by number of jobs and number of establishments

Source: Census 2003 Zip Code Business Patterns; ICIC Inner City Zip Code Definitions retail establishments and retail jobs] was only 2.3 percent, the performance varied significantly by city – from more than 50 percent job growth in Harlem to more than 30 percent job loss in St. Louis. (See Figure 3.)

Several factors contributed to the widely varying outcomes. Inner cities with declining populations and struggling regional economies experienced difficulties attracting retail establishments, although there were some exceptions. Columbus, Ohio, for example, experienced a slight population decline between 1998 and 2003, but inner city retail jobs grew by 14 percent during that period. One explanation is the aggressive work of city officials to develop the Four Corners mall in the inner city.

The research indicated that successful cities, without exception, benefited from the work of motivated individuals and organizations that made it their mission to attract retail establishments. Generally, cities with well-informed government officials and motivated community development corporations that understood the market needs of the inner city succeeded even when faced with such negative indicators as declining population and a struggling MSA economy.

There are three factors that exist with inner city retail job growth, including: population growth, population density, and average metropolitan statistical area (MSA) retail job growth. In the top 25 inner cities that experienced retail job growth, the average population growth was 6.7 percent, the average population density was 11,600 people per square mile, and the average MSA retail job growth was 32 percent. In the bottom 25 inner cities that experienced retail job decline, the average population growth was negative 4.2 percent, the average population density was 7,020 people per square mile, and the average MSA retail job growth was only 21 percent.

PUSH AND PULL

ICIC's research showed that inner city retail development can be located on a push-pull continuum. A push development is one driven almost entirely by city government and community organizations. In these cases, cities will often commission market studies and then identify and assemble sites. Requests for proposals, which include financial assistance options, are then issued to prospective developers. With a developer designated, tenants are recruited, the site is designed, financing is secured, and construction begins.

On the other end of the continuum is a pull development, which is driven substantially by a retail developer. In these instances, market fundamentals are sufficiently robust to attract a developer who becomes the project's prime mover. Less frequently, large retailers such as Wal-Mart with in-house real estate divisions have served as development catalysts. In practice, virtually no development is either entirely a push or entirely a pull. Most inner city retail project developments receive impetus from a combination of sources – public, private, and community – working in unison.

The study examined successful inner city retail projects from the perspectives of the various parties involved. These include:

- **Large retailers:** How they adapted suburban models to urban conditions.
- **Indigenous retailers:** How they achieved substantial scale by deftly targeting the unique preferences of inner city residents. Also, how successful indigenous retailers are beginning to transport the inner city operating model to suburban markets where the population is becoming more diverse.
- **Retail real estate developers:** How they build a case in the community for retail development, recruit tenants, locate financing, recognize the importance of architectural design in urban settings, and proceed to construction.
- **City governments:** How entrepreneurial mayors have used government resources – tax incentives, financing options, and eminent domain, among others – to move retail projects to completion. Also, how successful inner city retail projects acquire and maintain the direct participation of community residents.

Sneaker Villa saw opportunity to market to urban youths and harness the growing hip-hop culture and has focused on high-traffic inner city locations.

LARGE RETAILERS

"The growth is there [in inner cities], not in the suburban strip centers. Five of Sears' 10 stores with the highest sales volume are located in city cores."

- Arthur Martinez, CEO Sears Stores (2001)

A significant number of large, national retailers are beginning to expand operations into inner cities. Included in this group are Wal-Mart, Family Dollar, H.E.B., Chili's, McDonalds, Starbucks, Yum Brands, CVS, Staples, and Target, among others.

Interviews with corporate executives reveal a changing attitude toward inner city markets. There is a shift from making a theoretical case for inner city markets to an understanding of how to optimize the store format and operations for the inner city environment. Many companies compare penetrating the inner city to expanding into a new market. They know the market exists, they just don't know how profitable it is.

The example of Payless shoe stores is indicative of the national store experience. Payless's corporate vision is to "democratize shoe fashion and design," which means reaching out to lower income consumers. Payless's urban stores represent a key part of their business because until recently competition in inner cities in the mass discounter category has been minimal.

Over the last five decades, Payless has refined its model for the inner city market in the following manner:

- Layout and location
  - Developed plans for most types of inner city configurations including vertically on two floors.
  - Reduced parking requirements because of added foot traffic.
- Product Mix
  - Product mix is determined at each location based on the demographics of the community. Performance at stores with similar demographics is compared to see if item sales differ. The expectation is that a product that sells well at one will likely sell well at the other.
- Security
  - Tagging and cameras are effective.
- Employee retention
  - Here, the inner city offers a clear competitive advantage. The available workforce is large and employee retention rates are high.

In sum, for Payless the demographics of the inner city fit its product and national strategy. The company has modified its standard format to suit urban conditions, and each inner city store reflects the preferences of local customers.

INDIGENOUS RETAILERS

Indigenous retailers are companies that originated in inner cities, prospered, and eventually expanded regionally, or, in some cases, nationally. H.E.B. is a San Antonio, Tex.-based grocery store chain that has grown into a large regional retailer. Ashley Stewart is a Harlem-based women's apparel company that today has outlets across the country

H.E.B.'s first store is located in inner city San Antonio, a low-income Hispanic market. There, it developed customer-centric techniques that it later transferred to branches in other inner city neighborhoods. The company realized that in inner city markets success is predicated on a thorough understanding of customer preferences and purchasing patterns. Each store is customized to its market. H.E.B. officials say that non-standardized operations are more expensive, but the practice results in higher sales volume and profitability. For market research, the company relies heavily on feedback from its employees, 80 percent to 100 percent of whom live in the market area and reflect the community's diversity.

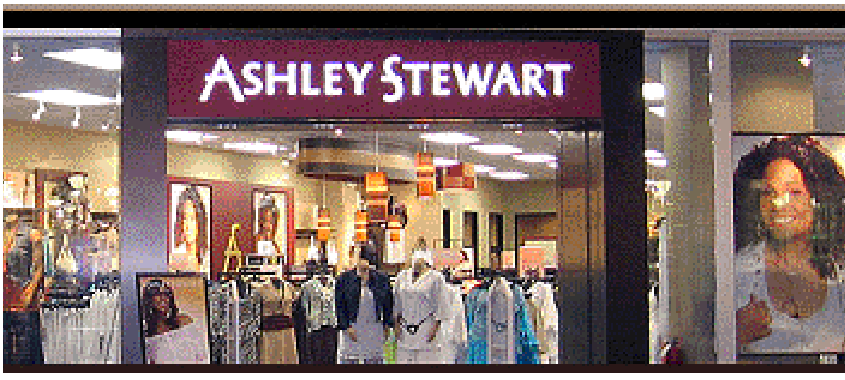
Ashley Stewart is a women's apparel retail company that opened its first store on 125th St. in Harlem in the early 1990s. Founder Joe Sitt recognized two unmet needs in the Harlem community. First, apparel stores in the area were not supplying the fashionable clothing neighborhood women wanted, and, second, existing stores did not recognize the predominance of plus-size women among African-Americans and Hispanics, the ethnic groups that comprised the vast majority of the population in the community. Fifty percent of African American women and 40 percent of Hispanic women wear plus sizes, compared with 30 percent of Caucasian women. Ashley Stewart stores address both conditions, supplying high-fashion plus-size women's apparel.

The store proved successful from the start. Today, the Ashley Stewart chain operates 200 stores located in cities across the country. Ashley Stewart's experience is testament to the formula used by most successful inner city retail stores. The fundamental principles for success in inner city retail are recognizing the demand and understanding the unique preferences of customers in the market area. It is a formula that is spreading from the inner city into suburban markets where competition is fierce and the search for a competitive advantage is ongoing.

RETAIL REAL ESTATE DEVELOPERS

Harlem USA – A "Pull" model

Today, Harlem has revitalized to such an extent that some urban economic development practitioners are reluctant to classify it in the same category as depressed inner cities around the country. But in 1992, when developer Drew Greenwald, president of New York City-based Grid Properties, began to look at Harlem for retail development no one questioned its designation as a depressed urban neighborhood. "In 1992, people were saying that the South Bronx and Harlem were the worst places in the country, far worse than Detroit and Philly are now," said Greenwald.



Ashley Stewart is a Harlem-based women's apparel company that has outlets across the country.

Greenwald's work in Harlem, transforming 125th St. from a derelict thoroughfare into a retail shopping destination, is an example of a private-sector, or "pull," catalyst. According to Greenwald, Harlem was an untapped market with strong potential for retailers. "Within a square mile [in Harlem] you don't have people making a fortune, but what you have is a lot of people in that square mile. And people have to buy certain types of items, regardless of their incomes."

As a native of New York City and a trained architect who understood commercial real estate, Greenwald sensed the potential. "I had an intuitive feel for Harlem," he explained. "It used to be a great neighborhood and as low as it went, it was never abandoned. The great brownstone houses were still there. They were boarded up, but they were still there."

Planning for Harlem USA, a three-story, 250,000-square-foot retail center on 125th St., began in 1992. It opened eight years later in 2000. "The whole concept here from the beginning was to convince major retailers [to locate in Harlem]," said Greenwald. "If we didn't have national retailers with credit, we could never have financed the project."

Retailers had several concerns. For one thing, they did not want to be alone. They wanted to see enough square footage to allow for a density of retailers. And then the architecture needed to be both strategic and distinctive. A high level of transparency (i.e., windows) in the design bolstered a sense of security. Distinctive architecture not only attracted retail tenants, but it also sent a message to the community that the project was of the highest quality. Disney Corporation signed on to the project, followed by Magic Johnson Theaters. (Today, retailers in the complex include Old Navy, Chase Manhattan Bank, New York Sports Club, Modell's Sporting Goods, Nine West, K & G Fashion Superstore, Hue-Man Bookstore and Café, among others. Disney did not renew its lease because of corporation-wide downsizing.)

In 1997, "the government began to believe in the project," said Greenwald. Agencies such as the Upper Manhattan Empowerment Zone provided financing at critical stages that enabled the project to go forward to completion. "These projects don't yet work without some public involvement," said Greenwald. "Retailers need [help with] rents that are more doable. Because even though stores can work at market rents, not everybody's convinced yet. These are the first projects. Five more projects into it, subsidies may disappear."

Harlem USA.

Grove Hall Mecca Mall

A "Push" model

Late into the 1990s, Grove Hall in Roxbury, Mass., a core section of Boston, was the stereotypical image of an inner city neighborhood: vacant lots, boarded up commercial buildings, and rundown housing. What it had going for it was an aggressive CDC, a savvy community bank (the Boston Bank of Commerce), and a population of more than 90,000 within a 2.5 square mile radius. It also had the strong support of Mayor Tom Menino, who, when he took office in 1993, made neighborhood improvement the theme of his administration.

The Boston Bank of Commerce and the CDC raised funds for a market study that showed the neighborhood was a high-potential location for a grocery store. It also identified a need for a pharmacy and a restaurant. The CDC then worked closely with the city to assemble a five-acre site. A portion of the site was contaminated, and the city paid for the remediation. The city also invested approximately $500,000 to improve the appearance of the surrounding three blocks. All together, reports Steven Rumpler, project manager at Boston's Office of Business Development, "It was a $14 million project and the city made available $6.8 million."

Opened in 2000, the mall contains a Super Stop & Shop grocery store, a CVS pharmacy, and a retail bank branch. Although tenants still receive rent subsidies, Rumpler says all are meeting their revenue projections. "The project created 450 jobs – in the mall and in new businesses that opened in proximity to the mall – and most of the jobs went to city residents," said Rumpler.

CITY GOVERNMENTS

Figure 4 plots inner city population growth against inner city population density. The ideal conditions for attracting and sustaining retail establishments in inner cities is to have a growing population and high density (upper right quadrant). Indeed, cities that have had the most success attracting retail are located in that quadrant. But as the chart shows, success has also been achieved in cities where conditions are not ideal. Harlem and Boston have characteristics that should lead to retail job growth, and in fact job growth occurred. By contrast, Columbus, with a declining population and relatively low population density increased retail jobs by 28 percent, the fifth highest increase in the country.

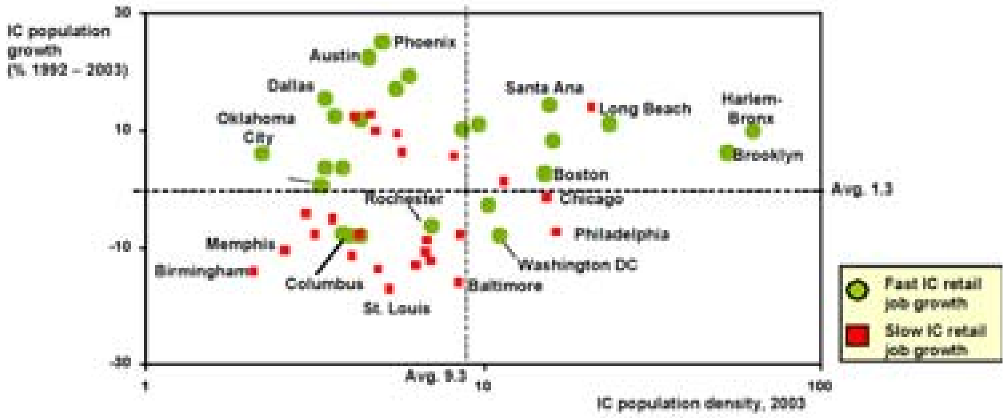
An explanation for this performance can be found in the city's effort, beginning in 1996, to develop the Four Corners shopping center. (See Figure 5.) The Columbus city government worked closely with an inner city CDC to bring the Four Corners Development to completion. First, the city identified a city-owned site near a transportation center with frequent bus service. It committed to locating a new government building – the Housing Authority – at the site. Second, the city aggressively assembled parcels, some through eminent domain, from 43 owners. Third, the city offered a combination of local transit funds and federal tax credits to make the financing work for the developers and retailers. Finally, it cleared the regulatory path to expedite the permitting and zoning process.

The lesson from the Columbus experience is that an underserved retail market, even one located in the inner city, is an opportunity that retailers will seize given enough support. The city's aggressive initiative to build a retail destination and attract retailers resulted in the creation of jobs for inner city residents and physical improvements to the neighborhood. While time will tell if Four Corners was a watershed in the inner city's return to health or simply a delaying action, the immediate benefits to community residents are measurable.

In interviews, developers who have worked on inner city projects were in agreement on the advice they would offer to city governments and economic development

Figure 4

City Performance Varies Greatly in Spite of These Factors



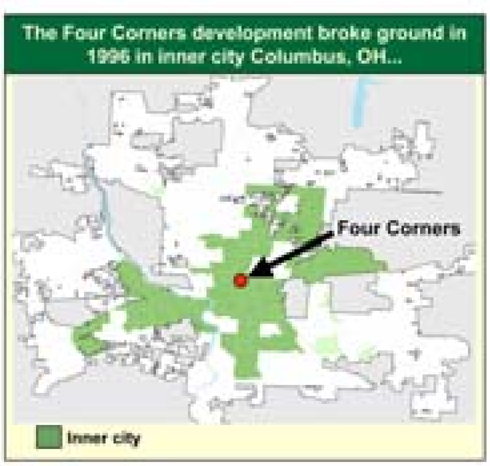
Cities can achieve or fail to achieve retail job growth despite initial circumstances

Source: US Census Bureau, Economic Census, Claritas

Figure 5

Retail Success in Shrinking Cities

Columbus Ohio



...in an area with low density and declining population

	1998	2003	Change
Demographics			
• Population (M)	191	185	-3.1%
• Households (K)	76.8	75.8	-1.3%
• Med. income[2] ($K)	28.7	28.5	-0.7%
• Pop. Density ('000 people/sq. mile)	4.1	4.0	-3.1%
Retail market			
• Sales[1] ($B)	1.0	1.1	8.0%
• Establishments (K)	1.02	1.07	4.6%
• Jobs (K)	17.2	19.5	13.7%

(1) Retail sales data is for 1997 and 2002 in 2006 dollars

(2) Median income from 2000 and 2005, and are both quoted in 2005 dollars

Source: Census 2003 Zip Code Business Patterns; ICIC Inner City Zip Code Definitions; Claritas, US Dept of Labor BLS, BCG analysis practitioners who are working to attract retailers to inner city neighborhoods. They suggested that the city should do the following:

- Invest in infrastructure and crime reduction in targeted underdeveloped areas.
- Believe inner city retail can succeed and then recruit an equally convinced developer.
- Help developers form mutually beneficial relationships with leading community groups.
- Leverage market successes to attract other developers.

CONCLUSION

ICIC's study of inner city retail markets delineates the size of the opportunity and provides examples of the companies that have operated successfully in that location. Successful retailers understand the idiosyncrasies of the inner city's densely populated, demographically diverse areas and adapt accordingly. While the benefits for retail businesses are readily apparent, so too are the benefits to the inner city community of attracting retail establishments.

ICIC's study of inner city retail markets delineates the size of the opportunity and provides examples of the companies that have operated successfully in that location. Successful retailers understand the idiosyncrasies of the inner city's densely populated, demographically diverse areas and adapt accordingly. While the benefits for retail businesses are readily apparent, so too are the benefits to the inner city community of attracting retail establishments.

"We know that improving inner city retail penetration of world class retailers is very important to improve the quality of life in inner cities," notes Professor Porter. "They provide reasonably priced goods and services for residents. Their presence makes it unnecessary for residents to travel outside the neighborhood, which is expensive. New retail projects have a significant impact on the look and feel of the neighborhood, the sense of the quality of life in the community. Retail is a source of jobs and career development that is accessible to inner city residents. Almost every single retailer hires almost exclusively from the neighborhood. There's no risk here that you create a business that doesn't connect with the residents in terms of jobs. Large retailers – multi-unit retailers – create career opportunities. They offer a career ladder for people, as well as serving as a place to get entry-level work training. They also provide training for entrepreneurship. Residents can take what they learn and build their own businesses."

(The complete ICIC study, REALIZING THE INNER CITY RETAIL OPPORTUNITY: PROGRESS AND NEW DIRECTIONS, is available at www.icic.org.)