

This Week's Top Stories in Retail

October 10, 2008

Wal-Mart, EPA Reach Settlement

Atlanta (October 9, 2008) The Environmental Protection Agency (EPA) and Wal-Mart Stores Inc. have reached a settlement over alleged violations of the Clean Air Act, which prohibits the sale or distribution of nonessential products containing ozone-depleting substances, according to the Associated Press.

Wal-Mart will pay \$199,000 in penalties under the settlement.

Nielsen: One-Third of U.S. Consumers to Cut Holiday Spending

Schaumburg, Ill. (October 9, 2008) More than one-third (35%) of U.S. consumers across all income levels said they are expecting to spend less this upcoming holiday season, according to The Nielsen Co. Only 6% said they expect to spend more and 50% of those surveyed expect to spend the same amount as last year's holiday shopping season.

The survey indicated that economic concerns are also putting a damper on holiday spending among high-income (\$100,000 plus) consumers, with nearly one-third (32%) of affluent shoppers planning on spending less this holiday season. Only 5% expect to spend more.

Customer Opens Fire at Tenn. Mall, Killing Worker

Knoxville, Tenn. (October 9, 2008) A customer opened fire in a crowded shopping mall Wednesday afternoon in Knoxville, Tenn., killing an employee of the Reno Menswear clothing store before he was shot and wounded by police officers, authorities said. Witnesses said the gunfire sent people "stampeding" for cover, according to the Associated Press.

The employee was shot multiple times around 4:20 p.m. after a confrontation with the man at Knoxville Center Mall, police spokesman Darrell DeBusk said. He died at the scene.

Pier 1 Woes Continue as Sales Fall

Fort Worth, Texas (October 9, 2008) Pier 1 Imports Inc. said Thursday same-store sales fell in September as traffic declined, and that it might not meet expectations in the second part of its fiscal year if sales don't pick up.

For the five-week period ended Oct. 4, same-store sales fell 11.7%, mainly due to an 8% decline in traffic in September.

Stronger Dollar Impacts TJX Sales

Framingham, Mass. (October 9, 2008) The TJX Cos. said Thursday that same-store sales fell 1% in September, missing analyst projections, hurt by a stronger dollar.

Analysts surveyed by Thomson Reuters, on average, expected same-store sales to rise 0.5%.

Walgreens Bows Out of Bid for Longs

New York City (October 9, 2008) Walgreen Co. said Wednesday that it had withdrawn its bid to acquire Longs Drug Stores. The move clears the way for CVS Caremark's \$2.8 billion deal to acquire Longs.

Walgreen chief executive Jeffrey Rein sent a letter to Longs' board in which he cited the board's unwillingness "to engage in a constructive dialogue" and the nation's worsening financial crisis as the reasons for the withdrawal.

The Buckle, Aeropostale Lead Specialty Apparel Retailers in September

New York City (October 9, 2008) The nation's specialty-apparel retailers reported dismal sales for September as the financial meltdown took its toll on shoppers. However, there were some notable exceptions to the trend. The Buckle Inc. on Thursday said September same-store sales rose 19.7%. For the five-week period ended Oct. 4, total sales rose 26% to \$72.8 million. In another bright spot, Aeropostale Inc. said its same-store sales rose 5% in September, ahead of Wall Street's expectations. Year-to-date, same-store sales rose 24.9% and total sales rose 32% to \$480.4 million.

Old Navy Drags Down Gap

San Francisco (October 9, 2008) Gap Inc. said Thursday that same-stores sales fell 11% in September, a wider gap than analysts expected, hurt by a 24% drop at the company's Old Navy chain.

Same-store sales fell 3% at Gap stores and 4% at Banana Republic. International same-store sales rose 3%.

Abercrombie's Same-Store Sales Slide 14%

New Albany, Ohio (October 9, 2008) Abercrombie & Fitch Co. said Thursday that its September same-store sales dropped 14%, more than quadruple the drop Wall Street expected.

The chain warned that earnings for the second half of its fiscal year will likely come in well below prior forecasts due to continued economic difficulties and declining consumer confidence. But Abercrombie chief executive and chairman Mike Jeffries said the business will continue to invest in international growth and avoid marking down merchandise.

Old Navy Names Ad Agency

New York City (October 8, 2008) Gap Inc.'s Old Navy brand has named Crispin Porter + Bogusky, Miami, as its advertising agency, according to brandweek.com. The agency is known for its quirky campaigns.

The first of the new ads will break in March. They will reportedly promote the brand's fun and value-driven aesthetic.

MUJI to Open New Format at JFK Airport

New York City (October 8, 2008) MUJI U.S.A. Ltd., the U.S. subsidiary of Japanese firm Ryohin Keikaku Co. Ltd., will debut a new format, MUJI to GO, on Oct. 22, in JetBlue Airways' new Terminal 5 at JFK International Airport, New York City.

The 596-sq.-ft. MUJI to GO is focused on travel and mobile accessories, and was first launched at the Hong Kong International Airport in March 2008. MUJI said it will consider expanding MUJI to GO to more locations in the future.

Report: Halloween Spending to Hit \$5.77 Billion

Washington D.C. (October 8, 2008) The spookiest holiday of the year may bring a bit of cheer to consumers and retailers. According to the National Retail Federation's (NRF) Halloween Consumer Intentions and Actions Survey, conducted by BIGresearch, more consumers plan to celebrate the holiday this year (64.5% vs. 58.7%). The survey found that the average person plans to spend \$66.54 on the holiday, up from \$64.82 one year ago. Total Halloween spending for 2008 is estimated to reach \$5.77 billion.

"Though the economy is struggling, Halloween sales may be a bright spot for retailers this fall," said Tracy Mullin, NRF President and CEO. "Consumers—who have been anxious and uncertain

for the past several months-may be looking at Halloween as an opportunity to forget the stresses of daily life and just have a little fun."

Report: Linens 'n Things Looking at Liquidation

New York City (October 8, 2008) Linens 'n Things chief restructuring officer Michael Gries on Tuesday asked permission of the bankruptcy court to auction the company's remaining 371 stores as early as Oct. 14, and begin going-out-of-business sales two days later on Oct. 16.

Bankruptcy Judge Christopher Sontchi scheduled a hearing on the matter for Friday, Oct. 10. The move comes after the chain's unsuccessful efforts to attract a buyer.

Safeway CEO Wins U.S. Department of Labor Award

Pleasanton, Calif. (October 8, 2008) The U.S. Department of Labor presented Safeway chairman, president and CEO Steve Burd with the department's 2008 SPIRIT Award for leadership in furthering employment and workplace opportunities for people with disabilities.

Safeway currently employs nearly 10,000 people with intellectual and physical disabilities including hearing and sight impairments.

Meijer Launches 'Grocery By The Case' Online Service

Grand Rapids, Mich. (October 8, 2008) Meijer shoppers can now add groceries to their carts when browsing its Web site.

A year after launching Meijer.com, the e-commerce site now offers grocery and dry-good items bought in bulk.

September Sales Reflect Struggling Economy

New York City (October 8, 2008) Wal-Mart Stores and warehouse clubs were the only bright spots in September as skittish shoppers increasingly cut back on non-essential purchases.

"This is not a significant comfort going into the holiday season," said Ken Perkins, president of research company RetailMetrics LLC, in an Associated Press report. "Everybody across the board is feeling it. Even discounters are going to have a tough go. Consumers are going to tighten their purse strings even more."

Netflix Updates Guidance

Los Gatos, Calif. (October 8, 2008) Netflix Inc. said Monday that it ended the third quarter with fewer subscribers than it had anticipated and that fourth-quarter subscribers will fall short of expectations as well.

"Net subscriber growth in July was in line with expectations but August was unusually weak", said CFO Barry McCarthy. "In September, the business regained momentum with results slightly below original expectations, likely due to the economic climate."

Court Confirms Goody's Reorganization Plan

Knoxville, Tenn. (October 8, 2008) Goody's Family Clothing announced that a U.S. judge approved its reorganization plan as a part of an effort to emerge the company from bankruptcy.

Goody's said it expects it will formally exit bankruptcy in 10 days.

Tim Hortons Signs Deal With Tops

New York City (October 7, 2008) Canadian coffee-and-doughnut chain Tim Hortons Inc. said Tuesday it will expand locations in the United States by opening units in stores operated by Tops Friendly Markets.

The agreement includes 82 Tops full-service supermarkets and Tops Express locations in Western and Central New York and Northwestern Pennsylvania. The stores will be paired with either a Tim Hortons full-service restaurant or a self-serve kiosk.

Haverty Furniture Posts 3Q Sales Decline

Atlanta (October 7, 2008) Haverty Furniture Cos. said Tuesday its third-quarter same-store sales fell 14.9% as the housing downturn continued to weigh on results.

Total sales for the quarter ended Sept. 30 fell 12.5% to \$175.6 million from \$200.7 million in the prior-year period. Sales for the first nine months of 2008 declined 8.6% to \$529.2 million from \$578.8 million, while same-store sales declined 11.3%.

Save Mart Confirms CFO

Modesto, Calif. (October 7, 2008) Save Mart Supermarkets confirmed the appointment of Stephen Ackerman as CFO. He had been acting CFO and VP of finance since May.

Save Mart operates nearly 250 stores in Northern California and Northern Nevada.

Cabela's Reduces Corporate Work Force

Sidney, Neb. (October 7, 2008) Cabela's Inc. said Tuesday it is cutting 10% of its staff at corporate headquarters in Sidney, Neb.

Two-thirds of the reductions will come from not filling open positions, and one-third will come from job cuts. Cabela's will offer severance payments and outplacement assistance to affected employees, though a spokesman declined to comment on a firm number.

Pep Boys Trims Divisions

Philadelphia (October 7, 2008) The Pep Boys-Manny, Moe & Jack announced Tuesday that it has decreased its number of divisions from eight to six. The cuts come under a new company structure.

The company said one divisional VP is now responsible for all aspects of service, retail and commercial operations in each of the six divisions.

Safeway 3Q Sales, Profits Rise

Pleasanton, Calif. (October 7, 2008) Safeway on Tuesday posted a rise in third-quarter sales and profits, which it attributed to increased gas sales and positive movement in its lifestyle-store format.

The chain reported a third-quarter profit increase of nearly 3.0% to \$199.7 million, from \$194.6 million last year.

Fred's Lowers Third-Quarter Outlook

Memphis, Tenn. (October 7, 2008) Fred's Inc., said its same-store sales rose 1.1% in September, but the retailer lowered its third-quarter profit outlook as consumer spending remains soft.

The company said for the five weeks ended Oct. 4, total sales rose to \$161.3 million from \$161.1 million in the prior-year period. Total sales year-to-date rose 4% to \$1.20 billion from \$1.16 billion. Same-store sales rose 3.1% through the first eight months of fiscal 2008, compared with a year ago.

Price Club Records September Sales Increase

San Diego (October 7, 2008) Warehouse-club operator PriceSmart announced Tuesday that its same-store sales for September rose 15.3%. Net sales climbed more than 19% to \$93.6 million from \$78.1 million.

PriceSmart had 25 warehouse clubs operating at the end of September, compared with 23 warehouse clubs at the same time last year.

Report: September Sales Down Across All Categories

(October 7, 2008) U.S. shoppers worried by the nation's worsening economic crisis cut back on spending across the board in September as the country's financial crisis worsened, MasterCard Advisors said in a report on Tuesday.

Not one spending category posted positive gains over last year, according to the report by SpendingPulse, the retail data service of MasterCard Advisors.

eBay to Cut 1,000 Jobs and Buy 'Bill Me Later'

San Jose, Calif. (October 7, 2008) eBay announced late Monday that it will lay off about 10% of its global workforce-or 1,000 full-time and several hundred temp workers. The company, which currently has about 16,000 workers, will also eliminate positions that have not yet been filled.

Simultaneously, the company announced it would spend more than \$1 billion on acquisitions intended to shore up the business.

Report: Dismal September Sales a Bad Omen for Holiday

New York City (October 6, 2008) The financial and retail communities are bracing themselves for more bad news on Wednesday when retailers will report their monthly sales for September. The expected dismal reports for a key month raise even more concerns for the holiday season and could mean even more stores closing amid deteriorating economic conditions, the Associated Press reported.

Burt P. Flickinger III, managing director of Strategic Research Group, said he now expects about 1,000 to 1,500 stores will close in the two months after Christmas, up from his original estimate of 200 to 300 stores, he told the AP. He now predicts retailers will shutter 5,000 to 10,000 stores from now until the end of 2010, up sharply from his earlier estimate of 1,500 to 2,500.

ShopperTrak: Mall Traffic Drops During Election Season

Chicago (October 6, 2008) The upcoming presidential election and recent financial crisis are keeping consumers at home rather than shopping at malls, according to ShopperTrak RCT, a provider of retail intelligence solutions and services. Although consumer confidence is shaken, ShopperTrak reported that declining mall traffic during an election year is somewhat expected.

An analysis of enclosed-mall shopper traffic patterns during the last three national elections indicates that shopping activity tends to lessen as Election Day approaches and shoppers focus on the election and its results.

Walgreen's Rein to Join J.C. Penney Board

Plano, Texas (October 6, 2008) The chairman and CEO of Walgreen Co., Jeffrey Rein, will join J.C. Penney Co. Inc.'s board of directors Dec. 9.

Rein will be the 12th member of the company's board.

Stage Stores Names President, COO of Peebles Division

Houston (October 6, 2008) Stage Stores, Inc. announced that Richard Maloney joined the

company as president and COO of its Peebles division. Maloney succeeds Dennis Abramczyk, who announced his intent to retire in January 2008.

Maloney has over 31 years of retail experience, while 15 of which were in senior executive roles. Prior to joining Stage Stores, Maloney spent five years as a business consultant, and seven years as president and CEO of the Meier and Frank division of The May Department Stores Co. (now part of Macy's).

Report: Forever 21 Bids for 150 Mervyns Locations

Los Angeles (October 6, 2008) Fast-fashion retailer Forever 21 Inc. submitted a bid to acquire approximately 150 Mervyns stores for an undisclosed sum, according to the Los Angeles Times.

The bid comes after Mervyns filed for Chapter 11 bankruptcy protection in July. The chain said it planned to shutter 26 of its 175 stores. Forever 21's offer is for the remaining locations, the report said.

Starbucks Extends Shifts for Employees

San Francisco (October 6, 2008) Starbucks Corp. has changed its scheduling system to allow fewer employees to work more hours, according to the Wall Street Journal.

The program aims to reduce its labor costs and improve sales by fostering familiarity between customers and a smaller group of employees, the report said. It is also a part of a broader plan to revive the company amid a slowdown in sales that has prompted the company to shut stores and curb its expansion, the report said.

Circuit City Cuts Back on Store Openings

Richmond, Va. (October 6, 2008) Circuit City Stores Inc. plans to scale back on the number of stores it will open by the end of its fiscal year in February, according to the Richmond Times-Dispatch.

In an earnings report for the quarter ending Aug. 31, Circuit City reported it had opened 29 stores so far this fiscal year and it expected to open as many as 26 more through early next year.

NRF: Financial Rescue Bill to Protect Main Street Jobs

Washington, D.C. (October 3, 2008) The National Retail Federation (NRF) applauded the House of Representatives vote to pass a financial bailout plan on Friday that it said could help protect jobs, in addition to stabilizing Wall Street and credit markets.

"Today the House has voted for a plan that will maintain the ability of American consumers and businesses to obtain the credit needed to keep our economic engine running and to pave the road to economic recovery," NRF senior VP for Government Relations Steve Pfister said.

"Retailers have worked diligently over the past several days to make sure members of the House and Senate fully understood the profound impact the lack of functioning credit markets would have on businesses and consumers across the nation."

New Best Buy Store Designed for Women

New York City (October 3, 2008) Best Buy will open a store Saturday in Aurora, Col., that was designed with women in mind, according to the Associated Press.

The store features skylights, floors carpeted in blue and earth tones, and wood paneling. Flat-screen televisions and appliances are displayed in home-like vignettes.

Marty's Shoes to Close All Stores

Secaucus, N.J. (October 3, 2008) Marty's Shoes plans to close all 47 of its stores and liquidate operations, according to New Jersey's The Record.

The discount chain filed for Chapter 11 bankruptcy last month after 34 years in business.

Best Buy Approved to Buy Napster

Richfield, Minn. (October 3, 2008) Best Buy has been given antitrust approval to buy digital-music service Napster, according to a Reuters report.

Napster and Best Buy intend to compete against Apple's dominant iTunes, which has more than 70% of the market.

Finish Line Names CEO

Indianapolis (October 3, 2008) The Finish Line Inc. has appointed Glenn S. Lyon as the company's next CEO following the planned retirement of Alan H. Cohen, effective Dec. 1.

Lyon, who currently serves as president, will also join the company's board. Cohen will remain chairman.

Family Dollar Profit Jumps

New York City (October 3, 2008) Family Dollar Stores reported strong fourth-quarter results, helped by shoppers who spent tax-rebate checks at the company and by closely controlling costs.

Net income rose to \$53.2 million for its fiscal fourth quarter, ended Aug 30, from \$37.8 million a year ago.