



# 1 HUNDRED top RETAILERS

The Nation's Retail Power Players/2007

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# **top** 1 **HUNDRED** RETAILERS

The Nation's Retail Power Players/2007

BY DAVID P. SCHULZ

**Y**ou can parse trends and market segmentation any way you choose, but Wal-Mart is still the most influential retailer in the nation. So when the discounting giant says it is going back to what it does best, it means the low-price space will be controlled — if not occupied exclusively — by Wal-Mart.

No other company is performing forcefully enough to command leadership attention in the retailing industry. Home Depot is working on its corporate culture in the post-Nardelli era; both it and rival Lowe's have battened the hatches in the wake of the nation's housing slump. Supermarket leader Kroger is the subject of takeover talk — by private equity investors, no less. Costco — once the poster child for everything Wal-Mart wasn't — has lost

some luster among both workplace advocacy groups and Wall Street investors.

Despite some brilliant merchandising maneuvers, even Target remains highly regarded as much for not being Wal-Mart as it is for its openness, transparency and magnanimity toward organized labor. Sears Holdings, the odd amalgamation of Sears department stores and Kmart discount depots, is controlled by a hedge fund operator who may yet prove to be a re-



51



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tailoring visionary. But in the meantime, Edward Lampert is acting more like a financier than the next leader of the retailing world.

Walgreen and CVS are too busy watching what the other one does to be much concerned with the state of retailing outside the chain drug field. Safeway is extremely concerned with the gulf opening between itself and category leader Kroger — while simultaneously looking over its shoulder at expanding SuperValu.

The 2007 edition of STORES' Top 100 Retailers is itself a different animal, as it includes restaurant companies (based on corporate revenues, rather than system-wide sales) for the first time and offers an expanded convenience store category that now includes truck stops and travel centers (though not chains operated by major petroleum marketers). We also bid adieu to the Jewelry power players category as



1

## WHO, WHAT, WHY AND HOW

The Top 100 Retailers are listed by annual revenues, which may include estimates for private or closely-held companies.

The biggest change to this year's Top 100 is the inclusion of restaurants: Six restaurant companies make the list, beginning with No. 16 McDonald's. The other new category is truck stops.

Besides restaurants and truck stops, notable additions to the list include Save Mart (66) and The Bon Ton Stores (86), both of which grew through acquisitions.

Who is considered a segment Power Player? Any retailer with 2006 revenues equal to or greater than 10 percent of the revenues of the category leader.

SAP (www.sap.com) is proud to sponsor the annual Top 100 Retailers edition of STORES Magazine. As the authoritative ranking of the largest U.S.-based retail companies by annual revenues, the Top 100 is the most widely recognized and respected symbol of achievement for the nation's elite retailers. SAP congratulates these retailers on their outstanding accomplishments.



James Matthecheck

SAP is quickly becoming the de facto standard software foundation for best-run retailers. We have been helping large and small retailers

achieve the insight and agility they need to thrive in today's highly competitive market. As the world's leading provider of business software solutions and with more than 30 years of experience, SAP is a recognized industry leader with more than 4,100 retailers worldwide as customers. I'm proud to note that many of the Top 100 retailers are SAP customers, and we appreciate our relationship with them.

With its listing of headquarters, annual revenues, earnings and store counts, the SAP Top 100 is an invaluable guide to the best and brightest in the retail industry. I know you will use it throughout the year as a ready reference. Congratulations to all!

Best regards,  
James Matthecheck  
Senior Vice President, Retail  
SAP Americas

not a single jewelry retailer qualified for the Top 100.

The second half of the year tends to be make-or-break for most retailers, and the outlook is hazy. Housing sales have plummeted, and economic growth is anything but robust. With presidential campaigns gaining momentum, political posturing could lead to gridlock on any number of issues affecting retailers.

On the brighter side, interest rates have flattened, inflation isn't presenting any problems, the trade deficit is narrowing, employment is up and forecasts are for continued growth in retail sales, albeit at a slower pace.

Outside of economic factors, the nation's attention is focusing on subjects such as "green," "organic" and "natural." These may be sacred words to some segments of the population, but in retailing they've been the linear descendants of "lifestyle" in the buzzword family.

Demonstrating yet again just how influential it is, Wal-

Mart has pushed all three terms into retailing's mainstream. Whole Foods Market may have been a pioneering voice, but folks really began to take notice when Wal-Mart joined the chorus. Its efforts range from merchandise in the stores to store design, construction and operation. The company has experimental stores in McKinney, Texas, and Aurora, Colo., testing things ranging from "cool" LED lights in freezers and cold boxes to recycled cooking and motor oils fueling hot water boilers.

In the merchandise aisles, Wal-Mart has been pestering its suppliers to clean up their products by eliminating long-lived toxic chemicals, reducing packing to the bare minimum and adding more organic and natural ingredients in their offerings.

If there were lingering doubts about Wal-Mart returning to its everyday-low-price roots, last month's announcement of a slowdown in new supercenter openings should

## POWER PLAYERS

## large-format value retailers

Big-box operators, as large-format value retailers are frequently called, may specialize in cheap, cheap chic and treasure hunts, but what the merchants are pushing more than anything at the moment is food: groceries drive shopper visits.

Wal-Mart laid the foundation by developing supercenters across the country, then pushed the envelope when it introduced organic options into its supermarket

selection. Target, Costco and others were forced to adjust their approaches to food offerings.

Target is currently on a campaign to increase the percentage of groceries in the mix at its traditional discount stores, as well as the number of its SuperTarget units. As the quantity of food offerings increases, so will the house-branded goods bearing labels such as Archer Farms, Choxie, Market Pantry and Sutton & Dodge.

Private-label groceries now account for about 15 percent of food SKUs, and should grow by another 2 or 3 percentage points by 2010, Target president Gregg Steinhafel told a conference of securities analysts. "Through these owned food brands we delight our guests and broaden our differentiated high-quality food assortment while also offering exceptional value," he said. The company plans to add several hundred products to its Archer Farms assortment, including condiments, organic frozen vegetables in steaming bags and "a complete line of high-quality breakfast items."

Costco has tapped Martha Stewart's organization to create a line of packaged foods that would create excitement in the company's cavernous warehouse stores. No word yet on what types of products the line will contain, but speculation is that it will be prepared foods ready to cook or heat rather than everyday canned or boxed goods.

5



Company	2006 Revenues (000)	Comparable-Store Sales	Sales per Store
Wal-Mart	\$348,650,000	2.1%	\$51,430,889
Costco	60,151,227	8.0	123,260,710
Target	59,490,000	4.8	40,006,724

Rank	Company Comment	Headquarters	2006 Revenues (000)	Y/Y Change	2006 Earnings (000)	Y/Y Change	No. of Stores	Y/Y Change
1	<b>Wal-Mart</b> Going green and organic did wonders for its public image and hasn't hurt the performance either, but company now wants to get back to its every-day-lowest-price roots	Bentonville, Ark.	\$348,650,000	11.7%	\$11,284,000	0.5%	6,779	10.6%
2	<b>Home Depot</b> The post-Nardelli annual meeting was smooth sailing for shareholders, unlike what has been happening in the rolling home improvement marketplace during the current housing slump	Atlanta	90,837,000	11.4	5,761,000	-1.3	2,147	5.1
3	<b>Kroger</b> Even though Kroger is holding its own against supercenters and warehouse clubs, word of hedge fund interest prompted chairman/CEO David Dillon to address associates company-wide on the subject	Cincinnati	66,111,200	9.2	1,114,900	16.4	3,659	-1.8
4	<b>Costco</b> Adding new line of food conceptualized by Martha Stewart, clamping down on fraudulent merchandise returns and making a green move with solar-powered warehouse on Lake Elsinore, Calif.	Issaquah, Wash.	60,151,227	13.6	1,103,215	3.8	488	5.9
5	<b>Target</b> The discounter everyone loves to love even if its associates are no more unionized than Wal-Mart's, which is one reason cheap chic is as inexpensive as it is; adding more private label food items	Minneapolis	59,490,000	13.1	2,787,000	15.7	1,487	6.4
6	<b>Sears Holdings</b> Rolling out Craftsman tools and Kenmore appliances to more Kmart locations; president Aylwin Lewis says big-box Sears Grand operation is not going to go away, though it's lumped with Essentials units	Hoffman Estates, Ill.	53,012,000	7.9	858,000	8.7	3,835	-0.6
7	<b>Walgreen</b> Taking walk-in clinic boom more seriously with acquisition of Take Care Health Systems, but still putting the big bucks into rapid expansion through freestanding store openings	Deerfield, Ill.	47,409,000	12.3	1,750,600	12.3	5,461	10.3
8	<b>Lowe's</b> Holding to an aggressive store-opening campaign in the face of a weak housing market which precipitated a 12% Q1 earnings drop, forcing company to lower forecasts for this year	Mooresville, N.C.	46,927,000	8.5	3,105,000	12.1	1,375	12.2
9	<b>CVS</b> A major re-shaping of company is taking place now that the Caremark Rx deal has been completed; Osco/Sav-on integration has worked out nicely and closed sales gap with Walgreen	Woonsocket, R.I.	43,813,800	18.4	1,354,800	11.9	6,202	13.4
10	<b>Safeway</b> Organics are selling well, Dominick's is not for sale and is getting the Lifestyle makeover instead; chairman and CEO Steve Burd has trekked to Washington to show support for universal health care	Pleasanton, Calif.	40,185,000	4.6	870,600	55.2	1,761	-0.8
11	<b>Best Buy</b> CEO Brad Anderson optimistic about lifecycles of new electronics such as flat-panel HD televisions, a new generation of gaming platforms and Vista-enhanced personal computers	Minneapolis	35,934,000	16.5	1,377,000	20.8	1,170	24.3
12	<b>SuperValu Retail</b> Honeymoon's over and the next six months will see what the Albertsons acquisition has wrought; debt load is heavy, comps haven't been that strong and the competition, it seems, never sleeps	Eden Prairie, Minn.	28,016,000	163.4	1,179,000	338.6	1,357	-1.7
13	<b>Federated Dept. Stores</b> It isn't all Macy's all the time; Bloomingdale's is trying to get back on track as a national retailer of distinctive, trendy and upscale merchandise in all departments of the store	Cincinnati	26,970,000	20.5	995,000	-29.2	1,360	-14.0
14	<b>Ahold USA (e)</b> European leadership is changing amid calls for break-up of the entire company, perhaps after merging or being taken private; deal for Tops Markets in upstate New York still up in the air	Chantilly, Va.	24,000,000	6.4	N.A.	—	827	-34.5
15	<b>Publix</b> Expanding a number of pilot programs, including natural and organic Greenwise Markets; cooking schools, Publix Apron's make-ahead meals, and Publix Sabor, which now number four, catering to Hispanics	Lakeland, Fla.	21,700,000	5.3	1,100,000	11.2	898	2.5
16	<b>McDonald's</b> Shareholders found out from CEO Jim Skinner that the company wants to pick up the growth rate some, as it spends nearly \$2 billion this year to open about 800 new locations	Oak Brook, Ill.	21,586,400	8.8	3,544,200	36.2	31,046	-1.1
17	<b>JCPenney</b> Momentum from 2006 carries into this year with record earnings in Q1; expanding exclusive brands with Liz Claiborne, Polo Ralph Lauren lifestyle offerings while undertaking biggest private label launch ever with Ambrielle	Plano, Texas	19,903,000	6.0	1,153,000	6.0	1,033	1.4
18	<b>Staples</b> Company's aggressive private label program now represents more than 20 percent of retail volume and pays dividends on the bottom line; the Easy Buttons really do make it easy	Framingham, Mass.	18,200,000	13.2	974,000	16.7	1,900	6.7
19	<b>Rite Aid</b> Paying Jean Coutu \$3.86 billion for 340 Brooks and 1,514 Eckerd stores will make Rite Aid No. 1 or No. 2 drug store operator in 80% of its markets, says CEO Mary Sammons	Camp Hill, Pa.	17,507,719	1.4	26,826	-97.9	3,330	0.3
20	<b>TJX</b> Security breaches in protecting customers' sensitive personal identifying information has brought wrath of bankers, legal woes and both out-of-pocket expenses and lost profits	Framingham, Mass.	17,404,637	9.1	738,039	6.9	2,466	3.6

(e) estimate N.A. Not available

settle the matter. For years Wal-Mart boosted sales with new stores, sometimes opening them at a rate of one per day. Part of the expansion strategy was to cluster stores in order to take advantage of economies of scale, but that also had the effect of cannibalizing sales from older units. In slowing the rate of supercenter store openings by about 30 percent, Wal-Mart is looking to squeeze more productivity and more profits out of existing stores. That said, square footage is still scheduled to grow by about 6 percent in 2007 and 4 to 5 percent in each of the next two years.

"We're committed to growth," Wal-Mart CFO Thomas Schoewe said at the company's annual meeting in June. "Are we slowing that growth down a little bit? Sure, but

we're not feeling at all bashful about a 20-million-sq.-ft. addition in terms of our supercenter" operation.

Slowing or not, Wal-Mart's impact on American retailing can be demonstrated by its overwhelming share of sales. Aggregate revenues for the companies on the STORES Top 100 list are just over \$1.6 trillion; Wal-Mart accounts for nearly 22 percent of that total, and its revenues (\$348.6 billion) are greater than those of the next five largest U.S. retailers combined.

**STORES**

*David P. Schulz, a New York-based writer and editor, reports on U.S. and foreign retailers for several publications.*

## POWER PLAYERS

## department stores

Saks is happy to be rid of the stores; The Bon-Ton Stores is happy to have them. Macy's is happy to see that Chicagoans don't need a Marshall Field's in which to shop — but worries they may not need a Macy's, either. And as these major segment players reinvent themselves, chains such as JCPenney, Nordstrom and Kohl's are happy being who they are.

In a sense, Saks has come full circle, undoing Brad Martin's handiwork in creating Saks Inc., and is now pretty much back to just Saks Fifth Avenue. As chairman and CEO Stephen Sadove says, the transformation is "substantially complete" and the company expects "to finalize the integration and consolidation process" by the end of this month.

Bon-Ton has been sculpting the holdings acquired from Saks Inc., closing a Younkers here, an Elder-Beerman there and the Carson Pirie Scott flagship in Chicago's Loop, as well as acquiring a few

Parisian locations from Belk.

In the wake of the flood of changes Macy's has made over the past few years — including the rapid switch of nameplates on acquired stores — CEO Terry J. Lundgren admitted at the company's annual meeting in May that "there's been too much change too quickly." Lundgren

later expanded on that thought, saying, "We need to make sure consumers can keep pace. We threw a lot of change to May Co. stores very quickly."

Penney, Kohl's and Nordstrom all started 2007 with a flourish, reporting strong sales in the first three months of their fiscal years and exceeding Wall Street analysts' sales and earnings estimates. Of the trio, Nordstrom looks like it will be the first to establish a 21st century presence in the borough of Manhattan, having retained site search firm Madison Retail Group to find appropriate locations.



86



Company	2006 Revenues (000)	Comparable-Store Sales	Sales per Store
<b>Federated</b>	\$26,970,000	4.4%	\$19,874,723
<b>JCPenney</b>	19,903,000	3.7	19,267,182
<b>Kohl's</b>	15,544,200	5.9	19,025,948
<b>Nordstrom</b>	8,560,698	3.5	44,820,408
<b>Dillard's</b>	7,849,400	-1.0	23,931,090
<b>Neiman Marcus</b>	4,105,596	6.8	10,263,990
<b>Bon-Ton</b>	3,455,810	-2.7	12,342,178
<b>Belk</b>	3,150,000	N.A.	10,500,000
<b>Saks</b>	2,940,000	4.9	17,818,363

OfficeMax (#37) is back on the store-opening trail, increasing chain strength by about 7% this year, even though it is still smarting from the spanking Staples handed it in Chicagoland.

Rank	Company Comment	Headquarters	2006 Revenues (000)	Y/Y Change	2006 Earnings (000)	Y/Y Change	No. of Stores	Y/Y Change
21	<b>Delhaize America</b> <sup>(e)</sup>	Salisbury, N.C.	\$17,250,000	3.9%	N.A.	—	1,544	0.5%
With rumors swirling about a possible merger with Royal Ahold, it's business as usual for U.S. stores preparing to introduce a three-tier private label program that includes value, premium and natural/organic lines								
22	<b>Gap</b>	San Francisco	15,943,000	-0.5	\$778,000	-30.1%	3,131	2.6
Fish(er)ing for a solution: Mickey Drexler didn't fit, Paul Pressler wasn't the answer, Sarah Jessica Parker didn't help much; now the savior du jour is named Patrick Robinson								
23	<b>Kohl's</b>	Menomonee Falls, Wis.	15,544,200	16.0	1,108,700	31.7	817	11.6
Pushing its private label efforts, Kohl's is introducing three new intimate apparel brands, including its own Moments collection; Daisy Fuentes and Vera Wang are the other lingerie introductions								
24	<b>Office Depot</b>	Delray Beach, Fla.	15,010,781	5.1	516,135	88.5	1,506	43.8
Celebrated 20th anniversary last year and is building new global headquarters in Boca Raton, Fla., with eye on 2008 opening, but of more immediate concern is why Staples has been growing at a faster clip								
25	<b>7-Eleven</b> <sup>(e)</sup>	Dallas	15,000,000	15.4	N.A.	—	7,100	1.4
With tobacco sales lagging, 7-Eleven is upgrading food offerings with items like papaya-mango fruit cup in chili-lime spice and a wrap with turkey capicola in basil sauce								
26	<b>Toys "R" Us</b>	Wayne, N.J.	13,050,000	15.2	109,000	N.A.	1,425	-5.3
In a tough toy-selling environment, Toys "R" Us enjoyed same-store sales gains of 4.1% in last year's nine-week holiday selling period; Babies "R" Us performed even better, with comps up 6%								
27	<b>Meijer</b> <sup>(e)</sup>	Grand Rapids, Mich.	12,750,000	2.0	N.A.	—	175	4.8
Now has 11 stores in greater Chicago area, a market Meijer penetrated only eight years ago; opening a total of five new stores this year and seven in 2008; new units average about 210,000 sq. ft.								
28	<b>H.E.B.</b> <sup>(e)</sup>	San Antonio	12,750,000	8.1	N.A.	—	304	-0.3
Even H.E.B. plus! units now include walk-in health and wellness clinics to go along with Spoonz restaurants, Cook & Grill sections, home improvement supplies and a fuel center out on the pad								
29	<b>Circuit City</b>	Richmond, Va.	12,429,800	7.2	(11,800)	—	1,152	-10.3
Bloom is definitely off electronic merchandise and nobody is taking it harder than Circuit City, which is why so many industry observers are looking for some kind of bailout or buyout here								
30	<b>Pilot Travel Centers</b> <sup>(e)</sup>	Knoxville, Tenn.	11,800,000	12.4	N.A.	—	281	2.2
Bills itself as largest purveyor of over-the-road diesel fuel and third-largest franchisor of quick-service restaurants with food volume of \$242 million, convenience store merchandise not included								
31	<b>Jean Coutu Group</b>	Longueuil, Quebec	11,143,100	15.9	103,800	-0.6	2,185	-2.6
It took the better part of a year, but the Canadian operator is finally free of its south-of-the-border operations, though it maintains a presence with a major stake in Rite Aid								
32	<b>Amazon.com</b>	Seattle	10,711,000	26.2	190,000	-47.1	0	0.0
Selling music without copy protection, buying an audiobooks company; Amazon is still blazing trails without too much concern as to what its activities will produce on the bottom line								
33	<b>Limited Brands</b>	Columbus, Ohio	10,670,599	10.4	675,049	-1.2	3,798	5.8
Express chain on the block but not creating a big stir; troubles continue into this year with a 47% drop in Q1 earnings and trends continue to be challenging at Victoria's Secret								
34	<b>Alimentation Couche-Tard</b>	Laval, Quebec	10,157,300	25.1	196,200	26.4	5,097	13.3
Burning up acquisition trail, with 28 Sterling and 54 Holland Oil stores in Ohio, 53 Star Fuel Marts in Oklahoma, 13 Groovin Noovin units in Florida since buying 236 locations from Motiva Enterprises (Shell Oil) last October								
35	<b>Yum! Brands</b>	Louisville, Ky.	9,561,000	2.3	824,000	8.1	34,595	20.0
The e. coli outbreak at Taco Bell and a rat-infested franchisee's restaurant in New York induced a low profile for company reluctant to point to the success its international locations are having								
36	<b>Dollar General</b>	Goodlettsville, Tenn.	9,169,822	6.8	137,943	-60.6	8,260	-1.8
Sagging profits, hundreds of unprofitable stores that should be closed and being elbowed aside by smaller rival Family Dollar prompted decision to sell out to private equity firm Kohlberg Kravis Roberts								
37	<b>OfficeMax</b>	Itasca, Ill.	8,965,700	-2.1	91,700	N.A.	914	-3.8
OfficeMax is back on the store-opening trail, increasing chain strength by about 7% this year, even though it is still smarting from the spanking Staples handed it in Chicagoland								
38	<b>Army Air Force Exchange</b>	Dallas	8,917,600	8.0	335,600	2.6	3,100	0.0
Facing the toughest financial pictures in 2007 and 2008 that it has faced in many years, AAFES named Michael P. Howard COO, making him the highest-ranking civilian in the operation								
39	<b>Nordstrom</b>	Seattle	8,560,698	10.8	677,999	23.0	191	2.1
Perennial talk of a mid-town Manhattan location is in the air again even though company has had no problem finding places to locate and ways to grow sales and earnings								
40	<b>BJ's Wholesale Club</b>	Natick, Mass.	8,480,281	7.2	72,016	-44.0	172	4.2
Made a little money on sale of pharmacy assets after closing drug counters in its stores; made a little more money in final accounting from House2Home bankruptcy; shedding ProFoods wasn't as profitable								

(e) estimate N.A. Not available

## POWER PLAYERS

## apparel

"We continue to be optimistic about the growth in U.S. apparel sales," says Marshal Cohen, chief industry analyst for the NPD Group, a Port Washington, N.Y., market research firm. "However, it is cautious optimism."

Dress sales were up more than 7 percent in 2006, "and from what I've seen that trend should continue," Cohen says. Still, the country's largest specialty apparel retailers are hurting. Both Gap and Limited Brands are grasping for ways to salvage what remains of their national store chains.

Limited, Leslie Wexner's brainchild, has put its Express chain on the block, and has announced its intentions to get out of clothing and into the health, beauty and fragrance trade.

Gap also is rethinking its mission. While clothing lines languish, GapBody — which includes intimate apparel and swimwear — has launched a skin care line that includes everything from a shower gel and body scrub to bath salts and bath oil. Gap's woes continued into the first quarter of this year, when earnings declined 26 percent despite a 3.5 percent sales boost.

"We are actively working to fix our core business, retaining and recruiting talent and streamlining operations so that our organization can be more nimble and efficient," says Bob Fisher, interim president and CEO of the company founded by his father Don Fisher.



Limited Brands also took it on the chin in Q1 2007. Earnings plummeted 27 percent, fueled by merchandise offerings that missed their mark at Victoria's Secret, and the company says it will also entertain offers for the Limited chain.



Company	2006 Revenues (000)	Comparable- Store Sales	Sales per Store
Gap	\$15,943,000	-7.0%	\$1,898,116
Limited	10,670,599	7.0	2,809,531
Ross Stores	5,570,210	4.0	6,988,971
Abercrombie & Fitch	3,318,158	2.0	3,272,281
Burlington Coat Factory <sup>(e)</sup>	3,300,000	-2.0	8,700,000
Charming Shoppes	3,067,517	1.0	1,289,957
American Eagle Outfitters	2,794,409	12.0	3,084,337
AnnTaylor	2,342,033	2.8	2,696,096
Talbots	2,231,033	1.3*	1,630,872
Children's Place	2,017,713	11.0	1,691,293
Men's Wearhouse	1,882,064	1.9**	2,502,745
Chico's FAS	1,646,482	2.1	1,779,980

(e) Estimate \* Does not include J. Jill \*\* U.S. stores

*Winn-Dixie (#43) still trails Wal-Mart and Publix in grocery sales in key Southeast markets, but has reversed course and is now gaining market share at the expense of its larger competitors.*

Rank	Company Comment	Headquarters	2006 Revenues (000)	Y/Y Change	2006 Earnings (000)	Y/Y Change	No. of Stores	Y/Y Change
41	<b>Dillard's</b> <i>A 43% drop in earnings in Q1 of this year, yet a stock whose share price has been rising; Wall Street watchers think they see a takeover or buyout candidate</i>	Little Rock, Ark.	\$7,849,400	1.8%	\$245,600	102.1%	328	-0.6%
42	<b>Starbucks</b> <i>Hear Music album sales and coffee-related gear, mugs and clothing help Starbucks generate merchandise sales in the 4%-8% range; reached accord with Ethiopian coffee growers</i>	Seattle	7,786,942	22.3	564,259	14.1	12,440	21.5
43	<b>Winn-Dixie</b> <i>Still trails Wal-Mart and Publix in grocery sales in key Southeast markets, but has reversed course and is now gaining market share at the expense of its larger competitors</i>	Jacksonville, Fla.	7,194,000	2.7	99,000	?	539	-41.0
44	<b>QVC</b> <i>Stated goal is to double sales every five years and it certainly has put some distance between itself and rival HSN; BuyCostumes.com was added to the portfolio last year</i>	West Chester, Pa.	7,074,000	8.8	1,656,000	16.5	0	0.0
45	<b>A&amp;P</b> <i>Great Atlantic &amp; Pacific Tea Co. and Pathmark might find comfort as merger partners, but the highly competitive Northeast grocery market is still a tough place to make a buck</i>	Montvale, N.J.	6,850,268	-21.6	26,893	-93.2	406	0.2
46	<b>Bed Bath &amp; Beyond</b> <i>It is difficult to argue with success as applied to the core home goods business, but the latest diversification acquisition consists of eight buybuy Baby stores in four East Coast states</i>	Union, N.J.	6,617,429	13.9	594,244	3.7	816	0.9
47	<b>Menard (e)</b> <i>Putting stores in urban neighborhoods in Chicago; elsewhere, offering food, groceries, convenience store items and general merchandise (mattresses?) to broaden appeal</i>	Eau Claire, Wis.	6,600,000	1.5	N.A.	—	210	2.4
48	<b>Family Dollar</b> <i>After years of playing second fiddle to Dollar General, Family Dollar is making great strides with its urban strategy and opening stores in metropolitan areas</i>	Matthews, N.C.	6,394,772	9.8	201,665	-7.3	6,300	6.8
49	<b>Giant Eagle (e)</b> <i>Uses fuel promotions, dubbed Fuelperks, as aggressively as any food retailer, while raising the profile of its GetGo gas stations and Giant Eagle Express convenience stores</i>	Pittsburgh	6,125,000	14.5	N.A.	—	220	1.0
50	<b>The Pantry</b> <i>Busy spring with acquisitions, the big one being 66-unit Petro Express, but company plans to slow buying pace in second half to open a dozen or so newly-constructed locations</i>	Sanford, N.C.	5,961,702	34.6	89,198	54.3	1,493	6.6
51	<b>AutoZone</b> <i>The high price of gasoline reduces the amount of driving by the public, which reduces wear and tear on their vehicles which, in turn, reduces the demand for replacement parts, or so the theory goes</i>	Memphis, Tenn.	5,948,355	4.2	569,275	-0.3	3,871	4.3
52	<b>Foot Locker</b> <i>A year ago the company was being viewed as a likely candidate for a private equity buyout; now it's on the acquisition trail itself, but a first attempt was rebuffed by Genesco</i>	New York	5,750,000	1.7	251,000	-4.9	3,942	0.5
53	<b>Darden Restaurants</b> <i>Bahamas Breeze hasn't thrilled, 56 Smokey Bones closed and the remaining 73 up for sale; looking for another concept to go with successful Red Lobster and Olive Garden chains</i>	Orlando	5,720,640	8.4	338,194	16.4	1,427	3.3
54	<b>Whole Foods Market</b> <i>Challenging FTC decision to block takeover of Wild Oats Markets; buying socially responsible products in developing countries and lending money to small American farmers so it can buy locally</i>	Austin, Texas	5,607,376	19.3	203,828	49.5	188	4.4
55	<b>Ross Stores</b> <i>Company is rolling again with operating margins up and distribution and buying costs down, though comps haven't shown much oomph and some observers wonder whether a wheel might soon roll off</i>	Pleasanton, Calif.	5,570,210	12.7	241,634	21.0	797	8.6
56	<b>GameStop</b> <i>Owns about a quarter of the videogame market and is pushing into the higher-margin used game niche as the number of pre-played games grows with new releases from manufacturers</i>	Grapevine, Texas	5,318,900	72.0	158,250	57.0	4,778	6.4
57	<b>Hy-Vee (e)</b> <i>With home improvement retailers and such encroaching on its turf by selling groceries, Hy-Vee is adding wine-tasting rooms, beer caves, cooking classrooms and Starbucks counters to its stores</i>	West Des Moines, Iowa	5,275,000	5.5	N.A.	—	225	1.3
58	<b>Barnes &amp; Noble</b> <i>Well-run company in highly competitive business where flying-off-the-shelf best sellers have been few and far between, while web downloads are decimating ancillary business; private equity funds are circling</i>	New York	5,261,254	3.1	150,773	2.8	793	-0.8
59	<b>Longs Drug Stores</b> <i>Bob Long has retired as chairman emeritus of the company founded by his father and uncle before World War II; company looks to concentrate more stores in fewer markets</i>	Walnut Creek, Calif.	5,097,052	9.1	74,461	0.8	509	6.7
60	<b>Quik Trip (e)</b> <i>All stores company-owned, with average store less than seven years old; employees own about half the stock in company listed for last three years among Fortune's 100 Best Companies to Work for</i>	Tulsa, Oklahoma	5,000,000	11.1	N.A.	—	460	7.0

(e) estimate N.A. Not available

## POWER PLAYERS

## booksellers

Can Harry Potter work his magic again? Store-based booksellers certainly hope so – and are looking for a sales boost of 6 to 7 percent with this summer's publication of the seventh, and final, book in the series.

Major players Barnes & Noble and Borders Group will benefit, even as books downloaded from the Internet become increasingly popular. Such downloads now exceed \$1 billion in sales, but represent less than 5 percent of the total market.

Superstores still rule among bookstore chains; Barnes & Noble continues to downsize its mall-based B. Dalton operation, a strategy similar to the one Borders is following with its Waldenbooks stores.

Music and video sales have been hammered by Internet retailers even more than book sales for bricks-and-mortar booksellers, while big-box discounters and warehouse clubs have been cherry-picking titles to skim the casual readers' book-buying dollars.

The sands are shifting quickly under booksellers' foundations, none more so than Borders, whose rapid growth in the 1990s gave perennial segment leader Barnes & Noble reason for concern. The meltdown of so many dot-com businesses seemed to vindicate Borders' approach, even as it abandoned its own online operations to link with Amazon.com.

Earlier this year, however, Borders announced that it plans to end its alliance with Amazon and, at the same time, shift gears away from bricks-and-mortar retailing and toward publishing and printing books on demand, as Barnes & Noble did years ago. Borders' strategic shift also entails radically downsizing its Waldenbooks chain and shedding — or perhaps franchising — its international book superstores.

58



75



Company	2006 Revenues (000)	Comparable- Store Sales	Sales per Store
<b>Barnes &amp; Noble</b>	\$5,261,254	-0.3%	\$6,386,738
<b>Borders Group</b>	4,063,900	-2.2 *	3,396,503
<b>Follett's**</b>	2,200,000	N.A.	3,000,000
<b>Barnes &amp; Noble College<sup>(e)</sup></b>	1,600,000	N.A.	3,000,000

\* Domestic superstores only  
(e) Estimate

\*\* Estimate includes non-bookselling business  
N.A. Not Available

Trader Joe's (#62) has carved out a niche as a small, upscale limited assortment grocery store — smaller than a traditional supermarket and more diversified than typical convenience stores.

Rank	Company Comment	Headquarters	2006 Revenues (000)	Y/Y Change	2006 Earnings (000)	Y/Y Change	No. of Stores	Y/Y Change
61	<b>RaceTrac Petroleum</b> (e)	Atlanta	\$5,000,000	11.1%	N.A.	—	525	5.0%
Holding to its plan to open 35 to 45 units annually for the foreseeable future; 525 RaceTrac units all company-owned, while RaceWay locations are run by independent contract operators								
62	<b>Trader Joe's</b> (e)	Monrovia, Calif.	5,000,000	11.1	N.A.	—	255	2.0
Has carved out a niche as a small, upscale limited assortment grocery store — smaller than a traditional supermarket and more diversified than typical convenience stores								
63	<b>Travel Centers of America</b>	Westlake, Ohio	4,783,514	17.3	31,033	—	164	1.2
Now a publicly-held company after being spun off earlier this year by Hospitality Properties Trust in a complex transaction that included a number of complicated restrictions								
64	<b>RadioShack</b>	Fort Worth, Texas	4,777,500	-6.0	\$73,400	-72.3%	5,239	-8.9
New CEO Julian Day has trimmed staff and closed 500 stores, while the 6,000 remaining locations are still anchored to wireless communications, components and accessories								
65	<b>Aldi</b> (e)	Batavia, Ill.	4,750,000	5.6	N.A.	—	820	2.5
Worldwide master of no-frills supermarketing carries only about 1% of the SKUs (90% private label) found in Wal-Mart supercenters in less than one-tenth the space								
66	<b>Save Mart</b> (e)	Modesto, Calif.	4,750,000	33.8	N.A.	—	260	105.4
More than doubled size with purchase of 132 stores that once comprised Albertsons Northern California division; conversion to Save Mart, S-Mart and Food Maxx banners slated to be done by year's end								
67	<b>Big Lots</b>	Columbus, Ohio	4,743,048	7.1	124,045	N.A.	1,375	-1.9
Has reinvented itself as a deep-discount closeout retailer with fewer furniture and toy items; sports solid financial performance improvements but can't catch the eye of Wall Street investors								
68	<b>CompUSA</b> (e)	Dallas	4,700,000	2.2	N.A.	—	225	-6.3
Spent first six months of this year closing 126 locations, or more than half its stores, and is streamlining other operations to make itself more attractive to prospective buyers								
69	<b>Advance Auto Parts</b>	Roanoke, Va.	4,616,503	8.2	231,318	-1.5	3,082	7.3
Searching for a new CEO but not standing still; opened 70 new stores, including eight Autopart International units in Q1, while relocating eight stores and remodeling 34 others								
70	<b>Luxottica Retail</b> (e)	Cincinnati	4,250,000	3.6	N.A.	—	6,000	9.1
Last fall sold off Things Remembered operation that came with Cole National acquisition and is now concentrating on trying to change the way consumers think about eyewear								
71	<b>PetSmart</b>	Phoenix	4,233,857	12.6	185,069	1.4	908	10.1
Pet food scare certainly damaged performance earlier this year, but CEO Phil Francis said the effects should be short-term and the challenge is to regain consumers' confidence								
72	<b>Wegman's</b> (e)	Rochester, N.Y.	4,200,000	10.5	N.A.	—	72	2.9
Almost a cult-like following for this upscale, food-fashion-forward chain that adheres to its traditional snail's pace of opening new stores and expanding territory only incrementally								
73	<b>Brinker International</b>	Dallas	4,151,291	10.7	213,750	34.9	1,622	2.1
Same-store sales have declined 14 straight months, reflecting difficulties in casual dining sector, though flagship Chili's has been faring better than Brinker's other formats								
74	<b>Neiman Marcus Group</b>	Dallas	4,105,596	8.8	56,609	-77.2	59	7.3
Turned a tidy \$4.1 billion profit last year for private equity owners Texas Pacific Group and Warburg Pincus; now there's whispering about going public again with an IPO								
75	<b>Borders Group</b>	Ann Arbor, Mich.	4,063,900	0.8	(151,300)	—	1,230	1.7
After years of emphasizing new superstore openings over Internet sales, Borders has reversed itself and is looking to bolster online business after splitting with Amazon; getting into publishing, too								
76	<b>Pathmark</b>	Carteret, N.J.	4,058,000	2.0	(18,300)	—	141	0.0
Prior to merger with A&P, Pathmark is testing a concept sloganized "Go Fresh, Go Local," which leans heavily on phrases such as fresh-picked, vine-ripened and farm-fresh								
77	<b>Casey's General Stores</b>	Ankeny, Iowa	4,024,010	14.5	61,891	2.4	1,473	4.2
Low-margin fuel generates about 70% of sales while food and beverage carries gross margin in the 63% range; Casey's small-town locations help insulate it from national competitors								
78	<b>Roundy's</b> (e)	Pewaukee, Wis.	4,000,000	8.1	N.A.	—	145	7.4
On the selling block by Willis Stein & Partners, Chicago-based private equity firm that bought it in 2002; one major attraction is an 80% share of market in Milwaukee and environs								
79	<b>Dollar Tree Stores</b>	Chesapeake, Va.	3,969,400	17.0	192,000	10.4	3,219	10.5
Largest single-price retailer in the country continues to grow sales, though margins may be hurt as more refrigerated cases go into stores to hold fast-moving consumables								
80	<b>OSI Restaurants</b>	Tampa, Fla.	3,940,959	9.1	100,160	-31.7	1,408	8.5
Outback Steakhouse shareholders fought first attempt at buyout by hedge funds Bain Capital Partners and Catterton Management, but the sweetened deal looks like it will be completed before year's end								

(e) estimate N.A. Not available

## POWER PLAYERS

## supermarkets

With Wal-Mart and other big-box operators expanding grocery offerings in their stores, traditional supermarket operators are reeling and have reacted by trimming dead wood from their operations and looking to merge with former rivals. Natural and organic banner carriers Whole Foods Market and Wild Oats Markets are merging, as are two New Jersey-based chains, A&P and Pathmark Stores.

More surprising were the rumors flying around Wall Street that Kroger was a prospective takeover candidate, most likely being bought by private-equity investors. As in the past, Kroger officials denied the company had any interest in such a deal.

Of the transactions in progress, the Whole Foods takeover of Wild Oats, a \$565 million deal, was slowed when the Federal Trade Commission voiced concerns about the transactions and challenged it. The retailers are scheduled to have their day in court July 31.

Though both companies have been struggling over the past few years, the consolidation of A&P and Path-



21

mark would create a 550-store chain with annual sales of around \$11 billion. A&P is attempting to confine its operation to East Coast markets, but has had trouble shedding its Farmer Jack stores in the Midwest.



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10

Company	2006 Revenues (000)	Comparable- Store Sales	Sales per Store
<b>Kroger</b>	\$66,111,200	5.3%*	\$18,068,106
<b>Safeway</b>	40,185,000	3.3*	22,819,420
<b>SuperValu Retail</b>	28,016,000	1.0	11,206,400
<b>Ahold USA<sup>(e)</sup></b>	24,000,000	N.A.	29,020,556
<b>Publix</b>	21,700,000	5.2	24,164,810
<b>Delhaize America</b>	17,250,000	N.A.	11,172,279
<b>H.E.B.<sup>(e)</sup></b>	12,750,000	N.A.	41,940,789
<b>Winn-Dixie</b>	7,194,000	5.9	13,346,938
<b>A&amp;P</b>	6,850,268	-0.5	16,872,581

(e) Estimate \* Identical supermarkets without fuel N.A. Not Available



The company sold its Canadian stores and other Midwestern operations last year. A&P, which would be the controlling entity after the merger, said the combination with Pathmark would result in savings of about \$150 million annually because of "integration synergies."

*Sak's (#100) is lean and mean, generating same-store sales gains of 14.4% in Q1. "I can't remember the last time Saks had a comp-store increase that high," noted CEO Stephen Sadove.*

Rank	Company Comment	Headquarters	2006 Revenues (000)	Y/Y Change	2006 Earnings (000)	Y/Y Change	No. of Stores	Y/Y Change
81	<b>Michaels Stores</b>	Irving, Texas	\$3,864,976	5.1%	\$41,236	-68.5%	1,099	2.5%
<i>Amid a Justice Department probe into options practices, Michaels was taken private by Bain Capital Partners and The Blackstone Group, who have been close-mouthed about plans for the arts-and-crafts chain</i>								
82	<b>Sheetz (e)</b>	Altoona, Pa.	3,800,000	15.2	N.A.	—	330	10.0
<i>Moving west in Ohio and south into the Carolinas; still fighting to sell malt beverages in its home territory of Pennsylvania; food sales provide two-thirds of company's gross profits</i>								
83	<b>Love's (e)</b>	Oklahoma City	3,750,000	-1.3	N.A.	—	180	-2.7
<i>Family-owned and operated chain of truck stops/travel centers offers a variety of fuels, showers for drivers (often free with large purchases); locations also have restaurants and self-styled country stores</i>								
84	<b>Williams-Sonoma</b>	San Francisco	3,727,513	5.3	208,868	-2.8	588	3.2
<i>A lot of promotional selling has financial analysts scratching their heads; none have raised ratings on WMS stock in the last 12 months, though there also are no "sell" recommendations out there</i>								
85	<b>Stater Bros.</b>	Colton, Calif.	3,507,881	4.0	26,066	-0.7	162	0.0
<i>In the midst of its largest capital project ever, spending \$300 million to build headquarters and a 2.1 million-sq.-ft. distribution center on the site of what was once Norton Air Force Base</i>								
86	<b>The Bon-Ton Stores</b>	York, Pa.	3,455,810	164.3	46,883	80.2	280	0.4
<i>Integrating Carson Pirie Scott, Herberger's, P.A. Bergner et al. is a two-year process, says CEO Bud Bergren, so financial performance will be affected until at least next year</i>								
87	<b>Burlington Coat Factory</b>	Burlington, N.J.	3,403,000	6.3	N.A.	—	379	4.7
<i>Completed first full year under ownership of Bain Capital Partners, a private equity firm; three stores still closed due to hurricane damage, but opened a half-dozen new Burlington units and 3 MJM Designer Shoe stores</i>								
88	<b>Raley's (e)</b>	West Sacramento, Calif.	3,400,000	3.0	N.A.	—	140	3.7
<i>Launched an online shopping service to differentiate from local supermarket competitors and the approaching Wal-Mart supercenters; e-cart has customers buy and pay online but pick up at the store</i>								
89	<b>Berkshire-Hathaway Retail</b>	Omaha, Neb.	3,334,000	7.2	289,000	12.5	375	0.5
<i>Led by R.C. Willey's growth in California, home furnishings stores showed 6% same-store gains last year; whole retail group rang up \$289 million in pre-tax earnings, up 12% from year before</i>								
90	<b>Abercrombie &amp; Fitch</b>	New Albany, Ohio	3,318,158	19.2	422,156	26.4	944	10.9
<i>Outperforming many competitors in specialty store segment, building on an expansion to London's Savile Row and success of Hollister and Ruehl brands; growing selling space 12% this year</i>								
91	<b>IACI Retail</b>	St. Petersburg, Fla.	3,291,600	7.9	231,700	-17.8	0	0.0
<i>Home Shopping Network helps form the core of Barry Diller's jerrybuilt dot-com that also includes Ask.com, Lending Tree and Ticketmaster, but nothing with the flair to provide an upscale aura</i>								
92	<b>Wawa (e)</b>	Wawa, Pa.	3,250,000	8.3	NA.	—	555	5.7
<i>Old dairy store chain with a goose for a logo operates in five mid-Atlantic states and upgraded its data collection network to support further expansion in Virginia and points southward</i>								
93	<b>Price Chopper (e)</b>	Schenectady, N.Y.	3,150,000	5.0	N.A.	—	115	10.6
<i>After picking up some locations from Tops Markets, the Golubs are expanding into natural and organic foods with more than 1,000 SKUs, including 400 Wild Oats-branded items</i>								
94	<b>Belk</b>	Charlotte, N.C.	3,150,000	6.1	N.A.	—	300	9.9
<i>The new Belk continues to evolve: This spring it took over the top floor of a former Lord &amp; Taylor in Raleigh, N.C., and opened its largest stand-alone menswear store (68,000 sq. ft.)</i>								
95	<b>Dick's Sporting Goods</b>	Pittsburgh, Pa.	3,114,162	18.6	112,611	54.3	359	40.8
<i>Largest of the publicly-held sporting goods retailers and Wall Street favorite acquired Golf Galaxy and then added 10 more new stores this spring in addition to 15 of its own Dick's locations</i>								
96	<b>Retail Ventures</b>	Columbus, Ohio	3,067,658	5.3	(150,913)	—	367	8.3
<i>Flagship Filene's Basement store in Boston closed until next year to allow for new development at site; Value City Department Stores being studied for possible divestiture</i>								
97	<b>Charming Shoppes</b>	Bensalem, Pa.	3,067,517	11.3	108,923	9.6	2,378	6.4
<i>Looking to improve weak 1% same-store sales growth of last year; launched Lane Bryant catalog for 2006 holiday season and this year signed licensing deal with Gitano brand for its Fashion Bug stores</i>								
98	<b>Cumberland Farms (e)</b>	Canton, Mass.	3,050,000	5.2	N.A.	—	600	0.0
<i>With operations in 11 states in the Northeast and Florida, privately-held firm has been upgrading its information technology systems to cut costs and pave way for more growth</i>								
99	<b>Mervyn's (e)</b>	Hayward, Calif.	3,000,000	-3.2	N.A.	—	172	-8.0
<i>Vanessa Castagna is gone, but she says she left the hedge fund-owned company in good shape as a smaller, more flexible retailer with a definite West Coast orientation</i>								
100	<b>Saks</b>	New York	2,940,003	5.8	53,742	140.5	165	-52.0
<i>Lean and mean, generating same-store sales gains of 14.4% in Q1; "I can't remember the last time Saks had a comp-store increase that high," noted CEO Stephen Sadove</i>								

(e) estimate N.A. Not available

## POWER PLAYERS drug stores

The CVS-Caremark Rx alliance may well be the new face of drug stores, but both Walgreen and Rite Aid feel there is plenty of life left in the old bricks-and-mortar, neighborhood store model.

CVS fought a long, hard and expensive battle to acquire Caremark, which was also being sought by Express Scripts. Tom Ryan, chairman and CEO of CVS, says the result of the protracted deal “will transform the way pharmacy services are delivered, enabling consumers to benefit from enhanced health care services and improved outcomes, and for payors to benefit from more effective cost-management tools.”

Walgreen is staying abreast of current trends, as evi-



7



9

denced by its acquisition of Take Care Health Systems, a provider of in-store health clinics. But the nation's largest drug chain (by sales volume) is aggressively adding locations — a record 500 stores were expected to have opened during the fiscal year ending August 31 — with a goal of having 7,000 stores by 2010.

Prescription sales are the lifeblood of drug stores, but Walgreen is also pushing other merchandise sales. “The front end is usually the first step in developing pharmacy customers,” chairman Dave Bernauer says.

Rite Aid is bulking up with the purchase of 1,854 Eckerd and Brooks Pharmacy stores from Jean Coutu Group, the Canadian-based retailer that nearly went bankrupt trying to integrate those U.S. chains. Rite Aid doesn't see itself as having the same problem: “We are adopting a phased rollout, as opposed to the big bang,” CEO Mary Sammons says.

“We'll open pilot stores; we'll integrate the distribution centers and we'll make sure our pilot stores represent the spectrum of footprints.” About 8,000 SKUs traditionally found in Rite Aid stores will be added to the Eckerd and Brooks units before the conversion process is launched.

Company	2006 Revenues (000)	Comp-Store Rx Sales	Comp-Store Front-End Sales	Sales per Store
<b>Walgreen</b>	\$47,409,000	9.2%	5.3%	\$8,681,377
<b>CVS</b>	43,813,800	9.1	6.2	7,066,742
<b>Rite Aid</b>	17,507,719	4.4	1.9	5,257,573
<b>Jean Coutu</b>	11,143,100	3.8*	-0.1*	5,099,817
<b>Longs</b>	5,097,052	5.1	-0.9	10,013,854

\* U.S. stores

## POWER PLAYERS home improvement

Given the nation's well-documented housing slump, these are dog days for home improvement retailers.

Lowe's is coming off a decent year that ended on a sour note when Q4 same-store sales dropped 5.3 percent, and sales continued to lag in the early months of 2007. Some shareholders were restless at the company's annual meeting in May, with one bone of contention being severance pay for top executives: one investor group said it could cost the company as much as \$88 million if the top five executives were terminated. A proposal to allow



8



2

shareholders to vote on "change of control" compensation packages failed to pass, however.

Lowe's CEO Robert Niblock believes that the national housing market will reach bottom this year, and that favorable demographic trends should help Lowe's weather this rough patch.

Executive compensation was the topic that roiled Home Depot's annual meeting last year. But with Robert Nardelli and his \$210 million severance package now gone, management was in a conciliatory mood.

Company	2006 Revenues (000)	Comparable-Store Sales	Sales per Store
Home Depot	\$90,837,000	-2.8%	\$42,308,802
Lowe's	46,927,000	-5.3	34,128,727

Frank Blake, Nardelli's successor, apologized for the way last year's meeting was conducted (no directors other than Nardelli were on hand; large clocks were used to reinforce the request that shareholders keep their remarks brief. The meeting lasted only 37 minutes, and Nardelli declined to answer any questions).

"There is no better way to deal with a mistake than to acknowledge it, fix it and move forward," Blake said at this year's meeting. "We apologize for last year's meeting. It was a mistake and we won't do it again." For his part, Blake allowed that he had accepted a pay package that totaled less than \$9 million a year, about one-fourth of what Nardelli was being paid.

## POWER PLAYERS **restaurants**

It isn't serving food that has restaurateurs concerned, it's whether or not that food is deemed to be healthful. And if restaurant operators aren't doing enough to promote healthy eating, legislators across the country are more than willing to prod them.

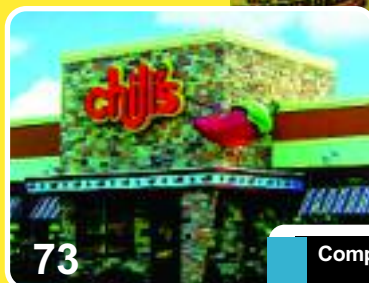
The issues could be trans-fats or sous-vide cooking or requiring the food establishments to post information such as fat content, calorie counts, sodium content and whether meat might have come from cloned animals. Many of the lawmakers' efforts are directed at the biggest restaurant companies – and, most specifically, quick-service chains.

These operators might be turning the corner, however, according to market research firm Technomic. In a study called the Salad Category Report, Technomic found that, particularly at lunchtime, consumers were more likely to choose quick-service restaurants over casual-dining restaurants when considering a salad.

"At lunch, consumers are frequently focused on convenience, but still want high quality at a lower price," writes Darren Tristano, executive vice president of Technomic Information Services. "The quick-service players have been highly successful in delivering on that formula."

Most quick-service restaurants have already purged trans-fats from their menus, and category leader McDonald's is reformulating its Happy Meals to make them healthier, as well. Among the goals: reduce overall calorie counts and lower fat and sodium content such that offerings contain less than 30 percent of the maximum recommended daily levels of those components.

Other burger chains, including Wendy's, Hardees and



Burger King, have said they are reviewing the nutritional contents of their offerings, but have not announced any specific changes.

Company	2006 Revenues (000)	Comparable-Store Sales
<b>McDonald's</b>	\$21,586,400	6.3%
<b>Yum! Brands</b>	9,561,000	3.0
<b>Starbucks</b>	7,786,942	7.0
<b>Darden Restaurants</b>	5,720,640	4.9†
<b>Brinker International</b>	4,151,291	1.5
<b>Outback Steakhouse</b>	3,940,959	-1.5##
<b>Jack-in-the-Box</b>	2,765,649	4.8A
<b>CBRL Group</b>	2,642,997	(1.1)B
<b>Wendy's</b>	2,439,000	0.8

N.A. Not Available \*\* U.S. units only

## Only Outback Steakhouses open 18 months or more

† U.S. Red Lobster units

A Company-owned Jack-in-the-Box units only

B Cracker Barrel restaurants only, no merchandise sales, no Logan's Roadhouses

## POWER PLAYERS **office supply stores**

Several years ago, the Federal Trade Commission put the kibosh on a combination of Staples and Office Depot. The regulators reasoned that the office supply superstore format was a world unto itself — effectively ignoring all the other sellers of office supplies, from e-commerce merchants to the big-box general merchandise retailers to corner stationery and drug stores.

Since then, market forces have shown that office supply selling is a retail segment "that only needs two large players," according to Gary Balter, a securities analyst for Credit Suisse. The only difference today is that instead of merging, Staples and Office Depot are seen as competitors in



Foreign interest in the U.S. c-store segment has never been more pronounced.

British supermarket giant Tesco is in the process of taking the wraps off Fresh & Easy Neighborhood Markets, modeled on its successful Tesco Express units in the U.K. Canada-based Alimentation Couche-Tard has shown a voracious appetite for U.S. chains big and small since acquiring the Circle K operation several years ago. Japan's Family Mart has established a beachhead in California with its Famima! convenience stores, and this is the first full year of operation for segment leader 7-Eleven as a subsidiary of its former Japanese licensee.

In addition, Alchemist USA, a subsidiary of India-based Alchemist Group, in March bought 17 c-stores in down-state Illinois operated by Veatch Oil. Gurnee, Ill.-based Alchemist USA plans to acquire as many as 200 c-store locations and a refinery, even though neither it nor its corporate parent has any other retail or petroleum operations.

Of the international interlopers, however, it is Tesco that is generating the most



82

interest — and apprehension. In the U.K., Tesco's supermarkets hold a commanding market share advantage over Wal-Mart's Asda units. In this country, it is using a Southwestern strategy in launching a chain of 10,000-sq.-ft. Fresh & Easy units that it hopes will number 100 by February 2008. The initial wave of stores will be in and around major metropolitan areas such as Phoenix, Las Vegas, Los Angeles and San Diego.

These won't be typical c-stores, either. "We want to sell fresh, healthy foods," says Tim Mason, who is overseeing the chain's launch. "It's not a beer and chips business." No tobacco products will be sold; food offerings will be free of trans-fats, artificial flavors and artificial coloring, though beer and wine will be available.

Company	2006 Revenues (000)	Comp-Store Gas Sales	Comp-Store In-Store Sales	Sales per Store
<b>7-Eleven<sup>(e)</sup></b>	\$15,000,000	N.A.	N.A.	\$2,142,857
<b>Alimentation Couche-Tard<sup>(e)</sup></b>	10,157,300	6.0%	5.2%	1,992,800
<b>The Pantry</b>	5,961,702	3.1	4.9	3,993,102
<b>Casey's General Stores*</b>	4,024,010	N.A.	4.6 <sup>a</sup> 11.0 <sup>b</sup>	3,731,845
<b>Wawa<sup>(e)</sup></b>	3,250,000	N.A.	N.A.	5,855,900
<b>RaceTrac Petroleum<sup>(e)</sup></b>	5,000,000	N.A.	N.A.	9,520,000
<b>Quick Trip<sup>(e)</sup></b>	5,000,000	N.A.	N.A.	10,870,000
<b>Sheetz<sup>(e)</sup></b>	3,800,000	N.A.	N.A.	1,151,500
<b>Cumberland Farms<sup>(e)</sup></b>	3,050,000	N.A.	N.A.	5,083,000
<b>Susser Holdings</b>	2,265,159	6.1*	6.1*	6,969,720
<b>Holiday Station<sup>(e)</sup></b>	2,250,000	N.A.	N.A.	5,625,000

(e) Estimate \* Combined same-store figure for in-store and fuel sales

<sup>a</sup> Grocery and other merchandise <sup>b</sup> Prepared food and beverages



acquiring OfficeMax.

Arun Daniel, an analyst with ING Investments, suggests that Staples and Office Depot "will be interested in parts of OfficeMax but don't want to pay for the poor-performing stores. So it is left up to a private equity buyer to buy [the company], if it gets cheap enough, and then break it up."

Of course, there is the question of whether OfficeMax wants to make a deal. The company closed 109 stores earlier this year, contributing to a 1.8 percent decline in first-quarter sales, but same-store sales rose slightly and earnings

gained 6.6 percent. Gross margins moved up to 29.3 percent from 28.6 percent, and the company opened nine new stores after shuttering the unprofitable units.

Company	2006 Revenues (000)	Comparable-Store Sales	Sales per Store
<b>Staples</b>	\$18,201,000	3.0%	\$9,579,474
<b>Office Depot</b>	15,010,718	2.0*	9,622,255
<b>OfficeMax</b>	8,965,700	-2.1	9,801,641

\* North American division

## POWER PLAYERS

## small-format value retailers

Dollar General, the old Turner family operation, is being taken over by private equity magnate Kohlberg Kravis Roberts, a hedge fund that has been especially sweet on the retail sector.

Fred's stores experienced a 2 percent sales increase in Q1 2007 – a modest result, but one that CEO Michael Hayes describes as “especially gratifying considering ... our store upgrades and merchandising initiatives.” Fred's refresher program is under way at more than 20 percent of its stores, and will eventually involve more than 500 stores retrofitted to “enhance the look and expand key departments,” Hayes says.

Dollar Tree Stores, on the other hand, came roaring into 2007 with increases in both traffic and average ticket, delivering “record first-quarter sales, net income and earnings per share,” says president and CEO Bob Sasser. “I am especially pleased with the improvement in

operating margin that comes as the result of planning and execution by our merchandising, operations and logistics team.”



Big Lots, which shed its furniture business and returned to its roots as a closeout retailer, has become a hot property on Wall Street. The Columbus, Ohio-based company reported record income from continuing operations in Q1 2007, as well as operating profits nearly double what they were in 2006, pace-setting inventory turnover and comp-store sales increases of 4.9 percent.

Company	2006 Revenues (000)	Comparable-Store Sales	Sales per Store
Dollar General	\$9,169,822	3.3%	\$1,146,228
Family Dollar	6,394,772	3.7	1,048,323
Big Lots	4,743,048	4.9	3,449,489
Dollar Tree	3,969,400	4.6	1,233,116
Fred's	1,767,239	2.5	2,521,026

## POWER PLAYERS

## non-store retailers

The world of selling goods without benefit of bricks-and-mortar stores is as diversified a retail segment as there is, what with online merchants, home shopping services, direct marketers and catalog houses. Amazon.com practically invented selling via the Internet; catalog publishers have been around since the 19th century; and shop-at-home broadcasters date back to the Golden Age of radio.

HSN — once known as Home Shopping Network, now part of IAC/Interactive Corp. — has entered into a deal with EchoStar Communications that would allow subscribers to make purchases with their TV remote controls rather than having to pick up the phone.

Rival QVC, which has tested interactive TV shopping in the U.K., has partnered with GSI Commerce and the National Football League to create a multi-channel shopping source for NFL-licensed merchandise. QVC will be the NFL's “official television retailer” when the season starts in



September, and GSI will handle the fulfillment of orders through QVC's telecasts and website.

Amazon remains in something of a trailblazing mode. Though it is already the largest Internet seller of music CDs, it plans to launch a digital music store later this year that will sell songs without copy protection (digital rights management), which the music industry says helps combat piracy.

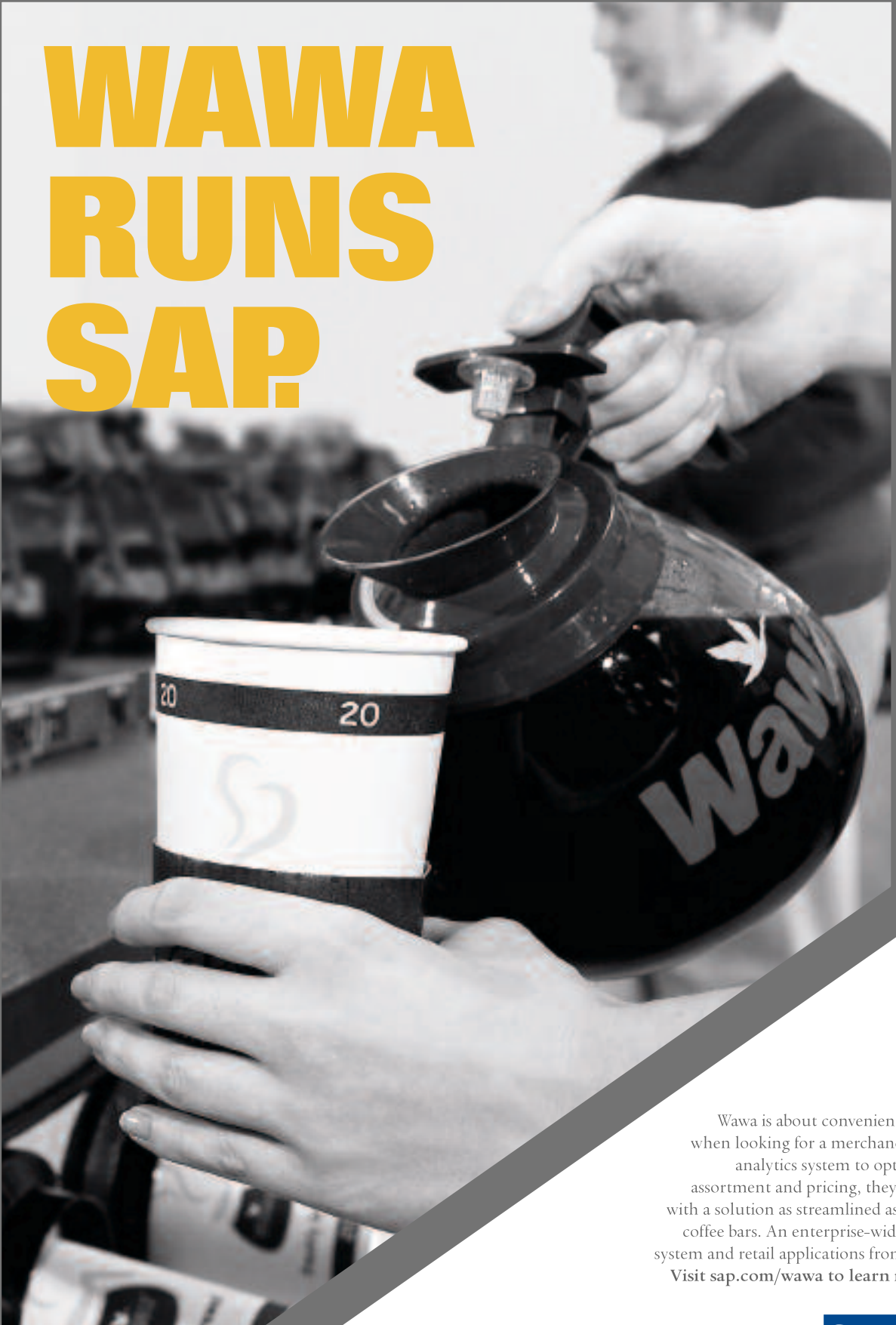
Company	2006 Revenues (000)
Amazon.com	\$10,711,000
QVC	7,074,000
IACI Retail	3,291,600

“Our MP3-only strategy means all the music that customers buy on Amazon is always DRM-free and plays on any device,” says company founder and CEO Jeff Bezos. Music downloads from Amazon can be copied to any computer, cell phone or music player.

# company index

COMPANY	HEADQUARTERS	RANK	COMPANY	HEADQUARTERS	RANK
7-Eleven	Dallas	25	Love's	Oklahoma City	83
A&P	Montvale, N.J.	45	Lowe's	Mooresville, N.C.	8
Abercrombie & Fitch	New Albany, Ohio	90	Luxottica Retail	Cincinnati	70
Advance Auto Parts	Roanoke, Va.	69	McDonald's	Oak Brook, Ill.	16
Ahold USA	Chantilly, Va.	14	Meijer	Grand Rapids, Mich.	27
Aldi	Batavia, Ill.	65	Menard	Eau Claire, Wis.	47
Alimentation Couche-Tard	Laval, Quebec	34	Mervyn's	Hayward, Calif.	99
Amazon.com	Seattle	32	Michaels Stores	Irving, Texas	81
Army Air Force Exchange	Dallas	38	Neiman Marcus Group	Dallas	74
AutoZone	Memphis, Tenn.	51	Nordstrom	Seattle	39
Barnes & Noble	New York	58	Office Depot	Delray Beach, Fla.	24
Bed Bath & Beyond	Union, N.J.	46	OfficeMax	Itasca, Ill.	37
Belk	Charlotte, N.C.	94	OSI Restaurants	Tampa, Fla.	80
Berkshire-Hathaway Retail	Omaha, Neb.	89	The Pantry	Sanford, N.C.	50
Best Buy	Minneapolis	11	Pathmark	Carteret, N.J.	76
Big Lots	Columbus, Ohio	67	PetSmart	Phoenix	71
BJ's Wholesale Club	Natick, Mass.	40	Price Chopper	Schenectady, N.Y.	93
The Bon-Ton Stores	York, Pa.	86	Pilot Travel Centers	Knoxville, Tenn.	30
Borders Group	Ann Arbor, Mich.	75	Publix	Lakeland, Fla.	15
Brinker International	Dallas	73	Quik Trip	Tulsa, Okla.	60
Burlington Coat Factory	Burlington, N.J.	87	QVC	West Chester, Pa.	44
Casey's General Stores	Ankeny, Iowa	84	RaceTrac Petroleum	Atlanta	61
Charming Shoppes	Bensalem, Pa.	97	RadioShack	Fort Worth, Texas	64
Circuit City	Richmond, Va.	29	Raley's	West Sacramento, Calif.	88
CompUSA	Dallas	68	Retail Ventures	Columbus, Ohio	96
Costco	Issaquah, Wash.	4	Rite Aid	Camp Hill, Pa.	19
Cumberland Farms	Canton, Mass.	98	Ross Stores	Pleasanton, Calif.	55
CVS	Woonsocket, R.I.	9	Roundy's	Pewaukee, Wis.	78
Darden Restaurants	Orlando	53	Safeway	Pleasanton, Calif.	10
Delhaize America	Salisbury, N.C.	21	Saks	New York	100
Dick's Sporting Goods	Pittsburgh, Pa.	95	Save Mart	Modesto, Calif.	66
Dillard's	Little Rock, Ark.	41	Sears Holdings	Hoffman Estates, Ill.	6
Dollar General	Goodlettsville, Tenn.	36	Sheetz	Altoona, Pa.	82
Dollar Tree Stores	Chesapeake, Va.	79	Staples	Framingham, Mass.	18
Family Dollar	Matthews, N.C.	48	Starbucks	Seattle	42
Federated Dept. Stores	Cincinnati	13	Stater Bros.	Colton, Calif.	85
Foot Locker	New York	52	SuperValu Retail	Eden Prairie, Minn.	12
GameStop	Grapevine, Texas	56	Target	Minneapolis	5
Gap	San Francisco	22	TJX	Framingham, Mass.	20
Giant Eagle	Pittsburgh	49	Toys "R" Us	Wayne, N.J.	26
H.E.B.	San Antonio	28	Trader Joe's	Monrovia, Calif.	62
Home Depot	Atlanta	2	Travel Centers of America	Westlake, Ohio	63
Hy-Vee	West Des Moines, Iowa	57	Walgreen	Deerfield, Ill.	7
IACI Retail	St. Petersburg, Fla.	91	Wal-Mart	Bentonville, Ark.	1
JCPenney	Plano, Texas	17	Wawa	Wawa, Pa.	92
Jean Coutu Group	Longueuil, Quebec	31	Wegman's	Rochester, N.Y.	72
Kohl's	Menomonee Falls, Wis.	23	Whole Foods Market	Austin, Texas	54
Kroger	Cincinnati	3	Williams-Sonoma	San Francisco	84
Limited Brands	Columbus, Ohio	33	Winn-Dixie	Jacksonville, Fla.	43
Longs Drug Stores	Walnut Creek, Calif.	59	Yum! Brands	Louisville, Ky.	35

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