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# RETAIL PERFORMANCE MONITOR

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## Developments

### Wal-Mart And MassMart Deal

MassMart Holdings Ltd reported that the South African competition commission recommended approval of Wal-Mart's proposed \$2.4 billion purchase of 51% of MassMart, although another hearing needs to be scheduled for the purchase to continue.

### Family Dollar Rejects Bid and Investigation

Family Dollar Stores, Inc. rejected a \$7 billion takeover bid by Nelson Peltz's Trian Fund, which owns 8% of Family Dollar, saying the \$55 to \$60 per share bid 'substantially undervalues the company.' Family Dollar has more than 6,800 stores in 44 states. In other news, the law firm of Levi & Korsinsky launched an investigation of the Board of Directors of Family Dollar Stores for possible breaches of fiduciary duty and other violations of state law in connection with the acquisition proposal.

The investigation is questioning whether the Family Dollar Board of Directors adequately shopped the company in order to obtain the best possible deal for its shareholders. In particular, at least one analyst set a price target of \$63 per share for Family Dollar stock. Family Dollar also adopted a 'poison pill' shareholder rights plan that would significantly dilute shares if a takeover attempt proceeds.

### Wal-Mart 4th Quarter and Year

Wal-Mart Stores, Inc. reported net income for fiscal fourth quarter 2011 ended on January 31 of \$5.022 billion, up from \$4.82 billion for the same period a year earlier, on net sales of \$115.6 billion, up 2.5% from \$112.8 billion year ago. Comparable store sales at US stores open at least a year fell 1.8%, the seventh consecutive quarterly drop in sales at existing US stores. Net sales for the fiscal year 2011 were \$419 billion, an increase of 3.4% over fiscal 2010's \$405 billion. To deliver better results from US stores for fiscal 2012, the company instituted

*continued on page 4*

## ShopperTrak's Weekly Sales Summary

The NRSE GAFO Retail Sales estimates for the week ended 3/5/11 increased +5.6% compared to the previous week. On a year over year basis, NRSE GAFO retail sales estimates grew +3.6% compared to the same week in March '10. Month to date for March 2011, the NRSE GAFO Retail Sales Estimates are up +3.6% compared to the same period in March '10.

NRSE GAFO Retail Sales Estimates increased this week, as retailers started to emphasize Spring merchandise collections, while starting to clear out their remaining winter merchandise. The year-over-year gain for the week was also healthy. However, there has to be some concern surrounding the run up in gasoline prices over the past six weeks. There have already been reports that some consumers are postponing or reducing discretionary spending as was seen in 2008, when gasoline prices reached a peak before the global financial crisis set in. At that time, consumers became more efficient in their shopping trips – shopping less often, but visiting more stores. Additionally, shoppers became focused on "value." Shoppers tended to "trade down" by visiting value oriented chains such as Wal-Mart and dollar stores. Retailers that did not offer perceived "values" were not shopped, as consumers became more price conscious. Bill Martin of ShopperTrak says, "There is a risk that if the current rate of increase in gasoline prices continues, the economic recovery could stall, as consumers and business become more uncertain and thus more cautious with their spending. In the coming weeks, we will be watching this situation closely."

### ShopperTrak's Weekly Store Sales (GAFO\*) Estimate

Week Ending	Millions of Dollars	Year/Year Change	Weekly Change
5-Mar-11	\$94,600	3.60%	5.60%
28-Feb-11	\$89,595	11.40%	0.10%
19-Feb-11	\$89,486	-0.40%	5.40%
12-Feb-11	\$84,889	-1.40%	5.80%
5-Feb-11	\$80,243	1.50%	1.60%
Average Week Rate for Month	Average Weekly Millions of Dollar Sales	Average Year/Year Rate Change	Average Week over Week Rate Change
March (Month-To-Date)	\$94,600	3.60%	5.60%
February	\$86,053	2.40%	3.20%
January	\$83,908	1.70%	-13.60%
December	\$141,745	3.70%	8.70%

\*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	Jan 30/Q4	\$1,149.4	23.0%	\$92.6	94.9%
	Aeropostale	Oct 30/Q3	\$602.8	6.0%	\$58.3	-6.5%
	American Eagle Outfitters	Oct 30/Q3	\$752.0	2.0%	\$33.0	4.0%
	AnnTaylor Stores Corporation (consolidated)	Oct 30/Q3	\$505.3	5.0%	\$24.2	1052.0%
	bebe Stores (FYE 6/30)	Jan1/Q2	\$136.2	3.3%	(\$2.7)	-212.5%
	Bluefly	Dec 30/Q4	\$28.6	17.0%	\$0.3	155.0%
	Buckle, The	Oct 30/Q3	\$898.0	13.0%	\$20.7	-17.0%
	Burlington Coat Factory	Oct 30/Q3	\$858.2	-1.6%	(\$2.8)	-137.3%
	Cache, Inc. (FYE 12/31)	Oct 2/Q3	\$45.5	1.3%	\$5.0	-26.5%
	Casual Male Retail	Oct 30/Q3	\$89.9	1.0%	\$0.3	121.0%
	Cato Corporation	Oct 31/Q3	\$198.0	4.0%	\$6.7	123.0%
	Chico's FAS	Jan 29/Q4	\$475.0	9.0%	\$20.7	18.3%
	Children's Place Retail	Oct 30/Q3	\$453.0	-2.1%	\$31.0	-20.8%
	Christopher & Banks (FYE 2/27)	Nov 27/Q3	\$120.9	-9.1%	(\$9.2)	232.0%
	Dress Barn (FYE 7/31, consolidated)	Oct 30/Q1	\$713.3	77.0%	\$48.0	121.0%
	Gap, Inc. (consolidated)	Jan 29/Q4	\$4,364.0	3.0%	\$365.0	4.0%
	Guess?, Inc.	Oct 30/Q3	\$581.0	17.0%	\$70.0	8.0%
	Gymboree (11/23 acq. by Bain Capital)	Oct 30/Q3	\$280.9	4.0%	\$34.4	1.0%
	Hot Topic, Inc.	Oct 30/Q3	\$183.0	-3.0%	\$0.4	93.1%
	J. Crew Group	Oct 30/Q3	\$42.3	4.0%	\$37.8	-13.9%
	Limited Brands	Jan 29/Q4	\$3,455.9	12.8%	\$419.7	26.1%
	Liz Clairborne, Inc	Jan1/Q4	\$704.0	-7.0%	(\$251.5)	-17.7%
	Pacific Sunwear	Oct 30/Q3	\$257.0	-4.1%	\$7.0	36.4%
	Ross Stores Inc.	Oct 30/Q3	\$1,874.0	7.0%	\$121.4	16.0%
	Saks, Inc. consolidated	Jan 29/Q4	\$866.3	7.7%	\$25.0	643.0%
	SteinMart, Inc.	Oct 30/Q3	\$267.0	-1.1%	\$4.2	35.0%
	Warnaco	Jan 1/Q4	\$591.5	17.0%	\$19.2	74.1%
	Wet Seal Inc. (consolidated)	Oct 30/Q3	\$146.4	3.0%	\$2.6	-13.3%
Zumiez	Oct 31/Q3	\$135.9	20.0%	\$12.3	143.0%	
Discount	99¢ Only Stores (consolidated) FYE 3/27	Dec10/Q3	\$365.4	1.7%	\$26.6	8.9%
	Amazon.com	Dec31/Q4	\$12,948.0	36.0%	\$416.0	8.0%
	Big Lots, Inc.	Jan 29/Q4	\$1,518.9	3.8%	\$110.1	4.3%
	BJ's Wholesale Club	Jan 29/Q4	\$2,899.7	7.4%	\$10.2	-81.3%
	Costco Wholesale (U.S. comps FYE 8/31)	Feb 13 Q2	\$20,449.0	11.4%	\$348.0	16.4%
	Dollar Tree Stores	Jan 29/Q4	\$1,725.3	10.7%	\$162.5	20.3%
	Freds Inc.	Oct 30/Q3	\$435.0	3.0%	\$7.8	55.0%
	Overstock.com	Dec 31/Q4	\$348.9	8.0%	\$14.8	17.0%
	SAM's Clubs (div. Wal-Mart Stores, Inc.)	Jan 31/Q4	\$13,113.0	4.4%		
	TJX Companies (consolidated)	Oct 30/Q3	\$5,500.0	5.0%	\$372.0	7.0%
	Wal-mart Stores (div. Wal-Mart Stores, Inc.)	Jan 31/Q4	\$115,600.0	2.5%	\$6,056.0	21.4%

## Sales and Earnings (in Millions)

	Company	Period Ended	Sales	% Change Sales	Net Income	% Change Income
Drug	CVS/ Caremark	Dec31/Q4	\$24,800.0	-4.1%	\$1.0	-2.3%
	Rite Aid	Nov 27/Q3	\$6,200.0	-2.4%	(\$79.1)	-6.0%
	Walgreens	Nov 30/Q1	\$17,300.0	6.0%	\$580.0	18.8%
Food	Great Atlantic & Pacific (FYE 2/28)	Dec 4/Q3	\$1,800.0	-9.5%	(\$199.4)	64.4%
	Publix	Dec 25/Q4	\$6,400.0	4.4%	\$342.1	20.4%
	Supervalu FYE 2/27	Dec4/Q3	\$8,673.0	-0.1%	(\$202.0)	-285.3%
	Whole Foods	Jan 16/Q1	\$3,000.0	14.0%	\$88.7	78.6%
Specialty	A. C. Moore Arts & Crafts (FYE 12/31)	Oct 2/Q3	\$99.7	-6.0%	(\$8.1)	37.0%
	Best Buy	Nov 27/Q3	\$11,890.0	-1.1%	\$217.0	-4.0%
	Big 5 Sporting Goods (FYE 12/31)	Jan 2/Q4	\$226.7	-4.6%	\$4.0	-37.5%
	Dick's Sporting Goods	Oct 30/Q3	\$1,100.0	9.0%	\$26.7	41.0%
	hhgregg (FYE 3/31)	Dec 31/Q3	\$653.7	30.5%	\$26.9	18.4%
	Hibbett Sports	Oct 31/Q3	\$167.4	14.8%	\$13.0	43.0%
Mass Merch.	Bed Bath & Beyond	Nov 27/Q3	\$2,194.0	11.1%	\$188.6	28.0%
	Kohl's Corporation	Jan 29/Q4	\$6,038.0	6.3%	\$493.0	14.4%
	Target Corporation	Jan 29/Q4	\$20,277.0	2.8%	\$1,035.0	10.5%
Department Stores	Bon-Ton Stores Inc., The (consolidated)	Oct 30/Q3	\$700.5	-0.5%	(\$6.3)	50.0%
	Dillard's Inc.	Jan 29/Q4	\$1,934.3	5.5%	\$109.6	37.9%
	J.C. Penney	Jan 29/Q4	\$5,073.0	2.8%	\$271.0	35.5%
	Macy's, Inc.	Jan 29/Q4	\$8,269.0	5.4%	\$667.0	49.9%
	Nordstrom	Jan 29/Q4	\$2,816.0	10.9%	\$232.0	35.0%
	Sears Holdings	Jan 29/Q4	\$13,144.0	-0.8%	\$374.0	-13.0%
	Stage Stores, Inc.	Oct 30/Q3	\$324.0	2.0%	(\$6.9)	5.5%
Furn.	Haverty Furniture (FYE 12/31)	Dec31/Q4	\$157.1	-0.2%	\$5.5	-39.9%
	Furniture Brands International	Dec31/Q4	\$276.1	-3.3%	(\$44.7)	31.2%
Home	Home Depot, The	Jan 30/Q4	\$15,126.0	3.8%	\$587.0	71.6%
	Lowe's	Jan 28/Q4	\$10,480.0	3.1%	\$285.0	39.0%
Office	Office Depot	Dec 26/Q4	\$2,962.0	-3.0%	(\$57.8)	24.5%
	OfficeMax	Dec 25/Q4	\$1,766.2	-2.4%	\$12.1	474.1%
	Staples	Jan 29/Q4	\$6,415.0	0.0%	\$275.0	17.4%
Book	Barnes & Noble	Jan 29/Q3	\$2,325.2	7.0%	\$60.6	-24.6%
	Books-A-Million	Oct 30/Q3	\$104.8	-5.5%	(\$1.7)	6.0%
	Borders	Oct 30/Q2	\$470.9	-17.6%	(\$74.4)	97.0%
Auto	Advance Auto	Jan 1/Q4	\$1,270.0	11.1%	\$48.1	39.4%
	Auto Zone	Feb 12/Q2	\$1,661.0	10.3%	\$148.1	20.0%
	Pep Boys	Oct 30/Q3	\$496.4	5.0%	\$5.7	171.0%
	O'Reilly	Dec 31/Q4	\$1,310.3	12.0%	\$105.8	47.0%

*continued from page 1*

a four-point plan: better 'every day low price,' broader assortment of merchandise, improved remodeling program, and more multi-channel shopping options.

### **Macy's 4th Quarter and Year**

Macy's, Inc. reported net income of \$667 million for the fourth quarter ended January 29, 2011, up nearly 50% from \$445 million year ago. Same-store sales rose 4.3%. Overall sales for the quarter were \$8.27 billion, up 5.4% from \$7.849 billion for the same period year earlier. For all of 2010, Macy's posted net income of \$847 million, more than double last year's \$329 million, on total sales of \$25.003 billion, up from \$23.489 billion in 2009.

### **Barnes & Noble's Fiscal 3rd Quarter**

Barnes & Noble, Inc. reported net income for its fiscal 2011 third quarter ended January 29, 2011 of \$60.583 million, down from \$80.403 million for same quarter last year, on total sales of \$2.326 billion, up 7% from \$2.175 billion year ago. Comparable store sales increased 7.3%. Barnes & Noble suspended its quarterly dividend of 25 cents per share to preserve its dwindling cash and invest in its digital book strategy. The company said it had \$26.5 million in cash and cash equivalents on hand as of January 29, down from \$40.2 million a year earlier. For the 39-week period ended January 29, 2011, it posted a net loss of \$14.503 million, down from \$68.714 million profit for same period last year, on total sales of \$5.627 billion, up from \$4.491 billion for same period year ago.

### **Barnes & Noble Settles Lawsuit**

Barnes & Noble, Inc. settled a lawsuit brought against it by Spring Design, which had accused B&N of illegally copying a screen design for its popular Nook e-reader, by obtaining a non-exclusive license for all Spring Design patents and patent applications. Terms were not disclosed. The case, which will be dismissed, is Spring Design Inc v. Barnesandnoble.com LLC, U.S. District Court, Northern District of California, No. 09-05185.

### **Class Action Suit Against Crocs Dismissed**

United States District Court for the District of Colorado dismissed Corrected Amended Consolidated Class Action Complaint in re Crocs, Inc. Securities Litigation, Civil Action No. 07-cv-02351-PAB. The Order dismissed all claims and ends the consolidated securities class action litigation that had been pending in the federal court since filed in 2007 against the company and some of the company's current and former officers and directors.

### **Lawsuit Against Bidz Dismissed**

United States District Court for the Central District of California Bidz.com

dismissed Federal Derivative lawsuit Farris Hassan v. Bidz.com, Inc., et al., cv09-04984 (CBM) filed July 10, 2009 against the company and its board members. The Court granted Bidz' motion to dismiss the lawsuit for the plaintiffs' failure to adequately allege that a pre-suit demand on the Board of Directors would have been futile.

### **Target 4th Quarter and Year**

Target Corp. reported net earnings of \$1.035 billion for the fourth quarter ended January 29, 2011, up 10.5% from \$936 million for same quarter last year, on revenue of \$20.277 billion, up 2.8% from \$19.719 billion year ago. Comparable store sales increased 2.4% for the quarter. For the year ended January 29, 2011, the company reported net earnings of \$2.920 billion, up 17.3% from \$2.488 billion year ago, on revenue of \$65.786 billion, up 3.7% from \$63.435 billion year earlier. Chairman, President, and CEO Gregg Steinhafel noted that beyond 2011, the company plans to open its first City Target store in 2012 and 100 to 150 Canadian Target stores in 2013 and 2014.

### **Kohl's 4th Quarter and Year**

Kohl's Corp. reported net earnings of \$493 million for the fourth quarter ended January 29, 2011, up from \$431 million for same quarter last year, on revenue of \$6.038 billion, up 6.3% from \$5.682 billion year ago. Comparable store sales increased 4.3% for the quarter. For the year ended January 29, 2011, the company reported net earnings of \$1.114 billion, up from \$991 million year ago, on revenue of \$18.391 billion, up 7.1% from \$17.178 billion year earlier. Comparable store sales increased 4.4% for the year. Chairman, President, and CEO Kevin Mansell notes the company is investing in new and remodeled stores and high-growth e-commerce business.

### **Sears Holdings 4th Quarter and Year**

Sears Holdings Corp. reported net earnings were \$374 million for the fourth quarter ended January 29, 2011, down from \$430 million for same quarter last year, on revenue of \$13.144 billion, down from \$13.247 billion year ago. Comparable store sales decreased 1.2% for the quarter. For the year ended January 29, 2011, the company reported net earnings of \$133 million, down from \$235 million year ago, on revenue of \$43.326 billion, down from \$44.043 billion year earlier. Comparable store sales decreased 1.6% for the year.

### **Sears Canada 4th Quarter and Year**

Sears Canada, Inc. reported net earnings of \$92.2 million for the fourth quarter ended January 29, 2011, down from \$128.2 million for same quarter last year, on revenue of \$1.477 billion, down from \$1.525 billion year ago. Comparable store sales decreased 3.3% for the quarter. For the year ended January

29, 2011, the company reported net earnings of \$149.8 million, down from \$234.7 million year ago, on revenue of \$4.958 billion, down from \$5.201 billion year earlier. Comparable store sales decreased 4.0% for the year. Sears Canada operates 196 corporate stores, 287 hometown dealer stores, 33 home improvement showrooms, over 1,800 catalogue merchandise pick-up locations, and 108 Sears Travel offices.

### **Blockbuster With 'Stalking Horse' Bidder**

Blockbuster, Inc. entered into an asset purchase agreement with a 'stalking horse' bidder, Cobalt Video Holdco LLC, a limited liability company formed by funds managed by Monarch Alternative Capital LP, Owl Creek Asset Management LP, Stonehill Capital Management LLC, and Varde Partners, Inc., to sell substantially all assets of Blockbuster and its US and international subsidiaries to Cobalt for \$290 million. A final sale approval hearing is anticipated to take place shortly after the auction with the closing anticipated to occur no later than April 20, 2011. The Bankruptcy Court rejected Summit Distribution's motion to convert Blockbuster's Chapter 11 bankruptcy filing into a Chapter 7 bankruptcy. Blockbuster is closing more US stores - the number reported fluctuates - but is adding 3000 more DVD rental kiosks to the 8000 already operating. Other operations, including by-mail and online movie rentals, will continue running.

### **Oriental Trading Exits Bankruptcy**

Oriental Trading Company, Inc. completed its reorganization efforts and exited from bankruptcy with a significantly improved capital structure and strong liquidity, having reduced its debt by nearly 70%. CEO Sam Taylor noted business performance has stabilized over the last twelve months with revenues growing, continued double-digit operating margins, and record-high customer satisfaction and asserted the new capital structure provides a sustainable, long-term financial foundation to drive future growth.

### **A&P MOR Filed**

The Great Atlantic & Pacific Tea Company filed with the U.S. Bankruptcy Court a monthly operating report for January 2, 2011 to January 29, 2011 that reported sales of \$602.68 million and a net loss of \$27.40 million.

### **Loehmann's Emerges From Bankruptcy**

Loehmann's Holdings, Inc. completed its restructuring and emerged from Chapter 11 bankruptcy on March 1, 2011. It secured \$45 million in exit financing from Wells Fargo Bank, N.A. and Whippoorwill Associates, Inc. As part of the Plan, the

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:

**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 and received commitments for \$505 million in Debtor-in-Possession financing led by GE Capital. Borders will use the funds, among other things, to pay vendors, publishers and other suppliers for post-petition goods and services and to operate its day-to-day business.

**Ultimate Acquisition Partners LP and CC Retail LLC:** Filed for Chapter 11 bankruptcy protection on January 26, 2011. The company has asked the Court for permission to sell off its remaining inventory, starting Feb 12, and close all 46 stores.

**Rugged Bear Co:** Filed for Chapter 11 bankruptcy protection on January 25, 2011 with \$10 million to \$50 million in debt and assets in the same range. Asked Court to allow it to hold expedited going-out-of-business sales at all of its 29 stores. Court scheduled a hearing for February 18.

**Appleseed's Intermediate Holdings LLC:** and its domestic subsidiaries, which do business in US as Orchard Brands: Filed for Chapter 11 on January 19, 2011. US Bankruptcy Court approved two motions giving Appleseed's Intermediate Holdings LLC authority to enter into a \$140 million D.I.P. financing facility (\$100 million revolving loan and \$40 million term loan) and an \$80 million exit financing agreement (UBS Loan Finance LLC will provide \$30 million, Wells Fargo Bank will provide \$30 million, and Ally Commercial Finance LLC will provide \$20 million).

**Anchor Blue, Inc. and its parent Anchor Blue Holding Corp.:** filed for Chapter 11 on January 11, 2011 in Delaware. The company is liquidating.

**Great Atlantic & Pacific Tea Co.:** Filed for Chapter 11 on December 12, 2010 in White Plains, N.Y. Filed motion on February 16, 2011 to close 32 stores as part of reorganization. Filed motion seeking approval to extend the periods during which the Debtors have the exclusive right to file a Chapter 11 Plan and solicit acceptances thereof until December 31, 2011 and February 29, 2012, respectively. Group of creditors filed a motion seeking appointment of an official committee of direct store delivery and trade creditors. A March 8, 2011 hearing date has been set on the matter. A&P filed a monthly operating report for January 2, 2011 to January 29, 2011 that reported sales of \$602.68 million and a net loss of \$27.40 million.

**Rosa's Home Stores:** Filed for Chapter 11 bankruptcy on December 9th

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

**Lacks Stores, Incorporated:** Filed Chapter 11 at the U. S. Bankruptcy Court for the Southern District of Texas on November 16, 2010 and is currently liquidating its inventory. The company hired a Realty Co to dispose of its stores and warehouse facilities.

**Loehmann's:** Filed Chapter 11 in the U.S. Bankruptcy Court at the Southern District of New York on November 15, 2010. Emerged from bankruptcy on March 1, 2011. It secured \$45 million in exit financing from Wells Fargo Bank, N.A. and Whippoorwill Associates, Inc. As part of the Plan, the Company received a \$25 million capital infusion through a rights offering to its Class A Noteholders that was backstopped by Isthmar World and Whippoorwill Associates, Inc. The restructuring eliminated all \$110 million of the Company's long-term bond debt, \$14 million in related annual interest, \$23 million in other cost reductions, and recapitalized the balance sheet through the exchange of notes for common stock. Loehmann's also announced that CEO Jerald Politzer has chosen to leave the company, replaced by COO and CFO Joe Melvin as interim CEO.

**Blockbuster:** Filed Chapter 11 in the U.S. Bankruptcy Court at the Southern District of New York on September 23, 2010. Creditors won approval to investigate the liens of senior noteholders and former board member Carl Icahn on November 23, 2010. U.S. Bankruptcy Court approved Blockbuster's motion for an extension to the exclusive period in which it can file and solicit votes on its plan of reorganization to March 21, 2011 and May 20, 2011 respectively. Entered into an asset purchase agreement with a 'stalking horse' bidder, Cobalt Video Holdco, LLC, a limited liability company formed by funds managed by Monarch Alternative Capital LP, Owl Creek Asset Management LP, Stonehill Capital Management LLC and Varde Partners, Inc., to sell substantially all assets of Blockbuster and its US and international subsidiaries to Cobalt for \$290 million. A final sale approval hearing is anticipated to take place shortly after the auction with the closing anticipated to occur no later than April 20, 2011. US Bankruptcy Court rejected Summit Distribution LLC's February 3rd motion seeking immediate payment of their claim (\$6.788 billion for past-due post-petition receivables and \$9.510 billion overall) or converting the case to Chapter 7 liquidation.

**Urban Brands Inc.:** Filed Chapter 11 on September 21, 2010 in Wilmington, DE. New Ashley Stewart LLC won the company's assets in an auction held on October 25, 2010.

**Oriental Trading Company:** Filed Chapter 11 on August 25, 2010 in Wilmington, DE. Completed its reorganization efforts and exited from bankruptcy on Feb 14, 2011 with a significantly improved capital structure and strong liquidity, having reduced its debt by nearly 70%.

**Gracious Home:** Filed Chapter 11 on August 13, 2010 in Manhattan, NY and was sold to American Retail Flagship Fund, LLC, effective December 3, 2010.

**Jennifer Convertibles Inc.:** Filed Chapter 11 on July 18, 2010 in Manhattan, NY. Emerged from bankruptcy on February 23, 2011.

**Controladora Comercial Mexicana, S.A.B. de C.V.:** Filed Chapter 15 on July 16, 2010 in the Southern District of New York and a Mexican Judge accepted their insolvency petition. They hope to finishing restructuring by the end of 2010.

**Riviera Holdings Corporation:** Filed Chapter 11 on July 12, 2010 in Las Vegas, NV. Filed its reorganization plan and emerged from bankruptcy on November 17, 2010.

**Planet Organic:** Sold its assets to creditor Catalyst Capital Group to wipe out \$31.1 M in debt. Deal closed on June 4, 2010.

**Gems TV:** Filed Chapter 11 on April 5, 2010 in Wilmington, DE and is liquidating its assets.

**Rock & Republic:** Filed Chapter 11 on April 1, 2010 in New York, NY. It plans to reorganize.

**BKV, Inc, d.b.a. Tellos:** Filed Chapter 11 on March 19, 2010 in Boston, MA. It plans to close three of its eight clothing stores.

**Swoozie's, Inc.:** Filed Chapter 11 in Atlanta, GA on March 2, 2010 and was purchased by Gart Capital Partners.

**Movie Gallery, Inc.:** Filed Chapter 11 in Virginia on February 2, 2010. It plans to close all of its stores.

**Southern Golf Partners:** Filed Chapter 11 on January 20, 2010 in Atlanta, GA.

**Bernie's Audio Video TV Appliance:** Filed Chapter 11 on January 14, 2010 in Hartford, CT and is liquidating.

**E.R.T. Sales of Hawaii:** Filed Chapter 11 on January 12, 2010 in Hawaii and plans to sell its assets to a new partnership called Retail Partners Hawaii. The court has yet to approve the sale.

**The Walking Co. Holdings:** Filed Chapter 11 on December 7, 2009 in California and filed a reorganization plan on February 2. It emerged from bankruptcy on April 28, 2010.

**Strauss Discount Auto:** Filed Chapter 11 on February 4, 2009 in Wilmington, DE. The court approved its reorganization plan.

**Penn Traffic Co.:** Filed Chapter 11 on November 18, 2009 in Wilmington, DE. It sold its 79 supermarkets to Tops Friendly Markets. Plan of Liquidation was approved by the court on October 27, 2010.

**Station Casino's:** Filed Chapter 11 on July 28, 2009 in Las Vegas, Nevada and is reorganizing.

**Bashas' Inc.:** Filed Chapter 11 on July 12, 2009 in the U.S. Bankruptcy Court in Phoenix, AZ and emerged from bankruptcy on August 28, 2010.

**Bi-Lo LLC:** Filed Chapter 11 in March 2009 and emerged with a reorganization plan on April 29, 2010. Sources close to negotiations say Bi-Lo is now up for sale.

**Gottschalks:** Filed for Chapter 11 in January 2009. Emerged from Chapter 11 Bankruptcy protection on March 1, 2011. The plan provides for payment in full of Administrative Claims, Priority Tax Claims, and GECC Prepetition Claims and leaves such claims unimpaired. The remaining Other Secured Claims, Trade Vendor Claims, General Unsecured Claims, and Interests and Securities Subordinated Claims are all impaired. Holders of Interests and Securities Subordinated Claims will receive nothing, and the existing stock and interests will be cancelled.

Company received a \$25 million capital infusion through a rights offering to its Class A Noteholders that was backstopped by Istithmar World and Whippoorwill Associates, Inc. The restructuring eliminated all \$110 million of the Company's long-term bond debt, \$14 million in related annual interest, \$23 million in other cost reductions, and recapitalized the balance sheet through the exchange of notes for common stock. Loehmann's also announced that CEO Jerald Politzer has chosen to leave the company, replaced by COO and CFO Joe Melvin as interim CEO.

### Gottschalks Emerges From Bankruptcy

Gottschalks' Amended Chapter 11 Plan of Liquidation became effective and the company emerged from Chapter 11 Bankruptcy protection on March 1, 2011. The plan provides for payment in full of Administrative Claims, Priority Tax Claims, and GECC Prepetition Claims and leaves such claims unimpaired. The remaining Other Secured Claims, Trade Vendor Claims, General Unsecured Claims, and Interests and Securities Subordinated Claims are all impaired. Holders of Interests and Securities Subordinated Claims will receive nothing, and the existing stock and interests will be cancelled.

### Dumoulin Files for Bankruptcy

Canadian electronics retailer Dumoulin filed for bankruptcy in Quebec Superior Court, blaming undisclosed US supplier of flat screen TVs for allegedly breaking a contract and selling to hotels direct, according to an article in the Montreal Gazette. The company will close off its US business affiliate, and refocus on its retail sales. It will also close six corporate stores running deficits, leaving 15 corporate stores and 89 stores owned by franchisees. The franchise stores will not go into bankruptcy protection.

### No Fear Files for Bankruptcy

No Fear Retail Stores, Inc. filed for bankruptcy protection on February 24, 2011. The company operates 41 stores in California, Arizona, Nevada, and four other states.

### Orchard Brands Global Settlement

Appleseed's Intermediate Holdings LLC and each of its domestic subsidiaries, which do business in the United States as Orchard Brands, announced it entered into a global settlement with each of its major creditor constituencies, paving the way for an expedited emergence from chapter 11. The reorganization will eliminate approximately \$420 million of indebtedness and improve the company's operational flexibility. Also, the US Bankruptcy Court approved two motions giving Appleseed's Intermediate Holdings LLC authority to enter into a \$140

## Executive Changes

### Sears Holdings

Lou D'Ambrosio  
*Elected CEO and President, succeeding W. Bruce Johnson*

Scott Freidheim  
*Appointed EVP, President - Kenmore, Craftsman & DieHard*

### The Children's Place Retail Stores, Inc

Susan Riley  
*Executive VP, Finance and Administration leaves company*

John Taylor  
*Assumes position of Interim Principal Financial Officer*

Bernard McCracken  
*Assumes the position of Interim Principal Accounting Officer*

### Home Depot

Trish Mueller  
*Appointed chief marketing officer, replacing Frank Bifulco*

### Talbots Inc

John Fiske  
*Resigned as Chief Stores Officer*

### Wal-Mart Stores Inc.

Cindy Davis  
*Appointed VP Global Consumer Insights*

### Nordstrom

Shauna Causey  
*Appointed head of Social Media and Strategy*

### Harry & David Holdings, Inc.

Kay Hong  
*Appointed Chief Restructuring Officer*

### Great Atlantic & Pacific Tea Co.

Marie Robinson  
*Appointed Senior VP of supply and logistics*

### Chico's FAS, Inc.

Kent A. Kleeberger  
*Appointed Executive VP - Chief Operating Officer, replacing Jeffrey A. Jones*

### Conn's, Inc.

Theodore M. Wright  
*Appointed interim CEO, replacing Timothy L. Frank*

### Dean Foods Co.

Joseph E. Scalzo  
*Leaves as President and COO, with Chairman and CEO Gregg Engles assuming responsibilities*

### Daffy's

Caryn Lerner  
*Appointed CEO, succeeding Marcia Wilson, who becomes chairman*

### Kroger Co.

Cindy Holmes  
*Appointed Director of Investor Relations*

Carin Fike  
*Appointed Director and Assistant Treasurer*

### Orchard Supply Hardware

Mark Baker  
*Appointed President and CEO*

million D.I.P. financing facility (\$100 million revolving loan and \$40 million term loan) and an \$80 million exit financing agreement (UBS Loan Finance LLC will provide \$30 million, Wells Fargo Bank will provide \$30 million, and Ally Commercial Finance LLC will provide \$20 million).

### Jennifer Convertibles Emerges from Bankruptcy

Jennifer Convertibles, Inc. emerged from bankruptcy on February 23, 2011. The company owns 72 stores and operates six licensed Ashley Furniture HomeStores.

### Rugged Bear Liquidation Sale

Rugged Bear Co. filed a motion asking the Bankruptcy Court to allow it to hold expedited going-out-of-business sales at all of its 29 stores. The Court scheduled a hearing for February 18, 2011.

### Borders Store Closing Sales

Under authority of the US Bankruptcy Court, store closing sales will begin on Saturday, February 19th at 200 Borders Group book stores out of 642 in 35 states and Puerto Rico. Over \$350 million of inventory including books, magazines, music and movie media, calendars, posters, and more will be liquidated. Inventory and store fixture liquidation is being managed by a joint venture composed of Hilco Merchant Resources LLC, Gordon Brothers Group, SB Capital Group LLC, and Tiger Capital Group.

### Fitch Downgrades Avon Products

Fitch Ratings downgraded its ratings on Avon Products, Inc., dropping Long-term Issuer Default Rating (IDR) to BBB+ from A- and dropping senior unsecured notes to BBB+ from A-. Falling sales from Brazil and China contributed to the downgrade.

## AC Moore's Strategic Options

A.C. Moore Arts & Crafts, Inc. announced that its Board of Directors is exploring strategic alternatives to enhance shareholder value including, but not limited to, a potential sale of the company, corporate financing, or capital raise. Janney Montgomery Scott LLC has been engaged to serve as the Company's financial advisor in this process. AC Moore also reported that it ended fiscal 2010 with more than \$35.0 million in cash.

## Inventory Control

ABI Research noted that Walmart, JC Penney, and Macy's are all installing item level UHF radio frequency identification (RFID) tags to allow workers to instantly look up whether an item - in a specific color and size, for example - is in stock or not. ABI predicted 750,000 RFIDs to be in use worldwide this year, with an average growth rate is close to 60% for the next three years. ABI noted that grocery stores that tagged all items could have a total waiting for customers as they enter the checkout aisles.

## From Runway To Closet

At NY Fashion Week, Perry Ellis' head designer John Cocco put 10 of his favorite menswear outfits up for sale via Facebook after the Feb 11 show, though you had to buy by Feb 15. The idea of putting their debut fashions up for sale immediately after showing them on the runway started last year, and an increasing number of apparel designers are following the trend. The goal is to tap into consumers desiring luxury fashion without making them wait months for items to appear at retail stores.

## Toys R Us' First Toys

Toys R Us showed off the first toys it invented and brought to life - wooden cars and play sets based on the Disney movie Cars - at the New York Toy Fair. This is the start of a trend by retailers to order products direct from overseas manufacturers to cut out the middlemen and differentiate their stores with exclusive, private-label merchandise. Back in June 2010, Toys R Us opened a sourcing office in Shenzhen,

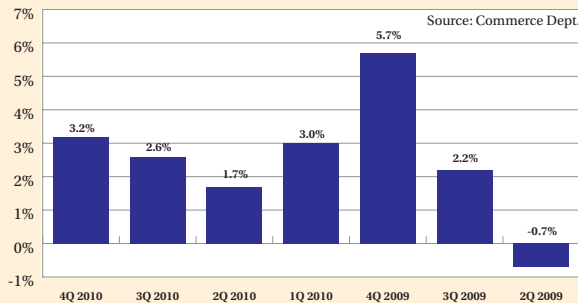
China, with a staff of about 100 people, allowing it to deal directly with factories in China and elsewhere as part of its initiative to develop its own apparel, sporting goods, furniture, and toys for its stores. In addition, the New York Post reported that Toys R Us, Inc. is considering \$800 million initial public offering in April, though a final decision has not been reached. Toys R Us had originally filed for an \$800 million IPO in May of 2010, but did not launch it.

## Best Buy 2012 Store Closings and Openings

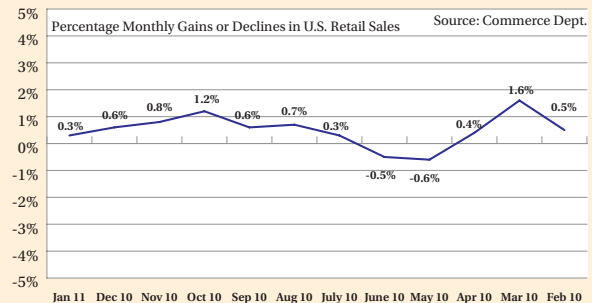
Best Buy Co., Inc. announced it would close its two branded stores in Turkey and nine branded stores in China as part of an effort to generate net savings of \$60 million to \$70 million by fiscal 2013, although it also noted plans to reopen two of the China stores at a later date. In addition, it announced plans to open 40 to 50 Five Star stores in growing markets in China in fiscal 2012, boosting the total number of Five Star stores to approximately 210 at the end

## Economic and Creditor Indicators

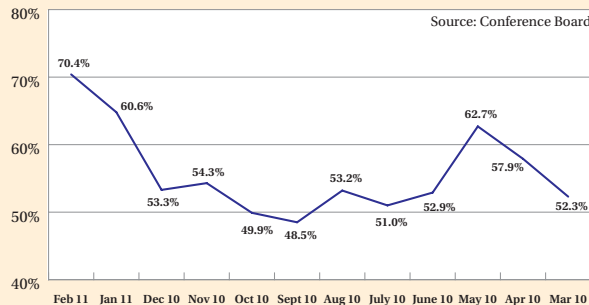
### Gross Domestic Product



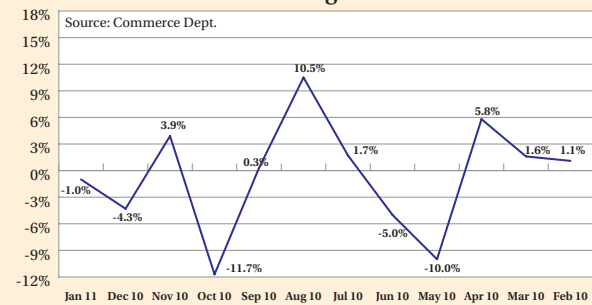
### Retail Sales



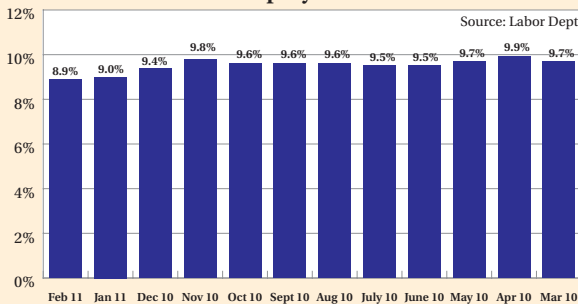
### Consumer Confidence Index



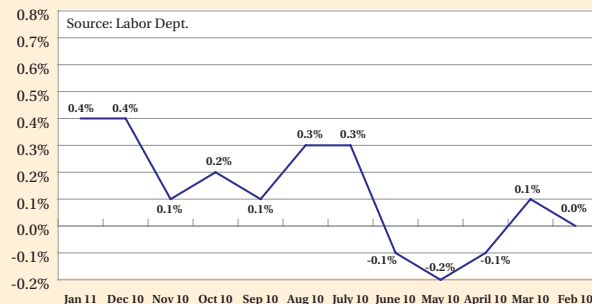
### Housing Starts



### Unemployment Rate



### Consumer Prices



of fiscal 2012. Best Buy also noted plans to open six to eight large-format stores in the US and approximately 18 Best Buy-branded large-format stores in Canada, United Kingdom, and Mexico during fiscal 2012.

### Gap 4th Quarter and Year

Gap, Inc. reported net earnings of \$365 million for the fourth quarter ended January 29, 2011, up from \$352 million for same quarter last year, on net sales of \$4.364 billion, up 4% from \$4.236 billion year ago. Comparable store sales were flat for the quarter. For the year ended January 29, 2011, the company reported net earnings of \$1.204 billion, up from \$1.102 billion year ago, on revenue of \$14.664 billion, up 3% from \$14.197 year earlier. Comparable store sales increased 1% for the year. The company opened 40 stores and closed 41 stores for the year, leaving it with 3,246 stores. For 2011, the company plans to continue remodeling Old Navy stores with the goal of having nearly 400 in the new format by end of the year, open 8 to 10 Athleta stores in North America, open about 75 new franchise stores, and open about 50 company-owned stores internationally – 10 to 15 stores in China, 8 to 10 stores in Italy, and 25 outlet stores. The Gap will also continue to expand its online presence in 2011.

In addition, the Gap Board of Directors approved an additional \$2 billion share repurchase authorization and a plan to increase the annual dividend per share by 13%, from \$0.40 in 2010 to \$0.45 for fiscal year 2011. During the fourth quarter of fiscal year 2010, the company repurchased about 28 million shares for \$598 million.

### JC Penney 4th Quarter and Year

JC Penney Company, Inc. reported net income of \$271 million for the fourth quarter ended January 29, 2011, up from \$200 million for same quarter last year, on net sales of \$5.703 billion, up 2.8% from \$5.550 billion year ago. Comparable store sales increased 4.5% for the quarter. For the year ended January 29, 2011, the company reported net income of \$389 million, up from \$251 million year ago, on revenue of \$17.759 billion, up 1.2% from \$17.556 year earlier. Comparable store sales increased 2.5% for the year. The company ended the year with 231 Sephora inside jcpenny boutiques, and announced plans to open 76 additional locations in 2011. By the end of 2011, MNG by Mango and Call it Spring will each be in approximately 500 jcpenny locations across the country.

## Industry & Economic News

### Rising Prices

Increasing commodity prices are squeezing margins, leaving retailers no choice but to raise prices. Cotton, for example, is flirting with \$2 a pound, up 31% from the beginning of the year, as emerging markets like China and India compete for commodities on the open market. Cotton accounts for about half the production costs for jeans. Analysts contend that clothing prices are expected to increase 10% to 20% over the next year, with the biggest increases coming in the second half of the year. Trade group Cotton Inc. notes nearly three-quarters of all garments sold in the US contain cotton, generating a financial incentive for the industry to try to limit its use.

Clothing makers are designing jeans with fewer embellishments, offering fewer color choices, and blending synthetic fabrics into the clothing to reduce costs. While rayon, polyester, and spandex helps clothing hold its shape, add softness, and resist wrinkling, too much can create a tell-tale shine – a no-no among status-conscious consumers – and wear out faster.

And it's not just clothing. Corn and grain are also expected to continue their rise. Wholesale prices for finished goods jumped 4%, indicating firms were under pressure. The Labor Department reported import prices jumped 1.5% in January, nearly double economists' expectations, as a result of increasing commodity prices. And that will translate into higher retail prices. For example, Supervalu is raising prices from 3% for items such as cereal to as much as 14% for cooking oil.

Retailers absorbed these type of costs last year out of fear that higher prices would drive away cost-conscious consumers, but this time, around, with consumer spending – which accounts for 70 percent of US economic activity – up at a 4.1% annual rate in the fourth quarter, the retailers are looking to pass the costs along. Retailers catering to low – and middle-income shoppers may have trouble passing along those costs.

And it's not just retailers. Online customers are going to feel the pinch. UPS contended with a 26% hike in fuel costs in 2010 and is raising its fuel surcharge from 5.5% to 6% for ground packages and from 9% to 10% for air service.

Gasoline prices are fluctuating as revolutionary unrest hits North Africa, Persian Gulf, and Middle East and fuels anxieties about interrupted oil supplies. News that Libya's leader, Moammar Gadhafi, counterattacked into the oil-rich eastern part of the country drove up oil prices to over \$104 per barrel (with Brent crude closer to \$120 per barrel), highest since fall of 2008. Higher gas prices often cause consumers to make fewer shopping trips and curtail purchases.

Barclays Capital raised its 2011 Consumer Price Index forecast from 1.8% to 2.3%, with a projection for core inflation rising from 1.1% to 1.3%.

### Zip Codes Are Out

The California state Supreme Court ruled that California retailers may no longer collect postal ZIP Codes from credit card customers, except under certain circumstances, such as at gas station pumps for security reasons, in transactions that involve shipping, and when a credit card is used as a deposit or for a cash advance. It noted that Zip Codes are to be considered personal identification information. Retailers may still ask consumers to show a driver's license for identification purposes but may not record any of the information on it. The ruling only affects California stores, but the idea – and potential lawsuits – may make the ban national. In the very least, retailers are going to have to be more clever in gathering personal information to use with data mining and marketing efforts.

### Operation Broken Hearted

U.S. Immigration and Customs Enforcement's Homeland Security Investigations carried out 'Operation Broken Hearted,' the fourth phase of 'Operation in Our Sites,' a sustained initiative aimed at combatting counterfeiting and piracy over the Internet. HSI served court orders seizing 18 domain names of websites selling counterfeit goods over the Internet and seized shipments of counterfeit items representing 14 name brands: Breitling, Burberry, Chanel, Coach, Dolce & Gabbana, Gucci, Louis Vuitton, Nike, Omega, Patek Philippe, Prada, Rolex, Tiffany & Co., and Timberland. Individuals attempting to access the websites will now find a banner notifying them that the domain name of that website has been seized by federal authorities. Efforts like this to stamp out counterfeit goods sold from abroad can only help the real manufacturers and the retailers that sell their products – in store or online.

### Retailing Goes Exclusive

According to a NY Times article, retailers are increasingly relying on exclusive brands of clothing, especially from celebrities, to push sales and differentiate them from other retailers. For example, the Miley Cyrus line is at Wal-Mart, Selena Gomez line at Kmart, Jennifer Lopez at Kohl's, Kardashian at Sears, Cindy Crawford at JC Penney, Madonna and Donald Trump at Macy's, and Martha Stewart's line of hardware, paint, and furniture at Home Depot. JC Penney gets almost 50% of sales from exclusives, while Kohl's gets 48%. Saks Fifth Avenue is low at 10%, but plans to raise the number of exclusives. In addition, exclusive lines can be immune from price slashing that cuts into profits – unless that once hot celebrity

runs cold. Even then, retailers can limit the discount damage and reduce prices at their own speed, rather than reacting to other retailers' moves.

## Before You Close Brick and Mortar Stores

The American Customer Satisfaction Index's annual E-Commerce Report, produced in partnership with ForeSee Results, showed that customer satisfaction with e-commerce websites dropped 2.6% to 79.3 on the ACSI's 100-point scale, its lowest score since 2004. Falling satisfaction with online retail pulled down aggregate satisfaction with the e-commerce sector overall, which also includes online brokerage and online travel.

Online retail dipped 3.6% to 80, as customer satisfaction with smaller e-retailers suffered a major drop. The "all others" category, which is an aggregate of smaller e-retailers and other companies not individually measured, plunged 6% to 78. But some of the most notable names in e-retail continue to dominate. Amazon (+1% to 87) and Netflix (-1% to 86) switched places at the top of the industry, and eBay gained 3% to 81. Amazon may have had smaller profits than predicted, but it grew its market share and is in position to continue to lead the industry in sales. Netflix may prove to be ahead of the online entertainment curve by offering less expensive streaming-only accounts. Its satisfaction barely slipped despite a shift in business strategy, which is an indication it is doing the right thing.

## Hot Spot: Chicago

Hhgregg, Inc. announced plans to open up to 20 stores and a distribution center in the Chicago area in the fall of 2011. The new store locations will include sites once occupied by Circuit City and may include former Linen's N Things, Wickes Furniture, and Borders stores. Hhgregg currently runs 174 stores.

Supervalu Inc. announced plans to open five Save-A-Lot discount grocery stores on the South Side of Chicago and as many as 30 stores in the Chicago area over the next three years. It also closed one Jewel-Osco store.

Aldi Inc. also opened a store this week in Harwood Heights, with at least four more to come to the Chicago area by year-end.

Wal-Mart said it plans to open its first Neighborhood Market store in Illinois, a smaller grocery concept store on the ground floor of a high-rise apartment building in Chicago's West Loop neighborhood, just as rival Target said it will debut its smaller urban concept in the city this year.

GFS Marketplace Stores, a bulk food store that serves the food service industry but also is open to individual shoppers without membership fees, will open two Chicago-area stores, in Schaumburg in March and in Niles in the fall.

## China's Private Source

The largest-ever Global Sources Private Sourcing Event was held in January in Shanghai. Representatives from 15 international buying companies, including JC Penney, Kmart Australia, Zara, Cencosud, Forever 21, Falabella, and E LeClerc, met 48 pre-screened Global Sources suppliers to source quality garment and apparel products from China. The export value of Chinese textiles and garments reached a record \$207 billion in 2010, up nearly 24% from year earlier.

## China BCT Adds Pharmacies

China BCT Pharmacy Group, Inc. announced plans to open 17 new retail pharmacies in Guangxi Province, China, by March 2011, followed by the launch of 10 more stores during the second quarter of 2011. The company currently operates 187 directly owned retail stores in Guangxi province.

## Wedding Bells of Gold

According to theknot.com's Real Weddings Survey of nearly 19,000 US couples married in 2010, the average cost of a wedding (excluding the honeymoon) was \$26,984, with New York City area as the most expensive at \$70,030 and Utah as the least expensive at \$13,214. The survey noted that nationwide, 12% of brides spend more than \$40,000 on their wedding event, and approximately 20% spend more than \$30,000 on their wedding event, not including the engagement ring (average price was \$5392) or honeymoon. The average cost of a wedding dress was \$1099, the number of guests averaged 141, the average amount spent per guest was \$194, and the most popular wedding color (of course) at 43% was white/ivory – although 21% chose purple.

Only 31% of brides said the economy affected their wedding budget – a decrease from 34% in 2009. However, when it does come to lowering the wedding budget, one successful cost-cutting tactic used by brides was to trim the number of wedding guests – 141 was the average in 2010, compared with 149 in 2009. On average, Nebraska and Iowa brides still have the largest number of wedding guests (213 and 200, respectively), while Hawaii and Nevada still have the smallest number of wedding guests (82 and 59, respectively). Hawaii has the most casual weddings, while Northern/Central New Jersey has the most formal (black-tie) weddings. The most popular wedding month is still June (15%).

## Smart Bricks: Customer Loyalty in a Connected Age

A retailer's view of technology often seems to come down to: you can't live without it, but sometimes you just want to beat it with a stick. For all the wealth of

information a retailer can put up on the web, the competition can too, and the more consumers get their hands on technology, the more they can use it to shop the best price. According to Nielsen, 28% of all cell phone users own a smartphone, and that is expected to increase to 50% by year's end. For all the glamour of GPS-centric tweets to drive foot traffic – Macy's is experimenting with location-based marketing to notify loyal customers of sales and promotions – the flip side is 'scan and scam' shopping, where consumers visit a store to examine an item, then surf other sites looking for the best price. There's nothing like turning your store into a showroom for web competitors to ruin your day.

In a December 2010 survey conducted for the National Retail Federation, 11% of shoppers said they used a smart phone for holiday shopping. Of those who did, 26% made a purchase, 34% read product reviews, and 60% browsed for gifts on their phones. Mobile price comparisons are only going to rise, not fall.

Best Buy already felt the heat from smartphones back on Black Friday 2010, when it delayed cutting prices and lost television sales to Wal-Mart and Target. As the holiday season progressed, it found consumers learned to wait for sales and if they were unwilling to wait, they would use their smartphones to comparison shop other stores and the web. It is shifting its discounting strategy from sales to a Wal-Mart-style 'everyday low prices' and reducing variety to focus on fast-selling merchandise, for example, cutting the number of television models from 140 to 100 by year's end, talking with suppliers about greater flexibility on pricing, and offering slower-selling models only on the web.

The good news is that a survey from Forrester Research Inc. found that 6% of consumers were interested in receiving location-based retail offers on their mobile phones and 4% were interested in receiving time-sensitive promotions such as daily specials.

Many retailers are discovering that if you can't beat technology, join it to your operations and create 'smart brick' stores that use all this technology to create customer loyalty. The more retailers engage customers, the better the shopping experience and the more likely customers will return.

UK supermarket chain Tesco is offering an app that enables customers to pinpoint the exact aisle and shelf location of products. Tracking customers who enter a store via mobile apps such as this one also can provide retailers with valuable insights into consumer behavior, which can in turn be data mined to appeal to them at a later date. Or, once you have a particular history, use messages offering immediate discounts or deals to target shoppers who typically leave

the store quickly or to customers who have a history of spending below the average sales total.

Many stores are experimenting with adding Apple iPads to allow sales clerks and shoppers to browse inventory that may not necessarily be on the shelves or sign on to Facebook and other social media sites to brag about their shopping experience.

According to a Chicago Tribune article, Nordstrom is testing the iPad at its bridal shops and special-occasion dress departments at several full-line stores to help customers search for dresses in colors and styles that aren't available in the store. JC Penney is rolling out iPads to 50 of its fine jewelry departments to offer shoppers access to ring styles, cuts, sizes, and metals not in the store and allow them to compare ring features side by side. British retailer Burberry is making iPads available in some stores to allow customers to view its London runway shows and place orders on the spot. Personalized gift retailer Things Remembered launched an iPad pilot project at 26 of its 600 stores letting shoppers scroll through thousands of messages and designs for engraving on photo frames, charms, and boxes. An upgraded version will be ready later this year so customers can view the completed design before they order. Other retailers are also investigating the idea of iPad shopping, but are waiting for cheaper versions of tablet computers from rivals like Hewlett-Packard, Motorola, and others – just as Apple released the iPad2.

According to a Forbes article, Best Buy is considering distributing Apple iPads to all its on-floor sales associates at 1100 stores across US to offer more interactive and informative shopping experience. Best Buy has a pilot program at 27 stores called 'Connected Store' in which sales associates were given several mobile devices to educate consumers and process purchases.

Other retailers are rolling out that coffee-shop staple, wi-fi, to their stores, despite the danger of promoting scan and scam shopping. Home Depot has wi-fi in about half of its stores and plans to have it rolled out to all stores by the end of this year. Nordstrom installed wi-fi in its 187 retail stores in 28 states, with a move to provide its employees with mobile devices by fall. The idea is to provide better customer service, for example, shoppers in dressing rooms would be able to text or call employees to get a different-sized clothing item, quantify consumer habits, such as knowing how long customers browsed the merchandise and when they left the store, and some data mining, such as compiling purchase data and sending thank-you messages for purchases, for visiting, or for future marketing.

According to the 15th annual Brand Keys Loyalty Index, 'delight' – an amorphous, zen-like cross between product innovation and

positive experience to their lifestyle – is now the critical brand differentiator and most important driver of customer engagement and loyalty. If pricing becomes a connected commodity, retailers need a different path to differentiating themselves from the competition. Consumers are increasingly defining value in terms of total experience rather than only price. This starts at the retail level, followed by delivery and post-purchase service.

For example, Macy's unveiled 'Macy's Backstage Pass,' a friendlier sounding name for a smartphone app that uses customized QR codes (otherwise known as Quick Response mobile 2D barcodes) that allow customers to access 30-second films showcasing Macy's celebrity designer partners – such as Bobbi Brown, Sean 'Diddy' Combs, Tommy Hilfiger, and Michael Kors – with the ability to access more content that will take them even further 'backstage' with each designer or brand. For smartphone-less consumers, Macy's will provide the videos via e-mail as well as through the company's Facebook page and YouTube channel.

Retailers that tap into this delight gain loyalty, which brings customers back for additional purchases, and engagement, which means customers relate their experience to others.

That latter point harkens back to the old adage that customers with a good experience will tell three people about it, but those with a bad experience will tell 33 people about it. In an era of social networking, you might have to change the adage by adding zeros to the numbers.

A survey of companies by SugarCRM, a commercial open source provider of customer relationship management (CRM) software, found that while 50% of respondents said social networks made them more successful in the last year, only 26% admitted to linking data from social networks to their CRM software – but 72% plan on doing so over the next year. The survey noted that LinkedIn was used by 42% of respondents, Facebook by 32%, and Twitter by 14%.

However, on the consumer side, a 2010 Shop.org survey noted that Facebook accounts for 12.3% of all time being spent online, up from 7.2% in 2009, and delivered more than 1 trillion display ads in 2010. Retail e-commerce hit \$142 billion in 2010, up 10% from 2009. Consumer electronics, computer hardware, books, and magazines were the fastest growing e-commerce categories in 2010. For those with long-term planning in mind, communication among younger audiences is shifting from web-based email to instant messaging, social networking and mobile, with the 12-17 year old age group spending 59% less time on web-based email.

This form of data mining can be used to create leads to targeted audiences, but there is a danger. Companies cannot just toss an advertising message into the social networking whirlpool. If customers feel they are only targets of corporate marketing campaigns, they can drop companies with the click of a mouse or press of a touch screen.

Ace Hardware offers a good example of maintaining that balance, having walked away with first-place ranking in customer satisfaction in the JD Powers and Associates surveys. Ace focuses on local area flavor, from joining local Chamber of Commerces to sponsoring little league teams, and also uses an analytics team for its Ace Rewards program that spotlights trends and offers targeted online responses, for example, specific thank-you e-mails, instead of generic nationwide spam.

Customer retention is no easy matter to master as the evolution of technology fragments normally routine shopping habits. Yet retailers chasing sales will find that more robust databases, data mining, targeted communications, and a flexible in-store shopping experience will go a long way toward helping retailers recapture the magic of customer loyalty.

## Mergers

### J Crew Merger Approved

J Crew Group, Inc. announced that stockholders voted to adopt the previously announced merger agreement with Chinos Holdings, Inc. and Chinos Acquisition Corp., affiliates of TPG Capital, L.P. and Leonard Green & Partners LP. Under the terms of the merger agreement, TPG Capital and Leonard Green & Partners will acquire all of the outstanding shares of common stock of J.Crew for \$43.50 per share in cash. The transaction is expected to close on or around March 7, 2011. Previously, the company announced the expiration of the 85-day 'go shop' period pursuant to the terms of the previously announced merger agreement dated as of November 23, 2010, as amended on January 18, 2011, between the Company and affiliates of TPG Capital, LP and Leonard Green & Partners, LP. Although J. Crew engaged in an active and extensive solicitation of 59 potentially interested parties, it did not receive any alternative acquisition proposals during the 'go shop' period.

### Brown Shoe Acquisition

Brown Shoe Company, Inc. acquired athletic footwear company American Sporting Goods Corp. for \$145 million in cash plus assumed net debt. This acquisition broadens Brown Shoe's reach by complementing its fitness and comfort offerings with global performance athletic brands.

## **Nordstrom Acquires HauteLook**

Nordstrom, Inc. entered into an agreement to acquire HauteLook, Inc., a leader in the online private sale marketplace, for \$180 million in Nordstrom stock with a portion subject to ongoing vesting requirements. In addition, the transaction includes a three-year earn-out of up to \$90 million in Nordstrom stock subject to company performance and vesting requirements for the existing management team. HauteLook will operate as an independent, wholly-owned subsidiary, be managed by its current leadership and the HauteLook brand and website will remain separate from Nordstrom. The transaction is expected to close in the first quarter of 2011. Nordstrom noted the acquisition will allow it to participate in the fast-growing private sale marketplace and provide a platform to increase innovation and speed in serving customers in all channels.

## **Smart & Final Merges With Henry's**

Smart & Final Stores LLC today announced an agreement to sell its Henry's Farmers Market subsidiary to Sprouts Farmers Market, with private equity firm Apollo Management LP as the majority owner of the combined Sprouts-Henry's company. Apollo will also remain the principal equity owner of Smart & Final. The sale is expected to be completed by the end of the first quarter 2011. The combined chain will operate under the Sprouts Farmers Market name and is projected to have more than \$1 billion in annual sales. The two currently operate 98 total stores, with 10 more openings planned for 2011.

## **Jo-Ann Vote For Merger**

Jo-Ann Stores, Inc. scheduled a Board of Directors special meeting for March 18, 2011 concerning a merger agreement between the company and an affiliate of Leonard Green & Partners LP after failing to receive any alternative acquisition proposals during its 'go shop' period.

## **Luxottica Acquires Stanza and High Tech**

Eyewear retailer Luxottica announced an agreement to acquire two Mexican sunglass retailers, Stanza and High Tech, for \$23 million. The chains will rebrand under the Sunglass Hut brand.

## **Weyco Group Acquires Bogs**

Weyco Group, Inc. acquired 100% of the outstanding shares of The Combs Company ('Bogs'), the owner of the BOGS and Rafters footwear brands for \$29.4 million in cash, assumed debt of approximately \$3.5 million, and contingent payments after two and five years, which are dependent on Bogs achieving certain performance measures.

## **Stocks**

### **Burlington Coat Seeks to Raise \$1.4 Billion**

Burlington Coat Factory Warehouse Corp. is seeking \$1.4 billion of new debt financing to reduce current debt and pay a distribution to its equity holders. It wants to repurchase or redeem 11.125% senior notes due in 2014 and 14.5% senior discount notes due in 2014 of its parent company, Burlington Coat Factory Investments Holdings Inc.

### **Perry Ellis' Preliminary 2011**

Perry Ellis International, Inc. reported preliminary results for fiscal 2011, ending January 29, 2011. The company expects full fiscal 2011 revenue to be approximately \$790 million, up from \$754 million from last year, with earnings per fully diluted share in the range of \$1.82 to \$1.85, an increase of 78% for the period, compared with fiscal 2010 adjusted fully diluted earnings per share of \$1.02. Fourth quarter earnings are expected to be in the range of \$0.66 - \$0.69 per share, compared to \$0.65 per share for the same period last year.

### **Tupperware Dividend**

Tupperware Brands Corp. announced that its board of directors declared the company's regular quarterly dividend of 30 cents per share, payable on April 6, 2011, to shareholders of record as of March 18, 2011.

### **Pier 1 Imports Pays Off Notes**

Pier 1 Imports, Inc. announced that all its outstanding 6.375% Convertible Senior Notes due 2036 have been surrendered and paid in full and are no longer outstanding. It paid the holders of the notes \$17.1 million, which included principal and accrued interest.

### **Body Central Stock Offering**

Body Central Corp. announced the closing of its secondary public offering of 5,703,764 shares of common stock. The offering was priced on Thursday, February 10th at \$16.50 per share.

### **Claire's Stores Debt**

Claire's Stores, Inc. issued \$450 Million of 8.875% Senior Secured Second Lien Notes Due 2019. The company used the net proceeds of the offering of the Notes to reduce outstanding indebtedness under the company's current credit facility.

### **HanesBrands Credit**

HanesBrands amended its senior secured credit facility, which includes the company's revolving credit facility, to reflect improved debt ratings. The amendment extended the credit facility's maturity two years until December 2015 and reduced the current interest rate on the company's revolver to

LIBOR plus 3.25%, down from LIBOR plus 4.5%. The lower rate was already reflected in the company's 2011 guidance on interest expense.

### **Rite Aid Rating and Loans**

Fitch Ratings has assigned 'BB-/RR1' ratings to Rite Aid Corp's \$343 million first lien term loans due February 2018. The Rating Outlook is Stable. Proceeds from the offering will be used to retire Rite Aid's \$343 million Tranche 3 Term Loan due June 4, 2014. The rating reflects Rite Aid's significant high leverage and limited capital for investment and operating statistics that significantly trail its two major competitors. The ratings also reflect Rite Aid's strong market share position as the third largest U.S. drug retailer and management's concerted efforts to improve the productivity of its store base and manage liquidity through working capital reductions and other cost cutting initiatives. The Stable Outlook reflects Fitch's expectations of credit metrics expected to be around current levels over the next three years and the successful refinancing of its credit facility and other debt over the last 12 months, pushing out significant debt maturities to 2014.

On March 3, 2011, Rite Aid successfully refinanced the approximately \$343 million Tranche 3 Term Loan due June 2014 under its senior secured credit facility with the proceeds of a new \$343 million Tranche 5 Term Loan due March 2018 under its senior secured credit facility. The new Tranche 5 Term Loan bears interest at a rate of LIBOR plus 3.25% with a 1.25% LIBOR floor, which is an improvement over the Tranche 3 Term Loan interest rate of LIBOR plus 3.00% with a 3.00% LIBOR floor. The Tranche 5 Term Loan has a seven-year maturity, although the maturity shall be December 1, 2014, in the event that Rite Aid does not repay or refinance its outstanding 8.625% senior notes due 2015 prior to that time, or September 16, 2015, in the event that Rite Aid does not repay or refinance its outstanding 9.375% senior notes due 2015 prior to that time. The Tranche 5 Term Loan is subject to a 1.0% prepayment fee in the event it is refinanced within the first year. All other terms of the Tranche 5 Term Loan are consistent with the terms of the Tranche 3 Term Loan.

### **Barnes & Noble Puts Cash into E-Books**

Barnes & Noble said it would suspend its quarterly dividend of 25 cents per share to preserve its dwindling cash and invest in its digital book strategy. It declined to give a sales forecast for the current quarter. The company said it had \$26.5 million in cash and cash equivalents on hand as of January 29, down from \$40.2 million a year earlier.

**Burlington Coat Notes Tendered**

Burlington Coat Factory Warehouse Corp. announced approximately \$218.288 million aggregate principal amount of the BCF 11.5% Senior Notes due 2014 and approximately \$99.309 million aggregate principal amount of the 14.5% Senior Notes due 2014 were validly tendered.

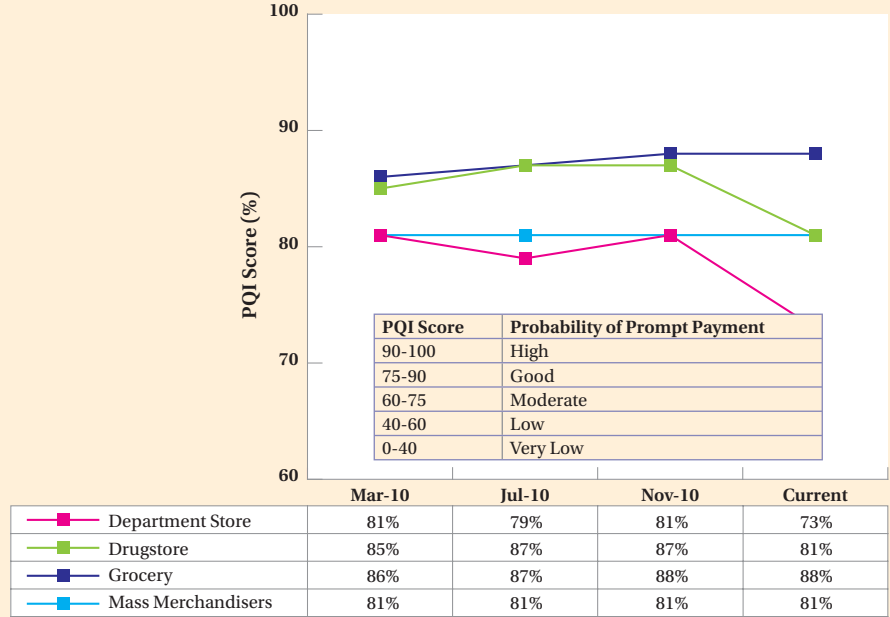
**Fred's Raises Dividend**

Fred's, Inc. increased its quarterly cash dividend 25% to \$0.05 per share from the previous rate of \$0.04 per share. The dividend is payable on March 15, 2011, to shareholders of record as of March 10, 2011.

**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**



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