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Wal-Mart Joins Nielsen Ratings

Wal-Mart Stores, Inc. signed an agreement with rating giant Nielsen to share US Wal-Mart, Neighborhood Markets, and Sam's Club sales information collected from most of the nation's food, drug, big-box, convenience, and dollar-store retailers after roughly a 10 year absence. It will take several months before the data can be fully integrated into the Nielsen system. Wal-Mart noted the deal will help identify category growth opportunities sooner and collaborate with manufacturer partners to develop better customer-driven marketing.

Target Confirms Canadian Food

Target Canada President Tony Fisher confirmed new Target stores opening in Canada will carry food, including fresh fruit, vegetables, and other perishables, but with limited square footage compared to US superstores with full groceries.

Wal-Mart And SuperValu: Food Deserts

Wal-Mart Stores, Inc. and Supervalu Inc. intend to open 275 to 300 stores and 250 stores

respectively over the next five years in so-called 'food deserts' – low-income urban areas where fresh and healthy food is often hard to find.

Apple Seeds

According to IMS Retail University, Apple's retail sales growth roughly accounted for 20% of all US retail expansion during the quarter. Apple's first quarter revenue was up 82% to \$28.57 billion, with profit more than doubling to \$7.31 billion, versus a year ago.

Apple Retail Clone

Apple operates four stores in China. Little did it know there was a fifth in Kuming. One clever scammer set up a complete Apple store, down to the blue-shirt clad employees and nametags, to sell Apple products, which may or may not be pirated products or just simple knock-offs with an Apple nameplate, noted the blog BirdAbroad.

According to the Wall Street Journal, that Kuming computer store that duplicated an Apple store claimed to be a reseller of legitimate

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ShopperTrak's Weekly Sales Summary

The NRSE GAFO Retail Sales estimates for the week ending 7/30/11 decreased a slight -0.5% compared to the previous week. On a year over year basis, NRSE GAFO retail sales estimates increased +4.1% compared to the same week in July '10. For July 2011, the NRSE GAFO Retail Sales Estimates were up +3.1 % compared to July '10.

GAFO Retail Sales decreased slightly this past week, as the past week was a transition week into the "Back-to-School" shopping season. Many consumers took family vacations as the summer winds down and their students are required to attend registrations and Fall sports practices. On a year over year basis, the week continued a string of year over year weekly gains that started after Easter week, back in April. The month of July produced a respectable gain over July 2010. This week is the start of the Back-to-School shopping season. We expect that GAFO Retail Sales will grow over the next several weeks only to fall toward the end of the month. We forecast that Back-to-School season would have a gain of +3.8% over Back-to-School 2010. However, a lot is riding on the Congress coming through today on their vote to increase the debt ceiling to avoid a default on the nation's debt. Bill Martin of ShopperTrak says, "If the votes drag on and the country defaults, more uncertainty could invade the markets, and consumers could reduce the amount of money that they would be willing to spend during the Back-to-School season."

ShopperTrak's Weekly Store Sales (GAFO*) Estimate

Week Ending	Millions of Dollars	Year/Year Change	Weekly Change
30-Jul-11	\$93,869	4.10%	-0.50%
23-Jul-11	\$94,354	4.00%	2.80%
16-Jul-11	\$91,760	2.50%	3.10%
9-Jul-11	\$89,015	1.10%	-3.10%
2-Jul-11	\$92,012	2.80%	-0.70%
Average Week Rate for Month	Average Weekly Millions of Dollar Sales	Average Year/Year Rate Change	Average Week over Week Rate Change
July (Month-To-Date)	\$92,202	3.10%	0.30%
June	\$93,285	4.20%	-0.60%
May	\$95,168	2.60%	3.90%
April	\$93,134	5.60%	-2.60%

*The U.S. General Merchandise, Apparel, Furniture & Other (GAFO) store sales estimates are based mainly on weekly proprietary retail data and are benchmarked to U.S. Department of Commerce monthly retail sales data. They are not seasonally adjusted.

Sales and Earnings (in Millions)

	Company	Period Ended	Sales	% Change Sales	Net Income	% Change Income
Apparel	Abercrombie and Fitch	April 30/Q1	\$836.7	22.0%	\$25.1	312.7%
	Aeropostale	April 30/Q1	\$469.2	1.0%	\$16.4	-64.0%
	American Eagle Outfitters	April 30/Q1	\$609.6	-6.0%	\$28.3	159.3%
	Ann Inc (Ann Taylor consolidated)	April 30/Q1	\$523.6	7.8%	\$27.3	20.8%
	bebe Stores (FYE 6/30)	April 2/Q1	\$109.5	0.6%	(\$2.6)	-51.8%
	Bluefly	Mar 31/Q1	\$21.7	7.2%	(\$1.2)	-13.8%
	Buckle, The	April 30/Q1	\$240.1	11.8%	\$33.5	11.3%
	Burlington Coat Factory	May 1 Q1	\$929.1	3.8%	(\$21.1)	-505.8%
	Cache, Inc. (FYE 12/31)	July 2/Q2	\$60.0	6.5%	\$2.8	212.0%
	Casual Male Retail	April 30/Q1	\$95.8	0.9%	\$4.2	1.3%
	Cato Corporation	April 30/Q1	\$270.9	5.0%	\$30.5	22.0%
	Chico's FAS	April 30/Q1	\$537.2	11.5%	\$45.9	29.7%
	Children's Place Retail	April 30/Q1	\$430.8	2.0%	\$29.1	4.3%
	Christopher & Banks (FYE 2/27)	May 28/Q1	\$128.3	-1.9%	\$1.9	-70.0%
	Ascena Retail (Dress Barn FYE 7/31)	April 30/Q3	\$722.8	9.0%	\$51.8	8.0%
	Gap, Inc. (consolidated)	April 30/Q1	\$3,295.0	-1.0%	\$233.0	-23.0%
	Guess Inc.	April 30/Q1	\$592.2	9.8%	\$42.7	-15.2%
	Gymboree (11/23/10 acq. by Bain Capital)	April 30/Q1	\$270.3	6.9%	(\$10.4)	-64.4%
	Hot Topic, Inc.	April 30/Q1	\$161.3	-0.8%	(\$7.7)	527.8%
	J.Crew (Acq. By TCP & L. Green 3/7/11)	April 30/Q1	\$409.5	-1.1%	(\$29.9)	-249.5%
	Limited Brands	April 30/Q3	\$2,217.0	14.8%	\$165.2	46.8%
	Liz Clairborne, Inc	July 2/Q2	\$556.0	3.5%	(\$89.9)	3.5%
	Pacific Sunwear	April 30/Q1	\$186.0	-2.0%	(\$31.5)	1.4%
	Ross Stores Inc.	April 30/Q1	\$2,074.5	7.0%	\$173.0	22.0%
	Saks, Inc. consolidated	April 30/Q1	\$726.0	8.7%	\$28.4	29.8%
	Stein Mart, Inc.	April 30/Q1	\$303.5	0.8%	\$15.9	11.2%
	Warnaco	July 2/Q2	\$591.4	14.0%	\$45.4	52.0%
	Wet Seal Inc. (consolidated)	April 30/Q1	\$156.0	13.2%	\$8.0	155.0%
Zumiez	April 30/Q1	\$105.9	18.8%	\$1.9	200.0%	
Discount	99¢ Only Stores (consolidated) FYE 3/27	July 2/Q1	\$337.5	6.2%	\$17.7	5.1%
	Amazon.com	June 30/Q2	\$9,913.0	51.0%	\$191.0	-8.0%
	Big Lots, Inc.	April 30/Q1	\$1,227.3	-0.6%	\$52.5	-6.0%
	BJ's Wholesale Club	April 30/Q1	\$2,769.3	10.0%	\$33.7	29.0%
	Costco Wholesale (U.S. comps FYE 8/31)	May 8/Q3	\$20,623.0	16.0%	\$324.0	5.9%
	Dollar Tree Stores	April 30/Q1	\$1,549.9	14.3%	\$101.0	58.9%
	Freds Inc.	April 30/Q1	\$484.4	3.0%	\$9.5	16.0%
	Overstock.com	June 30/Q2	\$235.0	2.0%	(\$7.8)	481.0%
	SAM's Clubs (div. Wal-Mart Stores, Inc.)	April 30/Q1	\$12,841.0	4.4%		
	TJX Companies (consolidated)	April 30/Q1	\$5,220.3	4.0%	\$266.0	-19.8%
	Wal-mart Stores (div. Wal-Mart Stores, Inc.)	April 30/Q1	\$103,415.0	4.4%	\$3,400.0	3.8%

Sales and Earnings (in Millions)

	Company	Period Ended	Sales	% Change Sales	Net Income	% Change Income
Drug	CVS/ Caremark	June 30/Q2	\$26,629.0	10.9%	\$816.0	-0.6%
	Rite Aid (FYE 2/26)	May 28/Q1	\$6,400.0	0.0%	(\$63.1)	-14.4%
	Walgreens	May 31/Q3	\$18,400.0	6.8%	\$603.0	30.2%
Food	Great Atlantic & Pacific (FYE 2/28)	Dec 4/Q3	\$1,800.0	-9.5%	(\$199.4)	64.4%
	Publix	June 30/Q2	\$6,600.0	5.8%	\$382.4	9.7%
	Supervalu FYE 2/26	June 18/Q1	\$11,113.0	-3.7%	\$74.0	10.4%
	Whole Foods	July 3/Q3	\$2,400.0	11.0%	\$88.5	34.6%
Specialty	A. C. Moore Arts & Crafts (FYE 12/31)	July 2/Q2	\$99.0	-0.8%	(\$7.9)	18.5%
	Best Buy (FYE 2/26)	June 28/Q1	\$10,940.0	1.4%	\$136.0	-12.3%
	Big 5 Sporting Goods (FYE 12/31)	July 3/Q2	\$219.6	-0.1%	\$3.1	-34.7%
	Dick's Sporting Goods	April 30/Q1	\$1,113.8	6.3%	\$37.5	43.1%
	hhgregg (FYE 3/31)	June 30/Q1	\$431.5	-1.0%	(\$0.8)	127.9%
	Hibbett Sports	April 30/Q1	\$203.7	10.4%	\$21.3	23.1%
Mass Merch.	Bed Bath & Beyond (FYE 2/26)	May 28/Q1	\$2,110.0	9.7%	\$180.6	38.0%
	Kohl's Corporation	April 30/Q1	\$4,162.0	3.1%	\$211.0	6.0%
	Target Corporation	April 30/Q1	\$15,935.0	2.2%	\$689.0	2.7%
Department Stores	Bon-Ton Stores Inc., The (consolidated)	April 30/Q1	\$664.5	-1.6%	(\$36.0)	53.2%
	Dillard's Inc.	April 30/Q1	\$1,469.2	1.1%	\$76.7	57.2%
	J.C. Penney	April 30/Q1	\$3,943.0	0.4%	\$64.0	6.7%
	Macy's, Inc.	April 30/Q1	\$5,889.0	5.6%	\$131.0	469.6%
	Nordstrom	April 30/Q1	\$2,229.0	12.0%	\$145.0	25.0%
	Sears Holdings	April 30/Q1	\$9,705.0	-3.4%	(\$170.0)	1116.5%
	Stage Stores, Inc.	April 30/Q1	\$346.5	1.9%	(\$0.5)	121.0%
Furn.	Haverty Furniture (FYE 12/31)	June 30/Q2	\$143.1	-1.3%	(\$0.9)	55.4%
	Furniture Brands International	June 30/Q2	\$296.2	2.3%	(\$6.6)	255.0%
Home	Home Depot, The	May 1/Q1	\$16,823.0	-0.2%	\$812.0	12.0%
	Lowe's	April 29/Q1	\$12,185.0	-1.6%	\$461.0	-5.7%
Office	Office Depot	June 25/Q2	\$2,710.1	0.4%	(\$20.1)	24.6%
	OfficeMax	June 25/Q2	\$1,647.6	-0.3%	(\$3.0)	125.7%
	Staples	April 30/Q1	\$6,172.9	2.0%	\$198.2	5.0%
Book	Barnes & Noble (FYE 4/30)	April 30/Q4	\$1,371.2	4.0%	(\$59.4)	85.0%
	Books-A-Million	April 30/Q1	\$104.0	-11.1%	(\$3.5)	275.0%
	Borders	Oct 30/Q2	\$470.9	-17.6%	(\$74.4)	97.0%
Auto	Advance Auto	April 23/Q1	\$1,898.1	3.6%	\$109.6	0.2%
	Auto Zone	May 7/Q3	\$1,978.4	8.6%	\$24.6	12.1%
	Pep Boys	April 30/Q1	\$513.5	0.7%	\$12.4	3.3%
	O'Reilly	June 30/Q2	\$1,479.3	7.1%	\$222.4	22.7%

Retail Bankruptcy Watch

Receive an alert when one of your customers files bankruptcy – join Smyyth Networks. Below are some of the major retailers that have sought bankruptcy protection over the past year:

Nebraska Book Company (NBC): Filed with the US Bankruptcy Court on July 7, 2011 a motion to retain Pachulski Stang Ziehl & Jones as co-counsel, Kirkland & Ellis as attorney, AlixPartners as restructuring advisor, and Rothschild as investment banker and financial advisor. Filed with the US Bankruptcy Court on Jul 18 2011 a Chapter 11 Plan of Reorganization and related Disclosure Statement. Nebraska Book Company's official committee of unsecured creditors filed with the US Bankruptcy Court on July 19, 2011 an objection to the Debtors' motion to retain Rothschild as investment banker and financial advisor, Rothschild's proposed fees, and effort to obtain \$200 million in post-petition financing. The objection asserted the \$75 million revolving loan and a \$125 million term loan from JP Morgan Chase Bank contains certain extraordinary provisions that are unreasonable and inappropriate. Nebraska Book Company's official committee of unsecured creditors filed with the US Bankruptcy Court on July 28, 2011 a motion to retain Mesirow Financial Consulting as financial advisor at the following hourly rates: senior managing director, managing director and director at \$775 to \$825, senior vice president at \$665 to \$725, vice president at \$565 to \$625, senior associate at \$465 to \$525, associate at \$285 to \$395 and paraprofessional at \$145 to \$240.

Jackson-Hewitt Tax Service: Official committee of unsecured creditors filed with the US Bankruptcy Court on July 7, 2011 motions to retain BDO Consulting as financial advisor at the following hourly rates: partner/managing director at \$475 to \$795, director and senior manager at \$375 to \$525, manager at \$325 to \$425, senior at \$200 to \$350 and staff at \$150 to \$225 as well as Duane Morris as counsel at hourly rates ranging from \$305 to \$745. The US Bankruptcy Court on July 25 approved Jackson-Hewitt Tax Service's official committee of unsecured creditors' motions to retain Duane Morris as counsel and BDO Consulting as financial advisor.

Jackson-Hewitt Tax Service filed with the US Bankruptcy Court on July 26, 2011 a Third Supplement for its Joint Prepackaged Plan of Reorganization. The Supplement contains the following documents: Supplemental List of Rejected Contracts and Leases and Biographies of the Directors of Reorganized Jackson-Hewitt Tax Service on the Plan effective date.

Signature Styles: Filed for Chapter 11 bankruptcy protection on June 6, 2011.

Hartstrings LLC: Owned by American Capital LP, Hartstrings filed for Chapter 7 bankruptcy on June 2, 2011, with plans to dissolve the business.

Metropark USA: Filed for Chapter 11 bankruptcy on May 2, 2011. The company, with 69 stores in 21 states, listed \$10 million in assets and \$50 million in debts.

Sbarro: Filed for Chapter 11 on April 4, 2011. Sbarro announced that it has consensually terminated its pre-petition plan support agreement and equity commitment agreement with Ares and MidOcean in order to explore other strategic alternatives, including discussions with a qualified bidder who has expressed preliminary interest in acquiring the company. The US Bankruptcy Court on July 26, 2011 approved Sbarro's motion to extend the exclusive period during which the Company can file a Chapter 11 plan up to October 31, 2011 (previously November 30, 2011) and solicit responses through December 31, 2011 (previously January 29, 2012).

Harry & David Holdings, Inc.: Filed for Chapter 11 on March 28, 2011. Filed with the US Bankruptcy Court on July 25 a Supplement for the Company's Second Amended Joint Plan of Reorganization. The Supplement contains the following documents: certificate of incorporation of reorganized holdings; by-laws of reorganized Holdings; management services agreement; schedule of executory contracts and unexpired leases anticipated to be assumed; escrow agreement governing the escrow account; exit facility commencement letter; preserved causes of action by the Debtors and reorganized Debtors and obligations to indemnify directors, officers and employees. The Pension Benefit Guaranty Corporation (PBGC) filed with the US Bankruptcy Court an objection to Harry & David Holdings' Second Amended Chapter 11 Plan of Reorganization. According to PBGC, the Plan should not be confirmed because it is contingent upon the termination of the pension plan, which would be improper under the Employee Retirement Income Security Act. The Internal Revenue Service and the State of Michigan, Department of Treasury also filed objections to the Plan.

No Fear Retail Stores, Inc.: Filed for bankruptcy protection on February 24, 2011.

Dumoulin: Filed for bankruptcy on February 23, 2011. Owns 15 corporate stores and 89 stores owned by franchisees. Seeks to close its US business affiliate and six corporate stores. Its 89 franchise stores are not going into bankruptcy.

Borders Group Inc.: Filed for Chapter 11 bankruptcy on February 16, 2011. US Bankruptcy Court approves sale of Borders Group, Inc. to group of liquidators led by Hilco Merchant Resources, which will sell off all inventory and assets by September. The liquidation will likely bring in between \$250 million and \$284 million the company can use to pay back creditors. Hilco Merchant Resources, Gordon Brothers Group, Great American Group, SB Capital Group and Tiger Capital Group started the liquidation of Borders Group's \$700 million in assets. Borders Group filed with the US Bankruptcy Court on July 28, 2011 a motion to retain Streambank as an intellectual property disposition consultant for a management fee of \$100,000 plus the following commission rates: 3% of the first \$2.5 million in aggregate gross proceeds, 5% for up to \$7.5 million in aggregate gross proceeds, 7% for up to \$10 million in aggregate gross proceeds, and 12% for over \$10 million in proceeds.

Ultimate Acquisition Partners LP and CC Retail LLC: Filed for Chapter 11 bankruptcy protection on January 26, 2011. Ultimate Acquisition filed with the US Bankruptcy Court on April 29, 2011 a motion to convert the Chapter 11 reorganization case to Chapter 7 liquidation status.

Great Atlantic & Pacific Tea Co.: Filed for Chapter 11 on December 12, 2010. The Great Atlantic & Pacific Tea Company filed with the US Bankruptcy Court on August 2, 2011 a second motion to extend the exclusive period during which the Company can file a Chapter 11 plan and solicit acceptances thereof through and including January 16, 2012 and March 16, 2012, respectively. The Court scheduled an August 16, 2011 hearing on the matter.

Rosa's Home Stores: Filed for Chapter 11 bankruptcy on December 9th, 2010.

Boutique Jacob Inc.: Filed for protection under the Companies' Creditors Arrangement Act in the Quebec Superior Court November 18, 2010.

Blockbuster: Filed Chapter 11 on September 23, 2010. The Court approved Blockbuster's motion to extend the exclusive period during which the Company can file a Chapter 11 plan and solicit acceptances thereof through and including August 19, 2011 and October 18, 2011. In its motion, the Company told the Court it needed this exclusivity extension '...to provide an opportunity for them to formulate a chapter 11 plan following the implementation of the Bid Procedures and the consummation of the Sale.'

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Apple products, but not an authorized Apple reseller. The store manager declined to say where the store obtains Apple products. China instituted inspections of retail stores, business licenses, authorized permits of brand use, and purchasing channels.

In any case, China closed two unauthorized Apple, Inc. stores in Kunming, China for operating without business licenses as part of probe into 300 electronics vendors in the city. Apple operates four Apple stores and has more than 900 authorized resellers in China, but copycat stores are springing up across China. China is one of 12 countries on the 'priority watch list' for intellectual property rights violations of the US Trade Representative.

Considering Apple's recent revenue-booming second quarter and its expansion crosshairs locked on China, inspections are good news for the company. Market research company Gardner forecasted 91 million iPhone sales in 2011 and 124.7 million in 2012, while IDC forecasted 110 million iPhone sales in 2012. The iPhone makes up about half of all Apple sales.

Analysys International estimated that only 53% of the 1.07 million Apple iPads sold in China last quarter were through vendors sanctioned by Apple. Apple's combined revenue for China, Taiwan, and Hong Kong in the quarter ended June 25 rose six times to \$3.8 billion from year ago. China's economy grew 9.5% in the second quarter 2011.

Apple iPhone 5 Mania

The Apple bandwagon continues to roll on. According to a July PriceGrabber survey of 2,852 of its US online consumers, 35% plan to purchase the iPhone 5 upon its anticipated release in the fall. Of these 35% diehards, 51% indicated that they will buy the smartphone within the first year of release, 30% will purchase it before the end of 2011, 14% will buy it within the first month, and 7% will buy it within the first week.

Dollar General To The Cloud

Dollar General Corp. signed a multi-year contract with Interface to provide cloud computing services, including Wide-area Network Management, PCI Compliance, Wireless Access Management, IP Alarm System Monitoring, IP Video Surveillance, and Interface Digital Voice, for its entire retail network of more than 9,500 stores. Interface asserted the data deal will improve operations, increase the security of customer and employee data, and provide significant reductions in operating expenses.

Dollar Store Declines

Is the economy in that bad a shape that even the dollar stores are hurting? Dollar General Corp., Dollar Tree, Inc., and Family Dollar Stores all missed quarterly expectations, citing rising transportation costs as the major financial drain. However, they also note a shift in spending habits from

their price-sensitive customers to more basic grocery-store items from more discretionary items such as home decoration and apparel. The three still posted quarterly same-store sales boosts of 5.4%, 7%, and 4.7% respectively, but since food costs are rising, margin pressure is likely to get worse until the economy improves.

According to a Wall Street Journal article, these cost and margin pressures mimic those faced by Wal-Mart, Target, and other retailers catering to price-sensitive customers. Family Dollar already rejected one takeover bid, but likely will be targeted again.

Dead Stores Selling

According to investment blogger Jeff Reeves, two big retailers are in zombie mode where it's a matter of time before they head into bankruptcy: drugstore chain Rite Aid and jewelry kingpin Zales. Rite Aid generated only one profitable quarter in four years and its \$6 billion in debt is about 25% of its annual revenue. Zales' sales has steadily dropped year after year, from \$2.43 billion in 2007 to \$1.61 billion in 2010 as the company shed stores, although its debt is a reasonable \$300 million.

Intel Interactive Kiosk

Intel hung a new name - Retail Interactive Fashion Experience - on an old theme - web page catalog based on inventory databases. Its new 'digital out-of-home' touch-screen kiosk, which stands about six feet tall or so, displays a store's apparel wares with e-mail and social network access. Shoppers can scroll through inventory based on price, style, and so on, save interesting items to a 'favorites' area for later review, try on those favorites on a virtual mannequin, e-mail friends an image of the clothes for opinions, and purchase the items. There's even a button to summon a live salesperson, who, in the demo anyway, will bring your selections to you in the dressing room. A swipe of a loyalty card brings up personal shopping history.

One drawback: Jack Sprat, who could eat no fat, and his wife Mrs. Sprat, who could eat no lean, apparently use the same virtual mannequin. One would think that if you could sort by size, the mannequins would enlarge and contract for Mr. and Mrs. Sprat based on that size.

Amazon.com The Tax Dodger

Amazon.com, which shut down affiliate programs in a number of states after the states demanded sales tax be charged on purchased routed through the affiliates, is sponsoring a voter initiative in California that exempts online sales from state sales tax. California is the latest state to demand taxes from affiliates. State officials estimate Amazon will owe \$83 million in taxes this year, nearly half of the \$200 million the state estimates Internet retailers owe overall.

The company argues that sales tax, even if it raises revenue, ultimately hurts

investment and job growth - although crying poor mouth when revenues in the first quarter 2011 (last quarter reported) rose 38% to \$9.86 billion probably makes brick and mortar retailers ask if they want some cheese with that whine. Somehow, no doubt using Potter-like spells and potions, retailers manage to charge sales tax to their customers, and presto-chango, customers actually pay it.

Blame the Supreme Court. Long ago, it ruled that customers do not have to pay sales tax for out-of-state purchases if the merchant did not have a physical presence in the state. Oddly enough, New York changed the law to define affiliate programs as physical presences. Amazon filed a challenge in court, but is, surprise, surprise, collecting NY state sales taxes.

Amazon.com certainly has the resources to collect sales taxes from each state and file the requisite quarterly accounting paperwork and funds. Small mom-and-pop internet retailers would be at a considerable disadvantage to do the same. Yet retailers cannot continue to get slammed by an average of 5% (across the country) for each purchase.

Of course, there is always a third way: national value added tax (VAT).

Amazon Tax Followup

Amazon reported net sales of \$9.91 billion for the second quarter 2011, up 51% from \$6.57 billion for same period last year. Second quarter net income fell to \$191 million, down 8% from \$207 million year ago. Most customers pay no sales tax on purchases from the internet sales giant, and Amazon has been shutting down affiliate programs in states that declare an affiliate to be a company 'presence' and demand sales taxes be collected.

The Wall Street Journal noted that Amazon's tax-free sales give it about a 10% pricing advantage in the higher sales tax states, less for lower sales tax states. According to Credit Suisse, Amazon could lose about 2.7% of its North American sales if Congress passed online tax legislation. Retailers would be pleased if the playing field became leveled and Amazon had to collect state sales taxes. States would probably rejoice, too.

But even with collecting state sales taxes, Amazon would not necessarily lose its price advantage. A William Blair & Co. report noted Amazon averaged an 11% price discount compared to its brick-and-mortar rivals. Without adding state sales taxes, Amazon had lower prices on approximately 56% of items. With taxes, it dropped to 48%.

Toys Out Of The Attic

Hasbro, Inc. and Mattel, Inc. reported strong international sales of its toys in the second quarter 2011.

Hasbro noted its international segment revenues grew 43% to \$374.5 million with growth in every major geographic region while US and Canada revenues were up 14%

to \$505.0 million. Transformers tie-in toys proved to be the big seller. The company repurchased a total of 2.4 million shares of common stock during the second quarter 2011 at a total cost of \$112.0 million and an average price of \$45.80 per share. For the first two quarters in 2011, the Company repurchased a total of 3.8 million shares at a total cost of \$175.7 million and an average price of \$45.69. At quarter-end, \$474.5 million remained available under the current share repurchase authorization.

Mattel noted international sales increased 23% while US revenue rose only 7%. Total revenue rose 14% to \$1.16 billion. Cars 2 tie-in and revitalized Barbie sales helped boost revenue. The company repurchased approximately 5.8 million shares of its common stock at a cost of approximately \$152 million.

Whether this can be sustained remains to be seen. Both companies are dependent on Chinese production – Global Trade Information Services notes China makes 64% of all toys exported in 2010 – and costs are rising. US retailers are also proving gunshy when it comes to restocking shelves. The weak US dollar is also helping international sales, and any strengthening may disrupt gains. Finally, the US economy is still struggling and no matter how loud kids scream, toys remain purchases in need of discretionary income.

Hanes' T-Shirt White Out

Hanesbrands Inc. is trying to eliminate the middleman by designing and selling graphic t-shirts direct to retailers in effort to boost sales from current \$100 million to \$300 million. The company consolidated manufacturing to three areas (China, Dominican Republic, and El Salvador), opened up design offices, intends to concentrate on women's fashion, and will churn out exclusive designs for Kohl's, JC Penney's, and other retailers, according to a Wall Street Journal article. All this rejiggering of the supply chain and design process results in faster turnaround times for hot items and trends – down by half to six-to-10 weeks – and at a lower cost point.

Open Virtual Sesame

Chinese online commerce company Alibaba.com Ltd signed an agreement to accept payments for products listed in its AliExpress wholesale platform via Western Union agents in 160 countries. Alibaba ended its agreement with PayPal after PayPal wanted to increase fees. However, a considerable number of postings across the internet warn about Chinese scams that specifically use Western Union as the payment system due to lack of controls after sending funds. Buyer beware should probably be in force.

Old Navy Swabs The Decks

Old Navy is about to unveil its 300th remodeled store featuring light wood, white shelving, wider aisles, and lowered racks and

Executive Changes

Cracker Barrel Old Country Store, Inc.

Sandra B. Cochran
Named President, CEO, and a Director effective September 12, 2011

Michael A. Woodhouse

Named Executive Chairman

Sears Canada, Inc.

Steven Goldsmith
Hired as Executive VP of merchandising, apparel, and accessories.

Build-A-Bear Workshop Inc.

John Haugh
Retired as President, effective July 22, 2011. His responsibilities will be shared by Chief Financial and Operations Officer Tina Klocke, Chief Entertainment Officer Teresa Kroll, and Chief Executive Maxine Clark.

Syms Corp.

Seth Udasin
Resigned as Senior Vice President, Chief Financial, and Chief Accounting Officer for personal reasons on July 8, 2011. Gary Binkoski will serve as interim Chief Financial Officer and Josephine Geiger will serve as Chief Accounting Officer.

fixtures along with moving dressing rooms from the back of the store to the center. In addition, the stores include a play area for children and more workers helping out in dress rooms. The best news: Customers spend \$1 to \$2 extra per store visit.

Industry and Economic News

End of Monthly Comparable Sales Reporting?

Hot Topic becomes the latest retailer to cease reporting monthly comparable sales figures, switching to reporting only quarterly sales numbers starting in the third quarter 2011. Monthly numbers from BJ's Wholesale will also join the exodus once it is taken private.

The two retailers are in good company. Wal-Mart, Sears, Home Depot, Lowe's, Ann Taylor, Chico's, Children's Place, American Apparel, Abercrombie & Fitch, Aeropostale, and American Eagle Outfitters ignore the voluntary monthly sales release. Nor can you blame them. The companies spend time and resources to put them out. While same-store sales help companies with good news when times are booming, any drop in same-store sales finds retailers hemming and hawing about shifting holidays, bad hair days, and Mercury retrogrades. Quarterly sales tend to even out the volatility.

According to Customer Growth Partners, comparable sales reports represent about 10% of total US retail sales and remain heavily skewed towards apparel and department stores, leaving out most consumer electronics and home improvement. In addition, some chains report only sales from stores while others include online sales in their figures. While the end of monthly same-sales reporting may be some time off, the trend among retailers certainly points towards its abandonment.

Back to School Survey

A Deloitte survey conducted between July 5 and July 11 of 1000 parents found that 31% plan to spend more this year than last

year on back to school items, 55% will spend about the same, and 14% will spend less. Why spend more? 60% cited that it just costs more while 32% said school budget cuts are causing the extra outlays. What's the top three items to buy? 94% said school supplies, 88% said clothes, and 79% said shoes. And 43% intend to spend at least \$250. But they will not just spend blindly – of the 40% who owned smartphones, 63% noted they will use them to ferret out the best prices and discounts.

Of note, among respondents earning \$100,000 or more, 82% contended their financial situation is the same or better than last year and only 31% noted they were likely to purchase more lower-priced items due to economic concerns. For those making under \$100,000, 66% said their financial situation is the same or better versus a year ago and 51% will be looking to purchase more lower-priced items due to economic concerns.

Won't Get Fooled Again

The Deloitte 2011 Consumer Food and Product Insight Survey found that 87.7% of shoppers believe prices in food stores are escalating and 74% say the size of some packaged goods is smaller. As a result, 75.3% purchased lower-priced products and 39.6% bought more private label items.

Luxury Goods Lookin' Good

The luxury goods market continues to grow, according to Bain & Co., which predicts world-wide luxury good sales will increase in 2011 to \$265 billion, up 8% from 2010, primarily from surging sales by Asian tourists.

Back To School Dirty Looks

According to market research firm NPD Group, retailers hoping for a big back-to-school splurge in the summer may face detention from procrastinating shoppers. NPD's study of 12,000 consumers surveyed between July 1 and July 14 found that only 35% would start back-to-school shopping by August 1, 60% said they would start by September 1, and the remaining 5% would start after September 1. NPD noted

this represented an increase in shoppers postponing purchases until the start of school from last year.

NPD noted 40% of consumers plan to spend the same amount, 38% expect spending less, and 22% will spend more than last year. Another market research firm, Customer Growth Partners, previously forecasted a 6.2% increase in 2011 back-to-school spending. NPD noted 82% of shoppers would focus on value, not trends.

A poll in May of 2612 shoppers of online c-commerce website Pricegrabber noted 48% of them plan to spend \$250 or more on back-to-school purchases and 25% will spend \$500 or more - a modest decline from 2010, when 56% indicated they'd spend \$250 or more and 31% planned to spend \$500 or more. The poll also noted 41% of shoppers indicated they will visit retailer websites in 2011 to print out coupons, versus 33% last year.

Global E-Commerce

Cisco Systems Inc.'s Economics & Research Practice forecasted global e-commerce, including travel and auto

purchases as well as retail sales, will increase 13.5% annually for the next four years to \$1.4 trillion in 2015. All that growth is evidently not helping Cisco - the company just announced plans to lay off 6500 employees in August.

Viva South America

The 2011 A.T. Kearney Global Retail Development Index, which ranks the top 30 developing countries according to their attractiveness to retailers, found South America on the rise. Brazil, Uruguay, and Chile jumped to the top three spots, up from fifth, eighth, and sixth, respectively. Peru came in eighth from the middle of the pack. In 2010, China took first place, with Kuwait in second.

Brazil Goes Boom, Boom, Boom

According to the 2011 Brazil Employment Outlook study by employment research firm Going Global, hiring for FMCG (Fast Moving Consumer Goods), manufacturing, agribusiness, and heavy construction has

driven down the unemployment rate to 6.1%, with annual average salary raises of 6.5%. Brazil especially needs engineers, turning out only 35,000 engineers per year, compared with India's 250,000 and China's 400,000.

The need for multilingual human talent extends to the executive branch and the pay is better, too. For example, a CFO with 12 years' experience or more can earn \$400,000 to \$530,00 in Sao Paulo, while his CFO counterpart in New York earns approximately \$125,000, Going Global noted.

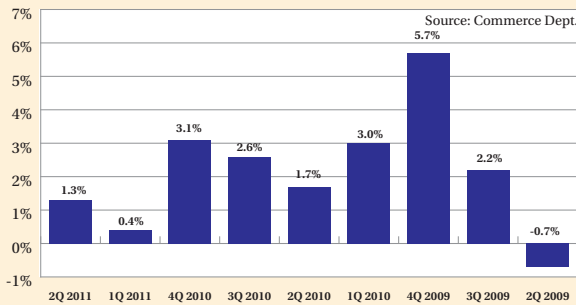
According to the 2010 Talent Shortage Survey Results by Manpower, the top 10 job openings in Brazil were: technicians, skilled trades, production operators, office support staff, laborers, engineers, drivers, accounting and finance staff, IT staff, and sales representatives.

China Exports

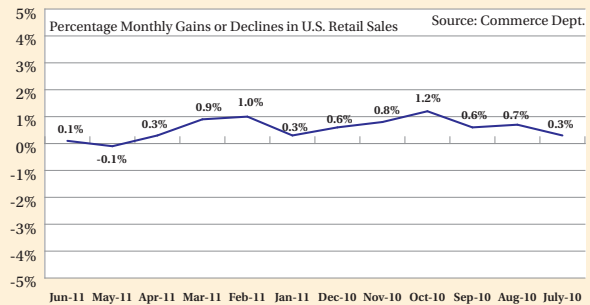
China reported exports were \$162 billion in June 2011, totaling \$874 billion for the first half of 2011, a 20% increase from last year.

Economic and Creditor Indicators

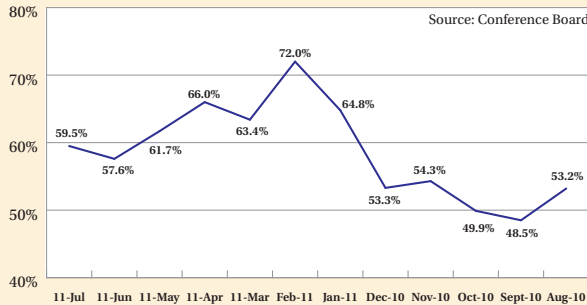
Gross Domestic Product



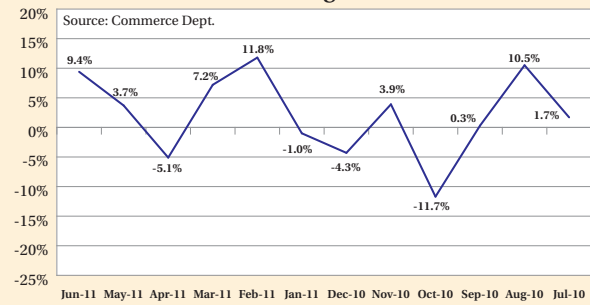
Retail Sales



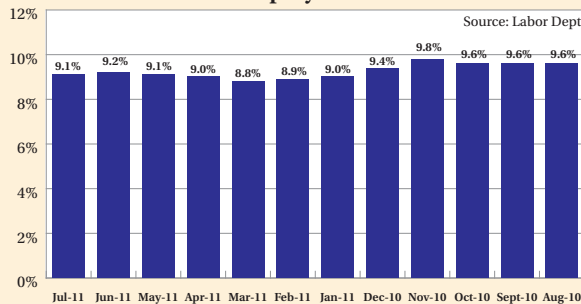
Consumer Confidence Index



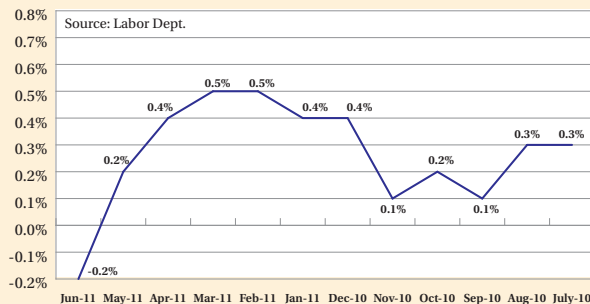
Housing Starts



Unemployment Rate



Consumer Prices



China's trade surplus with the US rose to \$22 billion in June, up from \$13 billion in May, although first half 2011 trade surplus fell 18.2% from last year to \$44.93 billion.

All Ashore...

National Retail Federation and Hackett Associates Global Port Tracker reported US ports handled 1.28 million Twenty-foot Equivalent Units (TEU) in May 2011, up 6% from April and 1% from May 2010, the 18th month in a row to show a year-over-year improvement.

...Less Freight, More Filling

Shipping companies Hyundai Merchant Marine, APL, and MOL (part of New World Alliance) will remove one weekly string of vessels, each averaging 3,960 TEUs, from their Pacific Southwest service in July 2011 due to slowing demand for retail merchandise and reductions in inventory replenishment in the US. Other New World Alliance companies will adjust remaining spaces to meet any increase in demand. The shippers assert reduced demand and soft prices are to blame, even though the late summer to fall period is the busiest time of the year in trans-Pacific trade lanes.

SAP Retail Strategy

At SAP's Analyst Base Camp gathering of industry analysts, SAP Retail Industry Business Unit chief Lori Mitchell-Keller asserted no retailer is an island, even if many continue to operate that way. She noted that more attention to supply chain flow - 'multi-industry value chains' - would help retail operations gain increased market share, improved average basket size, more sales per sq. ft., and greater customer satisfaction.

Mitchell-Keller outlined key drivers to retail growth as: 'real' real-time data, the mobile revolution, globalization and consolidation, price and margin pressures, and omni-channel retailing. Her product pitch for the retail sector centered on SAP's Retail Planning platform - an integration of technology into a holistic approach to sales, supply chain operations, customer interactions, and business forecasting.

She contended the retail problem in implementing new technology stems from the common assessment that less than 1% of revenue gets spent on IT, so enterprise resource planning (ERP) remains a challenge. SAP reconfigured its applications into prioritized 'pre-integrated chunks' so retailers can attack the most pressing problem first, knowing that the next problem-solving app integrates into the previous app without a lot of legacy system workarounds. Over time, adding 'chunks' eventually builds an ERP system.

Of course, fixing only one link in the entire chain reduces the benefits of SAP's holistic approach, but sometimes one link is all you can afford - assuming the new link fits in with all the old links.

Small Business Blues

According to a US Chamber of Commerce report of 1409 owners and executives of small businesses with annual revenues of \$25 million or less (564 were Chamber of Commerce members), 84% felt the US economy is on the wrong track, but 61% believed their own company was on track. As for hiring, 64% will keep the same number of employees, 19% will hire new employees, and 12% will layoff workers. The biggest obstacle to hiring? Economic uncertainty (55%), followed by lack of sales and uncertainty about what Washington will do next (34% each).

About 80% viewed the ballooning national debt as a threat to their business, 79% noted over-regulation is strangling their business, and 62% are worried more about what government will do next instead of what it has already done. Roughly 79% assert taxation, regulation, and legislation make hiring more workers difficult, with 75% blaming the new healthcare law for restricting hiring.

These owners and executives are a generally gloomy bunch, with 39% contending America's best days are behind us, versus only 20% say our best days are in front of us. Sheesh. One wonders what they would have said during the Depression of the 1930s, or the early 1890s, or mid 1870s. Economies are like sine waves - they rise and fall and rise.

Double Dip Retail Recession

Retail consultant Strategic Resource Group Managing Director Burt Flickinger asserted the US retail sector just entered a 500-day retail recession in an article on The Street website. He predicted weaker retail sales, more store closures, and more bankruptcies. He cited that a recent study by Moody's Analytics estimated that almost 20% of all US payments were jobless benefits, food stamps, Social Security, and disability. Moody's noted jobless benefits accounted for about \$37 billion in spending - as long-term unemployed lose the benefits, that money will not be spent. The continuing weak job market offers no quick fix, either. Toss in inflation effects, and Flickinger contended rough retail sailing for the next year and a half.

Inflation Up 2.3%

The Chain-Weighted Consumer Price Index (CPI), an alternative measurement for the CPI, was up 2.3% for the second quarter 2011.

Credit Card Use Up

According to First Data Corp.'s SpendTrend report, consumers boosted non-discretionary spending via credit cards in June 2011 by 6.8% over year ago, with dollar volume up 10.7%, which may point to a new round of consumer woes. Signature debt was up 8.8% (dollar volume up 8.5%), debit use was up 3.8% (dollar volume up 6.0%), and check use was down

12.3% (dollar volume down 12.6%). Inflation drove core prices higher, with June average ticket growth up 2.1% - the largest increase in more than a year. Most industries posted higher dollar volume growth in June versus May. The exception was the hotel industry, which saw dollar volume growth slow from 11.5% in May to 7.6% in June.

Fed's Mandatory IPP

In the name of government efficiency, the US Treasury Department mandated that all Treasury Bureaus implement the Internet Payment Platform (IPP), an electronic invoice processing solution, by the end of fiscal year 2012. Commercial vendors must submit invoices by IPP, which allows for quicker payment processing for their services, greater assurances that their invoices are received and processed accurately, and immediate online access to their invoice status.

A Rose By Any Other Name

The inability of Congress to act on renewing the Andean Trade Promotion and Drug Eradication trade agreement with Colombia is proving a double edged sword, noted an article in the Wall Street Journal. On the one hand, reapplying up to 8% tariffs to the extensive US flower imports generated \$7 million from February to April 2011 versus only \$4,000 from the year before. On the other, the boom in cheap Colombia flower production lessened Colombia's dependence on the illegal drug trade and allowed the country to grab 75% of US cut flower market, putting US growers out of business - the California Cut Flower Commission reported a drop from 450 state growers in 1991 when the tariff-free agreement went into effect to only 250 in 2011.

Horrible, right? The Commission is hoping the Federal Government will pop \$15 million for a new distribution center. But are things as bad as that?

The US Department of Agriculture reported the wholesale value of domestically produced cut flowers was \$375 million for 2010, 4% more than 2009. California's value was \$286 million, accounting for 76% of the total cut flower value in the 15-State program. In 2010, the number of producers dropped to 316.

In a related category, the USDA noted potted flowering plants for indoor or patio use were valued at \$669 million, also up 4% from 2009. California accounted for 36% of the 15-State value in this category, and Florida accounted for 17%. Here, the number of potted flowering plant producers decreased by 10% to 1,133 in 2010.

The numbers indicate a growing flower market, even with Colombian imports. The tariff of up to 8% may have boosted the price of flowers slightly for Valentine's Day, Mother's Day, or weddings, but evidently the lack of a tariff over the last 20 years didn't cause US flower growers to go the way of buggy whip manufacturers.

Food Stamp Stimulus

Grocery stores are seeing a rising number of customers use food stamps as unemployment remains high and the number is likely to increase as unemployment benefits start running out for the long-term unemployed.

According to an article in *The Economist*, approximately 45 million Americans receive food stamps, of which about half are children and 8% are elderly. Only 14% of food-stamp households have incomes above the poverty line, 41% have incomes of half that level or less, and 18% have no income at all. The average benefit is \$133 a month and the maximum, for an individual with no income at all, is \$200. The cost to the Federal government is \$65 billion in 2010, up from \$35 billion in 2008, and the Department of Agriculture estimated that only 66% of those eligible apply for the benefit.

When Moody's Analytics assessed different forms of stimulus, it found that food stamps were the most effective, increasing economic activity by \$1.73 for every dollar spent. Unemployment insurance came in second, at \$1.62, whereas most tax cuts yielded a dollar or less. The reason? Food stamp funds are spent immediately.

Scanner Envy

Self-checkout scanners in grocery and other stores are on the rise, even though Albertson's are removing them from all stores so customers can act with cashiers, not display screens. VDC Research Group estimated scanner growth at 84% over the next five years and noted scanners can reduce wait times, save on labor costs, and make maximum use of limited retail floor space – although upfront costs are \$17,000 to \$20,000 each versus \$2500 to \$3000 for a regular cash register.

A MSNBC survey of 160,000 users found about 35% found self-checkout lanes handy, 37% hated them, and 28% used them when they had to. Smartphone checkouts should be the next technological hurdle for grocery stores, although Europe and other parts of the world are already using it.

Now, if supermarkets can only get their baggers to stop putting the eggs at the bottom of the bag...

Bumping Down Sales

According to the Journal of Consumer Research, as noted in the *Wall Street Journal*, a study found that getting touched, even by accident, by other people makes shoppers less likely to buy product they are considering. All of a sudden, wider aisles seem like a good idea.

Baby Food Rise

The Westernization of the Asia-Pacific region is continuing into the baby food market, especially in the milk formula and dried baby food categories, noted the latest report by website *Companiesandmarkets*. China is expected to account for 84% of market value growth. Core strategies by

leading industry players are centered on three pillars: enhancement of scale of operations, expansion and rationalization of infrastructure, and innovation and development of product portfolios. Nestle-Gerber, for example, has been concentrating on geographic expansion.

Groceries Play Multiple Game

Annoying as it might be for customers *not* shopping for an army, grocery stores show no inclination to retreat from 'multiple' discounting – those offers where you need to buy five or 10 of the same item. According to a *New York Times* article, such offers work to boost revenues. For example, When Supervalu tested 10-for-\$10 deals versus five for \$5 on the same items and in the same markets, it found that people usually bought two more items when the promotion was 10 for \$10. When it tried doing one for \$1, it suffered a double-digit decline in sales.

Put some of the blame on the economy, with higher food and gas prices sucking wallets dry, but also on manufacturers, which are offering discounts if stores use the multiples strategy for pricing. In most, but not all, cases, the same price applies even if you purchase fewer of the items than listed on the in-store display.

Goin' Mobile

A Crossview survey of 25 top e-commerce retailers, including Best Buy, Toys R Us, Coach, and PetSmart, found that all 25 offer mobile commerce sites or apps that include product name, product description, price, the ability to complete a purchase, and store locator. After that, features vary: 88% enable consumers to set up an account, 88% can share product information via social media, 80% enable customers to track orders after a purchase, 80% allow shoppers to create a wish list, 60% offer ratings and reviews, 56% enable customers to access their loyalty program accounts, 52% integrate GPS satellite technology, 44% show product availability online and at store locations, 40% display estimated shipping charges before adding a product to a shopping cart, and 28% feature buy via mobile/pickup in-store, noted Internet Retailer.

Factory Blues

According to a study by the Federal Reserve Bank of Minneapolis, from 1997 to 2007 the number of US factories employing more than 1000 workers dropped from 1503 to 1014 (in 1977 there were 2061 of them). But they did not all close – 48% still employ more than 500 workers, 7% still employed between 250 to 500 workers, and the rest *closed*.

The double asterisks around 'closed' need explanation. Only in a government study would 'closed' not be considered shut down. To quote the study: 'Closure includes shrinking to a plant size below 250 employees.'

Nevertheless, automation and technological changes are shrinking the

factory workforce. In 1997, said the study, factories employed 13.7% of all private non-government employees. In 2007, that percentage dropped to 9.7%.

Megafactories employing more than 5000 workers also declined, from 97 in 1997 to 49 in 2007. If you want industrial production on a vast scale, look to China. News reports credited the Foxconn complex in Shenzhen – where iPhones are assembled – with 300,000 workers. Of course, more than a few are committing suicide. The company recently issued a new regulation banning suicide from the workplace. That must be the new Chinese labor movement: protest by suicide.

Most of the work once done by US factory labor moved to China. In sections of the Southeast US, an amazing 97% of infants' cut and sew apparel manufacturing headed to China, while 91% of women's and girls' cut and sew suit, coat, and skirt manufacturing went there too. Other specific apparel categories lost 70% to 78% of the US jobs and non apparel categories did almost as bad: computers lost 68%, power hand tools down 56%, electric housewares down 54%, and metal household furniture lost 48% of its jobs to China. No need to wonder why unemployment is up to 9.2% and underemployment doubles that figure.

C'Mon Baby: Statistics Twist

According to a *Compete Online Shopper Intelligence* survey of 3,269 online purchasers between April 14 and May 5, 2011, 56.2% said they use Facebook to keep up with sales and promotions, 29.2% learned more about a specific retailer, and 13.7% asserted they let others know about a favored retailer. Of course, these results come from people who purchased something, as opposed to a proper poll that would sample all consumers to give retailers a more accurate account of Facebook as marketing tool. Put another way, the survey results show almost half of purchasers do not look at retailer sales and promotions, more than two-thirds don't want to know about the retailer, and almost 90% never tell anyone about their favorite retailer. Half full or half empty?

Mergers

Toys R Us IPO: Next Year

Toys R Us is becoming like my favorite sports team – halfway through the season and it's 'wait 'til next year.' According to a Reuters news story, the company will file for an IPO in 2012. It originally filed paperwork in 2010, then said 2011, and now...2012. The US Securities and Exchange Commission already approved its application, so technically, it could file for an IPO at any time, but given the lackluster response to IPOs this year – in the US and even in once hot Hong Kong – the company is commendably cautious. Given the less than stellar stock prices of those companies that did turn out an IPO this year, that caution is reflected by investors, too.

Conn's Financial Moves

Conn's, Inc. completed a \$55 million expansion of its revolving credit facility to \$430 million and extended the term by 20 months to July 2015. It estimates that diluted earnings per share will benefit by approximately \$0.03 per year as a result of the interest rate changes.

The company also paid the entire balance of its \$100 million second lien term loan on July 28, 2011. This allows Conn's to reduce its interest expense by approximately \$11.9 million annually and record a pretax charge of approximately \$11.0 million due to the payoff, related to the write-off of unamortized original issue discount and deferred financing fees, and the payment of the required prepayment premium.

Conn's also completed an \$8 million real estate loan to finance three owned store locations. The real estate loan will mature in July 2016, and requires monthly principal payments based on a 15-year amortization schedule. The interest rate on the loan is the Prime rate plus 100 basis points, with a floor on the total rate of 6%.

After completion of the amendment, repayment of the term loan, and funding of a new \$8 million real estate loan, the company has \$290.0 million outstanding under the revolving credit facility, excluding \$1.8 million of letters of credit, and has immediate borrowing availability under that facility of approximately \$82.4 million.

Big Lots Credit Facility

Big Lots, Inc. signed a new \$700 million five-year unsecured revolving credit facility which includes a C\$200 million sub-facility to support the growth of the newly acquired Canadian operations. The new facility replaced its prior \$500 million credit facility which was set to expire in April 2012. The new facility will be used to fund working capital needs and for general corporate purposes. Big Lots currently operates 1,412 Big Lots stores in the 48 contiguous United States and 89 Liquidation World and LW stores in Canada.

Duckwall-ALCO Credit

Duckwall-ALCO Stores, Inc. entered into a \$120 million, five-year revolving credit agreement with Wells Fargo Capital Finance, part of Wells Fargo & Company. The new credit facility replaces an existing \$120 million credit agreement with Bank of America, N.A. and Wells Fargo Retail Finance, LLC executed in February 2010. The new facility offers a 150 basis point reduction in interest rates, access to more availability through an increase of advance rates on the collateral, a streamlined treasury management process, and an extended term. In conjunction with the closing of the transaction, the Company will record a one-time non-cash after-tax charge of approximately \$300,000, or \$0.08 per share, in the second quarter ended July 31, 2011. This one-time charge is related to accelerated amortization of certain

transaction fees from the February 2010 loan agreement with Bank of America.

Syms' Real Estate Review

Syms Corp. hired global commercial real estate advisory firm Cushman & Wakefield to work with Rothschild and to advise Syms on various potential strategic alternatives. There is no defined timeline for this strategic review and there can be no assurance that the review of strategic alternatives will result in any specific action or transaction.

Liz Claiborne To Sell Mexx?

According to a Bloomberg report, Liz Claiborne Inc. is seeking to sell most of its money-losing Mexx brand, its largest division that accounts for about a third of its revenue, for about \$100 million plus \$100 million to cover debt and capital requirements. Leonard Green & Partners, Sun Capital, and Golden Gate Capital expressed interest. Final bids are due in a few weeks with sale completion around early September.

Citi Trends Down

Citi Trends, Inc. reported it expects to report a net loss in a range of \$0.60 to \$0.70 per diluted share for the second quarter ending July 30, 2011. Citi Trends' sales continued to be much lower than expected, with comparable store sales down 12% in May and June and expected to be down approximately 11% for the full second quarter. Additionally, the weakness in sales necessitated higher clearance markdowns, further contributing to the quarterly loss. In light of the existing uncertain sales environment, the company will not undertake to estimate results for the full fiscal 2011 year at this time.

Moody's Downgrades Sears

Moody's Investors Service lowered Sears Holdings Corp. Corporate Family Rating from Ba2 to Ba3, with a ratings outlook that is negative. This downgrade concluded the review for a possible downgrade that commenced on May 11, 2011. Moody's noted the downgraded rating reflects persistent declines in consolidated revenues over the past few years as well as pressure on operating margins resulted from erosion in market share. Credit metrics have weakened and are expected to remain weak for an extended period. Moody's expects Sears to reduce funded debt over the next 12 to 18 months as it redeems maturing long term debt and continues to make meaningful contributions to its domestic pension plans. The sharp declines in appliance sales in recent quarters reflect timing of stimulus plans in the last year, and Moody's expects appliance sales to gradually recover toward more normalized replacement demand, though weak conditions in the US housing market will remain a drag for sales of higher ticket items like appliances. The rating outlook could be stabilized if operating earnings begin to stabilize and debt/EBITDA

is expected to be sustained below 5 times and interest coverage (EBITA/interest) approached 1.5 times.

In view of the persistence of Sears' operating challenges, ratings are unlikely to be upgraded over the near term. Over time ratings could be upgraded if the company demonstrated sustained recovery in sales and operating earnings while also sustaining debt/EBITDA below 4.5 times and interest coverage approached 2.0 times. Ratings could be downgraded further if the company's operating earnings continue to erode over the next few quarters. Quantitatively ratings could be lowered if interest coverage remains near 1.0 times or if debt/EBITDA is expected to be sustained above 5 times.

NumBytes 26: Jumpin' Jeans

According to market research firm NPD Group, US men's and women's jean sales totaled \$13.8 billion for the year ended April 30, 2011. About 99% of the sales were for jeans priced \$50 and under. The other 1% were for those priced over \$50 – some retailing for \$300 and up. According to a Wall Street Journal article, gross profit margin for private-label jeans made for Wal-Mart Stores Inc., Sears Holdings Corp., and other retailers are less than 20%, whereas the margins for premium jean lines are 40% to 50%. Costs for a True Religion pair of jeans made in the USA are \$23.30 spent for a Los Angeles-based seamstress, \$10 worth of fabric (1.8 yards a pair, on average), 44 cents for pocket linings, 37 cents for a zipper, and \$2 for the embroidery on a back pocket. The equivalent high-end jeans made in China would retail about \$40 per pair, noted True Religion, but would likely not offer the same quality.

If consumers balk at the real thing, they can always buy pajama jeans from a late night TV ad.

NumBytes 27: Toying With US

China makes 64% of all toys exported in 2010 and the country has the largest toy part and toy packaging network in the world, according to Global Trade Information Services. Some manufacturers, troubled by rising costs, are looking elsewhere, for example, Vietnam and India. However, while wages are 10% less or lower, that lack of a toy infrastructure means increased costs for moving supplies, not to mention navigating undeveloped transportation infrastructure – bad roads, substandard ports, and inadequate warehousing facilities – and rising shipping costs.

A Boston Consulting Group report noted average Chinese wages were 52 cents per hour in 2000, but will rise to an estimated \$4.41 per hour by 2015. Imagine what toys will cost if China had environmental and factory safety laws – something workers are increasingly demanding in addition to better wages.

NumBytes 28: Summer Bummer

According to the Bureau of Labor Statistics, teenagers 16 to 19 years old suffered a 27.6% unemployment rate in June 2011. It could be worse. In June 2010, the rate was 29%. It could be worse than worse. They could always get a resume-padding, unpaid internship where they go to work for no money.

NumBytes 29: Internet Downloads

When broadband internet first started appearing in the home, companies offered unlimited downloads. Now they're placing limits, often 250 GB per month, with surcharges if you exceed those limits. The culprit? Movies. The average 3 minute video clip is only about 10 MB, but the average two-hour DVD takes up about 4.7 GB. Still, that means that 250 GB limit offers the opportunity to download just over 53 movies – assuming 53 movies per month are worth watching – or about 106 hours of video watching.

Right now, Cisco Systems estimates the average household downloaded 31.8 GB per month, and about 12% of US households downloaded more than 100 GB per month. By 2017, the company predicts, 17% of US households will use more than 200 GB per month and 5% using more than 500 GB per month. All these figures exclude mobile use.

As online retailing becomes more sophisticated and interactive, time among the online racks will rise. A 2009 Debenhams study found an average woman shops 13 hours per month and men about five hours per month. Even at full video, that still leaves bandwidth for 35 movies.

NumBytes 30: Corn Dole

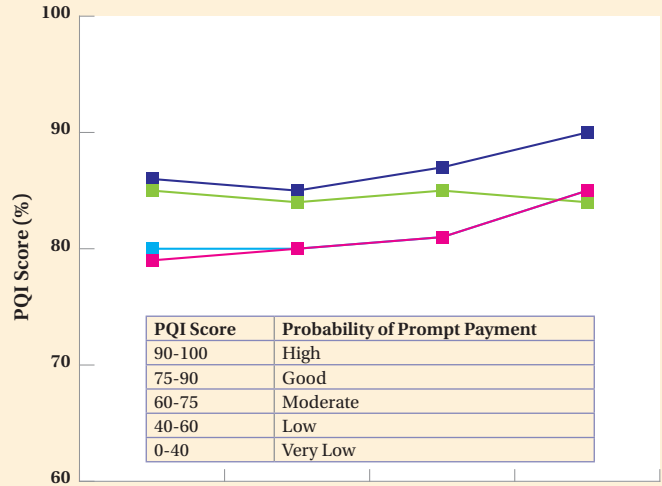
In ancient Rome, the 'Corn Dole' was the Empire's equivalent of welfare for the masses – subsidized grain to make the daily bread. When the corn ships of Egypt failed to arrive, or supplies ran low, Emperors trembled, because the populace without their corn made those modern Greek riots seem like a garden party.

Fast forward to today and the Chinese. When corn hit record prices of about \$8 per bushel back in June 2011, farmers planted corn like crazy and prices dropped down to \$6 per bushel. China promptly bought up 540,000 metric tons of US corn futures, the largest single purchase in recent memory, which popped the price back up to \$7 a bushel.

Bernard Sands PQI™ Index

The Bernard Sands Payment Quality Index (PQI) is based on receivable aging data submitted by trade suppliers, and is a weighted average score of the probability of being paid according to supplier terms. It takes a number of factors into consideration, including the amount past due relative to total owing, the past due aging distribution and the ratio of monthly payments compared to total owing, all tracked over 13 months. The PQI is adjusted to reflect an accelerating, improving or worsening payment trend. We believe that PQI trends can be predictive of default risk.

12 Month Historical Select Retailers



	Jul-10	Nov-10	Apr-11	Current
Department Store	79%	80%	81%	85%
Drugstore	85%	84%	85%	84%
Grocery	86%	85%	87%	90%
Mass Merchandisers	80%	80%	81%	85%

How well does an account pay, compared against its peers? Industry Sector PQI will tell you. Our new Industry Sector Average PQI is available online now. Call **1-201-714-4501** for details.

Now, the US Department of Agriculture forecasts that China will purchase 2 million metric tons of US corn in the next year. That's a kernal on an ear considering ethanol production requires north of 5 billion bushels and feed is another 5 billion bushels. However, with ethanol production slated to expand, government ethanol subsidies remaining in place, and the Chinese buying up supplies, what will happen to food prices? It might be a heckuva cleanup in aisle 4.

NumBytes 31: Grocery Shopping Habits

According to marketing consulting firm Acosta Sales and Marketing, 84% of shoppers make a list, 23% make fewer grocery trips than a year ago, and overall, shoppers spend less per trip now than a year ago.



Bernard Sands LLC
A Member of the Smyyth Family of Companies

51 Cragwood Road, Suite 201
South Plainfield, NJ 07080

1-201-714-4500
1-908-755-7451 fax
rpm@bernardsands.com
www.bernardsands.com

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