

## **This Week's Top Stories in Retail**

### **October 17, 2008**

#### **Steve & Barry's Names Former Macy's Exec as CEO**

**Port Washington, N.Y. (October 16, 2008)** Harold "Hal" Kahn has joined Steve & Barry's as CEO, effective immediately. Kahn spent 10 years as chairman and CEO of Macy's East until he left in 2004 to launch a retail consulting business. During his career, he was also CEO of Abraham & Straus, president of Montgomery Ward, and CEO of Macy's South and Macy's West. Investment fund Bay Harbour Management and York Capital Management purchased Steve & Barry's out of bankruptcy this summer. The two firms expect the appointment to help the company meet profitability goals and fuel future growth.

#### **Circuit City Unveils Universal Pricing Across its Channels**

**Richmond, Va. (October 16, 2008)** In a move to improve the customer shopping experience and build traffic for the holiday shopping season, Circuit City announced Wednesday its new "One Price Promise," a program that will present shoppers with the same price on merchandise, regardless of the channel it is purchased from. The program is also Circuit City's way of assuring its shoppers there will be no "hidden deals" for consumers partial to a particular channel.

#### **NRF Report: Shoppers to Increase Holiday Spending, but Still Lagging**

**Washington D.C. (October 16, 2008)** Shoppers may be on a budget, but they do plan to spend 1.9% more than last year, according to a study from the National Retail Federation (NRF). But retailers shouldn't rejoice just yet: This is the lowest increase planned for consumer spending since the association began conducting the survey in 2002. U.S. consumers plan to spend an average of \$832.36 on holiday purchases, a slight increase from \$816.69 last year, according to the NRF's 2008 Holiday Consumer Intentions and Actions Study, conducted by BIGresearch.

#### **Best Buy Hiring Fewer Holiday Workers**

**Minneapolis (October 16, 2008)** Best Buy Inc. plans to cut back on hiring seasonal workers this year in light of the bleak economy. The company said it anticipates hiring 16,000 to 20,000 employees for this holiday season, compared with the roughly 26,000 employees it hired for the season last year.

#### **Ann Taylor Names New Execs**

**New York City (October 16, 2008)** Ann Taylor Stores has added two executives to join its Ann Taylor Stores Division team. Lisa Axelson has been named senior VP of design, and Mary Kay O'Connor-Wente has been named senior VP, director of stores.

#### **Nike Sues Wal-Mart, Alleges Patent Infringement**

**New York City (October 16, 2008)** Nike has sued Wal-Mart Stores, claiming the discount retailer is selling athletic shoes that infringe on its design patents, according to a Reuters report. Nike claims Wal-Mart is selling shoes that infringe on its Shox line, which is designed with what looks like springs in the heels.

### **Rocky Mountain Chocolate and Cold Stone Creamery Try Co-Branding**

**Denver (October 16, 2008)** Rocky Mountain Chocolate Factory and Cold Stone Creamery entered a tentative co-branding agreement to determine if their products will complement each other, the companies announced Wednesday. The two companies have 90 days to decide if they want to pursue a definitive agreement.

### **Liquidation Date Set for Linens 'n Things**

**New York City (October 16, 2008)** The remaining 371 Linens 'n Things stores will begin closing their doors on Oct. 17. In conjunction with the closings, the stores will be selling off items at up to 30% off their regular price. The store closing sale is being conducted by a joint-venture group comprised of Hilco Merchant Resources, Gordon Brothers Group, Hudson Capital, SB Capital Group LLC, Great American Group LLC and Tiger/Nassi Group. "It's a straight going-out-of-business liquidation sale," James Schaye, president and chief executive of Hudson Capital Partners, said in an Associated Press report, one of the members of the investment group buying the company's assets.

### **Sam's Club to Offer \$10 Membership**

**Bentonville, Ark. (October 16, 2008)** For the first time in its history, Sam's Club, a division of Wal-Mart Stores, is offering a \$10 membership, good for 10 weeks, for those who are not currently members. The warehouse-club retailer will hold two weekend events Oct. 17 to Oct. 19 and Oct. 24 to Oct. 26 for consumers to sign up for this membership during regular club hours.

### **FAO Schwarz to Open in Macy's**

**Denver (October 15, 2008)** FAO Schwarz plans to open four in-shop stores within Macy's stores in Colorado by the end of October. Two of the stores will be in Denver (in Macy's downtown store, and in its location at the Cherry Creek Shopping Center). The other two will be in the Colorado Springs area. FAO Schwarz earlier this year announced plans to open toy stores in close to 700 Macy's during the next two years.

### **Piggly Wiggly Makes Job Cuts**

**Charleston, S.C. (October 15, 2008)** Piggly Wiggly laid off about 26 employees at its corporate offices and two warehouses due to the economic downturn, according to the The Post and Courier of Charleston. The move last week followed the layoff of 17 mechanics after Piggly Wiggly Carolina Co. sold its truck fleet to Ryder Systems about two months ago. The newspaper reported 10 of those workers took other jobs with the chain or Ryder.

### **Wal-Mart to Open Pop-Up in New York City**

**New York City (October 15, 2008)** To celebrate the launch of AC/DC's new album, "Black Ice," Wal-Mart Stores will open a temporary store at the Times Square MTV Store in New York City on Oct. 18. In addition to being the exclusive retailer of the "Black Ice" album, Wal-Mart will also be the sole retailer of the AC/DC Live: Rock Band Track Pack video game.

### **Supervalu 2Q Profit Falls 14%**

**Portland, Ore. (October 15, 2008)** Supervalu Inc. reported that its profit for its second quarter ended Sept. 6, fell 14% to \$128 million. While Supervalu said it has not seen traffic drop, sales rose less than 1% to \$10.23 billion from \$10.16 billion. The company reported a 1.3% drop in same-store sales.

## **Report: Path to Economic Recovery Must Address Broadband Challenges**

**Miami (October 15, 2008)** State, local and national leaders must focus more attention on the consumer side of America's broadband challenge, according to a report by Connected Nation. The report coincides with a summit being held this week in Miami, called "Digital Pathways to U.S. Economic Recovery and Prosperity," which is drawing the attention of some of the nation's leaders to discuss the topic.

## **Burlington Coat Factory Cuts Loss in 1Q**

**Burlington, N.J. (October 15, 2008)** Burlington Coat Factory reported that net sales for the first quarter ended Aug. 30 were \$707 million, compared with \$678.8 million for the comparative period ended Sept. 1, 2007, a 4.2 % increase. Same-store sales increased 0.2% for the quarter. The company recorded a net loss of \$32.5 million for the quarter compared with a net loss of \$50.4 million for the same period last year.

## **Toys"R"Us Launches Rewards Program**

**Wayne, N.J. (October 15, 2008)** Toys"R"Us has launched of a new loyalty membership program, Rewards"R"Us. Customers can sign up for the complimentary program at any Toys"R"Us or Babies"R"Us store nationwide or online.

## **Retail Sales Drop to 3-Year Low in September**

**Washington D.C. (October 15, 2008)** U.S. retail sales slumped 1.2% in September, marking the steepest drop in sales in three years, according to the U.S. Commerce Department report. Retail sales have now fallen for three consecutive months, the first time that has occurred on government records that go back to 1992. A major factor in the decline was weak auto sales, which plunged 8.4% year-over-year and 3.75% in the month.

## **Best Buy Co. to Test Mall-Based Mobile Stores**

**Minneapolis (October 15, 2008)** Best Buy Co. Wednesday announced it is launching stand-alone stores dedicated to mobile technology in malls. The format, called Best Buy Mobile, is designed to help customers navigate the wireless landscape by offering a full range of mobile devices including phones, laptops, and other handhelds, service plans and accessories, as well as teaching customers how the devices work together.

"The new Best Buy Mobile stores are based on one simple idea: Technology is better when it works together," said Shawn Score, president of Best Buy Mobile. "Today, life happens on the go. On good days, technology helps. On bad days, the gadgets don't work. This store is designed to help people get more from their mobile life."

## **J.C. Penney Launches Trendy Apparel Line**

**Plano, Texas (October 14, 2008)** J.C. Penney announced Tuesday it would launch a trendy line of women's sportswear created by Allen B. Schwartz, whose A.B.S. line is sold at upscale department stores such as Bloomingdale's.

The new line, called ALLEN B., will be priced moderately by high-end department store standards but will be on the upper end of J.C. Penney's traditional merchandising. In related news, J.C. Penney announced last week that a clothing line by fashion designer Charlotte Ronson will also debut in the spring of 2009.

## **Spartan Stores Buys 17 Stores from VG's**

**Grand Rapids, Mich. (October 14, 2008)** Spartan Stores Inc., a grocery distributor that also owns supermarkets, said Monday it has agreed to acquire 17 grocery stores, including 15 pharmacies, from VG's Food Center Inc. and VG's Pharmacy Inc.

VG's, a privately held Fenton, Mich.-based grocer, is Spartan Stores' largest distribution

customer.

### **A&P Reports Fiscal Results**

**Montvale, N.J. (October 14, 2008)** The Great Atlantic & Pacific Tea Co. announced Tuesday that second-quarter sales were \$2.2 billion vs. \$1.3 billion for the same period in 2007. Same-store sales, excluding Pathmark stores that were acquired in December 2007, increased 2.8%. However, same-store sales at the Pathmark stores were also up a comparable 2.9% over the same period.

Year-to-date performance was even stronger, same-store sales for both A&P and Pathmark stores rose 3.0% and total sales for the 28-week period were \$5.1 billion vs. \$3.0 billion in 2007.

### **KB Toys Opening 30 Stores**

**Pittsfield, Mass. (October 14, 2008)** KB Toys announced it will open 30 new stores in select malls and shopping centers throughout the country in time for holiday shopping. Each of the stores will carry a full selection of merchandise in keeping with the traditional KB stores. The first store will open on Wednesday at Natick Mall in Natick, Mass. With the opening of the 30 stores, KB Toys will have nearly 500 stores located across the United States and in Guam and Puerto Rico.

### **Study: Retailers Spending Less on Cyber Security**

**Chicago (October 14, 2008)** In an annual study performed by BDO Seidman, Chicago, and released on Tuesday, 44% of retail CFOs stated they have increased investment in cyber security, down from 61% in last year's survey. Similarly, only 25% of the CFOs, compared to 32% in 2007, said their company had increased the level of human and financial resources allocated to risk management associated with vendors or suppliers.

"When considering cyber security, many have invested heavily in deterring data breaches over the past two years and, consequently, most retailers are more confident in their protective measures this year," BDO partner Ted Vaughan, stated.

### **Survey: Web Ranks as Preferred Holiday Shopping Channel**

**Chicago/Cambridge, Mass. (October 14, 2008)** Results from the third-annual survey of multichannel shopping preferences indicate that, for the first time, more people plan to do their shopping online this holiday season than in stores.

Forty-nine percent of consumers surveyed preferred the Web and 44% indicated they plan to shop at bricks-and-mortar locations.

### **Foot Locker Sued Over Gift-Card Policy**

**Newark, N.J. (October 14, 2008)** The Associated Press reported Monday that a class-action lawsuit was filed against Foot Locker for use of dormancy fees on gift cards.

A dormancy fee is when the retailer charges the consumer a nominal fee over a period of time when the card is not used. According to the AP report, this is contrary to a 2006 New Jersey state law.

### **Retail Stocks Respond on Wall Street**

**New York City (October 14, 2008)** Markets surged on Monday, with the Dow closing up 11%; the S&P 500 up 11.5% and NASDAQ up 11.8%. Retail stocks rallied in kind.

Eight of the 10 largest retail companies showed impressive gains. Lowe's Cos. rose 11.73%; Costco and Target Corp. both jumped more than 10%. The Home Depot was close behind with a 9.92% gain and Safeway showed an 8.27% increase. Kroger climbed 6.69%; Wal-Mart Stores was up 6.51%; and Walgreen Co. rose 5.9%. CVS/Caremark had a more modest 2.66% increase.

### **Liquidation Sales to Begin at Linens 'n Things**

**New York City (October 14, 2008)** Linens 'n Things is expected to start liquidation sales at its 371 remaining stores as early as Thursday after the home-goods retailer failed to find a buyer that will operate the company as a going concern, Reuters reported.

A group of liquidators, including Gordon Brothers Retail Partners and Hilco Merchant Resources, had made a preliminary offer for Linens 'n Things and the bankruptcy court had planned to hold an auction for other interested bidders on Tuesday. But no buyers submitted a qualified bid and the auction was canceled, according to court documents filed late on Monday.

### **Sales Sink at MarineMax**

**Clearwater, Fla. (October 14, 2008)** Recreational boat retailer MarineMax announced Tuesday that the company anticipated fourth-quarter revenue would fall to approximately \$165 million, vs. \$318 million in the year-ago period. Same-store sales were down 45% in the quarter that ended Sept. 30.

In addition to the devastating economic conditions and multiple hurricanes throughout August and September, the poor performance was also affected by the closing of seven stores. Currently MarineMax operates 80 stores in 22 states.

### **Supervalu Reports Second-Quarter Results**

**Minneapolis (October 14, 2008)** Net sales remained flat during the second quarter at Supervalu, coming in at \$10.2 billion this fiscal year identical to last year as net earnings fell to \$128 million from \$148 million.

Year-to-date sales and earnings were slightly more positive: \$23.6 billion in net sales this year vs. \$23.5 billion last year and \$290 million in earnings vs. \$296 million last year. However, in the company's prepared release, Jeff Noddle, SUPERVALU chairman and chief executive officer, predicted, "Our cash flows will provide for more than \$1 billion in capital spending and debt reductions of at least \$400 million this year."

### **Filippa K Coming to America**

**San Francisco (October 13, 2008)** The Wall Street Journal reported Monday that Swedish apparel retailer Filippa K will open its first U.S. store in San Francisco next month. A second store is slated to open in Los Angeles in 2009.

The European brand is currently sold in select upscale retail stores in the United States. There are 41 Filippa K stores around the world.

### **Family Dollar Announces VP Promotions**

**Matthews, N.C. (October 13, 2008)** Family Dollar Stores announced that Marilyn M. Morse has been promoted to the position of VP, facilities management, and Mtu W. Pugh to the position of VP, business development.

Morse joined Family Dollar in 2006 as divisional VP, store maintenance, with responsibility for the company's store maintenance and energy-management programs. Pugh joined Family Dollar in 2006 as divisional VP, strategy and business development.

### **The Pantry Names VP, Food Service**

**Sanford, N.C. (October 13, 2008)** The Pantry has appointed Brandon Frampton, VP of food service. Frampton will oversee the company's Quick Service Restaurants operation, which consists of 239 company-operated restaurants that include 105 Subway locations. He will also oversee the expansion of the company's convenience store food-service offerings.

Frampton joined The Pantry from Pilot Travel Centers LLC, where he managed multiple concepts, including Subway, Dairy Queen, Wendy's, Arby's, Taco Bell and KFC. Most recently, Brandon was the national restaurant operations manager.

### **Charming Shoppes Makes Executive Appointments**

**Bensalem, Pa. (October 13, 2008)** Charming Shoppes announced that Carol L. Williams

has been appointed president of the company's Catherines Plus Sizes brand, and Jeffrey A. Elliott has been appointed president of Charming Outlets. Both appointments are effective immediately.

### **Mothers Work to Expand in Middle East**

**Philadelphia (October 13, 2008)** Mothers Work announced Monday it plans to expand into six key markets in the Middle East.

The company entered into its first international franchise agreement with Multi Trend, a member of the Al-Homaizi Group, to introduce its Destination Maternity, Motherhood Maternity, A Pea in the Pod, and Edamame The Maternity Spa brands into the Middle East. The multi-year agreement includes the following markets: the United Arab Emirates, Saudi Arabia, Kuwait, Qatar, Bahrain and Oman.

### **Firm Predicts Holiday Sales to Rise at Slower Pace Than Inflation**

**(October 13, 2008)** Holiday retail sales will increase 0.5% to 1.0%, which, lagging the core inflation rate of 2.6%, represents a significant contraction in real terms, according to Archstone Consulting.

"Our research and modeling shows that retailers and manufacturers are bracing for the toughest holiday sales period since 2001, and perhaps since the 'Volcker recession' of 1981," stated Todd Lavieri, president and CEO of Archstone Consulting, Stamford, Conn. "Our retail and manufacturing clients are seeing almost an aversion to consumption. Even incremental drivers of holiday spending, like the wave of foreign buyers that we have seen over the past four years driven by a weak U.S. dollar, won't be there this year."

### **Charming Shoppes Cuts 3Q Outlook**

**Bensalem, Pa. (October 13, 2008)** Charming Shoppes Inc. lowered its outlook for the fiscal third quarter due to weak sales amid a difficult retail environment.

Charming Shoppes predicted third-quarter sales of \$535 million to \$545 million, down from previous guidance of \$560 million to \$570 million. Analysts expect revenue of \$561.1 million.

### **Starbucks to Offer Loyalty Card**

**New York City (October 13, 2008)** Starbucks is launching a Gold Card for its best customers that offers them 10% off most purchases, USA Today reported. It will be available nationwide Nov. 4. The loyalty card, which Starbucks tested in Denver and Vancouver, will cost \$25. Several thousand free cards have already been mailed to the chain's best customers, according to the report.

In other moves, Starbucks has launched a tie-in with Costco, offering five, \$20 Starbucks gift cards for \$80, the report said, and it is pricing many holiday gifts lower this year than in 2007.

### **Sears Holdings Names CFO Successor**

**Hoffman Estates, Ill. (October 13, 2008)** Sears Holdings Corp. announced that Michael D. Collins joined the company as senior VP, finance. Collins will succeed J. Miles Reidy as Sears Holdings' CFO prior to the end of the 2008 fiscal year. Reidy, who intends to step down later in the year as the company's CFO in order to attend to a family issue, will work with Collins to facilitate an orderly transition.

Collins most recently was the senior VP, planning and analysis, at General Electric Corp.'s NBC Universal Division.

### **Report: Retailers Cut Back on Holiday Help**

**Milwaukee, Wis. (October 13, 2008)** People looking for temporary jobs during the holidays are facing the tightest market in 17 years, according to the Milwaukee Business Journal.

The report cited a survey by employment agency Manpower Inc. of wholesale and retail employers which showed that 13% expected to hire fewer people in the fourth quarter.

### **Filene's Basement Debuts in South**

**Aventura, Fla. (October 10, 2008)** Filene's Basement will debut in South Florida next week. The location in Aventura, Fla. will occupy 40,000 sq. ft. on two floors in a former Carle's Furniture location.

### **Target to Open 45 Stores on Sunday**

**Minneapolis (October 10, 2008)** Target is gearing up for the opening of 45 stores on Sunday, including the debut of two new prototype stores in Minnesota and the company's first two stores in Alaska, according to The Minneapolis/St. Paul Business Journal. Target will debut its first new general-merchandise prototype in Waconia, Minn. Meanwhile, a new store in Otsego, Minn., features the company's new SuperTarget prototype.

### **Former Duane Reade Execs Charged With Fraud**

**New York City (October 10, 2008)** The Securities and Exchange Commission charged two former senior executives at drug store chain Duane Reade with fraud for allegedly orchestrating multimillion-dollar accounting schemes that caused the company to inflate its reported earnings and overstate its net income.

The U.S. Attorney for the Southern District alleges that former CEO Anthony Cuti also provided false information during negotiations over the purchase of previously public Duane Reade by private-equity firm Oak Hill Capital Partners in 2004.

### **CEO Out at Walgreens**

**Deerfield, Ill. (October 10, 2008)** In a surprising announcement, Walgreen Co. Friday said that Jeffrey A. Rein, 56, is retiring as chairman, CEO and a director, effective immediately. Alan G. McNally, 62, lead director of the Walgreens Board, has been named chairman and acting chief executive. McNally previously served as chairman and CEO of Harris Bankcorp and has been a member of the Walgreens Board since 1999.

"We would like to thank Jeff Rein for his many outstanding contributions to Walgreens over the past 26 years and respect his decision to retire," said McNally. "We are confident that our core retail and pharmacy business and growing health and wellness initiatives will drive continued growth and value creation for shareholders."

### **HHGregg Expands in Fla.**

**Indianapolis (October 10, 2008)** Appliance and electronics retailer HHGregg opened two stores in Central Florida on Wednesday.

HHGregg's newest locations in Kissimmee and west Orlando join another four local stores-two in Orlando, one in Sanford and another in Daytona Beach-which debuted earlier this year.

HHGregg has opened 11 stores in the state since the end of March.

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