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## RETAIL PERFORMANCE MONITOR

*Actionable Intelligence...Since 1925***Apple Loses Jobs**

Apple Inc. founder and CEO Steve Jobs died at age 56 on October 5, 2011 after a long battle with pancreatic cancer.

Worse, the introduction of the new \$199 iPhone 4S landed with a thud, being perceived as not being equipped with enough cool features. Preliminary sales, possibly propelled by the passing of Jobs, are nonetheless strong. Consumer reaction is critical to the company's ability to generate continuing desire for its products. However, Apple announced plans to give away its older 3GS iPhones for free with two-year contract to try and rebuild momentum and take advantage of the smartphone expansion at the low end. ComScore estimated that at the end of July 2011, of the 82 million smartphones in the US, 42% were Android based versus only 27% by Apple.

**Wal-Mart Tries Florida Lottery**

Wal-Mart Stores, Inc. abandoned its long-standing policy and will start selling lottery tickets in its stores, starting October 5, 2011 with a pilot project in 27 of its stores in Florida. Company pilot projects usually last a few months. The pitch from Florida Lottery was to increase foot traffic in stores with an eye towards increased grocery sales.

**Best Buy Tries Thermostats**

Best Buy is selling smart thermostats and outlets, energy usage monitors, home energy

products, and possibly a home security/alarm system in a new and sizable 'Home Energy' section in three test markets: Chicago, Houston and San Francisco. The company asserted such smart energy products fit in with its background in setting up and explaining sophisticated consumer products and energy management products will be a hot seller in the coming years.

**Costco Raises Membership Fee 10%**

Costco Wholesale Corp. increased the annual membership fee from \$50 to \$55 for its 22 million members, effective November 1, 2011. Executive members, who receive rewards such as an annual rebate check to use in the store based on what they spend, will see their fees increase from \$100 to \$110.

The increase was, in part, due to missing profit predictions. For the fiscal fourth quarter that ended on Aug. 28 2011, net income generated \$1.08 a share, missing analysts' estimates of \$1.10 a share. For the quarter, Costco took an inventory charge stemming from inflation of 4 cents per share - and took a total of 12 cents per share of such charges for the year after no such charges in 2010. Analysts noted the increased fees could add 20 cents to 25 cents to earnings per share over the next two years as memberships are renewed, but analysts expect about half of the fee increase will be used to hold down prices. Costco last raised its fee in 2006.

*continued on page 4***Weekly Retail Sales Summary**

The retail sector generally posted strong September sales. According to the Johnson Redbook Retail Sales Index, which measures a sample of large general merchandise retailers, same store sales in September 2011 rose 4.4%. According to Thomson Reuters, the 24 US retail chains it tracks posted a 5.1% comparable store sales gain, bettering the predicted 4.6% gain.

September sales gained momentum from the damage that hurricanes Irene and Lee did to the Eastern US in August as shoppers shifted back-to-school purchases. Clothing sales, especially in the children and young adult markets, were particularly strong. Analysts also noted retailers boosted September sales by raising prices to mitigate the higher cost of cotton and other materials, albeit making sales in dollar terms look better than sales in unit terms.

Note that storm damage likely sent more shopper dollars into home improvement stores which sell generators and other associated items but do not report monthly same store sales figures.

For October, Johnson Redbook Research is more sanguine about retail expectations. It's predicting October 2011 same-store sales growth of 3.6% over October 2010, which would be a 1.7% decline from September 2011. Indeed, many analysts, citing uneven economic prospects, are predicting an October lull before holiday sales start up in November. The National Retail Federation predicted sales in November and December 2011 would rise 2.8%.

| Weekly Retail Sales Summary |               |                       |
|-----------------------------|---------------|-----------------------|
| Week Ending                 | Weekly Change | Year Over Year Change |
| 24 - Sep - 11               | 0.8%          | 1.8%                  |
| 17 - Sep - 11               | -10.5%        | -1.3%                 |
| 10 - Sep - 11               | 0.8%          | 0.0%                  |
| 03 - Sep - 11               | -1.8%         | 1.5%                  |

Source: National Retail Sales Estimate (NRSE), the ShopperTrak Retail Traffic Index and ShopperTrak Corporation.

## Sales and Earnings (in Millions)

|          | Company                                      | Period Ended | Sales       | % Change Sales | Net Income | % Change Income |
|----------|--|--------------|-------------|----------------|------------|-----------------|
| Apparel  | Abercrombie and Fitch                        | July 30/Q2   | \$916.8     | 23.0%          | \$32.0     | 64.1%           |
|          | Aeropostale                                  | July 30/Q2   | \$468.2     | -5.3%          | \$2.9      | 93.3%           |
|          | American Eagle Outfitters                    | July 30/Q2   | \$675.7     | 4.0%           | \$19.7     | 103.0%          |
|          | Ann Inc (Ann Taylor consolidated )           | July 30/Q2   | \$558.2     | 15.4%          | \$24.8     | 33.0%           |
|          | bebe Stores (FYE 6/30)                       | July 2/Q4    | \$132.3     | 8.3%           | \$4.7      | 135.0%          |
|          | Bluefly                                      | June 30/Q2   | \$24.0      | 17.0%          | (\$1.0)    | 42.5%           |
|          | Buckle, The                                  | July 30/Q2   | \$212.4     | 12.6%          | \$23.6     | 14.0%           |
|          | Burlington Coat Factory                      | July 30 Q2   | \$793.3     | 8.9%           | (\$32.8)   | -19.0%          |
|          | Cache, Inc. (FYE 12/31)                      | July 2/Q2    | \$60.0      | 6.5%           | \$2.8      | 212.0%          |
|          | Casual Male Retail                           | July 30/Q2   | \$100.9     | 3.8%           | \$6.6      | 17.2%           |
|          | Cato Corporation                             | July 30/Q2   | \$234.1     | 1.0%           | \$18.1     | 6.5%            |
|          | Chico's FAS                                  | July 30/Q2   | \$551.4     | 18.5%          | \$43.4     | 42.3%           |
|          | Children's Place Retail                      | July 30/Q2   | \$343.5     | -0.5%          | (\$9.8)    | 18.0%           |
|          | Christopher & Banks (FYE 2/27)               | Aug 27/Q2    | \$96.2      | -5.0%          | (\$13.0)   | 420.0%          |
|          | Ascena Retail (Dress Barn FYE 7/31)          | July 30/Q4   | \$725.8     | 2.0%           |            |                 |
|          | Gap, Inc. (consolidated)                     | July 30/Q2   | \$3,386.0   | 2.0%           | \$189.0    | -19.0%          |
|          | Guess Inc.                                   | July 30/Q2   | \$677.2     | 17.3%          | \$60.7     | -9.1%           |
|          | Gymboree (11/23/10 acq. by Bain Capital)     | July 30/Q2   | \$259.0     | 16.3%          | (\$6.9)    | -43.9%          |
|          | Hot Topic, Inc.                              | July 30/Q2   | \$150.9     | 0.7%           | (\$6.2)    | -1.6%           |
|          | J.Crew (Acq. By TCP & L. Green 3/7/11)       | July 30/Q2   | \$435.0     | 3.0%           | (\$10.5)   | -328.0%         |
|          | Limited Brands                               | July 30/Q2   | \$2,458.0   | 9.6%           | \$231.2    | 29.4%           |
|          | Liz Clairborne, Inc                          | July 2/Q2    | \$556.0     | 3.5%           | (\$89.9)   | 3.5%            |
|          | Pacific Sunwear                              | July 30/Q2   | \$214.9     | -1.9%          | (\$19.3)   | -17.9%          |
|          | Ross Stores Inc.                             | July 30/Q2   | \$2,089.4   | 9.3%           | \$148.3    | 15.0%           |
|          | Saks, Inc. consolidated                      | July 30/Q2   | \$670.1     | 12.9%          | (\$8.4)    | -74.0%          |
|          | Stein Mart, Inc.                             | July 30/Q2   | \$270.2     | -2.1%          | \$1.3      | -88.5%          |
|          | Warnaco                                      | July 2/Q2    | \$591.4     | 14.0%          | \$45.4     | 52.0%           |
|          | Wet Seal Inc. (consolidated)                 | July 30/Q2   | \$148.8     | 13.2%          | \$2.2      | 37.5%           |
| Zumiez   | July 30/Q2                                   | \$112.2      | 14.9%       | \$2.6          | 317.0%     |                 |
| 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.                               | July 30/Q2   | \$1,167.1   | 2.2%           | \$35.7     | -8.2%           |
|          | BJ's Wholesale Club                          | July 30/Q2   | \$2,985.0   | 11.0%          | \$45.7     | 27.8%           |
|          | Costco Wholesale (U.S. comps FYE 8/31)       | Aug 28/Q4    | \$27,590.0  | 17.0%          | \$478.0    | 10.6%           |
|          | Dollar Tree Stores                           | July 30/Q2   | \$1,542.4   | 11.9%          | \$94.9     | 26.2%           |
|          | Freds Inc.                                   | July 30/Q2   | \$452.7     | 1.0%           | \$5.1      | 3.0%            |
|          | Overstock.com                                | June 30/Q2   | \$235.0     | 2.0%           | (\$7.8)    | 481.0%          |
|          | SAM's Clubs (div. Wal-Mart Stores, Inc.)     | July 31/Q2   | \$13,646.0  | 9.5%           |            |                 |
|          | TJX Companies (consolidated)                 | July 30/Q2   | \$5,468.0   | 8.0%           | \$348.0    | 14.2%           |
|          | Wal-mart Stores (div. Wal-Mart Stores, Inc.) | July 31/Q2   | \$108,638.0 | 5.5%           | \$3,801.0  | 5.7%            |

## 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)                     | Aug 27/Q2    | \$6,300.0  | 1.8%           | (\$92.3)   | -53.1%          |
|                   | Walgreens                               | May 31/Q3    | \$18,000.0 | 6.5%           | \$792.0    | 68.5%           |
| 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)                     | Aug 27/Q2    | \$11,347.0 | 0.0%           | \$177.0    | -30.3%          |
|                   | Big 5 Sporting Goods (FYE 12/31)        | July 3/Q2    | \$219.6    | -0.1%          | \$3.1      | -34.7%          |
|                   | Dick's Sporting Goods                   | July 30/Q2   | \$1,306.7  | 6.6%           | \$73.8     | 43.3%           |
|                   | hhgregg (FYE 3/31)                      | June 30/Q1   | \$431.5    | -1.0%          | (\$0.8)    | 127.9%          |
|                   | Hibbett Sports                          | July 30/Q2   | \$153.1    | 9.5%           | \$5.9      | 48.0%           |
| Mass Merch.       | Bed Bath & Beyond (FYE 2/26)            | Aug 27/Q2    | \$2,314.0  | 8.3%           | \$229.4    | 33.0%           |
|                   | Kohl's Corporation                      | July 30/Q2   | \$4,248.0  | 3.6%           | \$303.0    | 3.6%            |
|                   | Target Corporation                      | July 30/Q2   | \$15,895.0 | 5.1%           | \$704.0    | 3.7%            |
| Department Stores | Bon-Ton Stores Inc., The (consolidated) | July 30/Q2   | \$609.3    | -1.5%          | (\$32.3)   | -4.2%           |
|                   | Dillard's Inc.                          | July 30/Q2   | \$1,441.7  | 3.8%           | \$17.6     | 158.8%          |
|                   | J.C. Penney                             | July 30/Q2   | \$3,906.0  | -0.8%          | \$14.0     | 0.0%            |
|                   | Macy's, Inc.                            | July 30/Q2   | \$5,939.0  | 7.3%           | \$241.0    | 63.9%           |
|                   | Nordstrom                               | July 30/Q2   | \$22,810.0 | 11.7%          | \$175.0    | 19.9%           |
|                   | Sears Holdings                          | July 30/Q2   | \$10,333.0 | -1.2%          | (\$144.0)  | 274.3%          |
|                   | Stage Stores, Inc.                      | July 30/Q2   | \$352.8    | 2.3%           | \$10.0     | -2.9%           |
| 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                         | July 31/Q2   | \$20,232.0 | 4.2%           | \$1,363.0  | 14.3%           |
|                   | Lowe's                                  | July 29/Q2   | \$14,543.0 | 1.3%           | \$830.0    | 0.0%            |
| 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                                 | July 30/Q2   | \$5,819.6  | 5.2%           | \$176.4    | 36.0%           |
| Book              | Barnes & Noble (FYE 4/30)               | July 30 Q1   | \$1,418.4  | 1.6%           | (\$56.6)   | -9.4%           |
|                   | Books-A-Million                         | July 30 Q2   | \$106.4    | -11.4%         | (\$2.9)    | 52.6%           |
| Auto              | Advance Auto                            | July 16/Q2   | \$1,479.8  | 4.4%           | \$113.1    | 12.0%           |
|                   | Auto Zone                               | Aug 27 Q4    | \$2,642.0  | 8.1%           | \$301.5    | 12.1%           |
|                   | Pep Boys                                | July 30/Q2   | \$522.6    | 3.5%           | \$13.9     | 31.1%           |
|                   | O'Reilly                                | June 30/Q2   | \$1,479.3  | 7.1%           | \$222.4    | 22.7%           |

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:

**Harry & David Exit Chapter 11:** Harry & David Holdings, Inc. successfully completed its reorganization efforts and emerged from Chapter 11 bankruptcy on September 14, 2011.

**Susie's Deal To Dangor:** Los Angeles retailer Yossi Dangor bought retail chain Susie's Deals, currently in Chapter 11 bankruptcy, for \$775,000 and will assume leases for 48 Susie's Deals stores in Utah, Nevada, Arizona, and California – down from its peak of over 100 stores. Dangor already operates 27 apparel stores and wholesale outlets in California and Texas under the names Top Top Clothing Inc. and PrimeTime Clothing Inc.

**Nebraska Book Motion:** Nebraska Book Company filed with the US Bankruptcy Court on September 14, 2011 a motion to retain Deloitte

Tax as a tax services provider. The company also filed on September 21, 2011 a status report, which noted exiting from bankruptcy is predicated on successful negotiations for \$250 million in financing, which is dependent on tallying financial results from the back to school period sometime at the end of October. The confirmation hearing is thus moved from October 4 to October 27, 2011. In addition, the company filed with the Court on September 29, 2011 a motion to extend the exclusive period that the company can file a Chapter 11 plan to February 22, 2012 and solicit acceptances to April 23, 2012. The Court scheduled an October 18, 2011 hearing on the matter.

**Borders, B&N, And Privacy:** US Bankruptcy judge approved Barnes & Noble Inc.'s \$13.9

million purchase of Borders Group Inc.'s intellectual property. The judge previously halted the sale to consider the privacy rights of 48 million Borders' customers, specifically, the ability to opt out of any transfer of their personal information to B&N. Other assorted assets were also sold for \$1.9 million.

### **Billionaire Threatens Bankruptcy:**

Billionaire John Catsimatidis, owner of supermarket chain Gristedes, threatened to put the chain into bankruptcy if he can't renegotiate terms of a \$3.5 million back wage settlement with his workers, according to an article in the NY Post. Manhattan federal Judge Paul Crotty, however, noted that terms of last year's settlement were binding and said he wouldn't 'bargain' with the supermarket magnate.

*continued from page 1*

### **Court Sets Aside Costco Class-Action Lawsuit**

The Ninth US Circuit Court of Appeals set aside a class-action lawsuit on behalf of 700 female workers alleging gender-based promotion discrimination at Costco, citing the US Supreme Court ruling in June that dismissed a class action lawsuit by 1.5 million female employees against Wal-Mart Stores for alleged gender-based pay and promotion discrimination.

The Circuit Court ruled the 700 women do not have enough in common to justify a class-action suit, although the women can sue Costco separately. At issue are allegations that Costco promotions were biased because they were not posted company-wide, instead relying on informal notifications by the predominantly male management staff. Costco had no comment and the suit is likely to go back to District Court.

### **Amazon Fires at Apple**

Amazon launched its \$199 Kindle Fire tablet, taking on \$499 Apple's iPad2. Both offer color, but the Fire is smaller in size and lacks a number of iPad features, including camera, microphone, memory, and 3G connectivity. Apple has sold almost 30 million iPads so far, and the marketplace is littered with other companies' failed tablet offerings.

### **Kohl's Opens 30 Stores**

Kohl's Department Stores opened 30 new stores in 20 states on Sep 28, 2011, adding 4000 new jobs. The company had also completed the 100th store renovation for the year.

### **Macy's Boosts RFID**

Macy's is increasing its use of radio frequency identification (RFID) tags at its namesake and Bloomingdale's stores, with larger roll out in 2012 and plans for up to 30% of its merchandise tagged by 2013. The company noted that two years of testing found that RFID helped to maintain 97% inventory accuracy.

### **Lowe's (Heart) iPhone**

Lowe's announced a 20% increase in capital expenditures this year to \$1.6 billion, with a big boost going into a technology overhaul that should make the warehouse shopping experience better for consumers. The company plans to purchase 42,000 iPhones – that's at least 25 per store – to arm salespeople with capabilities such as Point-of-Sale, calling, emailing, texting, and helping answer shoppers' questions. In addition, Lowe's is replacing 72,000 computer screens with flat panels, increasing bandwidth for transmitting data, and adding in-store Wi-Fi for shoppers.

In addition, the website is getting an overhaul with a new 'MyLowe's' tool that intends to help customers 'organize their homes' by storing paint details, receipts, appliance manuals, service warranties, and other info online. It's a nice tech counterattack to Home Depot's \$60 million tech overhaul to buy handheld Motorola POS systems.

### **Unions Pitch Analysts**

According to a Wall Street Journal article, labor unions trying to organize Wal-Mart's 1.4 million workers pitched Wall Street analysts that excessive cost cutting caused the retailer's nine straight quarters of decline. Wal-Mart countered with data showing customer service ratings and merchandise in-stock levels rose during the period.

### **GameStop's iTrade-In Gambit**

OK, 'iTrade-In' is NOT the name of the new GameStop program that buys used Apple iPhones, iPods, and iPads from customers for store credit, but the program is real and GameStop figured out that there's a market for used iThings. The company noted its secondary market for used videogames and refurbished gaming hardware was \$2.5 billion, with the customers getting \$1.1 billion out of it that they use to buy new products at the stores. Where will all those used iGizmos go? GameStop said Latin America.

In other news, GameStop noted it will bring out an Android-based 'gaming tablet' – likely a fancy way to say a regular tablet with the GameStop logo on it and preloaded with various games.

Give the company credit for trying to prolong their usefulness. The trend towards direct software downloads accelerates every year, which leaves the middleman grasping at ways to stay relevant. As we've seen with Borders, content – think of games as really long books – in digital form can be obtained with direct clicks, not intermediate bricks. Book and magazine publishers already figured out they could theoretically offer direct downloads and avoid the 30% cut to Apple and Amazon. Game publishers are no less astute, and they've got the tech department to turn theory into reality.

### **Kenmore to Costco?**

Sears Holding Corp is planning to sell Kenmore appliances through 'external groups' such as Costco Wholesale Corp, according to an article in the Wall Street Journal. Sears already sells Craftsman tools through Costco and Ace Hardware stores.

Esprit Exits US and Canada

Clothing company Esprit Holdings Ltd. will close its unprofitable US and Canadian

operations, shut down 80 unprofitable stores including retail operations in Spain, Denmark, and Sweden, and double its Chinese operations to 1,900 locations from 1,000. It will also concentrate on France, Taiwan, Singapore, and Malaysia. The company will create a trend unit based in Paris and a design centre in China to bring hot fashion trends to market faster and form a new unit focusing on denim, a wardrobe staple that has become more popular during the global economic downturn because of its low cost and durability.

### **Saks Sacks Discounts**

Saks CEO Steve Sadove, in a Wall Street Journal interview, noted the high-end retailer is ending most discounting programs now that customers are comfortable paying full price for items. He asserted that Saks customers are attuned to the stock market and their net worth, so when the Dow was 6500, they shopped one way, but with the Dow at 11,000 to 12,000, they shop accordingly. In addition, Saks has also pared inventory growth, so in case of a slowdown, the store has less need to slash prices due to ballooned inventory. Sadove noted online growth is strong, but is geared for particular items whereas the store is more all encompassing.

### **Coke By The Ounce**

Coca-Cola is unveiling a bewildering array of bottle sizes – 30 different sizes ranging from 6.75 ounces to three liters – in an effort to making Coke available in less expensive packages. The company launched 12.5-oz bottles for 89 cents (\$0.712 per oz) to complement their 16-oz bottle for 99 cents (\$0.619 per oz) and brought out an eight pack of 7.5-oz cans for \$2.99 (\$0.498 per oz) while it raised prices on larger bottles.

More packaging choices also means either expanding shelf space to accommodate new products or keeping the same shelf space and reducing the number of any one product. Coke commands 34.3% of the soda market, versus Pepsi's 32.8%, according to Beverage Digest.

### **FedEx Price Increase Coming**

FedEx Corp. announced plans to increase shipping rates for FedEx Express by a net average of 3.9% for US domestic, US export, and US import services effective January 2, 2012. The full average rate increase of 5.9% will be partially offset by adjusting the fuel price threshold at which the fuel surcharge begins, reducing the fuel surcharge by 2%. FedEx Ground and FedEx SmartPost pricing changes for calendar 2012 will be announced later this year. FedEx Freight implemented a 6.75% general rate increase on Sept. 6, 2011.

### **Sears The Landlord**

Sears Holdings Corp. listed 4000 Sears and Kmart stores with space to lease to other retailers in an effort to boost revenues as Sears sales fall. Sears already negotiated

two leases: Western Athletic Clubs taking over 69,000 square feet of Sears' 273,000-foot Cupertino, CA store, and Gonzalez Grocery Store renting 41,000 square feet of 104,000 square foot San Diego Kmart. Sears previously leased out 3000 square feet of space at 12 stores to Edwin Watts Golf Shops, of which five closed.

### **Chanel Sues Websites**

Chanel filed lawsuits against 399 websites, largely operating out of China, the Bahamas and other international markets, for selling counterfeit bags, scarves, and other items bearing its name, according to the Las Vegas Sun. The lawsuit seeks an order to seize or disable the websites. Chanel has to get in line. Earlier this year, Tiffany and Louis Vuitton also filed lawsuits against 223 and 183 websites respectively for knock-offs.

### **Anheuser-Busch InBev \$1 Billion**

Anheuser-Busch InBev NV announced plans to spend \$1 billion to upgrade US breweries and other facilities, in addition to renovating agricultural operations.

### **CVS-Aetna Medicare Plan**

CVS Caremark Corp. and Aetna Inc. teamed up to co-brand a new Medicare Prescription Drug Plan, which will be available at 7200 CVS stores and 65,000 pharmacies in Aetna's Medicare network in 43 states and Washington DC.

### **Pilgrim's Fraud**

Federal judge ruled Pilgrim's Pride Corp. tried to manipulate chicken prices in 2009 by closing a processing plant in El Dorado, AR, and ordered the company to pay \$26 million in damages to contract poultry growers in Arkansas. The company planned to appeal.

### **Fast Retailing For Asia**

Fast Retailing Co, parent company to clothing retailer Uniqlo, noted plans to open 200 to 300 stores annually outside Japan – 100 in China, 100 in Southeast Asia, 50 in South Korea, 30 in Taiwan, and 20 in US/Europe. The company noted middle-income customers will rise by one billion to two billion in Asia over the next decade and it aims to be the largest retailer in the world. Currently, apparel retailer Zara operates more than 5000 stores worldwide, followed by the Gap with more than 3200 outlets.

## **Industry and Economic News**

### **Retailers (Heart) Tablet Users**

According to Forrester Research survey of 2300 consumers, 4% to 5% of tablet users place orders versus only 3% of PC users, and better yet, because tablet users tend to be wealthier, spend 10% to 20% more per order than PC users. Most tablet users access retailers' web sites instead of using apps, and retailers had to retool their websites to

account for fat fingers stabbing at links than pointy mouse arrows clicking on icons.

### **Loss Of Loyalty**

Couponing, including the use of online coupon sites, is making retailers work twice as hard to keep customers from heading for the cheapest price. According to NCH Marketing Services, in the first half of 2011, consumers redeemed 1.75 billion coupons for a savings of \$2 billion, up 18% from the same period in 2009. That's prompted retailers to offer their own deals, such as Kroeger offering \$1 off on gasoline and CVS offering cash-back rewards, according to the Boston Globe.

### **Promo Power Corrupts Absolutely**

At a Shop.org conference panel Promotions in the Digital Channel: Free Shipping and Beyond, panel members noted shipping-based promotions such as free shipping work well, but that once free shipping promises are made, they are hard to eliminate and customers may feel betrayed at 'losing' free shipping status. As for those shipping memberships where customers pay an upfront fee for a year of free shipping, these work well too as customers generally order more than those who do not pay for such memberships.

However, customers' overuse of such promotions can have unintended side effects by blowing out the promotions budget, which is bad, and blowing through inventory, which can be worse – there's nothing so disappointed as a customer who took advantage of a special offer and can't receive the merchandise. Building a trustworthy brand is difficult enough without creating tidal forces of shortages.

Shipping is part of the pricing equation and retailers should understand that while they can always lower prices, it is difficult to raise them. As retailers increasingly tie together the various channels, shipping becomes a more important factor in building brand and customer service.

### **US Manufacturing Boost**

The Institute for Supply Management US manufacturing index rose to 51.6 in September 2011, up from 50.6 in August. It noted new orders faded a bit, meaning US factories were increasing their work on backlogged orders. The JP Morgan Global Manufacturing Index fell to 49.9, down from 50.2. In both cases, a score of over 50 means economic growth.

### **Postal Going**

To close ever widening \$9 billion per year deficit, the US Post Office proposed eliminating one-day delivery of first-class mail, closing 252 of 487 of its mail-processing facilities, laying off 35,000 of its 151,000 mail processing jobs, laying off another 85,000 workers and 7500 management positions, and shuttering as many as 3700 post offices. The USPS noted that 41.5% of first-class mail gets delivered in one day, and that

eliminating that process would put more workers into sorting mail to make up for the layoffs. Thus would end a first class mail service.

### Double Dip Recession?

Persistent high unemployment of around 9% and underemployment of about 9% continued to choke off US economic growth. The Wall Street Journal survey of 50 economists found a 33% chance the economy will slip into a recession within the next 12 months. The Federal Reserve is contemplating 'Operation Twist,' which would exchange shorter-term Treasury bonds for longer term bonds to push down long-term interest rates, and cutting interest rates it pays banks for excess cash, but most economists believed the moves would have little impact. They also lowered US GDP growth for the last half of 2011 and all of 2012 from 3% to 2.5%.

### Red, White, and Blue Tape

The White House Office of Management and Budget reported that filling out government paperwork takes 8.783 billion hours in fiscal 2010, down from 9.771 billion hours in 2009, but up from 7.4 billion hours in 2000. Note that most of the decrease came from refiguring the way hours are tallied. The SEC led the way in percentage increase, more than doubling the number of hours needed, but considering the financial scandals that rocked the US over the last few years, that's quite understandable. The Treasury Department led all other departments with 6.4 billion hours needed for paperwork. In comparison, the much-maligned EPA demanded only 165 million hours of paperwork.

### Halloween Spending: Friendly or Frightful?

National Retail Federation's 2011 Halloween Consumer Intentions and Actions Survey of 9,374 consumers conducted by BIGresearch found that 68.6% of Americans plan to celebrate Halloween, up from 63.8% last year and the highest rate in NRF's nine-year survey history. The average person is expected to spend \$72.31 on decorations, costumes, and candy, up from \$66.28 last year. Total Halloween spending is expected to reach \$6.86 billion.

The average consumer is expected to spend \$26.52 on costumes, with \$1 billion on children's costumes, up from \$840 million last year, and \$1.21 billion on adult costumes, up from \$990 million last year.

The survey found that more people plan to dress in costume (43.9% vs. 40.1% in 2010), throw or attend a party (34.3% vs. 33.3% last year), and visit a haunted house (22.9% vs. 20.8% in 2010). In addition, 49.5% will decorate their home/yard, 73.5% will hand out candy, 14.7% will dress their pets in costume, 32.9% take children trick-or-treating and 47.8% will carve a pumpkin.

The survey also found 32.1% asserted the sluggish economy will impact their

## Executive Changes

### Wal-Mart Stores

Eduardo Castro-Wright  
*Retired as Vice Chairman, global sourcing operations and online business, effective July 1, 2012*

Wan Ling Martello  
*Executive VP e-commerce, Resigned*

### Wal-Mart Canada

Shelley Broader  
*Named CEO*

David Cheesewright  
*Promoted to head of business development in Europe, the Middle East, Africa, and Canada*

### JC Penney

Michael Francis  
*Hired as CMO*

### Fredrick's of Hollywood Group Inc.

Don Jones  
*Hired as President and COO.*

### Borders Group

Ojas Shah  
*Hired as CFO and Treasurer*

### Liz Claiborne

Peter Warner  
*Resigned as Senior VP of Global Sourcing and Operations*

Lisa Piovano-Machacek  
*Resigned as Senior VP and Chief Human Resources Officer*

### Nordstrom

Tommy Fazio  
*Hired to the newly created position of Men's Trend Director*

### Family Dollar Stores

Trey Johnson  
*Hired to the newly created position of Senior VP Food.*

### Staples Inc

Christine Komola  
*Promoted to CFO, succeeding John Mahoney who remains vice chairman*

### HanesBrands Inc

Richard Moss  
*Hired at CFO, succeeding Dale Boynes, who moves to new post of Operating CFO*

Halloween plans, with 87.1% saying they will spend less overall by making a costume instead of purchasing one (18.9%), wearing last year's costume (16.6%), and buying less candy (40.2%.)

In case you're wondering, the top five adult costumes are: witch, pirate, vampire, zombie, and one Batman character or another. The top five children's costumes are: princess, witch, Spiderman, pirate, and pumpkin.

### Christmas Holiday Predictions

In a Mediapost interview, Customer Growth Partners President Craig R. Johnson predicted Christmas holiday season sales will be up between 4% and 5% from last year barring some big change like gas prices rising above \$4 a gallon. Department stores will continue to do well as long as they offer exclusive product lines. Macy's, Bloomingdale's, Saks and other upscale stores are all demanding exclusive lines to differentiate them from the competition. Toys R Us intends to push its exclusive toys to boost profits.

Meanwhile, ShopperTrak revised its sales forecast for the 2011 holiday season to an increase of 3% for November and December, lower than last year's 4.1% sales boost. The company predicted foot traffic will decrease 2.2%, which means retailers may need to boost discounts to get shoppers in the doors.

According to a survey of 1000 consumers by market researcher AlixPartners, 41% said they will spend less this holiday season than last year - up from the 31% who answered that way last year.

FedEx predicted 2011 holiday shipments would climb 2.5% to 3%, less than 4.6% in 2010.

### Holiday Jobs

According to a Reuters article, people looking for temp jobs this holiday season will have better luck at dollar stores and discounters than at department stores and middle market apparel chains. JC Penney, Kohl's, GameStop, and Crate & Barrel plan to hire about the same number of seasonal workers as last year, but Target (which hired 92,000 last year) and QVC planned to hire even more this year.

Toys R Us noted it will hire about 40,000 seasonal workers, down from last year's 45,000 seasonal hires. Macy's announced it would hire 78,000 seasonal workers at Macy's and Bloomingdale's, up 4% from last year.

A Hay Group survey of retailers found that 25% were hiring fewer seasonal workers than last year, 10% plan to hire more, and the rest plan to hire about the same number. In addition, many retailers indicated they will wait until shoppers are in stores before hiring.

### Bullish For Layaway

Sears, Kmart, Toys "R" Us, Burlington Coat Factory, and Wal-mart are all pushing their layaway plans as customers pull back from using credit cards. The National Retail Federation noted growth of this alternative payment option is targeted, but not limited, to shoppers on the lower end of the income scale. Plans differ by china. For example, Wal-Mart allows payments of any amount and at any time on items priced \$15 and up while Toys R Us allows items priced \$29 and to be part of the 90-day payment program, with at least half of the total price of the order paid within 45 days.

## What Regulatory Burden?

According to the World Bank's Doing Business 2011 report, US businesses face the fifth-lightest regulatory burden among 183 nations. The lightest is Hong Kong, followed by New Zealand, Singapore, UK, and then the US. China placed 79th, Brazil placed 127th, and India placed 134th.

## Can't Live Without...

According to a London Science Museum survey of 3000 people in August 2011, the top thing they couldn't live without was sunshine. All very good, but coming in at number two: Internet connection, ahead of number three: clean drinking water. No doubt these net-heads think drink comes from a bottle from a store. Rounding out the top 10: 4. Refrigerator, 5. Facebook, 6. NHS (National Health Service), 7. Cooker, 8. E-mail, 9. Flushing toilet, and 10. Mobile phone / smartphone. Let's see all those Facebookers go without the loo for a week... after they drank tainted water.

## Lobbying At Retail Level

The National Retail Federation added \$10 million to its lobbying efforts to convince Congress to lower corporate taxes from current 35% to 20% and close tax loopholes... presumably for other industries. Other areas: passage of pending Free Trade Agreements, steps to make it easier for foreign visitors to obtain visas so they can travel to the United States and shop in U.S. stores, leveling the playing field for sales tax collection by passing the Main Street Fairness Act, modernizing aging transportation infrastructure that slows down the retail supply chain and drives up costs, repeal or delay of a health care employer mandate that would force job cuts, and protecting consumer privacy while promoting innovations like mobile marketing.

The NRF is known for being policy research rich and politics poor, whereas the rival retail trade group, Retail Leaders Industry Association, consisting of Wal-Mart, Home Depot, and 200 other companies, favors politics over research. NRF noted retail

accounts for \$2.48 trillion in GDP and directly and indirectly for 41.6 million American jobs.

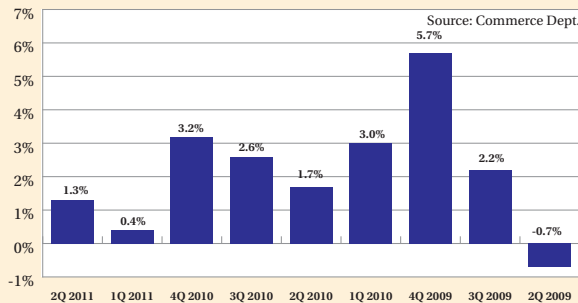
## Nail Polish Economic Indicator

The adage was that lipstick sales went up during tough economic times, but some fashion pros contend the adage is shifting to nail polish. Market research company NPD Group reported 2010 nail polish sales of \$327 million, with first half 2011 sales up 21% over last year, exceeding growth of all other cosmetic categories. Color, especially bright color, is the big trend, with blurring lines of 'age-appropriate' colors that sees older women choosing bold colors usually worn by younger women. In addition, improved lacquer technology is increasing the length of time that color or design will stay on the nail.

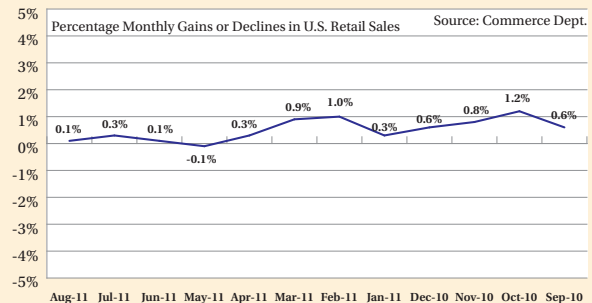
As with lipstick, a bottle of nail polish costs far less than a new handbag or other fashion accessory, and a manicure costs less than a new outfit. While consumer spending remains iffy, small indulgences like nail polish offer a 'new' look at an affordable price.

## Economic and Creditor Indicators

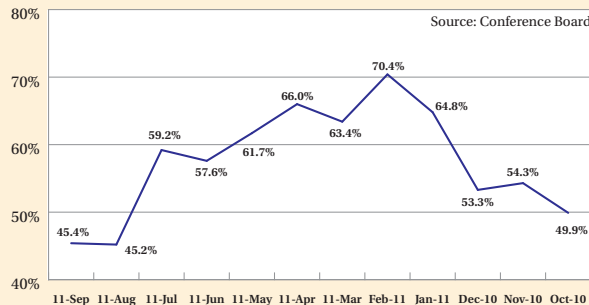
### Gross Domestic Product



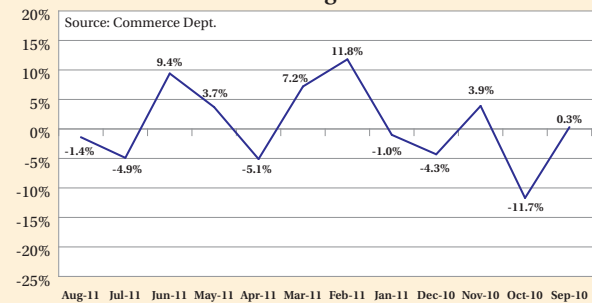
### Retail Sales



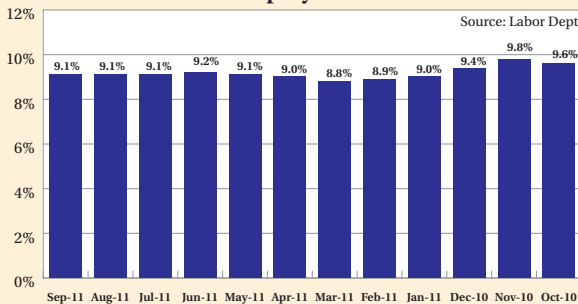
### Consumer Confidence Index



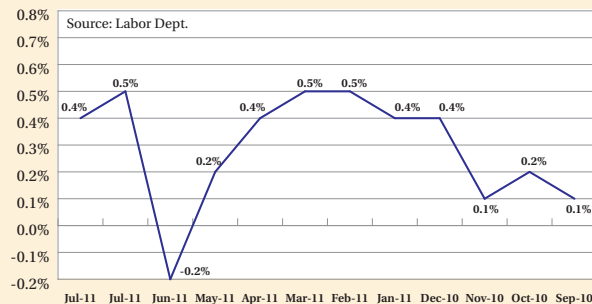
### Housing Starts



### Unemployment Rate



### Consumer Prices



## Shipping Growth At Ports

NRF's Global Port Tracker reported that US ports handled 1.32 million Twenty-foot Equivalent Units (TEU) in July 2011, the latest month for which numbers are available, up 6% from June 2011 but down 4% from July 2010. August 2011 is expected to be 1.42 million TEU, essentially flat compared to the same month 2010.

Global Port Tracker noted year-over-year growth is beginning to resume in September, which is forecast to be up 11.8% from September 2010 at 1.5 million TEU. October is forecast at 1.48 million TEU, up 9.5%, November at 1.33 million TEU, up 8%, and December at 1.2 million TEU, up 4.5%. January 2012 is forecast at 1.19 million TEU, down 1% from January 2011.

Global Port Tracker forecasted all of 2011 at 15.4 million TEU, up 4.3% from 2010's 14.7 million TEU.

## Home Price Forecast

MacroMarkets survey of more than 100 economists found they predicted home prices would fall 2.5% for the rest of 2011 and rise only 1.1% per year through 2015. In other words, the housing market, which lost about \$7 trillion in homeowners equity, will continue to stagger along about as it is with all the dire consequences for the US economy. About 4.5 million homes are in various stages of foreclosure.

## Cash Rich And Growth Poor

Companies are hoarding \$2.05 trillion in cash and liquid assets by the end of June 2011, up \$88 billion from the end of the first quarter 2011, according to a Wall Street Journal article, to protect themselves from extended downturn, restricted credit, and reduce need to cut staff and capital expenditures. However, that same hoard promotes a vicious cycle of underinvestment that undermines the economy with less spending and less hiring. Economists in September 2011 gave the US economy a 33% chance of slipping into a double dip recession, up from 17% in July - highest score since the Great Depression in the 1930s.

The Fed also noted that US households' net worth dropped to \$58.5 trillion at the end of the second quarter, down \$149 billion from the end of the first quarter 2011.

## Pig Rustling

This little piggy went to market, this little piggy stayed home, this little piggy went into the back of a pig rustler's truck, and the Midwest's farmers were the ones crying at home. Overseas demand sent hog prices soaring to \$200 per hog, sparking a porcine crime wave that's seen over 1000 pigs stolen from farmers on the Iowa-Minnesota border over the last month. No arrests yet, but a radio tag in an ear might do wonders to locate the thieves.

## Health-Care Premiums Rise 9%

According to a survey of 3184 companies by the Kaiser Family Foundation and Health Research and Education Trust, employer health premiums rose 9% in 2011, with 1.5 of those percentage points caused by the new Federal Affordable Care Act. About 60% of families, or about 150 million people, receive health care through their employers. Health care for a family of four now costs employers \$15,073 (up from \$13,770 in 2010) in premiums, first time costs have gone over \$15,000. For a single person, the cost was \$5429, up 8% from \$5049 in 2010. However, 2.3 million young adults obtained coverage on their parents' plan as a result of the 2010 health care law.

Since Kaiser began compiling the survey 13 years ago, worker contributions to premiums have increased 168%, wages 50%, and inflation 38%. Premiums have increased 160%. Trade group America's Health Insurance Plans blamed high medical costs, not company profits, for the steep rise in premium costs.

## Mall Vacancy Rates Edge Up

According to real estate research firm Reis, Inc., third quarter 2011 average vacancy rate at malls in the top 80 markets rose to 9.4% from 9.3% in the second quarter. Retail continues to be one of the slowest commercial property sectors to rebound from the recession.

## Check Lists Twice

A September survey by market research company SymphonyIRI Group found 75% of shoppers use a shopping list, up from 45% three years ago, and that they had 467 items in their pantries and medicine cabinets, down 9% from 2008's 511 items. Private label brands account for 20% of food and household purchases, up from 15% - with 80% asserting private label brands are just as good as national brands.

## NumBytes 59: Daily Deal Drop Out

Groupon hit it big with its daily coupon deals, generating a horde of me-too sites that can quickly overwhelm your e-mail box - an average of eight to 10 e-mails a day, noted a Golden Gate University study. Enter the advice of Timothy Leary: 'Turn on, tune in, drop out.'

More users seem to be following it. Yipit reported 170 of 530 daily deal websites shut down or were sold so far this year as the cost of acquiring subscribers skyrocketed. Groupon, for example, spent about \$8 to acquire each subscriber.

And according to an August RetailWire poll, 36% of consumers are tuning out daily deal sites 'to a large degree,' 43% 'to a moderate degree,' and 18% 'to a small degree.' Only 4% said no, they were embracing daily deals. When 96% of your customer base starts ignoring those e-mails, retailers might want to think about a better way to advertise.

On the other hand, 2% to 4% response is about what a good direct-mail campaign would pull in, so the numbers do not seem as out of whack as at first glance. The ultimate key is making deals seem less like scattershot marketing attempts and more like targeted deals relevant to the individual. That means good ol' fashioned, and intrusive, data mining.

## NumBytes 60: Ho, Ho, Oh No! Say It Ain't So!

You can be the most ardent supporter of Christmas in the world, but Christmas shopping in September? Without sounding like a Grinch, give us all a break!

Costco displayed Christmas merchandise starting September 1, with Home Depot following September 19, Sears on September 25, Wal-Mart and JC Penney by the end of September, and Lowe's on October 1, according to an article in USA Today.

It's worse. JoAnn Fabric had holiday fabrics on shelves since July and AC Moore had them since August - although to be fair, these stores always seem to have holiday fabrics on shelves all year around.

Instead, let's give three cheers to Nordstrom's - it will not stock holiday merchandise until Thanksgiving.

Sheesh! We haven't gotten past the Halloween Pop-Up Store Season yet! What's next? Santa Claus showing up on his sled during the Macy's 4th of July Fireworks?

## NumBytes 61: Security - Part 1: Financial Unease

CouponCabin's first Savings and Spending Report, a Harris Interactive poll of 2210 US adults age 18 and older, found that 45% felt less financially secure in August 2011 than they did one year ago and that 16% always worried about money. That insecurity is being felt among households with annual incomes of \$75,000 and up, the report noted, with 39% noting they felt less financially secure than they did one year ago.

Why the unease? Many reasons: live paycheck to paycheck (59%), underpaid at current job (41%), unexpected expenses (40%), can't keep up with my bills (35%), credit card debt (26%), other loans and debt (32%), recent stock market gyrations (21%), and mortgage debt (16%).

However, in the surprise of the poll, 83% claimed they felt they lived within their means.

## NumBytes 62: Security - Part 2: Scrimping On Savings

CouponCabin's first Savings and Spending Report, a Harris Interactive poll of 2210 US adults age 18 and older, found that savings is drying up among US households: 47% don't put anything into savings each month and 11% put away less than \$100 per month. In contracts, 19% noted savings of \$400 or more each month. For household

incomes of more than \$75,000 per year, 29% don't save any money each month.

The poll also found that 12% took money out of their 401k retirement programs within the past year while 15% reduced their monthly contributions to their 401k.

As for the theoretical six-month emergency fund most experts suggest households creating, 52% do not have such a fund. Among households with annual income of \$75,000 plus, 40% do not have such a fund.

### **NumBytes 63: Security – Part 3: Too Costly!**

CouponCabin's first Savings and Spending Report, a Harris Interactive poll of 2210 US adults age 18 and older, found that more people are sounding like their parents and grandparents when it comes to prices – things cost too much.

Which items? Gas (80%), Medical care (70%), Entertainment (cable, movies, etc.) (63%), Food (59%), Utilities (58%), Communication (telephone, cell phone, etc.) (58%), Education (41%), and Housing (37%).

Of course, current households have it easier than previous generations when it comes to acquiring all these things. Grandparents especially used to have to walk four miles through the snow, uphill, both ways, to get to the store. Now, it's all a click away.

### **NumBytes 64: The Rich...Are Richer**

According to a survey of 14,000 affluent households – those making \$100,000 per year and up – by market research company Ipsos Mendelsohn, 21% of total US households are affluent and represent 60% of all US household income. They hold 70% of US net worth, are twice as likely to purchase goods and services, and they spend 3.2 times more than the average income household.

In comparison, households making \$250,000 or more per year are 11% of affluent households and hold 33% of affluent income. Households making \$2 million or more are 10% of affluent households and hold 46% of affluent net worth.

### **NumBytes 65: Poor Housing**

According to Department of Housing and Urban Development data for 2009, Hawaii is number one, followed with a tie for second by New Jersey, Maryland, Washington DC, and New York, although it's not exactly something to be proud of – the number of minimum-wage jobs needed to rent a two-bedroom house at fair-market value with assumption that 30% of income goes to rent. In Hawaii, you need 4.3 minimum-wage jobs, while in the four other states, you need 3.4 jobs.

The states with the lowest? West Virginia, North Dakota, and South Dakota with only 1.6 minimum-wage jobs needed for the rent. It also should be noted that the data showed those earning under \$19,200 per year spent 41.5% of their income on housing.

By the way, the Federal government

defines poverty for a family of four at \$22,113 per year. With minimum wage at \$7.25 per hour, a 40-hour week would be \$290 per week, which is \$15,080 per 52-week year.

### **NumBytes 66: Lost Wallets**

If you want your lost wallet returned, put a cute baby picture in it. According to a 2009 study in Edinburgh, Scotland, 88% of wallets with said cute baby photo were returned, versus only 50% with a photo of a puppy. Not included in the study: the percentage return if the photo shows a cute baby playing with the puppy.

NumBytes 67: Faster Than Light: 60ns

A team of CERN researchers reported that measurements taken over three years showed neutrinos sent from CERN near Geneva, Switzerland, to Gran Sasso, Italy, arrived 60 nanoseconds (60 billionths of a second) quicker than light would have taken, according to Reuters. If confirmed, the discovery would undermine Albert Einstein's 1905 theory of special relativity, which says that the speed of light is a "cosmic constant" and that nothing in the universe can travel faster.

Heck, Trekkies and other sci-fi enthusiasts already knew that faster than light travel existed long ago. The big loser will be paper-copy book publishers – this discovery means it's only a matter of time before you can receive an e-book before you even order it.

### **NumBytes 68: Adverts To The Internet**

Market research company Magnaglobal noted the US online advertising market is expected to grow to \$30 billion, up 15.6% in 2011 from the year before. US TV adverts are expected to hit \$174 billion in 2011, up 3% in 2011 from year before, and the company forecasted 2012 growth at 9.4%.

### **NumBytes 69: What Me Worry?**

According to the US Office of the Comptroller of the Currency, the notional amount of derivatives held by insured US commercial banks in the second quarter 2011 increased 2.2% (\$5.3 trillion) to total \$249.337 trillion from the first quarter and is up 11.6% from year earlier. The largest five banks (JP Morgan Chase, Citigroup, Bank of America, Goldman Sachs, and Morgan Stanley) hold 96% of the total notional amount of derivatives, while the largest 25 banks hold nearly 100% – the total number of commercial banks holding derivatives increased by 24 in the quarter to 1,071. Banks hold collateral to cover 73% of their net current credit exposure (NCCE), with 77% of that collateral in cash. The distribution of NCCE in the banking system is concentrated in banks/securities firms (58%) and corporations (36%). Exposure to hedge funds, sovereign governments, and monoline financial firms is very small (6% in total).

Economy heading south? Not a problem. At the five largest banks, trading risk exposure, as measured by Value-at-Risk (VaR), increased 5.9% in the second quarter 2011 to \$717 million. Note that VaR is not

the maximum potential loss, but it provides a loss estimate at a specified confidence level. Trading revenues hit \$7.4 billion in the second quarter 2011, 11% higher than \$6.6 billion than the year earlier. Whew! For a moment, given all the debit card shenanigans, banks looked like they were in trouble...

NumBytes 70: Couponing Conquests  
NCH Marketing Services, Inc. reported that consumers redeemed 3.3 billion consumer packaged goods (CPG) coupons in 2010 out of the 332 billion coupons distributed, or at about a 1% rate. Consulting firm Inmar Inc. reported that coupon redemptions rose 4% in the second quarter of 2011 as consumers increased couponing to save money.

The TV show Extreme Couponing may have something to do with it, although retailers are clamping down on some of the absurd practices, such as limiting the number of items that can be purchased, eliminating double-couponing, and limiting the number of coupons that can be used in any one period of time.

## **Mergers**

### **Leonard Green Completes BJ's Merger**

Beacon Holding Inc. (an affiliate of Leonard Green & Partners) and funds advised by CVC Capital Partners acquired BJ's Wholesale Club, Inc. on Friday September 30, 2011 for \$51.25 per share in cash, without interest and less any applicable withholding taxes, pursuant to a merger agreement by and between BJ's, Beacon Holding Inc., and Beacon Merger Sub Inc. (a wholly-owned subsidiary of Beacon Holding Inc.).

### **VF Completes Timberland Merger**

VF Corp. completed its previously announced acquisition of The Timberland Company for \$43 per share and a total consideration of \$2.3 billion. VF issued \$400 million in floating rate notes due 2013, \$500 million of 3.5% notes due 2021, and funded the rest of the purchase price through cash on hand and commercial paper. VF expects a boost of \$700 million to VF's 2011 revenues and an earnings per share increase of approximately \$.45 in 2011, excluding acquisition related expenses.

Timberland will become part of VF's Outdoor & Action Sports. VF named Patrick Frisk as President of Timberland and Executive Advisor Carden Welsh agreed to remain on board through December. Departing Timberland is President and CEO Jeff Swartz, VP and CFO Carrie Teffner, and VP, General Counsel and Secretary Danette Wineberg.

### **Investcorp Buys Sur La Table**

Bahrain-based Investcorp acquired Seattle-based Sur La Table, an 86-store kitchenware retailer for an undisclosed amount. For 2011, Sur La Table plans to open nine additional stores.

### On The Hunt For Shopping Centers

Shopping-center management company Phillips Edison & Co teamed up with CBRE Investors with plans to acquire 15 to 20 grocery store anchored shopping malls for about \$200 million. Each company will put in \$50 million and borrow the rest.

### Sbar's To Acquire A C Moore

A C Moore Arts & Crafts, Inc. announced that they have signed a definitive agreement to be acquired by an affiliate of Sbar's, Inc. one of the largest arts and crafts distributors in the US, for \$1.60 per common share in cash. The acquisition is expected to close during the fourth quarter of 2011.

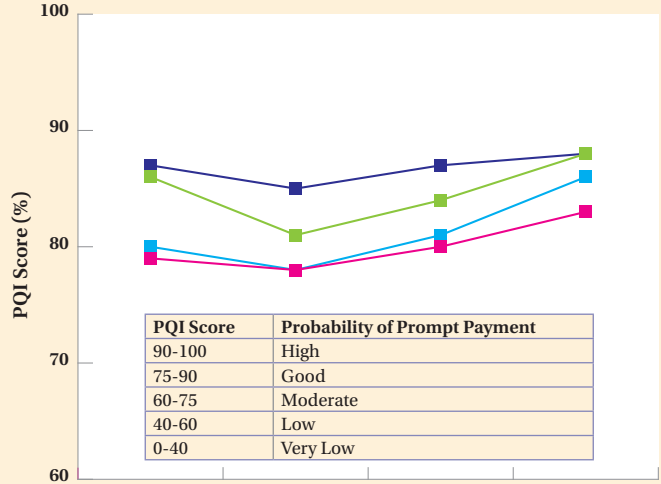
### Best Buy Sells Napster

Best Buy Co. sold its online music subscription service Napster to rival Rhapsody International Inc. for undisclosed amount. Best Buy had bought Napster back in 2008 for \$121 million.

## 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



|                    | Sep-10 | Jan-11 | May-11 | Current |
|--------------------|--------|--------|--------|---------|
| Department Store   | 79%    | 78%    | 80%    | 83%     |
| Drugstore          | 86%    | 81%    | 84%    | 88%     |
| Grocery            | 87%    | 85%    | 87%    | 88%     |
| Mass Merchandisers | 80%    | 78%    | 81%    | 86%     |

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.



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